

**PARALLEL**  
Petroleum Corporation

1004 North Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

January 25, 2007

**Sent via CMRRR# 7006 0100 0001 2440 3314**

Ann Denton  
Trustee of the Charles A. and Ann Denton  
Revocable Trust, u/t/a dated April 30, 1987.  
c/o Ronny Hemphill  
1035 Meecham Drive  
Ruidoso, NM 88345

Re: Personally 1525-33 No. 1  
T-15-S, R-25-E  
Section 33: N/2  
Chaves County, New Mexico

DIVISION CASE # 13864  
EXHIBIT # 8  
Submitted By: Parallel Petroleum  
2/15/07

Mr. Hemphill,

On August 9, 2005, Parallel Petroleum Corporation, took an oil and gas lease from Ann Denton, Trustee of the Charles A. and Ann Denton Revocable Trust u/t/a dated April 30, 1987.

In a drilling title opinion prepared by our attorneys a number of concerns were raised regarding the validity of the lease taken from Ms. Denton in her capacity as Trustee. Enclosed please find the pertinent portion of the title opinion regarding the mineral interest owned by the trust. Title requirements 7(a) through 7(d) outline the information that will be necessary to resolve the issues that exist regarding the lease taken from Ms. Denton as Trustee.

It appears that Ms. Denton originally served as a Co-Trustee of the Charles A. and Ann Denton Revocable Trust along with United New Mexico Trust Company (now Wells Fargo Bank). We have found an order modifying the trust agreement whereby United New Mexico Trust Company was released as a Co-Trustee and Ann Denton was named the Sole Successor Trustee in regards to Trust "B".

We have found nothing that would indicate that United New Mexico Trust Company/Wells Fargo has ever been removed or released from its duties and responsibilities as a Co-Trustee of Trust "A". Without any documentation to demonstrate otherwise, we must assume that Wells

Fargo, the successor in interest to United New Mexico Trust Company, is in fact still a Co-Trustee of the Charles A. and Ann Denton Revocable Trust in regards to Trust "A". A ratification of the aforementioned lease by Wells Fargo Bank will be necessary in order to ensure that Parallel Petroleum Corporation does in fact own a valid oil and gas lease covering the mineral interests owned by the trust.

Trek Petroleum, Inc., an independent contractor employed by Parallel Petroleum Corporation to handle leasing and title curative issues has made numerous attempts to obtain the documents and information asked for in the above referenced title opinion. If the information or documentation cannot be supplied, Parallel Petroleum Corporation has no choice other than to list that the mineral interests owned by the Charles A. and Ann Denton Revocable Trust u/t/a dated April 30, 1987, be subject to a compulsory pooling hearing.

The remainder of this letter contains Parallel Petroleum Corporation's well proposal in the event that compulsory pooling efforts in fact become necessary to resolve this matter:

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the N/2 of Section 33, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, New Mexico. The well will be commenced at an off lease location in the NE/4 NE/4 of Section 32, Township 15 South, Range 25 East, N.M.P.M. and will be drilled to an approximate vertical depth of 4,750'. The well will then be drilled horizontally to encounter the Wolfcamp objective at a legal location in the NW/4 NW/4 of Section 33 and to a projected orthodox terminus in the NE/4 NE/4 of Section 33.

This well will share a drilling pad with a well operated by Parallel Petroleum in the NE/4 NE/4 of Section 32, Township 15 South, Range 25 East, N.M.P.M. The cost of facilities used by both wells will be allocated equally.

Based on an examination of the mineral ownership records it appears that you have taken in leases in Chaves County, New Mexico, covering the above referenced tract of land and that your interest in the proposed well would be a 0.01263778 decimal interest.

Enclosed please find an Authority for Expenditure estimating the cost of the proposed well. The total cost for the proposed well is estimated to be \$2,601,300.00. Please mark the appropriate space provided below indicating whether or not you intend to join in the drilling of the well. Should

you elect to join in the drilling of the well you will be liable for your proportionate share of the actual cost of drilling which is estimated to be \$32,874.66. If you elect to join, please return a signed copy of the Authority for Expenditure. Additionally, if you elect to join, please furnish us with your well information requirements.

Also enclosed with this letter please find a copy of our pro forma operating agreement for the drilling of this well. A completed "Exhibit A" and signature pages will be provided to all participating parties upon the completion of a compulsory pooling hearing.

If you have any questions or need anything further, please feel free to contact me at the above listed telephone number. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read "Aaron L. Myers", written over a horizontal line.

