

| | | | | | |
|-------------------|----------|--------------------|---------------------|------------|---------------------------|
| DATE IN 6/9/08 | SUSPENSE | ENGINEER Brooks | LOGGED IN 6/9/08 | TYPE SD | APP NO. PKVR0816159284 |
|-------------------|----------|--------------------|---------------------|------------|---------------------------|

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
Date Dancer 1525-32
#2

ADMINISTRATIVE APPLICATION CHECKLIST

200820

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 _____
- [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

Print or Type Name

Signature

Title

Date

e-mail Address

Kellahin & Kellahin
Attorneys At Law 6/9/08
706 Gonzales Rd.
Santa Fe, NM 87501

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RECEIVED

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

June 3, 2008

HAND DELIVERED

Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of Parallel Petroleum Corporation
for authorization to simultaneously dedicated ("SD")
a standard gas spacing and proration unit in the
Wolfcamp formation to two horizontal wellbores,
including an exception to the well density requirement
of Division Rule 104.D, Chaves County, New Mexico
N/2 Section 32, T15S, R25E
Gate Dancer 1525-32 Well No. 1Y (API # 30-005-63885)
Gate Dancer 1525-32 Well No. 2 (API # pending)

Dear Mr. Fesmire:

On behalf of Parallel Petroleum Corporation ("Parallel"), please find enclosed our referenced administrative application. Parallel is the operator of the referenced standard 320-acre gas spacing unit that contains the Gate Dancer 1525-32 Well No. 1Y which has been horizontally drilled and produces from the Wolfcamp formation. The Division approved request for an allowable shows that this well was placed in the Cottonwood-Wolfcamp Gas Pool (Pool Code 75250)

Now, Parallel desires to drill a second well in the same gas spacing unit, the Well No. 2. and therefore seeks approval to simultaneously dedicate a standard gas spacing and proration unit in the Wolfcamp formation to two horizontal wellbores including an exemption to the well density requirements of Rule 104.D. Applicant seeks authorization to dedicate a standard 320-acre spacing and proration unit comprised of the N/2 of Section 32, Township 15 South, Range 25 East, Chaves County, New Mexico in the Wolfcamp formation to the following two wells:

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(a) The Gate Dancer 1525-32 Well No. 1Y (API #30-005-63885) that was drilled at an unorthodox surface location 780 feet FNL and 165 feet FWL (Unit A) and then to penetrate the Wolfcamp formation within the standard producing area window at a standard subsurface location approximately 780 feet FNL and 660 feet FEL (Unit A) and then drilled horizontally in an westerly direction staying within the producing area not less than 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 780 feet FNL and 660 feet FWL—**See C-102 attached as Exhibit A**

(b) The Gate Dancer 1525-32 Well No. 2 (API #30-005-pending) that is to be drilled at an unorthodox surface location 1880 feet FNL and 184 feet FEL (Unit H) and then to penetrate the Wolfcamp formation within the standard producing area window at a standard subsurface location approximately 2003 feet FNL and 660 feet FEL (Unit H) and then drilled horizontally in an westerly direction staying within the producing area not less than 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 1880 feet FNL and 660 feet FWL (Unit E). Total Measured Depth of 8992 ft and True Vertical Depth of 4611 ft—**see C-102 and Horizontal Drilling plots attached as Exhibit B and Exhibit C**

Division Rule 111 provides for the rules and regulations of the drilling of directional wells and by definition includes “horizontal” wells but apparently does not limited the number of horizontal wells that can be drilled within a Project Area. Instead Rule 111 refers to a project area “that is enclosed by the outer boundaries of a spacing unit or a combination of complete spacing units,” and incorporates by reference Rule 104 to define a “spacing unit”

Division Rule 104.C (2) allows two wells in a 320-acre spacing unit with each well located in a different 160-tract of the 320-acre spacing unit. This rule appears not to specifically address horizontal wells.

NOTICE TO AFFECTED PARTIES

Division Rule 104.D (3) States: “number of wells per spacing unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those “affected persons” defined by Rule 1207.A (2).”

