

15 May 07 DATE IN	SUSPENSE	D. Brooks ENGINEER	17 May 07 LOGGED IN	NSL TYPE	PCLPG713728536 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



*Parallel Petroleum
all along Fed Com #1
5644*

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☒ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds-Dry Ocean Munds-Dry Attorney 5-15-07
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address

2007 MAY 15 PM 2 41



May 15, 2007

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2007 MAY 15 PM 2:41

Re: Application of Parallel Petroleum Corporation, for administrative approval of an unorthodox well location for its All Along 1525-17 Fed Com Well No. 1 completed in the Wolfcamp formation at a surface location 1880 feet from the South line and 190 feet from the West line of Section 16, Township 15 South, Range 25 East with an unorthodox penetration point 598 feet from the East line and 1854 feet from the South line and a bottomhole location of 1880 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.

Dear Mr. Fesmire:

Parallel Petroleum Corporation, ("Parallel") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) for an unorthodox well location in the Wolfcamp formation for its All Along 1525-17 Fed Com Well No. 1 located at a surface location 1880 feet from the South line and 190 feet from the West line of Section 16, Township 15 South, Range 25 East and 1880 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.

This proposed location in the Wolfcamp formation is unorthodox because it is governed by Statewide Rules which provide for all of the directional wellbore to be located within the producing area. As noted in the attached letter from Mr. Durham of Parallel, the penetration point is 598 feet from the East line and 1854 feet from the South line and is therefore non-standard by 62 feet to the east. **See Exhibit A.** The penetration point was originally targeted at a standard location but the curve deviated from what was proposed. Parallel will perforate inside the standard producing area. A standard



320-acre spacing unit and proration unit comprised of the S/2 of Section 17 will be dedicated to the well.

Exhibit B is a plat of the area showing the spacing unit and well location.

Exhibit C is the corrected C-102 showing the penetration point.

Exhibit D is directional survey report for the well.

Exhibit E is the list of affected parties as defined by Rule 1210. **Exhibit F** is the letter sent to the affected parties with the return signatures agreeing to waive objection to the location. Therefore, no additional notice is required.

Your attention to this application is appreciated.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry

ATTORNEY FOR PARALLEL PETROLEUM
CORPORATION

Enclosures

cc: Mike Gray
Parallel Petroleum Corp.
Oil Conservation Division - Artesia



Petroleum Corporation

1004 N. Big Spring Street, Suite 400 • Midland, TX 79701 • Ph: 915-684-3727 • Fax: 915-684-3905

DEANE DURHAM
Operations Engineer

May 14, 2007

Mr. Richard Ezeanyim
New Mexico Oil Conservation Division
1220 S. St. Francis
Santa Fe, NM 87505

Re: All Along 1525-17 Fed Com #1
Parallel Petroleum Corporation
Sec. 17, T-15-S, R-25-E
Chaves County, New Mexico

Dear Mr. Ezeanyim:

The referenced well is presently drilling in the horizontal section. The well path in the curve section was planned and permitted to reach a standard (orthodox) location penetration point at approximately 5326' measured depth and 667' FEL and 1880' FSL of section 17. We used steerable directional tools in the curve section to build the curve at an average build rate of 6.87 degrees/100 feet. Unfortunately the average build rate for the curve fell below the 6.87 average needed and the curve landed at the Wolfcamp target TVD at approximately 5295' measured depth and 598' FEL and 1854' FSL and non-standard to the east by 62'. We will intentionally perforate the entire horizontal interval inside the standard producing area. We request a non-standard allowance for this well. All offset operators have been contacted and all signed waivers are attached.

Should you need additional information regarding this issue, please contact me.

