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**Attorney at Law**

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April 10, 2007

**HAND DELIVERED**

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

*Case 13914*

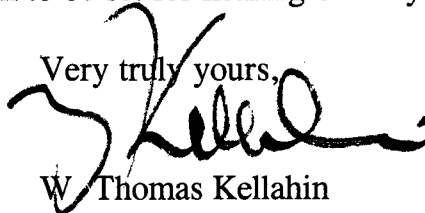
2007 APR 8 PM 7 08

**Re: Box O Chocolates 1923-5 State Com Well No. 1**  
**(API #30-015-34843)**  
**S/2 Section 5, T19S R23E**  
**Application of Parallel Petroleum Corporation**  
**for Compulsory Pooling**  
**Eddy County, New Mexico**

Dear Mr. Fesmire:

On behalf of Parallel Petroleum Corporation, enclosed for filing is our referenced application to be set for hearing on May 10, 2007.

Very truly yours,



W. Thomas Kellahin

CC: Parallel Petroleum Corporation  
Attn: Michael M. Gray

CASE 13914: Application of Parallel Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 5, T19S, R23E, NMPM, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Box O Chocolates 1923-5 State Com Well No. 1 (API # 30-015-34843) which will be located at an unorthodox surface location 760 feet FSL and 300 feet FWL (Unit M) and when the vertical wellbore penetrates the Wolfcamp formation then drilled horizontally in a easterly direction staying within a producing area 660 feet from each of the end and side boundaries of this spacing unit and ending at a bottom hole location 760 feet FSL and 660 feet FEL. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 9 miles south of Hope, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF PARALLEL PETROLEUM CORPORATION  
FOR COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13914

**APPLICATION**

Comes now PARALLEL PETROLEUM CORPORATION ("Parallel") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 5, T19S, R23E, NMPM, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Box O Chocolates 1923-5 State Com Well No. 1 (API # 30-015-34843) which will be located at an unorthodox surface location 760 feet FSL and 300 feet FWL (Unit M) and when the vertical wellbore penetrates the Wolfcamp formation then drilled horizontally in a ~~northwesterly~~ <sup>northerly</sup> direction staying within a producing area 660 feet from each of the end and side boundaries of this spacing unit and ending at a bottom hole location 760 feet FSL and 660 feet FEL. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Parallel Petroleum Corporation ("Parallel") states:

1. Parallel has the right to drill and develop the oil and gas minerals from the surface to the base of the Wolfcamp formation underlying the S/2 of Section 5, T19S, R23E, NMPM, Eddy County, New Mexico.

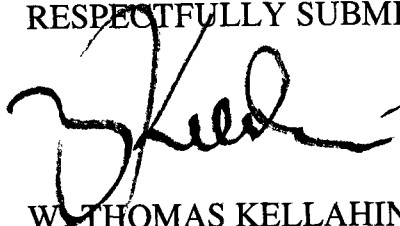
2. Parallel has proposed that the S/2 of this section be dedicated as a standard 320-acre gas spacing unit for production from the Wolfcamp formation to be obtained from its proposed Box O Chocolates 1923-5 State Com Well No. 1 to be located drilled as a horizontal wellbore as shown on Exhibit "A" Attached.
3. Parallel has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "B."
4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
5. Pursuant to Commission Order R-11992, effective August 15, 2003, Parallel requests that a 200% risk charge be applied.
6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 10, 2007.

WHEREFORE, Parallel, as applicant, requests that this application be set for hearing on May 10, 2007 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

- (1) Parallel Petroleum Corporation be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor charge of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Kellahin', written over the printed name.

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

EXHIBIT "B"

Rebecca Peterson  
560 Black Bear NE  
Albuquerque, NM 87122

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

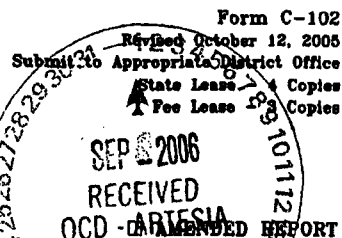
DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brases 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



WELL LOCATION AND ACREAGE DEDICATION PLAT

|               |  |                    |
|---------------|--|--------------------|
| API Number    | Pool Code  | Pool Name          |
| Property Code | Property Name<br>BOX 0 CHOCOLATES 1923-5 STATE COM | Well Number<br>1   |
| OGRID No.     | Operator Name<br>PARALLEL PETROLEUM CORPORATION    | Elevation<br>4055' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M             | 5       | 19 S     | 23 E  |         | 760           | SOUTH            | 300           | WEST           | EDDY   |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P             | 5       | 19 S     | 23 E  |         | 760           | SOUTH            | 660           | EAST           | EDDY   |

|                        |                 |                    |           |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres<br>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

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  
A

| Description                          | Plane Coordinate |
|--------------------------------------|------------------|
| Box 0 Chocolates 1923-5 State Com #1 | X = 380,772.0    |
| Surface Location                     | Y = 612,901.0    |
| Box 0 Chocolates 1923-5 State Com #1 | X = 385,094.8    |
| Bottom Hole Location                 | Y = 612,892.4    |

Project Area

Producing Area

300' (SL)  
760'  
(PP-720' FUL 760' FSL)  
(BHL)  
660'  
760'

OPERATOR CERTIFICATION  
I hereby certify the the information contained herein to be 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 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.  
Signature: Deane Durham  
Date: 8-29-06  
Printed Name: Deane Durham

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.  
Date of Survey: August 23, 2006  
Signature & Seal of Professional Surveyor: [Signature]  
W.O. Num: 2006-0294-1  
Certificate No: MACON McDONALD 12185