The notice for this type of case, “affected parties” are: (a) all each operator of an adjoining and offsetting 320-acre drilled or undrilled spacing units (direct or diagonal offsets) (b) if undrilled, then to the working interest owners and unleased mineral owners, (c) if applicant is also the offsetting operator, then to its working

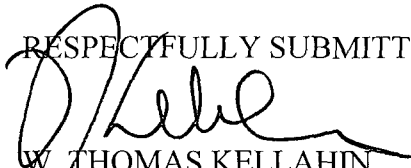
interest owners, (d) if applicant is the offsetting operator and the only working interest owners, then to its lessors, (e) if the offsetting section has no spacing unit, then the applicant and presume the orientation closest to the subject spacing unit.

Parallel will provide written notice of hearing to all "affected parties, including those listed. **See locator map and notice list attached as Exhibit "D" and "E"**

TECHNICAL EVIDENCE

- (1) Parallel bases its application upon the technical data it presented to the Division in Case 13986 that resulted in Division Order R-12851.
- (2) Parallel believes that because of the low permeability of the Wolfcamp formation in this area:
 - a. the actual area being depleted by the first horizontal well is generally limited to the north half of this spacing unit, being the N/2 N/2 of Section 32, and is not effectively recovery either the gas underlying the S/2N/2 of Section 32 or adversely affecting the correlative rights of the offsetting interest owners.
 - b. A second horizontal well is needed by the south half of this spacing unit, being the S/2N/2 of Section 32, in order to provide a opportunity to recovery gas that might otherwise not be recovered under the N/2 of Section 32 and in doing so will not adversely affect the correlative rights of the offsetting interest owners.
- (1) Approval of this application will not impair the correlative rights of any other interest owner in the area and will afford Parallel the opportunity to utilize two horizontal wells to produce the Wolfcamp formation gas reserves from this GPU.
- (2) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

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

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

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

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

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OCD - ARTESIA

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|-------------------------------------------------|--------------------------------|
| API Number | Pool Code 97489 | Pool Name wildcat; Wolfcamp |
| Property Code | Property Name GATE DANCER 1525-32 | Well Number 1Y |
| OGRID No. | Operator Name PARALLEL PETROLEUM CORPORATION | Elevation 3476' |

Surface Location

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| A | 32 | 15 S | 25 E | | 780 | NORTH | 165 | EAST | CHAVES |

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 |
| D | 32 | 15 S | 25 E | | 780 | NORTH | 660 | WEST | CHAVES |

| | | | |
|-----------------|-----------------|--------------------|-----------|
| 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

Producing Area

Project Area

OPERATOR CERTIFICATION

I hereby certify the 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.

Deane Durham

Date

12-21-06

Deane Durham

Printed Name

| Coordinate Table | |
|------------------------|------------------|
| Description | Plane Coordinate |
| Gate Dancer 1525-32 #1 | X = 462,235.7 |
| Surface Location | Y = 719,091.3 |
| Gate Dancer 1525-32 #1 | X = 461,741.3 |
| Penetration Point | Y = 719,082.7 |
| Gate Dancer 1525-32 #1 | X = 457,773.2 |
| Bottom Hole Location | Y = 719,010.9 |

EXHIBIT

A

PERM-800-000-6989

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.

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.

August 21, 2006

Date of Survey

Signature & Seal of Professional Surveyor

LVA

W.O. Num. 2006-0875

Certificate No. MAÇON McDONALD 12185

T-15-S

DISTRICT I
1825 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

| | | | |
|----------------------------|-------------------------------------------------|-----------|--------------------|
| APN Number 30-003-64025 | | Pool Code | Pool Name |
| Property Code | Property Name GATE DANCER 1525-32 | | Well Number 2 |
| GRID No. | Operator Name PARALLEL PETROLEUM CORPORATION | | Elevation 3476' |

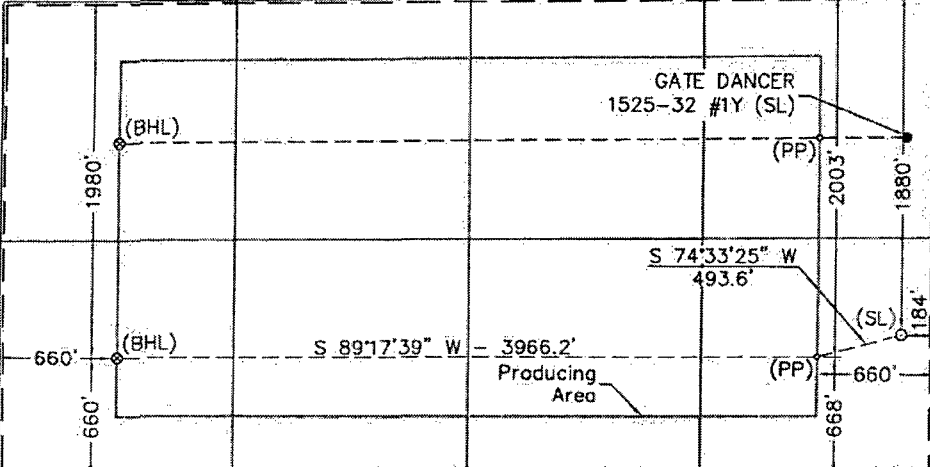
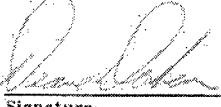
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H | 32 | 15 S | 25 E | | 1880 | NORTH | 184 | EAST | CHAVES |