Sincerely,

Deane Durham
New Mexico Operations Engineer

Attachments: C-102
Sperry – MWD survey
Waivers from all offset operators

CC: Bryan Arrant



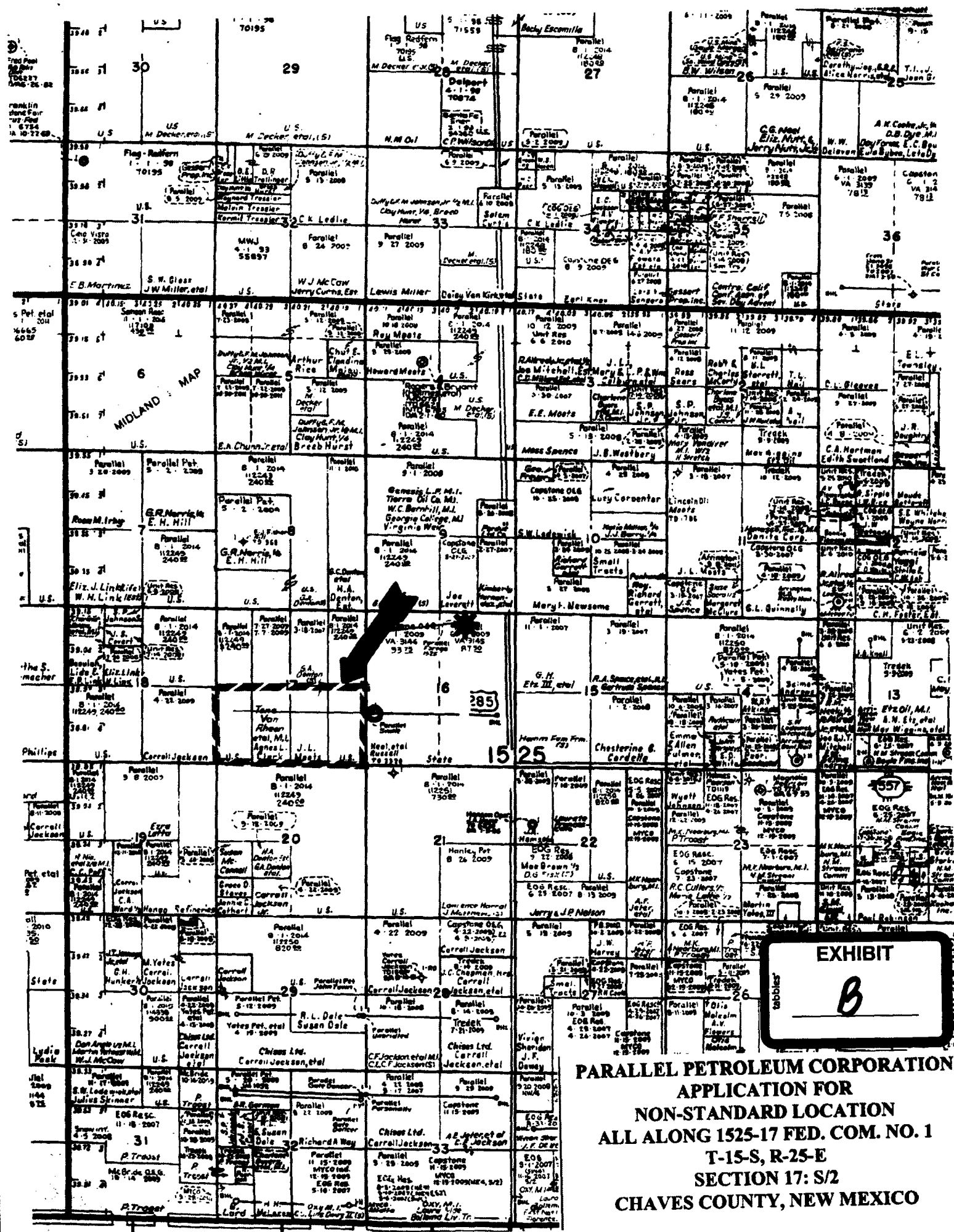


EXHIBIT
B

PARALLEL PETROLEUM CORPORATION
APPLICATION FOR
NON-STANDARD LOCATION
ALL ALONG 1525-17 FED. COM. NO. 1
T-15-S, R-25-E
SECTION 17: S/2
CHAVES COUNTY, NEW MEXICO

Parallel Petroleum Corp.

