

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF PARALLEL PETROLEUM  
CORPORATION FOR COMPULSORY  
POOLING, CHAVES COUNTY, NEW MEXICO.**

**CASE NO. 13948**

**AFFIDAVIT OF AARON L. MYERS**

STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF MIDLAND        )

I, Aaron L. Myers, being first duly sworn on oath, states as follows:

1. My name is Aaron Myers. I reside in Midland, Texas. I am the Landman employed by Parallel Petroleum Corporation ("Parallel") who is familiar with the status of the lands in Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico.

2. Parallel seeks an order pooling certain interest owners in the S/2 of Section 20 from the surface to the base of the Wolfcamp formation in the following described spacing and proration units: the S/2 for all formations and/or pools developed on 320-acre spacing.

3. Parallel owns a working interest in the S/2 of Section 20 and has dedicated this proposed spacing unit to its Bubbling Over 1525-20 Fed Com Well No. 1 (API 30-005-63879) to be drilled from a surface location 1880 feet from the South line and 190 feet from the West line and a bottomhole location 1880 feet from the South line and 660 feet from the West line of said Section 20 to an approximate depth of 5500 feet. Attachment A is a plat of the subject lands showing the proposed spacing unit and the well location.

4. The proposed spacing unit consists of 320 acres of Federal and Fee lands. Attachment B lists the nature and percentage of the ownership interests in the subject spacing unit.

5. All mineral owners in the project area have voluntarily agreed to pool their interests. This application has been instituted solely to pool the interests of working interest owners who have not been found and/or who do not oppose the application.

BEFORE THE OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Case No. 13948...Exhibit No. 1  
Submitted by:  
Parallel Petroleum Corporation  
Hearing Date: June 12, 2007

6. Parallel has conducted a diligent search to locate Mark Baird, William J. Baird, III and Jennie Cathcart. A search of the county title records in Chaves County, New Mexico, provided the names and addresses of the parties to be pooled. At the present time letters proposing the drilling of the Bubbling Over 1525-20 #1 Well have been sent to those parties. To date, there has been no response from the parties to be pooled.

7. Attachment C is a copy of the well proposal letter that was sent to those interest owners with last known addresses.

8. Parallel requests that these interests be pooled and Parallel be designated operator of the well and the project area.

9. Parallel proposes overhead charges (combined fixed rates) of \$4,500.00 per month while drilling and \$450.00 per month while producing.

10. Attachment D is a copy of the authorization for expenditure (AFE) for this well.

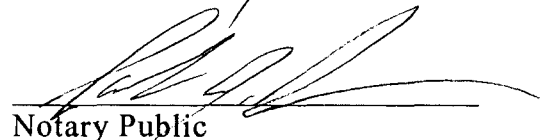
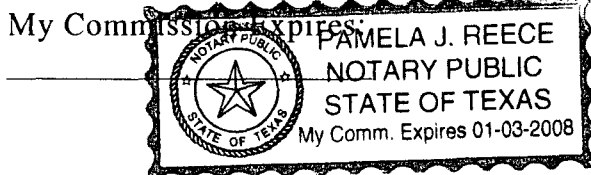
11. Attachment E is an affidavit of publication showing notice of this hearing was given pursuant to Division rules as well as a copy of the notice letters sent to each interest owner.

11. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste, will protect correlative rights, and allow Parallel and the other interest owners in the S/2 of Section 20 an opportunity to obtain their just and fair share of the oil and gas under the subject lands.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this 9<sup>th</sup> day of July 2007.

  
Notary Public



### Unleased Mineral Owners

**ATTACHMENT  
B**

BUBBLING OVER 1525-20 #1  
S/2 Sec. 20, T15S, R25E  
Unleased Mineral Owners

SE/4:					
<b>NAME</b>	<b>LESSEE</b>	<b>MINERAL INTEREST</b>	<b>UNIT %</b>	<b>WORKING INTEREST</b>	
United States of America	PLL	ALL	0.50000	0.50000	
			<b>TOTAL</b>	<b>0.50000</b>	
			<b>PLL TOTAL</b>	<b>0.50000</b>	
			<b>OUTSTANDING</b>	<b>0.00000</b>	
SE/4 SW/4:					
<b>NAME</b>	<b>LESSEE</b>	<b>MINERAL INTEREST</b>	<b>UNIT %</b>	<b>WORKING INTEREST</b>	
Carroll Jackson, Jr.	PLL	1/3	0.12500	0.04167	
Coleman F. Jackson	PLL	1/3	0.12500	0.04167	
Dolly D. Bassett	PLL	1/3	0.12500	0.04167	
			<b>TOTAL</b>	<b>0.12500</b>	
			<b>PLL TOTAL</b>	<b>0.12500</b>	
			<b>OUTSTANDING</b>	<b>0.00000</b>	
NE/4 SW/4:					
<b>NAME</b>	<b>LESSEE</b>	<b>MINERAL INTEREST</b>	<b>UNIT %</b>	<b>WORKING INTEREST</b>	
George A. Denton	PLL	ALL	0.12500	0.12500	
			<b>TOTAL</b>	<b>0.12500</b>	
			<b>PLL TOTAL</b>	<b>0.12500</b>	
			<b>OUTSTANDING</b>	<b>0.00000</b>	