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 |
|------------------------|---------|-----------------|-------|--------------------|---------------|------------------|---------------|----------------|--------|
| E | 32 | 15 S | 25 E | | 1980 | NORTH | 660 | WEST | CHAVES |
| Dedicated Acres 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

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

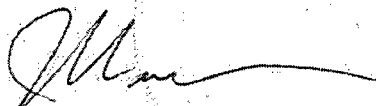
| | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | | | | 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 undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well of 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: 5-9-08 Printed Name: Doane Durham | |
| Bottom Hole Location Plane Coordinate X = 457,779.7 Y = 717,811.3 Geodetic Coordinate Lat. 32°58'23.73" N Long. 104°28'15.61" W (NAD '27) | | Penetration Point Plane Coordinate X = 461,744.6 Y = 717,860.1 Geodetic Coordinate Lat. 32°58'24.26" N Long. 104°27'29.07" W (NAD '27) | | Surface Location Plane Coordinate X = 462,220.2 Y = 717,991.5 Geodetic Coordinate Lat. 32°58'25.57" N Long. 104°27'23.49" W (NAD '27) | |
| 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. | | | | | |
| EXHIBIT B T-15-S | | | | | |

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 9, 2008

Date of Survey _____ LVA
Signature & Seal of Professional Surveyor



W.O. Num. 2008-0532

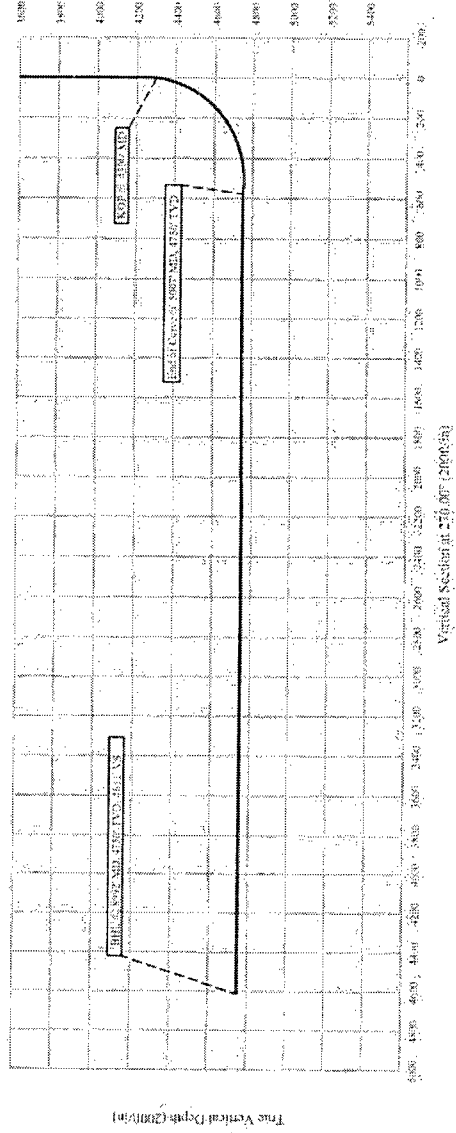
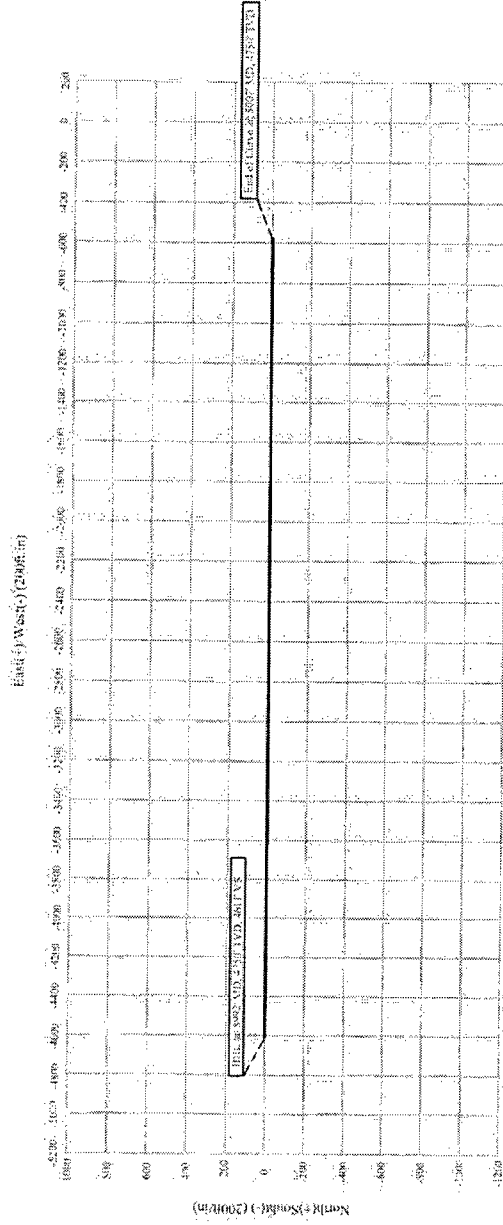
Certificate No. MACON McDONALD 12185