Chaves County, NM
Sec 16 T-15S R-25E
All Along 1525-17 Fed Com #1

Wellbore #1

Survey: Surveys #1

Sperry Drilling Services Combo Report

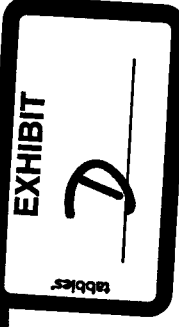
14 May, 2007

Well Coordinates: 732,270.70 N, 462,561.60 E (33° 00' 46.87" N, 104° 27' 19.68" W)
Ground Level: 3,501.00 ft

Local Coordinate Origin: Centered on Well All Along 1525-17 Fed Com #1
Viewing Datum: WELL @ 3514.00ft (Original Well Elev)
TVDs to System: N
North Reference: Grid
Unit System: apl us survey ft 2

Version: 2003.16 Build: 42B

HALLIBURTON



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Survey Report for All Along 1525-17 Fed Com #1 - Surveys #1

Measured Depth (ft)	Inclination (°)	Azimuth (°)	TVD below System (ft)	Vertical Depth (ft)	Local Coordinates Northing (ft)	Eastings (ft)	Map Coordinates Northing (ft)	Eastings (ft)	Dogleg Rate (°/100ft)	Vertical Section (ft)	Comments
0.00	0.00	0.00	3,514.00	0.00	0.00 N	0.00 E	732,270.70	462,561.60	0.00	0.00	
100.00	0.30	117.63	3,414.00	100.00	0.12 S	0.23 E	732,270.58	462,561.83	0.30	-0.23	
200.00	0.42	122.18	3,314.00	200.00	0.44 S	0.77 E	732,270.28	462,562.37	0.12	-0.77	
300.00	0.43	116.54	3,214.01	299.99	0.80 S	1.42 E	732,269.90	462,563.02	0.04	-1.42	
400.00	0.43	137.32	3,114.01	399.99	1.24 S	2.01 E	732,269.46	462,563.61	0.16	-2.00	
500.00	0.35	145.96	3,014.01	499.99	1.77 S	2.44 E	732,268.93	462,564.04	0.10	-2.43	
600.00	0.38	187.47	2,914.01	599.99	2.36 S	2.58 E	732,268.34	462,564.16	0.26	-2.55	
700.00	0.68	206.67	2,814.02	699.98	3.21 S	2.25 E	732,267.49	462,563.85	0.34	-2.24	
800.00	0.93	212.37	2,714.03	799.97	4.43 S	1.55 E	732,266.27	462,563.15	0.26	-1.53	
900.00	0.91	199.64	2,614.04	899.96	5.86 S	0.85 E	732,264.84	462,562.45	0.20	-0.83	
1,000.00	0.81	164.45	2,514.05	999.95	7.29 S	0.77 E	732,263.41	462,562.37	0.53	-0.74	
1,100.00	0.62	168.16	2,414.06	1,099.94	8.50 S	1.07 E	732,262.20	462,562.67	0.20	-1.04	
1,200.00	0.43	207.43	2,314.06	1,199.94	9.37 S	1.01 E	732,261.33	462,562.61	0.40	-0.97	
1,300.00	0.87	242.37	2,214.07	1,299.93	10.05 S	0.17 E	732,260.65	462,561.77	0.57	-0.12	
1,400.00	1.24	219.30	2,114.08	1,399.92	11.24 S	1.19 W	732,259.46	462,560.41	0.56	1.24	
