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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

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www.nmstatelands.org

March 1, 2007

Parallel Petroleum Corporation
1004 N. Big Spring, Suite 400
Midland, TX, 79701

Attn: Mr. Michael M. Gray

Re: Final Approval
Walnut Draw State Exploratory Unit
Eddy County, New Mexico

Dear Mr. Gray:

Thank you for your letter of February 27, 2007 requesting final approval of the Walnut Draw State Exploratory Unit Agreement, Eddy County, New Mexico.

It is our understanding that all tracts are committed to the unit agreement at this time.

The Commissioner of Public Lands has this date granted final approval to the Walnut Draw State Exploratory Unit Agreement effective March 1, 2007.

Enclosed are five (5) Certificates of Approval.

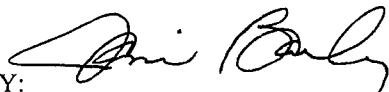
Please submit a \$60.00 filing fee.

Please notify this office when drilling operations are commenced.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY

Oil, Gas & Minerals Division

PL/JB/pm

pc: Reader File,

~~OCD~~-Santa Fe, Attn: Mr. David Catanach

TRD-Attn: Mr. Valdean Severson

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University