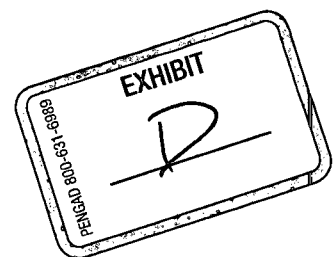
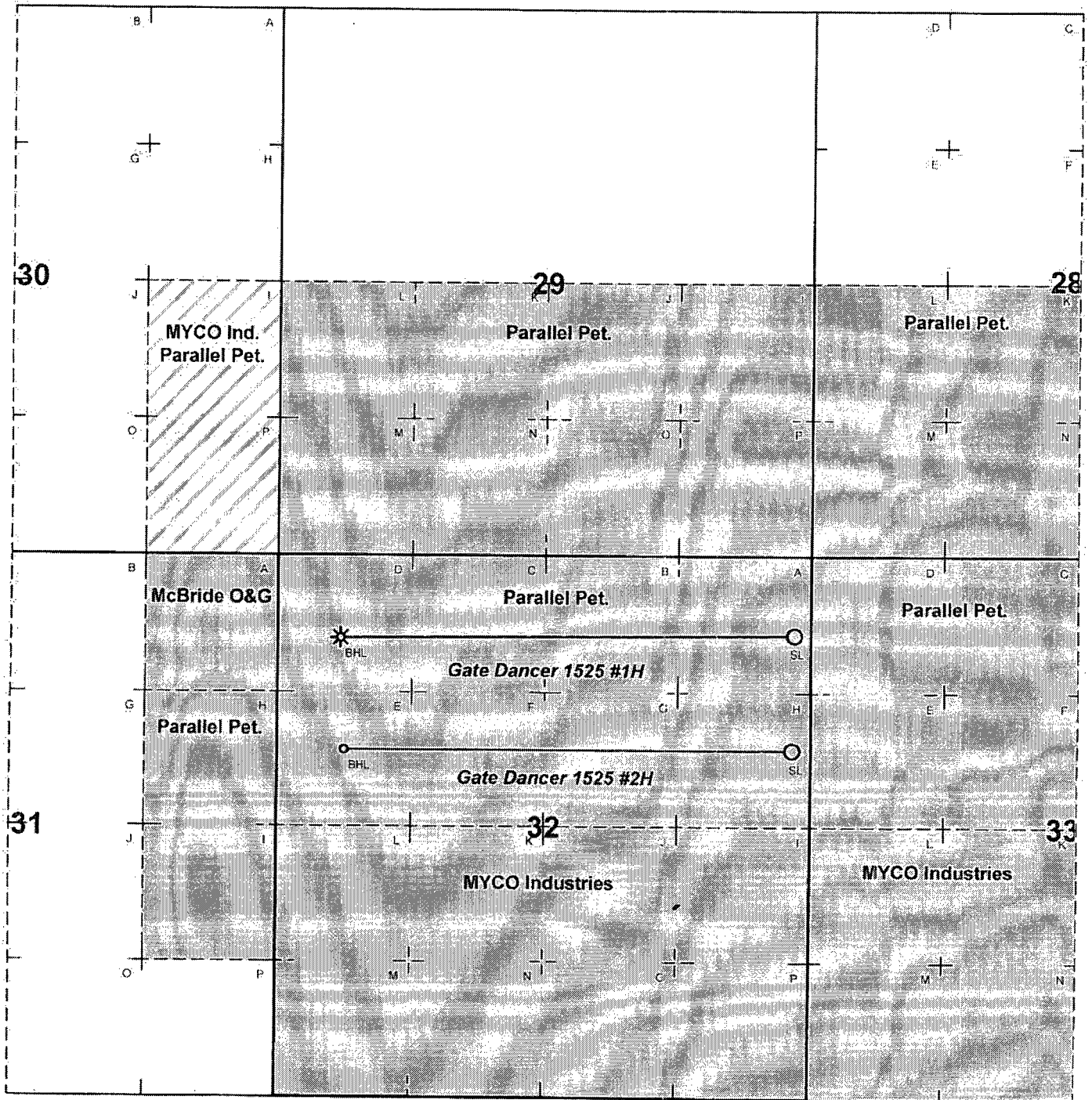
Parallel Petroleum Corp.