1,500.00	0.86	189.15	2,014.10	1,499.90	12.82 S	2.00 W	732,257.88	462,559.60	0.66	2.05	
1,600.00	0.81	190.89	1,914.11	1,599.89	14.25 S	2.25 W	732,256.45	462,559.35	0.06	2.31	
1,700.00	0.74	199.00	1,814.12	1,699.88	15.56 S	2.59 W	732,255.14	462,559.01	0.13	2.66	
1,800.00	0.44	207.03	1,714.13	1,799.87	16.51 S	2.98 W	732,254.19	462,558.62	0.31	3.05	
1,900.00	0.20	174.11	1,614.13	1,899.87	17.03 S	3.13 W	732,253.67	462,558.47	0.29	3.21	
2,000.00	0.26	116.65	1,514.13	1,999.87	17.30 S	2.91 W	732,253.40	462,558.69	0.23	2.99	
2,100.00	0.73	114.51	1,414.13	2,099.87	17.67 S	2.13 W	732,253.03	462,559.47	0.47	2.21	
2,200.00	0.76	107.85	1,314.14	2,199.86	18.14 S	0.92 W	732,252.56	462,560.68	0.09	1.00	
2,300.00	0.57	61.98	1,214.15	2,299.85	18.10 S	0.15 E	732,252.60	462,561.75	0.55	-0.07	
2,400.00	0.50	45.49	1,114.15	2,399.85	17.57 S	0.90 E	732,253.13	462,562.50	0.17	-0.82	
2,500.00	0.26	358.51	1,014.15	2,499.85	17.03 S	1.21 E	732,253.67	462,562.81	0.37	-1.13	
2,600.00	0.42	288.82	914.15	2,599.85	16.69 S	0.85 E	732,254.01	462,562.45	0.41	-0.78	
2,700.00	0.38	267.68	814.16	2,699.84	16.58 S	0.19 E	732,254.12	462,561.78	0.15	-0.10	
2,800.00	0.32	220.30	714.16	2,799.84	16.81 S	0.34 W	732,253.89	462,561.26	0.29	0.41	
2,900.00	0.06	220.45	614.16	2,899.84	17.06 S	0.55 W	732,253.64	462,561.05	0.26	0.63	
3,000.00	0.12	277.56	514.16	2,999.84	17.09 S	0.89 W	732,253.61	462,560.91	0.10	0.76	
3,100.00	0.13	190.50	414.16	3,099.84	17.19 S	0.81 W	732,253.51	462,560.79	0.17	0.89	
3,200.00	0.07	217.64	314.16	3,199.84	17.35 S	0.87 W	732,253.35	462,560.73	0.07	0.95	
3,300.00	0.30	222.20	214.16	3,299.84	17.59 S	1.08 W	732,253.11	462,560.52	0.23	1.16	
3,324.80	0.30	222.34	189.36	3,324.64	17.68 S	1.17 W	732,253.02	462,560.43	0.00	1.25	Last Gyro
3,520.00	0.25	140.26	-5.84	3,519.84	18.39 S	1.24 W	732,252.31	462,560.36	0.19	1.32	
3,711.00	0.72	66.25	-196.83	3,710.83	18.23 S	0.12 E	732,252.47	462,561.72	0.36	-0.04	
3,870.00	1.48	68.05	-355.80	3,869.80	17.06 S	2.94 E	732,253.64	462,564.54	0.48	-2.87	
3,895.00	2.01	74.53	-380.79	3,894.79	16.82 S	3.66 E	732,253.88	462,565.26	2.26	-3.59	
3,927.00	2.20	75.11	-412.77	3,926.77	16.51 S	4.80 E	732,254.19	462,568.40	0.60	-4.72	

