

DATE IN 1/16/07	SUSPENSE	ENGINEER BROOKS	LOGGED IN 1/16/07	TYPE NSL	APP NO. PTDS0701646701
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



Parallel Petroleum  
Juke Box 1921-10 Fed #1  
5550

### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

[D] Other: Specify \_\_\_\_\_

2007 JUN 16 AM 10 03

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds-Dry Ocean Munds-Dry Attorney 1-15-07  
 Print or Type Name Signature Title Date  
 omundsdry@hollandhart.com  
 e-mail Address

January 15, 2007

**HAND DELIVERY**

Mr. Mark Fesmire, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

# 1 30-015-35026  
# 14 30-015-35347

Re: Application of Parallel Petroleum Corporation, for administrative approval of an unorthodox well location for its Juke Box 1921-10 Federal Well No. 1 to be completed in the Wolfcamp formation at a surface location 450 feet from the South line and 760 feet from the East line and an unorthodox bottomhole location of 659 feet from the South line and 1285 feet from the West line of Section 10, Township 19 South, Range 21 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Fesmire:

Parallel Petroleum Corporation, ("Parallel") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) for an unorthodox well location in the Wolfcamp formation for its Jukebox 1921-10 Federal Well No. 1 located at a surface location 450 feet from the South line and 760 feet from the East line and 659 feet from the South line and 1285 feet from the West line of Section 10, Township 19 South, Range 21 East, N.M.P.M., Eddy County, New Mexico.

This proposed location in the Wolfcamp formation is unorthodox because it is governed by Statewide Rules which provide for all of the directional wellbore to be located within the producing area. As noted in the attached letter from Mr. Durham of Parallel, the bottomhole location is non-standard by 1 foot to the south. **See Exhibit A.** The bottomhole location was originally targeted at a standard location but when the well reached total depth, it was discovered that the bottomhole location had deviated from what was proposed. The penetration point in the Wolfcamp is orthodox. A standard



320-acre spacing unit and proration unit comprised of the south-half of Section 10 will be dedicated to the well.

**Exhibit B** is a plat that shows the subject area and the 320-acre spacing unit comprised of the south-half of Section 10 and the existing unorthodox well location.

**Exhibit C** is the revised C-102 filed for the well that shows the surveyed location of the well.

**Exhibit D** is the list of affected parties as defined by Rule 1210. Although Parallel operates the spacing unit to the south, not all working interest owners are common.

**Exhibit E** is the letter sent to the affected parties with the return signatures agreeing to waive objection to the location. Therefore, no additional notice is required.

Upon discovering the actual well path, Parallel immediately shut in this well. However, the well is a very good producer. **Therefore, Parallel requests your expedited consideration of this application so that it may return the well to production as soon as possible.**

Your attention to this application is appreciated.

Very truly yours,

Ocean Munds-Dry

ATTORNEY FOR PARALLEL PETROLEUM  
CORPORATION

Enclosures

cc: Mike Gray  
Parallel Petroleum Corp.  
Oil Conservation Division - Hobbs/Artesia



**PARALLEL**  
Petroleum Corporation

1004 N. Big Spring Street, Suite 400 • Midland, TX 79701 • Ph: 915-684-3727 • Fax: 915-685-8580

DEANE DURHAM  
Operations Engineer

January 10, 2007

Mr. Richard Ezeanyim  
New Mexico Oil Conservation Division  
1220 S. St. Francis  
Santa Fe, NM 87505

Re: Juke Box 1921-10 Federal #1Y  
Parallel Petroleum Corporation  
Sec. 10, T-19-S, R-21-E  
Eddy County, New Mexico

Dear Mr. Ezeanyim:

The referenced well reached total depth on 11/25/06 at a measured depth of 7406'. The horizontal well path was planned and permitted to reach total depth at approximately 7962' measured depth or 715' FSL and 660' FWL of section 10, however, due to an uncontrollable walk to the south, the drilling was stopped short. We used steerable directional tools in the well and the last 106' was drilled in steering mode at a hard right (north) direction with little results. Unfortunately at the point the well was TD'd, the BHL is 659' FSL and 1285' FWL and non-standard to the south by 1' (see attached plat with actual well path). We request a non-standard allowance for this well. All offset operators have been contacted and all signed waivers are attached.

