

**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 PURPOSES OF CONSIDERING:**

**CASE NO. 13864**

**APPLICATION OF PARALLEL PETROLEUM CORPORATION  
FOR COMPULSORY POOLING  
CHAVES COUNTY, NEW MEXICO.**

**AFFIDAVIT OF DEANE DURHAM AND AARON L. MYERS**

STATE OF TEXAS                   §  
   § ss.  
COUNTY OF MIDLAND         §

**Before the Oil Conservation Division  
Exhibit No. 1  
Parallel Petroleum Corp  
OCD CASE 13864  
Hearing: May 10, 2007**

Before me, the undersigned authority, personally appeared Deane Durham (ENGINEER), and Aaron L. Myers (CONSULTING LANDMAN) who being fully sworn stated:

A. Our names and qualifications as experts are as follows:

Deane Durham

Title: Petroleum Engineer

Education: University of Texas at Austin, B.S. Petroleum Engineering, 1987.

Experience: 19 Years

Aaron L. Myers

Title: Consulting Landman

Education: Texas A&M University, B.A. History, 2000

St. Mary's University School of Law, J.D., 2004

Experience: 2 Years, 2 months

B. We are over the age of majority and competent to make this Affidavit.

We are each responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

We are each personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

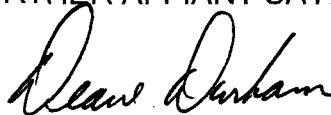
This affidavit has been prepared in accordance with the New Mexico Oil Conservation Division Rule 1207.A(1)(b).

C. Our expert opinion are based on the following facts and events:

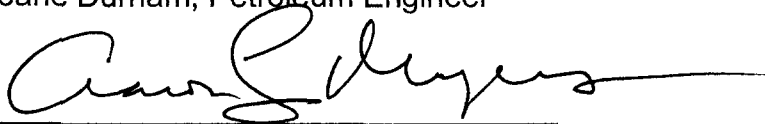
#### CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

1. On February 15, 2007, the Division heard Parallel's application for a compulsory pooling order to pool the N/2 of Section 33, T15S, R25E, Chaves County, New Mexico for the drilling of its Personally 1525-33 Well No. 1, (API #30-005-63852) a horizontal wellbore to test for production in the Wolfcamp formation in the N/2 of Section 33 but with a surface location located in the adjoining Section 32 at a point 760 feet FNL and 147 FEL (Unit A) of Section 32 (the "original surface location").
2. The original surface location was to be on the same drill pad as the Gate Dancer 1525-32 Well No. 1-Y (API #30-005-63885).
3. As a result of the successful completion of the Gate Dancer well, Parallel's engineers are concerned that it may be unsafe to now drill the Personally wellbore on the same pad with a producing well, and have recommend that the Personally wellbore's surface location to change by moving it into Section 33 as an unorthodox surface location 760 feet NSL and 235 feet FWL (Unit D) of Section 33. **See Exhibit "A" Attached**
4. In addition, the original AFE contemplated a vertical pilot hole through the Wolfcamp and then coming back to a kick off point in the Wolfcamp for the horizontal portion of the wellbore. Based upon the information gained from the Gate Dancer, Parallel now proposes to drill the Personally well without a pilot hole and without obtaining electric logs. Drilling this pilotless hole will save an estimated \$120,000. **See Exhibit "B" attached.**

FURTHER AFFIANT SAYETH NOT:



Deane Durham, Petroleum Engineer



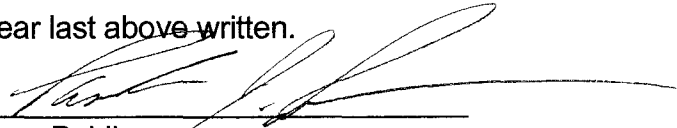
Aaron L. Myers, Consulting Landman

**ACKNOWLEDGMENT**

STATE OF TEXAS                    )  
  )SS:  
COUNTY OF MIDLAND            )

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 25<sup>th</sup> day of April personally appeared Deane Durham and Aaron L. Myers, persons who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

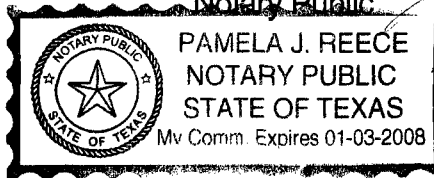
Given under my hand and seal the day and year last above written.