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Survey Report for All Along 1525-17 Fed Com #1 - Surveys #1

Measured Depth (ft)	Inclination (°)	Azimuth (°)	TVD below System (ft)	Vertical Depth (ft)	Local Coordinates Northing (ft)	Eastings (ft)	Map Coordinates Northing (ft)	Eastings (ft)	Dogleg Rate (*100ft)	Vertical Section (ft)	Comments
3,959.00	2.02	71.93	-444.75	3,958.75	16.18 S	5.93 E	732,254.52	482,567.53	0.67	-5.86	
3,991.00	1.05	66.40	-476.73	3,990.73	15.89 S	6.73 E	732,254.81	482,568.33	3.06	-8.66	
4,023.00	0.79	306.60	-508.73	4,022.73	15.64 S	6.82 E	732,255.06	482,568.42	4.99	-6.75	
4,054.00	2.00	288.85	-539.72	4,053.72	15.33 S	6.14 E	732,255.37	482,567.74	4.10	-6.07	
4,086.00	4.10	283.09	-571.68	4,085.68	14.90 S	4.50 E	732,255.80	482,566.10	6.62	-4.43	
4,118.00	5.37	278.72	-603.57	4,117.57	14.41 S	1.90 E	732,256.29	482,563.50	4.12	-1.84	
4,149.80	6.48	278.80	-635.29	4,148.29	13.91 S	1.35 W	732,256.79	482,560.25	3.48	1.41	
4,181.70	7.64	279.71	-666.85	4,180.85	13.28 S	5.21 W	732,257.42	482,556.39	3.66	5.27	
4,213.60	9.42	280.16	-698.40	4,212.40	12.46 S	9.87 W	732,258.24	482,551.73	5.58	9.92	
4,245.20	12.05	279.09	-729.44	4,243.44	11.48 S	15.67 W	732,259.22	482,545.93	8.35	15.72	
4,277.10	15.05	276.31	-760.45	4,274.45	10.50 S	23.08 W	732,260.20	482,538.52	9.62	23.13	
4,309.00	18.34	273.67	-791.00	4,305.00	9.72 S	32.21 W	732,260.98	482,529.39	10.58	32.25	
4,340.00	21.22	272.00	-820.17	4,334.17	9.21 S	42.68 W	732,261.49	482,518.92	9.47	42.72	
4,372.00	24.09	270.43	-849.70	4,363.70	8.96 S	55.00 W	732,261.74	482,508.60	9.16	55.04	
4,404.30	26.96	268.95	-878.84	4,392.84	9.05 S	68.92 W	732,261.65	482,492.68	9.10	68.96	
4,436.00	29.27	268.88	-906.80	4,420.80	9.60 S	83.84 W	732,261.10	482,477.76	7.91	83.89	
4,468.00	31.61	266.35	-934.39	4,448.39	10.56 S	100.03 W	732,260.14	482,461.57	7.36	100.07	
4,499.00	33.39	266.60	-960.53	4,474.53	11.58 S	116.65 W	732,259.12	482,444.95	5.76	116.70	
4,531.00	36.36	268.63	-986.79	4,500.79	12.33 S	134.93 W	732,258.37	482,426.67	9.96	134.98	
4,563.00	38.50	269.69	-1,012.20	4,526.20	12.61 S	154.37 W	732,258.09	482,407.23	6.98	154.43	
4,595.00	41.07	271.20	-1,036.78	4,550.78	12.45 S	174.85 W	732,258.25	482,386.75	8.58	174.90	
4,627.00	41.92	272.10	-1,060.75	4,574.75	11.84 S	186.04 W	732,258.86	482,365.56	3.24	186.09	
4,658.00	43.68	273.01	-1,083.50	4,597.50	10.89 S	217.08 W	732,259.81	482,344.52	6.02	217.13	
4,690.60	45.52	273.65	-1,106.71	4,620.71	9.56 S	239.93 W	732,261.14	482,321.67	5.81	239.97	
4,722.40	47.87	272.92	-1,128.52	4,642.52	8.24 S	263.03 W	732,262.46	482,298.57	7.58	263.07	
4,754.30	50.63	272.42	-1,149.34	4,663.34	7.12 S	287.17 W	732,263.58	482,274.43	8.73	287.20	
4,786.20	52.97	272.02	-1,169.07	4,683.07	6.15 S	312.22 W	732,264.55	482,249.38	7.40	312.24	
4,818.10	56.38	272.06	-1,187.51	4,701.51	5.22 S	338.22 W	732,265.48	482,223.38	10.89	338.24	
4,849.70	58.67	270.70	-1,204.47	4,718.47	4.58 S	364.87 W	732,266.12	482,196.73	8.11	364.89	
4,881.60	61.33	269.86	-1,220.42	4,734.42	4.45 S	382.50 W	732,266.25	482,169.10	8.64	382.51	
4,913.50	63.74	268.91	-1,235.13	4,749.13	4.76 S	420.80 W	732,265.94	482,140.80	8.00	420.81	
4,945.20	66.40	268.36	-1,248.50	4,762.50	5.44 S	449.53 W	732,265.26	482,112.07	8.54	449.55	
4,976.90	68.20	267.49	-1,260.73	4,774.73	6.50 S	478.76 W	732,264.20	482,082.84	6.22	478.78	
5,008.50	70.02	267.53	-1,272.00	4,786.00	7.79 S	508.25 W	732,262.91	482,053.35	5.76	508.28	
5,040.40	71.94	266.74	-1,282.39	4,796.39	9.29 S	538.37 W	732,261.41	482,023.23	6.46	538.40	
5,072.20	74.52	266.36	-1,291.57	4,805.57	11.13 S	568.76 W	732,259.57	481,992.84	8.19	568.80	
5,104.00	76.81	265.90	-1,299.44	4,813.44	13.21 S	599.50 W	732,257.49	481,962.10	7.34	599.55	
5,136.00	78.61	265.88	-1,306.25	4,820.25	15.45 S	630.68 W	732,255.25	481,930.92	5.63	630.74	
5,167.80	79.79	266.48	-1,312.21	4,828.21	17.53 S	661.85 W	732,253.17	481,899.75	4.15	661.92	