BUBBLING OVER 1525-20 #1  
S/2 Sec. 20, T15S, R25E  
Unleased Mineral Owners

<b>NW/4 SW/4:</b>					
<b>NAME</b>	<b>LESSEE</b>	<b>MINERAL INTEREST</b>	<b>UNIT %</b>	<b>WORKING INTEREST</b>	
Susan B. McConnell	PLL	ALL	0.12500	0.12500	
			<b>TOTAL</b>	<b>0.12500</b>	
			<b>PLL TOTAL</b>	<b>0.12500</b>	
			<b>OUTSTANDING</b>	<b>0.00000</b>	
<b>N/2 SW/4 SW/4:</b>					
<b>NAME</b>	<b>LESSEE</b>	<b>MINERAL INTEREST</b>	<b>UNIT %</b>	<b>WORKING INTEREST</b>	
Jeffrey Burnett	PLL	1/14	0.06250	0.00446	
Jane Burnett-Faiola	PLL	1/14	0.06250	0.00446	
John Burnett	PLL	1/14	0.06250	0.00446	
Stacia Sanchez	PLL	1/14	0.06250	0.00446	
Jeff Funk	PLL	1/14	0.06250	0.00446	
Joan Wilson	PLL	1/14	0.06250	0.00446	
Marilyn B. Garson	PLL	1/14	0.06250	0.00446	
Mark Baird	N/A	1/4	0.06250	0.01563	
William J. Baird, III	N/A	1/4	0.06250	0.01563	
			<b>TOTAL</b>	<b>0.06250</b>	
			<b>PLL TOTAL</b>	<b>0.03125</b>	
			<b>OUTSTANDING</b>	<b>0.03125</b>	

BUBBLING OVER 1525-20 #1  
S/2 Sec. 20, T15S, R25E  
Unleased Mineral Owners

S/2 SW/4 SW/4					
NAME	LESSEE	MINERAL INTEREST	UNIT %	WORKING INTEREST	
Jennie Cathcart	N/A	ALL	0.06250	0.06250	
			TOTAL	0.06250	
			PLL TOTAL	0.00000	
			OUTSTANDING	0.06250	
S/2 20-15-25					
WORKING INTEREST					
TOTAL:					1.00000
OVERALL PLL					
TOTAL:					0.90625
OUTSTANDING					
TOTAL:					0.09375



# PARALLEL

Petroleum Corporation

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

May 11, 2007

**Sent via CMRRR# 7006 0810 0005 7586 8694**

Mark Baird  
7730 Dellwood Drive  
Urbandale, IA 50322

Re: Bubbling Over 1525-20 Fed Com. #1  
T-15-S, R-25-E  
Section 20: S/2  
Chaves County, New Mexico

Dear Mr. Baird,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, 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 NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well 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 NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 0.08330 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 \$2,317,500.00. 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 \$12,065.48. 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.

ATTACHMENT

C



If you have any questions or need anything further, please to do not hesitate to contact me. You can reach me at the office, my direct dial number is (432) 687-8663. You can also reach me on my cell phone, the number is (956) 330-4051. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read 'Aaron L. Myers', with a long horizontal flourish extending to the right.

Aaron L. Myers  
Consulting Landman

**MARK BAIRD**

\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed  
Com. #1 well and enclose an executed Authority for Expenditure.

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

**MARK BAIRD**

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

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

**MARK BAIRD**

\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed  
Com. #1 well and enclose an executed Authority for Expenditure.

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

**MARK BAIRD**

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

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



## AUTHORITY FOR EXPENDITURE

OPERATOR	LEASE/WELL NAME	AFE NUMBER
Parallel Petroleum	Bubbling Over 1525-20 FED COM #1	4070023
LOCATION	COUNTY	STATE
S/2 Sec 20, T15S, R25E	Chaves	New Mexico
PURPOSE	TYPE WELL	TO BE STARTED
Drill & Complete Wolfcamp Horizontal Gas Well	gas	JUN 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME	PROPOSED DEPTH	
501078 / County Line / Wildcat (Wolfcamp Gas)	9690 MD, 5250 TVD	

