

HOLLAND & HART LLP



**Ocean Munds-Dry  
Associate**

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July 18, 2006

**HAND-DELIVERED**

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

*Case 13760*

2006 JUL 18 PM 4 25

Re: Application of Parallel Petroleum Corporation for compulsory pooling  
and an unorthodox well location, Chaves County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Parallel Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Parallel requests that this matter be placed on the docket for the August 17, 2006 Examiner hearings.

Very truly yours,

*Ocean Munds-Dry*  
Ocean Munds-Dry

Enclosures

cc: Mr. Mike Gray

**Holland & Hart LLP**

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**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF PARALLEL PETROLEUM CORPORATION  
FOR COMPULSORY POOLING AND  
UNORTHODOX WELL LOCATION,  
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13760

**APPLICATION**

PARALLEL PETROLEUM CORPORATION, ("Parallel") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat.Ann. § 70-2-17 (1978), for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in the following described spacing and proration units located in the E/2 of Section 22, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Wolfcamp Gas Pool and in support of its application states:

1. Parallel Petroleum Corporation is a working interest owner in said Section 22 and has the right to drill thereon.

2. Parallel proposes to dedicate the above-referenced spacing or proration unit to its Barbaro 1426-22 O Well No. 1 to be drilled as a horizontal well from an unorthodox surface location 399 feet from the North line and 1910 feet from the East line of Section 27, Township 14 South, Range 26 East (Unit B) (Set Kickoff point at 4192' and drill and advance hole to a Wolfcamp penetration point at approximately 662' FSL and 1910 FEL of the Section 22 and continue drilling to BHL [9814' MD and 5250' TVD]) and a bottomhole location 660 feet from the North line and 1910 feet from the East line of Section 22, Township 14 South, Range 26 East, NMPM, Chaves County, New Mexico to an approximate depth of 9814 feet to test any and all formations from the surface to the base of the Wolfcamp formation.

3. Parallel has sought and been unable to locate certain interest owners in the subject spacing units who are identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

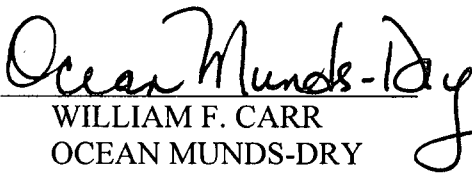
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5. In order to permit the Parallel to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Parallel Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Parallel Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 17, 2006 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Parallel Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Parallel Petroleum Corporation to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Parallel Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

By:   
WILLIAM F. CARR  
OCEAN MUNDS-DRY  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR PARALLEL PETROLEUM  
CORPORATION

**EXHIBIT A**

**APPLICATION OF PARALLEL PETROLEUM CORPORATION.  
FOR COMPULSORY POOLING  
E/2 OF SECTION 22, TOWNSHIP 14 SOUTH, RANGE 36 EAST, N.M.P.M.  
CHAVES COUNTY, NEW MEXICO.**

Heirs of Louie J. King

Heirs of Ruth Merle Gunter

Jeanette Jackson (aka Jeanette Louise Jackson)  
Apparent Heir to Ruth Merle Gunter  
P.O. Box 44715  
Rio Grande, New Mexico

Heirs of Willie Christensen

CASE 13760:

**Application of Parallel Petroleum Corporation for compulsory pooling and an unorthodox well location, Chaves County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 22, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Wolfcamp Gas Pool. Said unit is to be dedicated to its Barbaro 1426-22 O Well No. 1 to be drilled at an unorthodox surface location 399 feet from the North line and 1910 feet from the East line of Section 27 (Set Kickoff point at 4192' and drill and advance hole to a Wolfcamp penetration point at approximately 662' FSL and 1910 FEL of the Section 22 and continue drilling to BHL [9814' MD and 5250' TVD]) and a bottomhole location of 660 feet from the North line and 1910 feet from the East line of Section 22, Township 14 South, Range 26 East to an approximate depth of 9,814 feet to test any and all formations from the surface to the base of the Wolfcamp. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Parallel Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 2 miles south of the Hagerman, New Mexico.



July 18, 2006

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

Re: Application of Parallel Petroleum Corporation for compulsory  
pooling and an unorthodox well location, Chaves County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Parallel Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in certain spacing and proration units in the E/2 of Section 22, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico. Said pooled units are to be dedicated to Parallel's Barbaro 1426-22 O Well No. 1 to be drilled at an unorthodox surface location 399 feet from the North line and 1910 feet from the East line of Section 27 and a bottomhole location 660 feet from the North line and 1910 feet from the East line of Section 22, Township 14 South, Range 26 East, NMPM, Chaves County, New Mexico to a depth of approximately 9,814 feet to test the Wolfcamp formation.

This application has been set for hearing before a Division Examiner on August 17, 2006. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Ocean Munds-Dry  
ATTORNEY FOR PARALLEL PETROLEUM  
CORP.