HALLIBURTON

Parallel Petroleum Corp.
Chaves County, NM

Survey Report for All Along 1525-17 Fed Com #1 - Surveys #1

Measured Depth (ft)	Inclination (°)	Azimuth (°)	TVD below System (ft)	Vertical Depth (ft)	Local Coordinates Northing (ft)	Easting (ft)	Map Coordinates Northing (ft)	Easting (ft)	Dogleg Rate (°/100ft)	Vertical Section (ft)	Comments
5,199.80	81.83	266.67	-1,317.32	4,831.32	19.42 S	693.38 W	732,251.28	461,868.22	6.40	693.46	
5,231.60	84.25	265.82	-1,321.17	4,835.17	21.48 S	724.87 W	732,249.22	461,836.73	8.06	724.98	
5,263.50	87.84	266.24	-1,323.37	4,837.37	23.88 S	766.62 W	732,247.01	461,804.98	11.33	756.71	
5,295.10	89.97	267.01	-1,323.98	4,837.98	25.55 S	788.15 W	732,245.15	461,773.45	7.17	788.26	
5,326.90	90.89	268.59	-1,323.74	4,837.74	26.77 S	819.93 W	732,243.93	461,741.67	5.75	820.04	
5,358.80	91.43	269.47	-1,323.09	4,837.09	27.31 S	851.82 W	732,243.39	461,709.78	3.24	851.93	
5,390.00	91.61	269.37	-1,322.53	4,836.53	27.52 S	873.01 W	732,243.18	461,688.59	0.97	873.12	
5,422.40	92.37	269.37	-1,321.06	4,835.06	27.99 S	915.38 W	732,242.71	461,646.22	1.79	915.49	
5,454.20	92.65	270.34	-1,319.66	4,833.66	28.07 S	947.15 W	732,242.63	461,614.46	3.17	947.26	
5,485.80	93.77	271.50	-1,317.89	4,831.89	27.56 S	978.69 W	732,243.14	461,582.91	5.10	978.80	
5,517.70	93.83	272.01	-1,315.78	4,829.78	26.59 S	1,010.51 W	732,244.11	461,551.09	1.61	1,010.61	
5,549.60	93.52	271.86	-1,313.74	4,827.74	25.51 S	1,042.32 W	732,245.19	461,519.28	1.08	1,042.43	
5,581.40	93.46	271.73	-1,311.80	4,825.80	24.52 S	1,074.05 W	732,246.18	461,487.55	0.45	1,074.15	
5,645.30	93.34	271.81	-1,308.01	4,822.01	22.55 S	1,137.81 W	732,248.15	461,423.79	0.23	1,137.89	
5,677.10	92.34	272.07	-1,306.43	4,820.43	21.47 S	1,169.55 W	732,249.23	461,392.05	3.25	1,169.63	
5,741.00	91.85	272.88	-1,304.10	4,818.10	18.71 S	1,233.35 W	732,251.99	461,328.25	1.48	1,233.42	
5,802.70	90.77	272.84	-1,302.69	4,816.69	15.64 S	1,294.95 W	732,255.06	461,266.65	1.75	1,295.01	
5,864.50	91.48	273.20	-1,301.47	4,815.47	12.38 S	1,356.65 W	732,258.32	461,204.95	1.29	1,356.89	
5,925.90	92.06	273.18	-1,299.58	4,813.58	8.97 S	1,417.93 W	732,261.73	461,143.67	0.95	1,417.95	
5,987.70	91.88	274.30	-1,297.45	4,811.45	4.94 S	1,479.56 W	732,265.76	461,082.04	1.83	1,479.57	
6,049.30	89.69	274.23	-1,296.61	4,810.61	0.36 S	1,540.98 W	732,270.34	461,020.62	3.56	1,540.97	
6,111.10	90.40	274.08	-1,296.56	4,810.56	4.12 N	1,602.62 W	732,274.82	460,958.98	1.17	1,602.58	
6,173.40	91.72	274.63	-1,295.41	4,809.41	8.85 N	1,664.73 W	732,279.55	460,896.87	2.30	1,664.67	Last MWD

