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October 25, 2006

**ORIGINAL DRILLING TITLE OPINION**

**DRAFT #1**

**Before the Oil Conservation Division**  
**Exhibit No. \_\_\_\_\_**  
**Parallel Petroleum Corp**  
**OCD CASE 13923**  
**Hearing: June 21, 2007**

Parallel Petroleum Corporation  
P. O. Box 10587  
Midland, TX 79702

Attention: Mr. Michael Gray

Re: **Your Racehorse Prospect** – the ownership of the oil and gas mineral estate in the following-described lands situated in Chaves County, New Mexico:

Township 15 South, Range 25 East, N.M.P.M.  
Section 34: All

containing 640 acres, more or less.

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Gentlemen:

At your request, we have examined the following:

**MATERIALS EXAMINED**

**Examination of the Records**

We have examined all of the instruments affecting the title to the oil and gas mineral estate in captioned land which have been recorded in the Records of Chaves County, New Mexico, from the inception of such records to May 2, 2006 at 7:00 a.m., as reflected by a "runsheel" furnished to us by Shaw Interests, Inc., which purports to list all of such instruments.

**Additional Materials**

1. Copy of mineral takeoff for captioned land furnished to us by Shaw Interests, Inc.
2. Copy of the Runsheel Covering the Don Angle Interest (the "runsheel"), from inception to October 21, 2005 at 7:00 a.m., based upon instruments of record in Chaves and Eddy Counties, New Mexico, furnished by Shaw Interests, Inc.
3. Copy of the Supplemental Runsheel Covering the Don Angle Interest (the "supplemental"), each based upon instruments of record in Chaves and Eddy Counties, New Mexico, from October 21, 2005 at 7:00 a.m. to August 27, 2006 at 7:00 a.m., furnished by Shaw Interests, Inc. We qualify this opinion accordingly.
4. Copy of Trust Agreement for The Pearson Family Trust.

| <u>Owner</u>  | <u>Lease<br/>No.</u> | <u>Lease<br/>Royalty</u> | <u>Mineral<br/>Interest</u> |
|---|----------------------|--------------------------|-----------------------------|
| Hildene Senter Doyle, as Trustee of the Senter Family Trust | 29                   | 1/5                      | 1/16                        |
| Abbie Pearson Jeter, as her separate property               | Unleased             | N/A                      | 1/32                        |
| Randy R. Pearson, as his separate property                  | Unleased             | N/A                      | 1/32                        |
| Alma Beatrice Pearson Ingram, as her separate property      | 25                   | 3/16                     | 1/8                         |

NW/4, save and except Tracts 4 and 5, described below:

| <u>Owner</u>                        | <u>Lease<br/>No.</u> | <u>Lease<br/>Royalty</u> | <u>Mineral<br/>Interest</u> |
|-------------------------------------|----------------------|--------------------------|-----------------------------|
| Barry Neil Pearson, a single person | 27                   | 3/16                     | 1/2                         |
| JCCO, Inc.                          | 28                   | 1/4                      | 1/2                         |

Tract 4: A tract of land lying in the NW/4 NW/4 and the SW/4 NW/4, being more particularly described as follows:

Beginning at a point for the northwesterly corner of Section 34; thence southerly along the westerly line of said Section 34 a distance of 600.93 feet to the true point and place of beginning; thence continuing southerly along said westerly section line a distance of 2021.07 feet to a point for the westerly 1/4 corner of said Section 34; thence easterly along the latitudinal 1/4 line of said Section 34 a distance of 38.0 feet to a point on the easterly right of way line of NMP F-023-2(6), County of Chaves, State of New Mexico; thence N.1°41'W. along said easterly right of way line a distance of 2022.05 feet to the true point and place of beginning. Containing 38.395 square feet, more or less, of which 38.395 square feet, more or less, are in the existing road right of way, containing .88 acres, more or less:

| <u>Owner</u>                        | <u>Lease<br/>No.</u> | <u>Lease<br/>Royalty</u> | <u>Mineral<br/>Interest</u> |
|-------------------------------------|----------------------|--------------------------|-----------------------------|
| New Mexico State Highway Commission | Unleased             | N/A                      | All                         |

Tract 5: A tract of land being part of the NW/4, being more particularly described as follows:

Beginning at the C 1/4 corner of said Section 34; thence South 89°14'56" West along the South line of said NW/4, a distance of 590.38 feet; thence North 00°36'01" West parallel to the East line of said NW/4, a distance of 1475.68 feet; thence North 89°14'56" East parallel to the South line of said NW/4, a distance of 590.38 feet to a point on the East line of said NW/4; thence South 00°36'01" East along the East line of the NW/4 of said Section 34, a distance of 1475.68 feet to the point of beginning, containing 20 acres, more or less:

| <u>Owner</u> | <u>Lease<br/>No.</u> | <u>Lease<br/>Royalty</u> | <u>Mineral<br/>Interest</u> |
|--------------|----------------------|--------------------------|-----------------------------|
| JCCO, Inc.   | 28                   | 1/4                      | 1/2                         |