

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

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:)

) CASE NO. 13,895

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

April 12th, 2007

Santa Fe, New Mexico

2007 APR 26 AM 9 39

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, April 12th, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

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E X H I B I T S

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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3 EXAMINER EZEANYIM: At this time I call Case
4 Number 13,895. This is the Application of Parallel
5 Petroleum Corporation for approval of a unit agreement,
6 Eddy County, New Mexico.

7 Call for appearances.

8 MR. CARR: May it please the Examiner, William F.
9 Carr with the Santa Fe office of Holland and Hart, L.L.P.
10 We represent Parallel Petroleum Corporation in this matter,
11 and we are going to present this Application by affidavit.

12 EXAMINER EZEANYIM: Any other appearances?

13 Okay, Mr. Carr, you may proceed.

14 MR. CARR: Mr. Examiner, before you is an
15 affidavit of Jerry Elger. Mr. Elger is a geologist
16 employed by Parallel who is the person responsible for the
17 formation of the Paris Draw State Exploratory Unit. This
18 is comprised of 6833.48 acres of state and federal land.
19 One hundred percent of the working interest is committed to
20 the unit. One hundred percent of the royalty interest has
21 been committed to the unit.

22 And included in the materials is a preliminary
23 approval letter from the Commissioner of Public Lands, as
24 well as a letter from the BLM designating the area as an
25 area logically suited for development under the unit plan.

1 Under the unit agreement which is attached,
2 Parallel Petroleum Corporation is designated unit operator,
3 and the initial test well is going to be drilled as a
4 horizontal well in Section 21 of 16 South, 24 East. The
5 estimated cost of the well is \$2.3 million. The well will
6 be drilled to an approximate depth of 8800 feet.

7 Attached to the affidavit is Exhibit A, the unit
8 agreement;

9 Exhibit B, a plat showing the unit boundary;

10 Exhibit C, which identifies the ownership in the
11 unit, and 100 percent of the working interest, as I
12 indicated, is committed;

13 An AFE is attached as Exhibit D;

14 And Exhibits E and F are the letters granting
15 preliminary approval and designating the area from the
16 Commissioner of Public Lands and the BLM.

17 There are also technical exhibits included. We
18 have a gross isopach map of the target interval, which is
19 the Wolfcamp. We have a structure map on the top of the
20 Wolfcamp, and we have stratigraphic cross-sections A-A',
21 B-B', which show that this is an appropriate area for
22 development of horizontal wellbores. If the initial well
23 is successful, additional wells in the unit area will be
24 drilled.

25 The affidavit concludes with a statement that

1 approval of the unit and the drilling of the well will be
2 in the best interest of conservation, the prevention of
3 waste, and the protection of correlative rights.

4 We would request that Mr. Elger's affidavit and
5 all attachments be admitted into the record in this case.

6 EXAMINER EZEANYIM: All the exhibits and the --
7 will be admitted under evidence.

8 Do you have a -- I think you have four exhibits,
9 correct?

10 MR. CARR: Sir?

11 EXAMINER EZEANYIM: How many exhibits do you
12 have?

13 MR. CARR: We have -- Actually, they are
14 identified by letter. We have Exhibits A through J.

15 EXAMINER EZEANYIM: Okay, Exhibits A through J
16 will be admitted under evidence.

17 Do you have any questions?

18 MR. BROOKS: No questions.

19 EXAMINER EZEANYIM: At this point, Case Number
20 13,895 will be taken under advisement.

21 MR. CARR: Thank you, Mr. Examiner.

22 (Thereupon, these proceedings were concluded at
23 8:25 a.m.)

24 I do hereby certify that the foregoing is
* * * a complete record of the proceedings in
the Examiner hearing of Case No. _____
25 heard by me on _____

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 13th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010