				BCP	ACP	TOTAL
<b>INTANGIBLE WELL COSTS</b>						
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	\$ 54,000	830.110 ROADS	\$ 2,000	\$ 56,000		\$ 56,000
830.130 DRLG - DAYWORK	20.0 DAYS @		\$17,000 /DAY	\$ 340,000		\$ 340,000
830.130 DRILLING	0 FEET @		\$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000			\$ 49,000		\$ 49,000
830.200 BITS	\$ 65,000	830.250 WELDING	\$ 2,000	\$ 67,000		\$ 67,000
830.180 WATER - BCP	\$ 35,000	830.190 MUD & CHEM	\$ 58,000	\$ 35,000	\$ 93,000	\$ 128,000
830.140 TRUCKING - BCP	\$ 18,200	840.140 TRUCKING - ACP	\$ 8,000	\$ 18,200	\$ 8,000	\$ 26,200
830.170 POWER & FUEL	\$ 30,000	830.135 DIRECTIONAL	\$ 139,000	\$ 169,000		\$ 169,000
830.270 MUD LOGGING	\$ 25,000	830.270 DST	\$ -	\$ 25,000		\$ 25,000
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.	\$ -			
830.290 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	830.160 BCP - SUBSURFACE	\$ 35,000	\$ 55,000		\$ 55,000
840.150 ACP - RENTALS: SURF	\$ 15,000	840.160 ACP - SUBSURFACE	\$ 20,000		\$ 35,000	\$ 35,000
840.220 STIMULATE: ACID	\$ 25,000	840.220 FRACTURE	\$ 385,000		\$ 410,000	\$ 410,000
		840.140 COMPL. FLUID	\$ 5,000		\$ 5,000	\$ 5,000
830.240 ENVIRON. COST - BCP	\$ 15,000	840.260 ENV. COST - ACP	\$ 15,000	\$ 15,000	\$ 15,000	\$ 30,000
830.320 DRLG OVERHEAD	\$ 6,000	830.070 GEOL SUPR	\$ 5,000	\$ 16,000	\$ 5,000	\$ 21,000
830.090 LABOR: CO. - BCP	\$ 24,000	830.250 CONTRACT - BCP	\$ 15,000	\$ 39,000		\$ 39,000
840.030 LABOR: CO. - ACP	\$ 5,000	840.020 CONTRACT - ACP	\$ 15,000		\$ 20,000	\$ 20,000
830.240 CLEAN UP SITE	\$ 50,000	830.250 FENCE LOC	\$ 3,000	\$ 50,000	\$ 3,000	\$ 53,000
830.250 MISC. INTANG. COST	\$ 20,000	840.120 MISC. COST - ACP	\$ 10,000	\$ 20,000	\$ 10,000	\$ 30,000
830.340 CONTINGENCY: BCP	5.00%	840.280 CONTING: ACP	5.00%	\$ 52,100	\$ 36,800	\$ 88,900
<b>TOTAL INTANGIBLE WELL COSTS</b>				<b>\$ 1,094,800</b>	<b>\$ 773,300</b>	<b>\$ 1,868,100</b>

<b>TANGIBLE WELL COSTS</b>						
850.020 CASING: SURFACE	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
850.030 INTERMEDIATE	1400 FEET OF.....	8.625 INCH CASING @	\$26.00 /FT	\$ 36,400		\$ 36,400
850.030 PROTECTION	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
860.040 PRODUCTION	9690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 135,660	\$ 135,660
860.040 LINER	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
830.210 INSPECT TUB. - BCP	\$ 4,500	840.170 INSP. - ACP	\$ 4,500	\$ 7,500	\$ 7,500	\$ 15,000
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
860.090 TUBING	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT		\$ 24,772	\$ 24,772
860.110 RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)				
860.130 SUBSURFACE PUMP	\$ -	860.120 TBG ANCHOR	\$ -		\$ 7,500	\$ 7,500
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -		\$ 2,000	\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.260 COMPRESSOR	\$ -		\$ 15,000	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.260 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	\$ 16,000	860.250 BUILDINGS	\$ -		\$ 16,000	\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200	\$ 3,200	\$ 33,000	\$ 36,200
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000		\$ 20,000	\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,500	\$ 35,368	\$ 40,868
<b>TOTAL TANGIBLE COSTS</b>				<b>\$ 60,100</b>	<b>\$ 389,300</b>	<b>\$ 449,400</b>
<b>TOTAL WELL COSTS</b>				<b>\$ 1,154,900</b>	<b>\$ 1,162,600</b>	<b>\$ 2,317,500</b>
<b>PLUG &amp; ABANDON EXPENSE</b>				<b>\$ -</b>		
<b>DRY HOLE COST</b>				<b>\$ 1,154,900</b>		

CATEGORY				TOTAL TANGIBLE COSTS				TOTAL WELL COSTS				PLUG & ABANDON EXPENSE				DRY HOLE COST			
TYPE		DEPARTMENT		CATEGORY		COMPANY		DECIMAL		NET ESTIMATED COST									
X CAPITAL		BUDGETED				Parallel Petroleum		0.8500000		\$ 1,969,875									
PREPARED BY:		DATE:								NET AFE FOR DRY HOLE COST ONLY									
Deane Durham		7 MAR 07								\$ 981,665									
APPROVALS:		DATE:		APPROVALS:		DATE:													
Brian McCurry - Operations Manager		3/9/07		Larry Oldham - President / CEO		3/12/07													
APPROVALS:		DATE:		APPROVALS:		DATE:													
Don Tiffin - Chief Operating Officer		3/9/07		Steve D. Jost		3/19/07													
PARTICIPANT APPROVAL:																			
NAME OF COMPANY:		AUTHORIZED REPRESENTATIVE'S SIGNATURE		TITLE:		DATE:													

This Authorization for Expenditure (AFE) is merely an estimate of the costs and expenses for the proposed operation. The actual costs and expenses associated with the proposed operation could substantially exceed such estimates.

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

7006 0810 0005 7586 8694  
7006 0810 0005 7586 8694

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

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Sent To MARK FRANK  
Street, Apt. No., or PO Box No. 7730 DENWOOD DR.  
City, State, ZIP+4 URBANDALE, IA 50322

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<input type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input type="checkbox"/> Attach this card to the back of the mailpiece.		A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee B. Received by (Printed Name) C. Date of Delivery	
1. Article Addressed to: <u>MARK FRANK</u> <u>7730 DENWOOD DR</u> <u>URBANDALE, IA 50322</u>		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
2. Article Number (Transfer from service label)		press Mail Return Receipt for Merchandise O.D. a Fee) <input type="checkbox"/> Yes	
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.		8694	
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		102595-02-M-1540	

7006 0810 0005 7586 8694

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540



# PARALLEL

Petroleum Corporation

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

May 11, 2007

**Sent via CMRRR# 7006 0810 0005 7586 8700**

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

Re: Bubbling Over 1525-20 Fed Com. #1  
T-15-S, R-25-E  
Section 20: S/2  
Chaves County, New Mexico

Dear Ms. Cathcart,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, 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 NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well 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 NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 1.00000 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 \$2,317,500.00. 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 \$144,843.75. 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.