Notary Public

My Commission expires:

01-03-2008



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 PERSONALLY 1525-33		Well Number 1
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION		Elevation 3474'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	33	15 S	25 E		760	NORTH	234	WEST	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
A	33	15 S	25 E		760	NORTH	660	EAST	CHAVES
Dedicated Acres		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

<u>Surface Location</u> <u>Plane Coordinate</u> X = 462,635.2 Y = 719,112.4 <u>Geodetic Coordinate</u> Lat. 32°58'36.66\" N Long. 104°27'18.63\" W (NAD '27)	<u>Penetration Point</u> <u>Plane Coordinate</u> X = 463,060.9 Y = 719,110.0 <u>Geodetic Coordinate</u> Lat. 32°58'36.64\" N Long. 104°27'13.64\" W (NAD '27)	<u>Bottom Hole Location</u> <u>Plane Coordinate</u> X = 467,022.5 Y = 719,087.9 <u>Geodetic Coordinate</u> Lat. 32°58'36.47\" N Long. 104°26'27.13\" W (NAD '27)
<p>NOTE:</p> <p>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.</p> <p>EX A</p>		
<p><b>OPERATOR CERTIFICATION</b></p> <p>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.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>		
<p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>April 4, 2007</p> <p>Date of Survey _____ KMT</p> <p>Signature &amp; Seal of Professional Surveyor _____</p> <p>W.O. Num. 2007-0464</p> <p>Certificate No. MACON McDONALD 12185</p>		

REVISED

<b>PARALLEL</b>		<b>AUTHORITY FOR EXPENDITURE</b>	
OPERATOR Parallel Petroleum		LEASE/WELL NAME Personally 1525-33 #1	
		AFE NUMBER 4060065	
LOCATION N/2N/2 Sec 33, T16S, R25E		COUNTY Chaves	STATE New Mexico
		DOCUMENT DATE 05-Apr-07	
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well		TYPE WELL gas	TO BE STARTED JUN 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501031 / Racehorse / Wildcat(Wolfcamp Gas)		PROPOSED DEPTH 9150 MD 4750 TVD	

				BCP	ACP	TOTAL
<b>INTANGIBLE WELL COSTS</b>						
830.02C PERMIT	\$ 2,000	830.03D SURVEY LOC	\$ 2,500	\$ 4,500		\$ 4,500
830.04C SURF DAMAGES	\$ 4,000	830.05D INSURANCE	\$ -	830.02D TITLE	\$ 10,000	\$ 14,000
830.11C LOC & PITS	\$ 50,000	830.11D ROADS	\$ 6,000			\$ 56,000
830.13C DRILG - DAYWORK	21.0 DAYS @		\$17,000 /DAY			\$ 357,000
830.13C DRILLING	0 FEET @		\$0.00 /FT	830.13D TURNKEY	\$ -	
830.12C DRILLING RIG - MOB	\$ 49,000					\$ 49,000
830.20C BITS	\$ 65,000	830.25D WELDING	\$ 2,000			\$ 67,000
830.18C WATER - BCP	\$ 32,000	830.19D MUD & CHEM	\$ 75,000	840.14D WTR - ACP	\$ 35,000	\$ 142,000
830.14C TRUCKING - BCP	\$ 18,200	840.14D TRUCKING - ACP	\$ 8,000		\$ 8,000	\$ 26,200
830.17C POWER & FUEL	\$ 50,000	830.13S DIRECTIONAL	\$ 180,000			\$ 230,000
830.27C MUD LOGGING	\$ 15,000	830.27D DST	\$ -			\$ 15,000
830.23C CEMENTING: SURF	\$ 35,000	830.23D INTERMED.	\$ -	850.08D FLOAT EQ	\$ 3,000	\$ 38,000
840.19C PRODUCTION	\$ 30,000	860.08D FLOAT EQUIP	\$ 3,000		\$ 33,000	\$ 33,000
830.27C CORING	\$ -	830.27D CORE ANAL.	\$ -			
830.29C WL LOGGING: OH	\$ -	840.20D CSD. HOLE	\$ 7,000	840.20D PERF	\$ 70,000	\$ 77,000
840.10C COMPLETION UNIT	5 DAYS @		\$4,500 /DAY		\$ 22,500	\$ 22,500
830.15C BCP - RENTALS: SURF	\$ 20,000	830.16D BCP - SUBSURFACE	\$ 35,000		\$ 55,000	\$ 55,000
840.15C ACP - RENTALS: SURF	\$ 15,000	840.16D ACP - SUBSURFACE	\$ 20,000		\$ 35,000	\$ 35,000
840.22C STIMULATE: ACID	\$ 25,000	840.22D FRACTURE	\$ 490,000		\$ 515,000	\$ 515,000
		840.14D COMPL. FLUID	\$ 10,000		\$ 10,000	\$ 10,000
830.24C ENVIRON. COST - BCP	\$ 15,000	840.26D ENV. COST - ACP	\$ 15,000		\$ 15,000	\$ 30,000
830.32C DRILG OVERHEAD	\$ 6,000	830.07D GEOL SUPR	\$ 5,000	830.08D ENGR SUPR	\$ 10,000	\$ 16,000
830.09C LABOR: CO. - BCP	\$ 37,200	830.25D CONTRACT - BCP	\$ 15,000		\$ 5,000	\$ 21,000
840.03C LABOR: CO. - ACP	\$ 5,000	840.02D CONTRACT - ACP	\$ 5,000		\$ 10,000	\$ 52,200
830.24C CLEAN UP SITE	\$ 50,000	830.25D FENCE LOC	\$ 3,000		\$ 3,000	\$ 53,000
830.25C MISC. INTANG. COST	\$ 20,000	840.12D MISC. COST - ACP	\$ 10,000		\$ 10,000	\$ 30,000
830.34C CONTINGENCY: BCP	5.00%	840.28D CONTING: ACP	5.00%		\$ 42,700	\$ 97,100
					\$ 77,000	\$ 77,000
					\$ 22,500	\$ 22,500
					\$ 55,000	\$ 55,000
					\$ 35,000	\$ 35,000
					\$ 515,000	\$ 515,000
					\$ 10,000	\$ 10,000
					\$ 15,000	\$ 30,000
					\$ 16,000	\$ 21,000
					\$ 52,200	\$ 52,200
					\$ 10,000	\$ 10,000
					\$ 3,000	\$ 53,000
					\$ 20,000	\$ 30,000
					\$ 54,400	\$ 97,100
					\$ 1,143,300	\$ 2,039,500
<b>TOTAL INTANGIBLE WELL COSTS</b>						