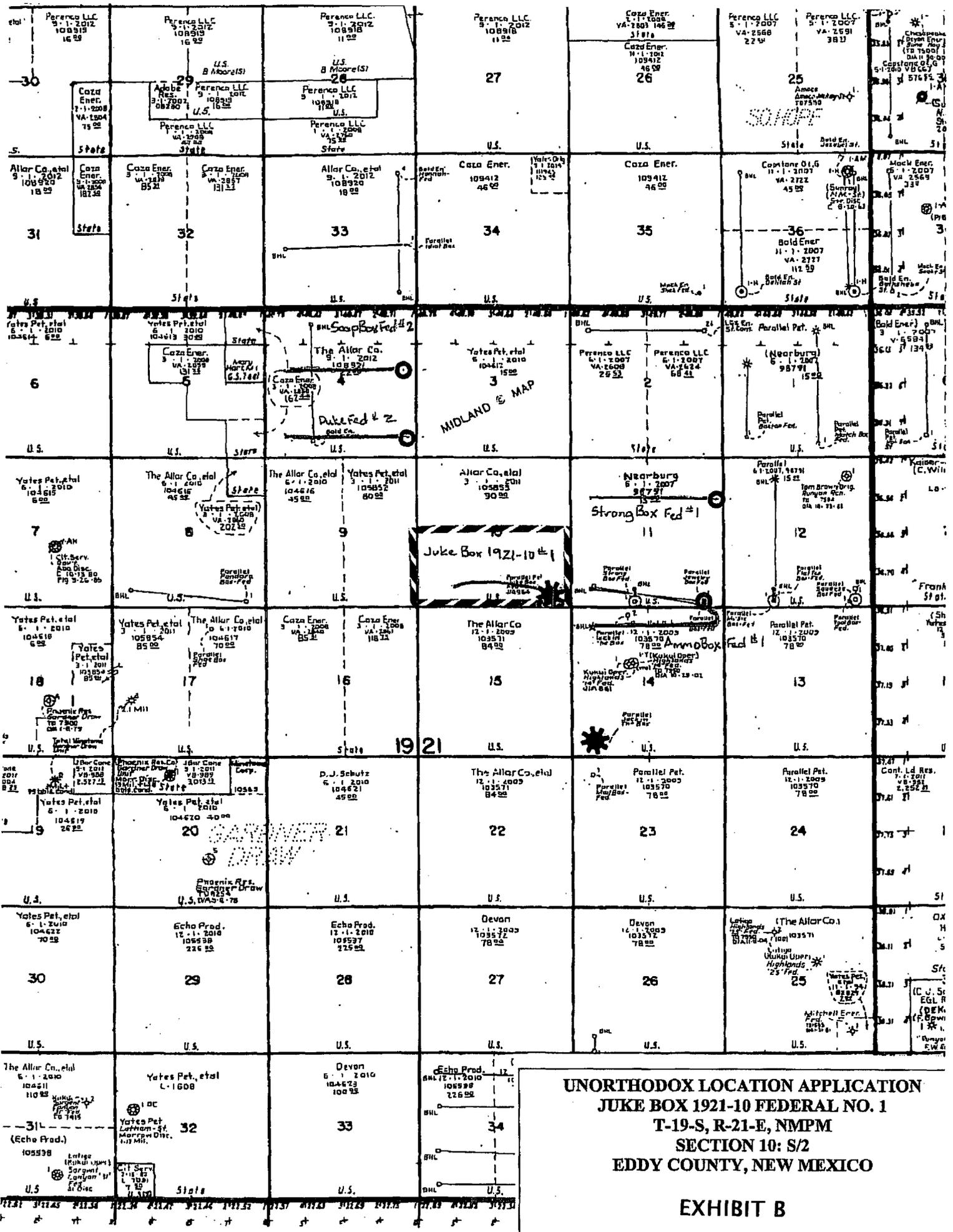
Should you need additional information regarding this issue, please contact me.

Sincerely,

  
Deane Durham  
New Mexico Operations Engineer

Attachments: C-102 showing actual well path  
Gyrodata – gyroscopic survey (5 pages)  
Schlumberger – MWD survey (2 pages)  
Waivers from all offset operators

EXHIBIT A



**UNORTHODOX LOCATION APPLICATION**  
**JUKE BOX 1921-10 FEDERAL NO. 1**  
**T-19-S, R-21-E, NMPM**  
**SECTION 10: S/2**  
**EDDY COUNTY, NEW MEXICO**

**EXHIBIT B**

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
1220 South St. Frances Dr.  
Santa Fe, NM 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
Property Code	Property Name		Well Number
	JUKE BOX 1921-10 FEDERAL		1
OGRID No.	Operator Name		Elevation
	PARALLEL PETROLEUM CORPORATION		4324'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	19 S	21 E		450	SOUTH	760	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	10	19 S	21 E		659	SOUTH	1285	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NOTE:  
1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.