If you have any questions or need anything further, please to do not hesitate to contact me. You can reach me at the office, my direct dial number is (432) 687-8663. You can also reach me on my cell phone, the number is (956) 330-4051. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read 'Aaron L. Myers', with a long horizontal flourish extending to the right.

Aaron L. Myers  
Consulting Landman

**JENNIE CATHCART**

\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed Com. #1 well and enclose an executed Authority for Expenditure.

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

**JENNIE CATHCART**

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

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



**JENNIE CATHCART**

\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed  
Com. #1 well and enclose an executed Authority for Expenditure.

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

**JENNIE CATHCART**

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

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



## AUTHORITY FOR EXPENDITURE

OPERATOR	LEASE/WELL NAME	AFF NUMBER	
Parallel Petroleum	Bubbling Over 1525-20 FED COM #1	4070023	
LOCATION	COUNTY	STATE	DOCUMENT DATE
S/2 Sec 20, T15S, R25E	Chaves	New Mexico	07-Mar-07
PURPOSE	TYPE WELL	TO BE STARTED	
Drill & Complete Wolfcamp Horizontal Gas Well	gas	JUN 07	
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME			PROPOSED DEPTH
501078 / County Line / Wildcat (Wolfcamp Gas)			9690 MD, 5250 TVD

				BCP	ACP	TOTAL
INTANGIBLE WELL COSTS						
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	\$ 54,000	830.110 ROADS	\$ 2,000	\$ 56,000		\$ 56,000
830.130 DRLG - DAYWORK	20.0 DAYS @		\$17,000 /DAY	\$ 340,000		\$ 340,000
830.130 DRILLING	0 FEET @		\$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000			\$ 49,000		\$ 49,000
830.200 BITS	\$ 65,000	830.250 WELDING	\$ 2,000	\$ 67,000		\$ 67,000
830.180 WATER - BCP	\$ 35,000	830.190 MUD & CHEM	\$ 58,000	\$ 35,000	\$ 93,000	\$ 128,000
830.140 TRUCKING - BCP	\$ 18,200	840.140 WTR - ACP	\$ 35,000	\$ 18,200	\$ 8,000	\$ 26,200
830.170 POWER & FUEL	\$ 30,000	830.135 DIRECTIONAL	\$ 139,000	\$ 169,000		\$ 169,000
830.270 MUD LOGGING	\$ 25,000	830.270 DST	\$ -	\$ 25,000		\$ 25,000
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.	\$ -			
830.290 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	830.160 BCP - SUBSURFACE	\$ 35,000	\$ 55,000		\$ 55,000
840.150 ACP - RENTALS: SURF	\$ 15,000	840.160 ACP - SUBSURFACE	\$ 20,000		\$ 35,000	\$ 35,000
840.220 STIMULATE: ACID	\$ 25,000	840.220 FRACTURE	\$ 385,000		\$ 410,000	\$ 410,000
		840.140 COMPL. FLUID	\$ 5,000		\$ 5,000	\$ 5,000
830.240 ENVIRON. COST - BCP	\$ 15,000	840.260 ENV. COST - ACP	\$ 15,000	\$ 15,000	\$ 15,000	\$ 30,000
830.320 DRLG OVERHEAD	\$ 6,000	830.070 GEOL SUPR	\$ 5,000	\$ 16,000	\$ 5,000	\$ 21,000
830.090 LABOR: CO. - BCP	\$ 24,000	830.250 CONTRACT - BCP	\$ 15,000	\$ 39,000		\$ 39,000
840.030 LABOR: CO. - ACP	\$ 5,000	840.020 CONTRACT - ACP	\$ 15,000		\$ 20,000	\$ 20,000
830.240 CLEAN UP SITE	\$ 50,000	830.250 FENCE LOC	\$ 3,000	\$ 50,000	\$ 3,000	\$ 53,000
830.250 MISC. INTANG. COST	\$ 20,000	840.120 MISC. COST - ACP	\$ 10,000	\$ 20,000	\$ 10,000	\$ 30,000
830.340 CONTINGENCY: BCP	5.00%	840.280 CONTING: ACP	5.00%	\$ 52,100	\$ 36,800	\$ 88,900
TOTAL INTANGIBLE WELL COSTS				\$ 1,094,800	\$ 773,300	\$ 1,868,100