				BCP	ACP	TOTAL
<b>TANGIBLE WELL COSTS</b>						
850.02D CASING: SURFACE	0 FEET OF	0.00D INCH CASING @	\$0.00 /FT	\$ 33,600		\$ 33,600
850.03D INTERMEDIATE	1400 FEET OF	8.625 INCH CASING @	\$24.00 /FT			
850.03D PROTECTION	0 FEET OF	0.00D INCH CASING @	\$0.00 /FT			
860.04D PRODUCTION	8500 FEET OF	5.50D INCH CASING @	\$14.00 /FT		\$ 119,000	\$ 119,000
860.04D LINER	0 FEET OF	0.00D INCH CASING @	\$0.00 /FT			
830.21D INSPECT TUB. - BCP	\$ 9,000	840.17D INSP. - ACP	\$ 9,000	840.12D CSG SRVCS	\$ 8,000	\$ 24,000
850.05D CASINGHEAD.	\$ 7,500	860.03D TUBINGHEAD	\$ 7,500		\$ 7,500	\$ 15,000
860.07D CHRISTMAS TREE	\$ 10,000	860.07D WH FITTINGS	\$ 5,000		\$ 15,000	\$ 15,000
860.08D TUBING	5000 FEET OF	2.875 INCH TUBING @	\$6.63 /FT		\$ 28,150	\$ 28,150
860.11D RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)				
860.13D SUBSURFACE PUMP	\$ -	860.12D TBG ANCHOR	\$ -	860.12D PACKER	\$ 7,500	\$ 7,500
860.20D FLOWLINE	\$ 2,000	860.19D ELEC CONSTR	\$ -		\$ 2,000	\$ 2,000
860.21D TANK BATTERY	\$ 15,000	860.26D COMPRESSOR	\$ -	860.10D COAT TBG	\$ -	\$ 15,000
860.22D GAS PROD. UNIT	\$ -	860.26D DEHYDRATOR	\$ 10,000		\$ 10,000	\$ 10,000
860.22D HEATER-TREATER	\$ -	860.22D SEPARATOR	\$ 10,000		\$ 10,000	\$ 10,000
860.13D PLUNGER LIFT	\$ -	860.18D PRIME MOVER	\$ -			
860.23D SURF EQUIP FTNGS	\$ 16,000	860.25D BUILDINGS	\$ -		\$ 16,000	\$ 16,000
860.02D INSTALLATION LABOR	\$ 18,000	840.13D TRUCKING	\$ 18,200		\$ 33,000	\$ 36,200
860.17D PUMPNG UNIT	\$ -	860.29D METER/CONTROLS	\$ 20,000		\$ 20,000	\$ 20,000
860.28D GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.16D CONTINGENCY	10.00%				\$ 34,550	\$ 40,150
					\$ 61,900	\$ 379,700
					\$ 1,205,200	\$ 2,481,100
					\$ -	\$ -
<b>TOTAL TANGIBLE COSTS</b>						
<b>TOTAL WELL COSTS</b>						
<b>PLUG &amp; ABANDON EXPENSE</b>						

EX B