Survey Annotations

Measured Depth (ft)	Vertical Depth (ft)	Local Coordinates +N-S (ft)	+E-W (ft)	Comment
3,324.80	3,324.64	-17.68	-1.17	Last Gyro
6,173.40	4,809.41	8.85	-1,664.73	Last MWD

Vertical Section Information

Angle Type	Target	Azimuth (°)	Origin Type	+N-S (ft)	+E-W (ft)	Start TVD (ft)
User	No Target (Freehand)	269.75	Slot	0.00	0.00	0.00

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Survey Report for All Along 1525-17 Fed Com #1 - Surveys #1

Survey tool program

From (ft)		To (ft)	Surveys #1		Survey/Plan			Survey Tool																																																																																											
100.00		6,173.40			MWD																																																																																														
<u>Targets</u> <table border="1"> <thead> <tr> <th>Target Name</th> <th>Dip Angle (°)</th> <th>Dip Dir. (°)</th> <th>TVD (ft)</th> <th>+N/-S (ft)</th> <th>+E/-W (ft)</th> <th>Northing (ft)</th> <th>Easting (ft)</th> <th>Latitude</th> <th>Longitude</th> </tr> </thead> <tbody> <tr> <td>- hit/miss target</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Shape</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>LP (042607)</td> <td>0.00</td> <td>360.00</td> <td>4,834.80</td> <td>-20.26</td> <td>-870.83</td> <td>732,250.44</td> <td>461,680.77</td> <td>33° 0' 46.654 N</td> <td>04° 27' 29.905 W</td> </tr> <tr> <td colspan="10">- survey misses by 7.45ft at 5377.80ft MD (4836.59 TVD, -27.50 N, -870.80 E)</td> </tr> <tr> <td>- Point</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>IPBHL (042607)</td> <td>0.00</td> <td>360.00</td> <td>4,767.20</td> <td>-20.30</td> <td>-4,743.70</td> <td>732,250.40</td> <td>457,817.90</td> <td>33° 0' 46.606 N</td> <td>04° 28' 15.388 W</td> </tr> <tr> <td colspan="10">- survey misses by 3079.40ft at 6173.40ft MD (4809.41 TVD, 8.85 N, -1684.73 E)</td> </tr> <tr> <td>- Point</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>										Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (ft)	Easting (ft)	Latitude	Longitude	- hit/miss target										- Shape										LP (042607)	0.00	360.00	4,834.80	-20.26	-870.83	732,250.44	461,680.77	33° 0' 46.654 N	04° 27' 29.905 W	- survey misses by 7.45ft at 5377.80ft MD (4836.59 TVD, -27.50 N, -870.80 E)										- Point										IPBHL (042607)	0.00	360.00	4,767.20	-20.30	-4,743.70	732,250.40	457,817.90	33° 0' 46.606 N	04° 28' 15.388 W	- survey misses by 3079.40ft at 6173.40ft MD (4809.41 TVD, 8.85 N, -1684.73 E)										- Point									
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North Reference Sheet for Sec 16 T-15S R-25E - All Along 1525-17 Fed Com #1 - Wellbore #1

All data is in US Feet unless otherwise stated. Directions and Coordinates are relative to Grid North Reference.