TANGIBLE WELL COSTS						
850.020 CASING: SURFACE	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
850.030 INTERMEDIATE	1400 FEET OF.....	8.625 INCH CASING @	\$26.00 /FT	\$ 36,400		\$ 36,400
850.030 PROTECTION	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
860.040 PRODUCTION	8690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 135,660	\$ 135,660
860.040 LINER	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
830.210 INSPECT TUB. - BCP	\$ 4,500	840.170 INSP. - ACP	\$ 4,500	\$ 7,500	\$ 7,500	\$ 15,000
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
860.090 TUBING	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT		\$ 24,772	\$ 24,772
860.110 RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)				
860.130 SUBSURFACE PUMP	\$ -	860.120 TBG ANCHOR	\$ -		\$ 7,500	\$ 7,500
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -		\$ 2,000	\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.260 COMPRESSOR	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.260 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	\$ 16,000	860.250 BUILDINGS	\$ -		\$ 16,000	\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200	\$ 3,200	\$ 33,000	\$ 36,200
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000		\$ 20,000	\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,500	\$ 35,368	\$ 40,868
TOTAL TANGIBLE COSTS				\$ 60,100	\$ 389,300	\$ 449,400
TOTAL WELL COSTS				\$ 1,154,900	\$ 1,162,600	\$ 2,317,500
PLUG & ABANDON EXPENSE				\$ -		
DRY HOLE COST				\$ 1,154,900		

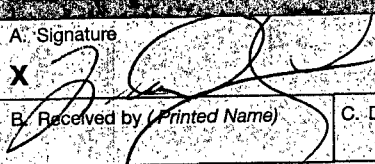
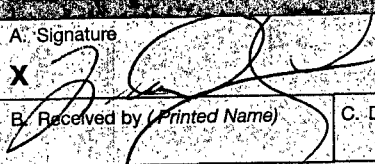
CATEGORY	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	\$ 1,969,875
PREPARED BY	DATE				NET AFE FOR DRY HOLE COST ONLY
Deane Durham	7 MAR 07				\$ 981,665
APPROVALS	DATE	APPROVALS	DATE		
Brian McCurry - Operations Manager	3/9/07	Larry Oldham - President / CEO	3/12/07		
APPROVALS	DATE	APPROVALS	DATE		
Don Tiffin - Chief Operating Officer	3/9/07	Steve D. Fort	3/19/07		
PARTICIPANT APPROVAL					
NAME OF COMPANY	AUTHORIZED REPRESENTATIVE'S SIGNATURE	TITLE	DATE		

This Authorization for Expenditure (AFE) is merely an estimate of the costs and expenses for the proposed operation. The actual costs and expenses associated with the proposed operation could substantially exceed such estimates.

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.  
**CERTIFIED MAIL**

7006 0810 0005 7586 8700  
7006 0810 0005 7586 8700

U.S. Postal Service™ <b>CERTIFIED MAIL™ RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
<b>OFFICIAL USE</b>	
Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$
Postmark Here	
Sent To <b>JENNIE CARTHEART</b>	
Street, Apt. No., or PO Box No. <b>P.O. Box 2914</b>	
City, State, ZIP+4 <b>RENO, NV 89505</b>	
PS Form 3800, June 2002 See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.		A. Signature  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to:  <b>JENNIE CARTHEART</b> <b>P.O. Box 2914</b> <b>RENO, NV 89505</b>		B. Received by (Printed Name)  C. Date of Delivery	
2. Article Number (Transfer from service label) <b>7006 0810 0005 7586 8700</b>		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.		E. Delivery? (Extra Fee) <input type="checkbox"/> Yes	
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		F. Delivery? (Extra Fee) <input type="checkbox"/> Yes	

102595-02-M-1540



# PARALLEL

Petroleum Corporation

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

May 11, 2007

**Sent via CMRRR# 7006 0810 0005 7586 8717**

William J. Baird, III  
7730 Dellwood Drive  
Urbandale, IA 50322

Re: Bubbling Over 1525-20 Fed Com. #1  
T-15-S, R-25-E  
Section 20: S/2  
Chaves County, New Mexico

Dear Mr. Baird,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, 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 NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well 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 NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 0.08330 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 \$2,317,500.00. 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 \$12,065.48. 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.

If you have any questions or need anything further, please to do not hesitate to contact me. You can reach me at the office, my direct dial number is (432) 687-8663. You can also reach me on my cell phone, the number is (956) 330-4051. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read "Aaron L. Myers". The signature is fluid and cursive, with a long horizontal stroke at the end.

Aaron L. Myers  
Consulting Landman

**WILLIAM J. BAIRD, III**

\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed Com. #1 well and enclose an executed Authority for Expenditure.

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

**WILLIAM J. BAIRD, III**

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

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

**WILLIAM J. BAIRD, III**


\_\_\_\_\_ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed  
Com. #1 well and enclose an executed Authority for Expenditure.