Coordinate Table	
Description	Plane Coordinate
Juke Box Federal #1	X = 363,957.0
Surface Location	Y = 607,319.6
Juke Box Federal #1	X = 360,748.1
Bottom Hole Location	Y = 607,525.2

As-Drilled position as per report dated January 10, 2007 prepared by Schlumberger

**OPERATOR CERTIFICATION**

*I hereby certify the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

**EXHIBIT C**

**SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.*

May 24, 2006

Date of Survey \_\_\_\_\_

Signature & Seal of Professional Surveyor \_\_\_\_\_

W.O. Num. 2006-0301-2

Certificate No. MACON McDONALD 12185

<b>UNORTHODOX LOCATION APPLICATION</b>	
<b>Juke Box 1921-10 Federal No. 1 Well</b>	
<b>Section 10-19S-21E, Eddy Co., NM</b>	
<b>OFFSETTING OWNERS</b>	
<b>SECTION 15-19S-21E, EDDY CO., NM</b>	
Parallel Petroleum Corporation 1004 N. Big Spring, Ste. 400 Midland, TX 79701	0.27125
Capstone Oil & Gas Company, L. P. ✓ P. O. Box 10187 Midland, TX 79702	0.05688
CMW Interests, Inc. ✓ 24 Smith Rd. Ste. 405 Midland, TX 79705	0.01094
Elger Exploration, Inc. ✓ P. O. Box 2623 Midland TX 79702	0.01094
Latigo Petroleum, Inc P. O. Box 10340 Midland, TX 79702	0.15000
The Allar Company ✓ P. O. Box 1567 Graham, TX 76450	0.10000
Twin Montana, Inc. ✓ P. O. Box 1210 Graham, TX 76450	0.05000
Talus, Inc. ✓ P. O. Box 1210 Graham, TX 76450	0.05000
Chevron North America Exploration and Production Company ✓ 11111 S. Wilcrest, Room N-1002 Houston TX 77099 Attn: Mr. Todd Kratz	0.30000
	1.00000

**PARALLEL****Petroleum Corporation**

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

**By Email and Federal Express**

The Allar Company  
P. O. Box 1567  
Graham, TX 76450

Attention: Mr. Jack Graham

[jack@allarcompany.com](mailto:jack@allarcompany.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

Gentlemen:

The Juke Box 1921-10 Federal No. 1 Well has been determined to have reached terminus at a location 1285' from the West line and 659' from the South line of Section 10-19S-21E. The terminus location encroaches by one foot from the 660' rule, on the lease line between Sections 10 and 15, T-19-S, R-21-E and is considered to be unorthodox by the New Mexico Oil Conservation Division. The OCD has shut the Juke Box well in.

You are the owner of a leasehold interest under all of Section 15-19S-21E upon which this unorthodox terminus is encroaching. Enclosed is a survey plat depicting the path and terminus of the well, the Schlumberger Survey along with a copy of Parallel Petroleum's letter to the OCD.

We respectfully and urgently request your waiver of objection to our pending application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email or by overnight delivery if you do not have email capability. If you have any questions please call or email me.

Yours truly,



Michael M. Gray  
Land Manager, New Mexico



EXHIBIT E

Parallel Petroleum Corporation  
Juke Box 1921-10 Federal No. 1  
Page 2

The Allar Company

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By *John Charles Graham*  
Name *JOHN CHARLES GRAHAM*  
Title *PRESIDENT THE ALLAR CO.*  
Date *1/11/07*



# PARALLEL

Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

MICHAEL M. GRAY

January 11, 2007

**By Email and Federal Express**

Capstone Oil & Gas Company, LP  
Post Office Box 10187  
Midland, Texas 79702

Attention: Mr. Dale Douglas

[dale@capstoneoil.com](mailto:dale@capstoneoil.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

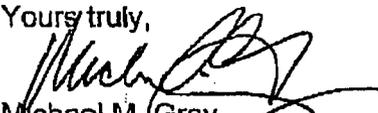
Gentlemen:

