

HOLLAND & HART^{LLP}



2007 JUN 8 PM 5:18
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June 8, 2007

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 13948

Re: Application of Parallel Petroleum Corporation for compulsory pooling,
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 July 12, 2007 Examiner hearings.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry

Enclosures

cc: Mr. Aaron Myers

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻️

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June 8, 2007

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of Parallel Petroleum Corporation for compulsory pooling, 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 S/2 of Section 20, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Said pooled units are to be dedicated to Parallel's Bubbling Over 1525-20 Well No. 1 to be drilled at a surface location 1880 feet from the South line and 190 feet from the West line of Section 21 and a bottomhole location 1880 feet from the South line and 660 feet from the West line of Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 5500 feet to test any and all formations from the surface to the base of the Wolfcamp formation.

This application has been set for hearing before a Division Examiner at 8:15 a.m. on July 12, 2007. 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.

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,
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13948

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 (2007), 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 S/2 of Section 20, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing and in support of its application states:

1. Parallel Petroleum Corporation is a working interest owner in said Section 20 and has the right to drill thereon.

2. Parallel proposes to dedicate the above-referenced spacing or proration unit to its Bubbling Over 1525-20 Fed Com Well No. 1 to be drilled as a horizontal well from a surface location 1880 feet from the South line and 190 feet from the West line of Section 21, Township 15 South, Range 25 East and a bottomhole location 1880 feet from the South line and 660 feet from the West line of Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 5500 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 gain the voluntary participation of certain interest owners in the subject spacing unit who is 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.

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 July 12, 2007 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: Ocean Munds-Dry
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
S/2 OF SECTION 20, TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO.**

William J. Baird, III
6414 Sunset Terrace
Windsor Heights, IA 50311

Mark Baird
7730 Dellwood Drive
Urbandale, IA 50322

Jennie Cathcart
P.O. Box 2914
Reno, NV 89505

CASE 13948: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. To: William J. Baird III, Mark Baird, Jennie Cathcart or their successors, heirs or devisees. Applicant in the above-styled cause seeks 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 S/2 of Section 20, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing. Said unit is to be dedicated to its Bubbling Over 1525-20 Fed Com Well No. 1 to be drilled at a surface location 1880 feet from the South line and 190 feet from the West line of Section 21 and a bottomhole location 1880 feet from the South line and 660 feet from the West line of Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 5500 feet to test any and all formations from the surface to the base of the Wolfcamp formation. 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 5 miles north of Artesia, New Mexico.