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

**WILLIAM J. BAIRD, III**

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

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

				AUTHORITY FOR EXPENDITURE							
OPERATOR Parallel Petroleum		LEASE/WELL NAME Bubbling Over 1525-20 FED COM #1			AFE NUMBER 4070023						
LOCATION S/2 Sec 20, T15S, R25E		COUNTY Chaves		STATE New Mexico		DOCUMENT DATE 07-Mar-07					
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well				TYPE WELL gas		TO BE STARTED JUN 07					
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501078 / County Line / Wildcat(Wolfcamp Gas)					PROPOSED DEPTH 9690 MD, 5250 TVD						
					BCP		ACP		TOTAL		
INTANGIBLE WELL COSTS											
830.020 PERMIT		\$ 2,000		830.030 SURVEY LOC		\$ 2,500				\$ 4,500	
830.040 SURF DAMAGES		\$ 4,000		830.050 INSURANCE		\$ -		830.020 TITLE		\$ 10,000	
830.110 LOC & PITS		\$ 54,000		830.110 ROADS		\$ 2,000				\$ 56,000	
830.130 DRLG - DAYWORK		20.0 DAYS @				\$17,000 /DAY				\$ 340,000	
830.130 DRILLING		0 FEET @				\$0.00 /FT		830.130 TURNKEY		\$ -	
830.120 DRILLING RIG - MOB		\$ 49,000								\$ 49,000	
830.200 BITS		\$ 65,000		830.250 WELDING		\$ 2,000				\$ 67,000	
830.180 WATER - BCP		\$ 35,000		830.190 MUD & CHEM		\$ 58,000		840.140 WTR - ACP		\$ 35,000	
830.140 TRUCKING - BCP		\$ 18,200		840.140 TRUCKING - ACP		\$ 8,000				\$ 128,000	
830.170 POWER & FUEL		\$ 30,000		830.135 DIRECTIONAL		\$ 139,000				\$ 8,000	
830.270 MUD LOGGING		\$ 25,000		830.270 DST		\$ -				\$ 26,200	
830.230 CEMENTING: SURF		\$ 35,000		830.230 INTERMED.		\$ -		850.080 FLOAT EQ		\$ 3,000	
840.190 PRODUCTION		\$ 30,000		860.080 FLOAT EQUIP		\$ 3,000				\$ 33,000	
830.270 CORING		\$ -		830.270 CORE ANAL.		\$ -					
830.290 WL LOGGING: OH		\$ 32,000		840.200 CSD. HOLE		\$ 7,000		840.200 PERF		\$ 70,000	
840.100 COMPLETION UNIT		5 DAYS @				\$4,500 /DAY				\$ 32,000	
830.150 BCP - RENTALS: SURF		\$ 20,000		830.160 BCP - SUBSURFACE		\$ 35,000				\$ 77,000	
840.150 ACP - RENTALS: SURF		\$ 15,000		840.160 ACP - SUBSURFACE		\$ 20,000				\$ 22,500	
840.220 STIMULATE: ACID		\$ 25,000		840.220 FRACTURE		\$ 385,000				\$ 55,000	
				840.140 COMPL. FLUID		\$ 5,000				\$ 35,000	
830.240 ENVIRON. COST - BCP		\$ 15,000		840.260 ENV. COST - ACP		\$ 15,000				\$ 410,000	
830.320 DRLG OVERHEAD		\$ 6,000		830.070 GEOL SUPR		\$ 5,000		830.080 ENGR SUPR		\$ 10,000	
830.090 LABOR: CO. - BCP		\$ 24,000		830.250 CONTRACT - BCP		\$ 15,000				\$ 5,000	
840.030 LABOR: CO. - ACP		\$ 5,000		840.020 CONTRACT - ACP		\$ 15,000				\$ 15,000	
830.240 CLEAN UP SITE		\$ 50,000		830.250 FENCE LOC		\$ 3,000				\$ 30,000	
830.250 MISC. INTANG. COST		\$ 20,000		840.120 MISC. COST - ACP		\$ 10,000				\$ 3,000	
830.340 CONTINGENCY: BCP		5.00%		840.280 CONTING: ACP		5.00%				\$ 53,000	
					TOTAL INTANGIBLE WELL COSTS					\$ 1,094,800	
										\$ 773,300	
										\$ 1,868,100	
TANGIBLE WELL COSTS											
850.020 CASING: SURFACE		0 FEET OF		0.000 INCH CASING @		\$0.00 /FT					
850.030 INTERMEDIATE		1400 FEET OF		8.625 INCH CASING @		\$26.00 /FT				\$ 36,400	
850.030 PROTECTION		0 FEET OF		0.000 INCH CASING @		\$0.00 /FT					
860.040 PRODUCTION		9690 FEET OF		5.500 INCH CASING @		\$14.00 /FT				\$ 135,660	
860.040 LINER		0 FEET OF		0.000 INCH CASING @		\$0.00 /FT					
830.210 INSPECT TUB. - BCP		\$ 4,500		840.170 INSP. - ACP		\$ 4,500		840.120 CSG SRVCS		\$ 6,000	
850.050 CASINGHEAD		\$ 7,500		860.030 TUBINGHEAD		\$ 7,500				\$ 7,500	
860.070 CHRISTMAS TREE		\$ 10,000		860.070 WH FITTINGS		\$ 5,000				\$ 15,000	
860.090 TUBING		4400 FEET OF		2.875 INCH TUBING @		\$5.63 /FT				\$ 24,772	
860.110 RODS		0 FEET OF RODS @		\$0.00 /FT (AVG)							
860.130 SUBSURFACE PUMP		\$ -		860.120 TBG ANCHOR		\$ -		860.120 PACKER		\$ 7,500	
860.200 FLOWLINE		\$ 2,000		860.190 ELEC CONSTR		\$ -				\$ 2,000	
860.210 TANK BATTERY		\$ 15,000		860.260 COMPRESSOR		\$ -		860.100 COAT TBG		\$ -	
860.220 GAS PROD. UNIT		\$ -		860.260 DEHYDRATOR		\$ 10,000				\$ 15,000	
860.220 HEATER-TREATER		\$ -		860.220 SEPARATOR		\$ 10,000				\$ 10,000	
860.130 PLUNGER LIFT		\$ -		860.180 PRIME MOVER		\$ -				\$ 10,000	
860.230 SURF EQUIP FTNGS		\$ 16,000		860.250 BUILDINGS		\$ -				\$ 16,000	
860.020 INSTALLATION LABOR		\$ 18,000		840.130 TRUCKING		\$ 18,200				\$ 3,200	
860.170 PUMPING UNIT		\$ -		860.290 METER/CONTROLS		\$ 20,000				\$ 33,000	
860.280 GAS PIPELINE/METER		\$ 50,000								\$ 20,000	
860.160 CONTINGENCY		10.00%								\$ 50,000	
					TOTAL TANGIBLE COSTS					\$ 60,100	
					TOTAL WELL COSTS					\$ 1,154,900	
					PLUG & ABANDON EXPENSE					\$ -	
					DRY HOLE COST					\$ 1,154,900	
CATEGORY										NET ESTIMATED COST	
										\$ 1,969,875	
PREPARED BY: Brian Durham - Engineer										NET AFE FOR DRY HOLE COST ONLY	
DATE: 7 MAR 07										\$ 981,665	
APPROVALS: Brian McCurry - Operations Manager										DATE: 3/12/07	
APPROVALS: Don Tiffin - District Operating Officer										DATE: 3/19/07	
PARTICIPANT APPROVAL											
NAME OF COMPANY										DATE	
AUTHORIZED REPRESENTATIVE'S SIGNATURE											
TITLE											