Aaron L. Myers  
Consulting Landman

**Ann Denton, as Trustee of the Charles A. and Ann Denton Revocable Trust Agreement u/t/a dated April 30, 1987.**

\_\_\_\_\_ I/We elect to participate in the proposed Personally 1525-33 No. 1 well and enclose an executed Authority for Expenditure.

\_\_\_\_\_ I/We elect not to participate in the proposed well.

**Ann Denton, as Trustee of the Charles A. and Ann Denton Revocable Trust Agreement u/t/a dated April 30, 1987.**

By: \_\_\_\_\_  
Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Ann Denton, as Trustee of the Charles A. and Ann Denton Revocable Trust Agreement u/t/a dated April 30, 1987.**

\_\_\_\_\_ I/We elect to participate in the proposed Personally 1525-33 No. 1 well and enclose an executed Authority for Expenditure.

\_\_\_\_\_ I/We elect not to participate in the proposed well.

**Ann Denton, as Trustee of the Charles A. and Ann Denton Revocable Trust Agreement u/t/a dated April 30, 1987.**

By: \_\_\_\_\_  
Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## 7.

By Mineral Deed dated March 22, 1950, recorded in Book 142, page 313 of the Records of Chaves County, Don Angle and wife, Gladys M. Angle, conveyed to Charles A. Denton an undivided 133/2631 (.05055112) interest in the minerals in the NE/4 of captioned Section 33. The mineral takeoff credits this interest to Ann Denton, Successor Trustee of the Charles A. and Ann Denton Revocable Trust. You have furnished us a copy of the Trust Agreement creating the Charles A. Denton and Ann Denton Revocable Trust; however, the Schedule A which describes the trust properties and/or assets is not attached thereto. The Trust Agreement provides that upon the death of the first Grantor of the trust, the assets of the trust were to be divided into two trusts: Trust A and Trust B.

By Order Modifying Trust Agreement and Designating Sole Successor Trustee dated September 9, 1994, filed in Cause No. PB-94-58, in the Fifth Judicial District Court of Chaves County, New Mexico, Ann Denton was appointed Sole Successor Trustee of the Charles A. Denton and Ann Denton Revocable Trust B. However, the accounting of the assets which comprise Trust B only provides a monetary value of the assets and does not set forth the legal description of the property comprising Trust B. Lease No. 13 has been executed by Ann Denton, Trustee of the Charles A. and Ann Denton Revocable Trust, and includes the mineral interest of captioned Section 33. We cannot determine from the materials examined whether or not the interest in the minerals in captioned Section 33 owned by Ann Denton, Trustee of the above trust, is included in Trust A or Trust B. If this interest is part of Trust A, the lease should be joined in by United New Mexico Trust Company, as Co-Trustee of Trust A.

You have furnished us portions of the estate proceedings conducted on the Estate of Charles A. Denton. Under the terms of his Will, he devised the residue of his estate (which appears to include his interest in the minerals in captioned land (presumably a community property one-half (1/2) interest therein) to the Charles A. Denton and Ann Denton Revocable Trust dated April 30, 1987. We have treated an undivided one-half (1/2) of the .05055112 mineral interest acquired by Charles A. Denton as passing to the Charles A. and Ann Denton Revocable Trust under the terms of the Will of Charles A. Denton, Deceased. The other one-half (1/2) of such interest we have credited to Ann Denton, the widow of Charles A. Denton.

**REQUIREMENT:** (a) Submit for examination "Schedule A" to the Trust Agreement of the Charles A. Denton and Ann Denton Revocable Trust dated April 30, 1987.

(b) If United New Mexico Trust Company (or its successor is no longer a Co-Trustee of Trust A of the Charles A. and Ann Denton Revocable Trust), submit for examination the documentation evidencing its removal as such Co-Trustee. If United New Mexico Trust Company is a Co-Trustee of such Trust A, submit for examination a ratification wherein United New Mexico Trust Company, as Co-Trustee of Trust A ratifies Lease No. 13.

(c) Submit for examination an Affidavit of Marital History for Charles A. Denton.