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Yours truly,

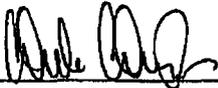
  
Michael M. Gray  
Land Manager, New Mexico



Parallel Petroleum Corporation  
Juke Box 1921-10 Federal No. 1  
Page 2

Capstone Oil & Gas Company, LP

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: 

Name **Dale Douglas, President of  
Capstone Investments, Inc its  
General Partner**

Date 1/11/07



# PARALLEL

Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

**By Email and Federal Express**

Elger Exploration, Inc.  
Post Office Box 2623  
Midland, Texas 79702

Attention: Mr. Jerry Elger

[Jelger4@yahoo.com](mailto:Jelger4@yahoo.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

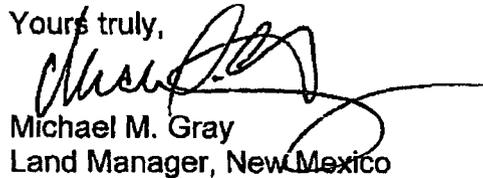
Gentlemen:

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We respectfully and urgently request your waiver of objection to our pending application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email or by overnight delivery if you do not have email capability. If you have any questions please call or email me.

Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Elger Exploration, Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: B. Elger president  
Name  
Title

Date 1-11-07



# PARALLEL

**Petroleum Corporation**

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

**By Email and Federal Express**

Talus Inc.  
Post Office Box 1210  
Graham, Texas 76450

Attention: Mr. Ken Haggert

[kchag@echoproduction.com](mailto:kchag@echoproduction.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

Gentlemen:

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Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Parallel Petroleum Corporation  
Juke Box 1921-10 Federal No. 1  
Page 2

Talus Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: Ken Haggart  
Name Ken Haggart  
Title v p  
Date 1/11/07



# PARALLEL

**Petroleum Corporation**

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

**By Email and Federal Express**

Twin Montana, Inc.  
Post Office Box 1210  
Graham, Texas 76450

Attention: Mr. Tom Honeywell

[melodee@echoproduction.com](mailto:melodee@echoproduction.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

Gentlemen:

The Juke Box 1921-10 Federal No. 1 Well has been determined to have reached terminus at a location 1285' from the West line and 659' from the South line of Section 10-19S-21E. The terminus location encroaches by one foot from the 660' rule, on the lease line between Sections 10 and 15, T-19-S, R-21-E and is considered to be unorthodox by the New Mexico Oil Conservation Division. The OCD has shut the Juke Box well in.

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Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Parallel Petroleum Corporation  
Juke Box 1921-10 Federal No. 1  
Page 2

Twin Montana, Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: H. F. Huntzelle  
Name H. F. HUNTZELLE  
Title 10205,

Date JAN, 11, 2007



# PARALLEL

## Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

MICHAEL M. GRAY

January 11, 2007

### By Email and Federal Express

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705

Attention: Mr. Mark Wheeler

[mark@cmwinterests.com](mailto:mark@cmwinterests.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10, S/2  
Eddy County, New Mexico

Gentlemen:

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We respectfully and urgently request your waiver of objection to our pending application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email or by overnight delivery if you do not have email capability. If you have any questions please call or email me.

Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Parallel Petroleum Corporation  
Juke Box 1921-10 Federal No. 1  
Page 2

CMW Interests, Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: C. Mark Wheeler  
Name: C. MARK WHEELER  
Title: PRESIDENT  
Date: 1/11/07

mgray@p11.com  
www.p11.com



# PARALLEL

Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

MICHAEL M. GRAY

January 11, 2007

Chevron North American Exploration and Production Company  
Post Office Box 77099  
Houston, Texas 77236

Attention: Mr. Todd Kratz

[ToddKratz@chevron.com](mailto:ToddKratz@chevron.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

Gentlemen:

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This well was drilled upon a Term Assignment dated August 21, 2006, effective July 1, 2006, from Chevron to Parallel Petroleum. Chevron is entitled to an Overriding Royalty Interest of 1.875% under the well. The well went on stream on January 3, 2007 and has been producing at a rate in excess of 7 mmcfpd. Chevron is the owner of 30% of the leasehold interest in Section 15.

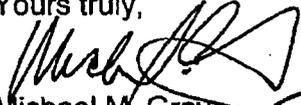
Enclosed is a survey plat depicting the path and terminus of the well, the Schlumberger Survey along with a copy of Parallel Petroleum's letter to the OCD.

We respectfully and urgently request your waiver of objection to our pending



application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email. If you have any questions please call or email me.

Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico

**Chevron North America Exploration and Production Company**

Agree to waive objection to the unorthodox location exception for the Juke Box 1921-10 Federal No. 1 Well.

By:   
Name \_\_\_\_\_  
Title NOJV Engineer  
Date 1-12-07



# PARALLEL

Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

## By Email and Federal Express

Elger Exploration, Inc.  
Post Office Box 2623  
Midland, Texas 79702

Attention: Mr. Jerry Elger

[Jelger4@yahoo.com](mailto:Jelger4@yahoo.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

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Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Elger Exploration, Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: B. Elger president  
Name  
Title

Date 1-11-07



**Brooks, David K., EMNRD**

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**From:** Brooks, David K., EMNRD  
**Sent:** Monday, January 22, 2007 9:56 AM  
**To:** 'Ocean Munds-Dry'  
**Subject:** RE: Parallel Petroleum - Juke Box 1921-10 Fed #1

Ocean

Two things I note from examining the referenced application:

1. There are 2 copies of the consent from Elger attached, but no consent from Latigo.
2. There are 2 wells shown in our system at this surface location, with different API numbers, designated the Juke Box 1921-10 Fed #1 and #1Y. Since I have usually seen Y added to a well number to designate a replacement, I am assuming the 1Y is the designation for the completed well, but would like you to verify that.

Thanks

David

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**From:** Ocean Munds-Dry [mailto:Omundsdry@hollandhart.com]  
**Sent:** Monday, January 22, 2007 9:23 AM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: Parallel Petroleum - Juke Box 1921-10 Fed #1

Thanks David. I appreciate your efforts. If you haven't done so already would you mind holding it for pick up rather than mailing it?

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Friday, January 19, 2007 8:50 AM  
**To:** Ocean Munds-Dry  
**Subject:** Parallel Petroleum - Juke Box 1921-10 Fed #1

Ocean

I have this, and have marked it RUSH. Hopefully, I will get it written today. If not, Monday.

David

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**Brooks, David K., EMNRD**

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**From:** Ocean Munds-Dry [Omundsdry@hollandhart.com]  
**Sent:** Monday, January 22, 2007 10:51 AM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: Parallel Petroleum - Juke Box 1921-10 Fed #1  
**Attachments:** latigowaiver.pdf

Daivd - here you go. I think the wrong one might have been sent to you. Yes the Y well is the replacement well. Thanks again very much.

---

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# PARALLEL

Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 11, 2007

MICHAEL M. GRAY

**By Email and Federal Express**

Latigo Petroleum, Inc.  
c/o Pogo Producing Company  
Post Office Box 10340  
Midland, Texas 79702

Attention: Mr. Ken Dixon

[dixonk@PogoProducing.com](mailto:dixonk@PogoProducing.com)

Re: Juke Box 1921-10 Federal No. 1 Well  
T-19-S, R-21-E  
Section 10: S/2  
Eddy County, New Mexico

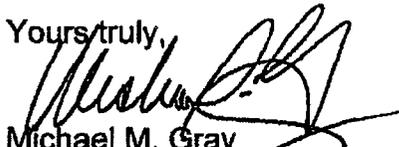
Gentlemen:

The Juke Box 1921-10 Federal No. 1 Well has been determined to have reached terminus at a location 1285' from the West line and 659' from the South line of Section 10-19S-21E. The terminus location encroaches by one foot from the 660' rule, on the lease line between Sections 10 and 15, T-19-S, R-21-E and is considered to be unorthodox by the New Mexico Oil Conservation Division. The OCD has shut the Juke Box well in.

You are the owner of a leasehold interest under all of Section 15-19S-21E upon which this unorthodox terminus is encroaching. Enclosed is a survey plat depicting the path and terminus of the well, the Schlumberger Survey along with a copy of Parallel Petroleum's letter to the OCD.

We respectfully and urgently request your waiver of objection to our pending application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email or by overnight delivery if you do not have email capability. If you have any questions please call or email me.

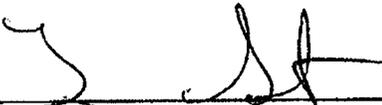
Yours truly,

  
Michael M. Gray  
Land Manager, New Mexico



Latigo Petroleum, Inc.

Agree to waive objection to the unorthodox location exception for the Juke  
Box 1921-10 Federal No. 1 Well.

By: 

Name Terry Gant  
Title Land Manager

Date January 11, 2007