This Authorization for Expenditure (AFE) is merely an estimate of the costs and expenses for the proposed operation. The actual costs and expenses associated with the proposed operation could substantially exceed such estimates.





7006 0810 0005 7586 8717

7006 0810 0005 7586 8717

U.S. Postal Service <sup>™</sup>	
CERTIFIED MAIL <sup>™</sup> RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
OFFICIAL USE	
Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$
Postmark Here	
Sent To <u>William J. Baird III</u>	
Street, Apt. No., or PO Box No. <u>6414 Sunset Terrace</u>	
City, State, ZIP+4 <u>Windsor Heights, IA 50311</u>	
PS Form 3800, June 2002 See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.		A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee	
<b>SENDER: COMPLETE THIS SECTION</b>		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.		B. Received by (Printed Name) <u>William J. Baird III</u> C. Date of Delivery <u>86 8717</u>	
1. Article Addressed to: <u>William J. Baird, III</u> <u>6414 Sunset Terrace</u> <u>Windsor Heights, IA</u> <u>50311</u>		D. Is delivery address different from item 1? <input checked="" type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No	
2. Article Number (Transfer from service label) <u>7006 0810 0005 7586 8717</u>		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	
PS Form 3811, February 2004 Domestic Return Receipt		102595-02-M-1540	



# PARALLEL

## AUTHORITY FOR EXPENDITURE

OPERATOR	LEASE/WELL NAME	AFE NUMBER
Parallel Petroleum	Bubbling Over 1525-20 FED COM #1	4070023
LOCATION	COUNTY	STATE
S/2 Sec 20, T15S, R25E	Chaves	New Mexico
PURPOSE	TYPE WELL	TO BE STARTED
Drill & Complete Wolfcamp Horizontal Gas Well	gas	JUN 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME	PROPOSED DEPTH	
501078 / County Line / Wildcat (Wolfcamp Gas)	9690 MD, 5250 TVD	

				BCP	ACP	TOTAL
<b>INTANGIBLE WELL COSTS</b>						
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	\$ 54,000	830.110 ROADS	\$ 2,000	\$ 56,000		\$ 56,000
830.130 DRLG - DAYWORK	20.0 DAYS @		\$17,000 /DAY	\$ 340,000		\$ 340,000
830.130 DRILLING	0 FEET @		\$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000			\$ 49,000		\$ 49,000
830.200 BITS	\$ 65,000	830.250 WELDING	\$ 2,000	\$ 67,000		\$ 67,000
830.180 WATER - BCP	\$ 35,000	830.190 MUD & CHEM	\$ 58,000	\$ 35,000	\$ 93,000	\$ 128,000
830.140 TRUCKING - BCP	\$ 18,200	840.140 TRUCKING - ACP	\$ 8,000	\$ 18,200	\$ 8,000	\$ 26,200
830.170 POWER & FUEL	\$ 30,000	830.135 DIRECTIONAL	\$ 139,000	\$ 169,000		\$ 169,000
830.270 MUD LOGGING	\$ 25,000	830.270 DST	\$ -	\$ 25,000		\$ 25,000
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.	\$ -			
830.290 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	830.160 BCP - SUBSURFACE	\$ 35,000	\$ 55,000		\$ 55,000
840.150 ACP - RENTALS: SURF	\$ 15,000	840.160 ACP - SUBSURFACE	\$ 20,000		\$ 35,000	\$ 35,000
840.220 STIMULATE: ACID	\$ 25,000	840.220 FRACTURE	\$ 385,000		\$ 410,000	\$ 410,000
		840.140 COMPL. FLUID	\$ 5,000		\$ 5,000	\$ 5,000
830.240 ENVIRON. COST - BCP	\$ 15,000	840.260 ENV. COST - ACP	\$ 15,000	\$ 15,000	\$ 15,000	\$ 30,000
830.320 DRLG OVERHEAD	\$ 6,000	830.070 GEOL SUPR	\$ 5,000	\$ 16,000	\$ 5,000	\$ 21,000
830.090 LABOR: CO. - BCP	\$ 24,000	830.250 CONTRACT - BCP	\$ 15,000	\$ 39,000		\$ 39,000
840.030 LABOR: CO. - ACP	\$ 5,000	840.020 CONTRACT - ACP	\$ 15,000		\$ 20,000	\$ 20,000
830.240 CLEAN UP SITE	\$ 50,000	830.250 FENCE LOC	\$ 3,000	\$ 50,000	\$ 3,000	\$ 53,000
830.250 MISC. INTANG. COST	\$ 20,000	840.120 MISC. COST - ACP	\$ 10,000	\$ 20,000	\$ 10,000	\$ 30,000
830.340 CONTINGENCY: BCP	5.00%	840.280 CONTING: ACP	5.00%	\$ 52,100	\$ 36,800	\$ 88,900
<b>TOTAL INTANGIBLE WELL COSTS</b>				<b>\$ 1,094,800</b>	<b>\$ 773,300</b>	<b>\$ 1,868,100</b>