(d) If Charles A. Denton was married to Ann Denton

# PARALLEL

## AUTHORITY FOR EXPENDITURE

Parallel Petroleum	Personality 1525-33 #1	4060065
N/2N/2 Sec 33, T16S, R25E	Chaves	New Mexico
Drill & Complete Wolfcamp Horizontal Gas Well	gas	06-Sep-06
501031 / Racehorse / Wildcat (Wolfcamp Gas)		JUN 07
		9150 MD, 4750 TVD

INTANGIBLE WELL COSTS				BCP	ACP	TOTAL
830.020 PERMIT	\$ 2,000	830.030 SURVEY LOC	\$ 2,500	\$ 4,500		\$ 4,500
830.040 SURF DAMAGES	\$ 4,000	830.050 INSURANCE	\$ -	\$ 14,000		\$ 14,000
830.110 LOC & PITS	\$ 50,000	830.110 ROADS	\$ 8,000	\$ 56,000		\$ 56,000
830.130 DRLG - DAYWORK	31.0 DAYS @		\$17,000 /DAY	\$ 527,000		\$ 527,000
830.130 DRILLING	0 FEET @		\$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000	830.130 TURNKEY	\$ -	\$ 49,000		\$ 49,000
830.200 BITS	\$ 65,000	830.250 WELDING	\$ 2,000	\$ 67,000		\$ 67,000
830.180 WATER - BCP	\$ 32,000	830.190 MUD & CHEM	\$ 75,000	\$ 32,000	\$ 110,000	\$ 142,000
830.140 TRUCKING - BCP	\$ 18,200	840.140 TRUCKING - ACP	\$ 8,000	\$ 18,200	\$ 8,000	\$ 26,200
830.170 POWER & FUEL	\$ 50,000	830.135 DIRECTIONAL	\$ 180,000	\$ 230,000		\$ 230,000
830.270 MUD LOGGING	\$ 15,000	830.270 DST	\$ -	\$ 15,000		\$ 15,000
830.230 CEMENTING: SURF	\$ 35,000	830.230 INTERMED.	\$ -	\$ 38,000		\$ 38,000
840.190 PRODUCTION	\$ 30,000	860.080 FLOAT EQUIP	\$ 3,000		\$ 33,000	\$ 33,000
830.270 CORING	\$ -	830.270 CORE ANAL.	\$ -			
830.280 WL LOGGING: OH	\$ 32,000	840.200 CSD. HOLE	\$ 7,000	\$ 32,000	\$ 77,000	\$ 109,000
840.100 COMPLETION UNIT	5 DAYS @		\$4,500 /DAY		\$ 22,500	\$ 22,500
830.150 BCP - RENTALS: SURF	\$ 20,000	830.180 BCP - SUBSURFACE	\$ 35,000	\$ 55,000		\$ 55,000
840.150 ACP - RENTALS: SURF	\$ 18,000	840.180 ACP - SUBSURFACE	\$ 20,000		\$ 35,000	\$ 35,000
840.220 STIMULATE: ACID	\$ 25,000	840.220 FRACTURE	\$ 300,000		\$ 415,000	\$ 415,000
830.240 ENVIRON. COST - BCP	\$ 15,000	840.140 COMPL FLUID	\$ 10,000		\$ 10,000	\$ 10,000
830.320 DRLG OVERHEAD	\$ 8,000	840.280 ENV. COST - ACP	\$ 15,000	\$ 15,000	\$ 15,000	\$ 30,000
830.090 LABOR: CO. - BCP	\$ 37,200	830.070 GEOL SUPR	\$ 5,000	\$ 16,000	\$ 5,000	\$ 21,000
840.030 LABOR: CO. - ACP	\$ 5,000	830.250 CONTRACT - BCP	\$ 15,000	\$ 52,200		\$ 52,200
830.240 CLEAN UP SITE	\$ 50,000	840.020 CONTRACT - ACP	\$ 5,000		\$ 10,000	\$ 10,000
830.250 MISC. INTANG. COST	\$ 20,000	830.250 FENCE LOC	\$ 3,000	\$ 50,000	\$ 3,000	\$ 53,000
830.340 CONTINGENCY: BCP	5.00%	840.120 MISC. COST - ACP	\$ 10,000	\$ 20,000	\$ 10,000	\$ 30,000
		840.280 CONTING: ACP	5.00%	\$ 84,500	\$ 37,700	\$ 102,200
TOTAL INTANGIBLE WELL COSTS				\$ 1,355,400	\$ 791,200	\$ 2,146,600