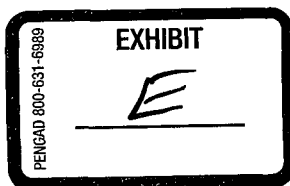
Gate Dancer 1525-32 #2
Sec. 32, T-15-S, R-25-E
Chaves County, New Mexico

COMPANY DETAILS

Parallel Petroleum Corp.
1004 N. Big Spring, Ste 400
Midland, Texas 79701







Application of Parallel Petroleum Corporation Simultaneous Dedication
of North-Half (N/2) of Section 32, Township 15 South, Range 25 East,
N.M.P.M., Chaves County, New Mexico

Myco Industries, Inc.
432 W. Main
P. O. Box 840
Artesia, New Mexico 88211-0840

McBride Oil & Gas Corporation
P. O. Box 1515
Roswell, New Mexico 88202-1515

Capstone Oil & Gas Company, LP
203 W. Wall, Suite 1201
Midland, TX 79705

Elger Exploration, Inc.
P. O. Box 2623
Midland, Texas 7902-2623

CMW Interests, Inc.
24 Smith Road, Suite 405
Midland, Texas 79705-4427

Unit Resources, Inc.
500 N. Shoreline Blvd., Suite 603
Corpus Christi, TX 78471

H 6 Holdings, LLC
415 W. Wall, Suite 1500
Midland, TX 79701

Hanley Petroleum, Inc.
415 W. Wall, Suite 1500
Midland, TX 79701

Brett K. Bracken
415 W. Wall, Suite 1500
Midland, TX 79701

LHAH Properties, LLC
415 W. Wall, Suite 1500
Midland, TX 79701

David Arrington
214 W. Texas
Midland, TX 79701

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

June 9, 2008

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

OFFSETTING INTEREST OWNERS:

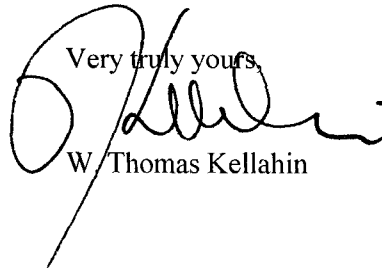
Re: Administrative Application of Parallel Petroleum Corporation
for authorization to simultaneously dedicate
a standard gas spacing and proration unit in the
Wolfcamp formation to two horizontal wellbores,
including an exemption to the well density requirements
of Rule 104.D, Chaves County, New Mexico
Gate Dancer 1525-32 Wells Nos 1Y and 2

Dear interest owner:

On behalf of Parallel Petroleum Corporation please find enclosed a copy of its referenced administrative application. This notice is based upon records that indicate that you have an interest in adjoining and offsetting tracts and are parties affected by this application

If you have no objection, then there is nothing for you to do. If you are willing to waive objection, please sign this letter as indicated and return it to me. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,



W. Thomas Kellahin

WAIVER OF OBJECTION:

By: _____ with authority for
and on behalf of _____
Date: _____