

HOLLAND & HART<sup>LLP</sup>



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December 19, 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 13862*

Re: Application of Parallel Petroleum Corporation for approval of a unit agreement, Eddy 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 January 18, 2007 Examiner hearings.

Sincerely,

*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**

**APPLICATION OF PARALLEL PETROLEUM  
CORPORATION FOR APPROVAL  
OF A UNIT AGREEMENT,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13862

2006 DEC 19 PM 1:07

**APPLICATION**

Parallel Petroleum Corporation ("Parallel"), through its undersigned attorneys, hereby makes application for an order approving its Walnut Draw State Exploratory Unit and in support of this application states:

1. The proposed Unit Area consists of 1040 acres, more or less, of State of New Mexico lands, situated in Eddy County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 18 South, Range 21 East, N.M.P.M.**

Section 24: S/2, S/2NW/4

Section 25: All

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Parallel Petroleum Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in all formations are unitized.

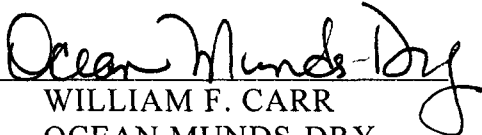
4. The unit boundaries are consistent and substantially supported by the geological limits of the unitized formations.

5. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and it will protect the correlative rights of all parties concerned.

WHEREFORE, Parallel requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 18, 2007, that notice be given as required by law and the rules of the Division, and that the Walnut Draw State Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By:   
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ATTORNEYS FOR PARALLEL PETROLEUM  
CORP.

CASE NO. 13862:

**Application of Parallel Petroleum Corporation for approval of a Unit Agreement, Eddy County, New Mexico.** Applicant seeks approval of the Walnut Draw State Exploratory Unit from the surface to the base of the Wolfcamp formation in an area comprising 1040 acres of State of New Mexico lands in Sections 24 and 25 in Township 18 South, Range 21 East, NMPM, which is located approximately 6 miles South of Hope, New Mexico.