Vertical Depths are relative to WELL @ 3514.00ft (Original Well Elev). Northing and Easting are relative to All Along 1525-17 Fed Com #1

Coordinate System is US State Plane 1927 (Exact solution), New Mexico East 3001 using datum NAD 1927 (NADCON CONUS), ellipsoid Clarke 1866

Projection method is Transverse Mercator (Gauss-Kruger)

Central Meridian is 104° 20' 0.000 W", Longitude Origin: 0° 0' 0.000 E", Latitude Origin: 0° 0' 0.000 N"

False Easting: 500,000.00ft, False Northing: 0.00ft, Scale Reduction: 0.99991070

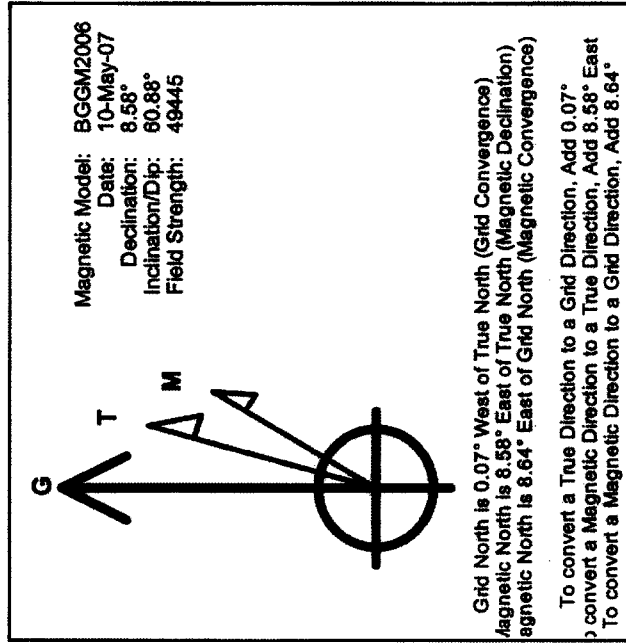
Grid Coordinates of Well: 732,270.70 ft N, 462,561.60 ft E

Geographical Coordinates of Well: 33° 00' 46.87" N, 104° 27' 19.68" W

Grid Convergence at Surface is: -0.07°

Based upon Minimum Curvature type calculations, at a Measured Depth of 6,173.40ft
the Bottom Hole Displacement is 1,664.75ft in the Direction of 270.30° (Grid).

Magnetic Convergence at surface is: -8.64° (10 May 2007, , BGGM2006)



**PARALLEL PETROLEUM CORPORATION
APPLICATION FOR
NON-STANDARD LOCATION
ALL ALONG 1525-17 FED. COM. NO. 1
T-15-S, R-25-E
SECTION 17: S/2
CHAVES COUNTY, NEW MEXICO**

AFFECTED PARTIES

**T-15-S, R-25-E
SECTION 16: S/2
CHAVES CO., NEW MEXICO**

LEASHOLD OWNERS	Ownership %
Parallel Petroleum Corporation 1004 N. Big Spring, Ste. 400 Midland, TX 79701	85.00%
Capstone Oil & Gas Company, L. P. 203 W. Wall Street, Ste. 1201 Midland, TX 79701	<u>15.00%</u>
Total	100.00%





MICHAEL M. GRAY

FAX & EMAIL

May 15, 2007

Capstone Oil & Gas Company, L.P.
P. O. Box 10187
Midland, Texas 79702

Attention: Mr. Dale Douglas

Re: All Along 1525-17 Fed Com No. 1 Well
T-15-S, R-25-E
Section 17: S/2
Chaves County, New Mexico

Gentlemen:

The All Along 1525-17 Fed Com No. 1 Well is being drilled by Parallel Petroleum in the south half of the captioned Section as a horizontal test well to test the Wolfcamp formation. The well bore has inadvertently penetrated the Wolfcamp objective at a location 598' FEL and 1854' FSL of the Section. This penetration point is non-standard by 62 feet and encroaches on your leasehold interest in the S/2 of Section 16, T-15-S, R-25 E.

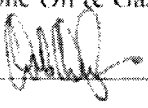
Enclosed is our letter, with attachments, to the New Mexico Oil Conservation Division requesting a non-standard exception for this well.

We respectfully and urgently request your waiver of objection to our pending application for approval of this unorthodox location. Please execute, scan and return one copy of this letter by email or by overnight delivery if you do not have email capability. If you have any questions please call or email me.

Yours truly,


Michael M. Gray
Land Manager, New Mexico

Waive Objection, May 15, 2007
Capstone Oil & Gas Company, L.P.

By: 

Dale Douglas, President of
Capstone Investments, Inc. its
General Partner



EXHIBIT

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