TANGIBLE WELL COSTS				TOTAL TANGIBLE COSTS		
850.020 CASING: SURFACE	0 FEET OF	0.000 INCH CASING @	\$0.00 /FT	\$ 36,400		\$ 36,400
850.030 INTERMEDIATE	1400 FEET OF	8.825 INCH CASING @	\$26.00 /FT			
850.030 PROTECTION	0 FEET OF	0.000 INCH CASING @	\$0.00 /FT			
860.040 PRODUCTION	9150 FEET OF	5.500 INCH CASING @	\$14.00 /FT		\$ 128,100	\$ 128,100
860.040 LINER	0 FEET OF	0.000 INCH CASING @	\$0.00 /FT			
830.210 INSPECT TUB. - BCP	\$ 9,000	840.170 INSP. - ACP	\$ 9,000	\$ 12,000	\$ 12,000	\$ 24,000
850.050 CASINGHEAD	\$ 7,500	860.030 TUBINGHEAD	\$ 7,500	\$ 7,500	\$ 7,500	\$ 15,000
860.070 CHRISTMAS TREE	\$ 10,000	860.070 WH FITTINGS	\$ 5,000		\$ 15,000	\$ 15,000
860.080 TUBING	5000 FEET OF	2.875 INCH TUBING @	\$5.63 /FT		\$ 28,150	\$ 28,150
860.110 RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)				
860.130 SUBSURFACE PUMP	\$ -	860.120 T8G ANCHOR	\$ -		\$ 7,500	\$ 7,500
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -		\$ 2,000	\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.280 COMPRESSOR	\$ -		\$ 15,000	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.280 DEHYDRATOR	\$ 10,000		\$ 10,000	\$ 10,000
860.220 HEATER-TREATER	\$ -	860.220 SEPARATOR	\$ 10,000		\$ 10,000	\$ 10,000
860.130 PLUNGER LIFT	\$ -	860.180 PRIME MOVER	\$ -			
860.230 SURF EQUIP FTNGS	\$ 18,000	860.250 BUILDINGS	\$ -		\$ 18,000	\$ 18,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200	\$ 3,200	\$ 33,000	\$ 36,200
860.170 PUMPING UNIT	\$ -	860.280 METER/CONTROLS	\$ 20,000		\$ 20,000	\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.180 CONTINGENCY	10.00%			\$ 5,800	\$ 35,450	\$ 41,350
TOTAL TANGIBLE COSTS				\$ 65,000	\$ 389,700	\$ 454,700
TOTAL WELL COSTS				\$ 1,420,400	\$ 1,180,900	\$ 2,601,300
PLUG & ABANDON EXPENSE				\$ -		\$ -
DRY HOLE COST				\$ 1,420,400		\$ 1,420,400

CATEGORY

DEPARTMENT CATEGORY COMPANY DECIMAL

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
RETURN ADDRESS, FOLD AT DOTTED LINE

**CERTIFIED MAIL™**

7006 0100 0001 2440 3314

7006 0100 0001 2440 3314

Sent To: Ann Denton, Tre  
Street, Apt. No.,  
or PO Box No. 1035 W  
City, State, ZIP+4®  
Ruidoso, NM 88345

PS Form 3800, June 2002

U.S. Postal Service™  
**CERTIFIED MAIL™ RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage \$  
Certified Fee  
Return Receipt Fee  
(Endorsement Required)  
Restricted Delivery Fee  
(Endorsement Required)  
Total Postage & Fees \$

Postmark  
Here

Sent To: Ann Denton, Tre % Renny Hemphill  
Street, Apt. No.,  
or PO Box No. 1035 W  
City, State, ZIP+4®  
Ruidoso, NM 88345

PS Form 3800, June 2002

See Reverse for Instructions

U.S. Postal Service™  
**CERTIFIED MAIL™ RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)  
For delivery information visit our website at [www.usps.com](http://www.usps.com)

Postage \$

Certified Fee

Return Receipt Fee  
(Endorsement Required)

Restricted Delivery Fee  
(Endorsement Required)

Total Postage & Fees \$

2. Article Number  
(Transfer from service label)  
PS Form 3811, February 2004

Domestic Return Receipt

7006 0100 0001 2440 3314

102595-02-M-1540

Ann Denton  
Trustee of the Charles A. &  
Ann Denton Revocable Trust  
c/o Renny Hemphill  
1035 Mescham Drive  
Ruidoso, NM 88345

1. Article Addressed to:
- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
  - Print your name and address on the reverse so that we can return the card to you.
  - Attach this card to the back of the mailpiece, or on the front if space permits.

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

A. Signature <input checked="" type="checkbox"/> X <i>Renny Hemphill</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
B. Received by (Printed Name) <i>T. Hemphill</i>	C. Date of Delivery <i>2-107</i>
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
Ann Denton  
Trustee of the Charles A. &  
Ann Denton Revocable Trust  
c/o Renny Hemphill  
1035 Mescham Drive  
Ruidoso, NM 88345

2. Article Number  
(Transfer from service label)

7006 0100 0001 2440 3314

PS Form 3811, February 2004

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature <input checked="" type="checkbox"/> X <i>Renny Hemphill</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
B. Received by (Printed Name) <i>T. Hemphill</i>	C. Date of Delivery <i>2-107</i>
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

102595-02-M-15