<b>TANGIBLE WELL COSTS</b>						
850.020 CASING: SURFACE	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
850.030 INTERMEDIATE	1400 FEET OF.....	8.625 INCH CASING @	\$26.00 /FT	\$ 36,400		\$ 36,400
850.030 PROTECTION	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
860.040 PRODUCTION	9690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 135,660	\$ 135,660
860.040 LINER	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
830.210 INSPECT TUB. - BCP	\$ 4,500	840.170 INSP. - ACP	\$ 4,500	\$ 7,500	\$ 7,500	\$ 15,000
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
860.090 TUBING	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT		\$ 24,772	\$ 24,772
860.110 RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)				
860.130 SUBSURFACE PUMP	\$ -	860.120 TBG ANCHOR	\$ -		\$ 7,500	\$ 7,500
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -		\$ 2,000	\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.260 COMPRESSOR	\$ -		\$ 15,000	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.260 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	\$ 16,000	860.250 BUILDINGS	\$ -		\$ 16,000	\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200	\$ 3,200	\$ 33,000	\$ 36,200
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000		\$ 20,000	\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,500	\$ 35,368	\$ 40,868
<b>TOTAL TANGIBLE COSTS</b>				<b>\$ 60,100</b>	<b>\$ 389,300</b>	<b>\$ 449,400</b>
<b>TOTAL WELL COSTS</b>				<b>\$ 1,154,900</b>	<b>\$ 1,162,600</b>	<b>\$ 2,317,500</b>
<b>PLUG &amp; ABANDON EXPENSE</b>				<b>\$ -</b>		
<b>DRY HOLE COST</b>				<b>\$ 1,154,900</b>		

CATEGORY		DEPARTMENT		CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X CAPITAL		BUDGETED			Parallel Petroleum	0.8500000	\$ 1,969,875
PREPARED BY		DATE				NET AFE FOR DRY HOLE COST ONLY	
Cecile Durham		7 MAR 07				\$ 981,665	
APPROVALS		DATE		APPROVALS		DATE	
Brian McCurry		3/9/07		Cecile Durham		3/12/07	
APPROVALS		DATE		APPROVALS		DATE	
Duke E. [Signature]		3/9/07		Duke E. [Signature]		3/19/07	
NAME OF COMPANY		AUTHORIZED REPRESENTATIVE'S SIGNATURE		TITLE		DATE	

This Authorization for Expenditure (AFE) is merely an estimate of the costs and expenses for the proposed operation. The actual costs and expenses associated with the proposed operation could substantially exceed such estimates.

ATTACHMENT

D

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

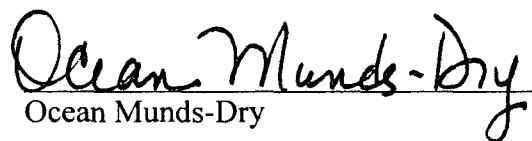
**IN THE MATTER OF THE APPLICATION OF  
PARALLEL PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, CHAVES  
COUNTY, NEW MEXICO**

**CASE NO. 13948**

**AFFIDAVIT**

STATE OF NEW MEXICO     )  
  )ss.  
COUNTY OF SANTA FE     )

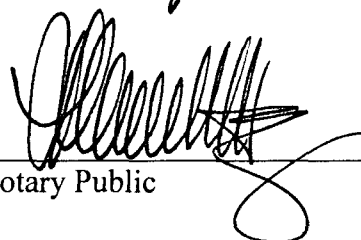
Ocean Munds-Dry, attorney in fact and authorized representative of Parallel Petroleum Corporation, the Applicant herein, states that notice of the above-referenced Application was mailed to the interested parties shown on Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that true and correct copies of the notice letter and proof of notice are attached hereto.

  
Ocean Munds-Dry

SUBSCRIBED AND SWORN to before me this 11<sup>th</sup> day of July 2007 by Ocean Munds-Dry.



OFFICIAL SEAL  
LISAMARIE ORTIZ  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My commission expires 01/14/11

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 01/14/11

AFFIDAVIT OF PUBLICATION  
STATE OF NEW MEXICO

I, Fran Saunders  
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

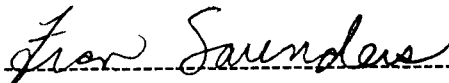
one time

beginning with the issue dated

June 14th 2007

and ending with the issue dated

June 14th 2007



Clerk

Sworn and subscribed to before me

this 14th day of June 2007



Notary Public

My Commission expires

June 13, 2010

(SEAL)

Publish June 14, 2007.

NOTICE OF PUBLICATION

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on July 12th, 2007, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by July 2nd, 2007. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:

All named parties and persons  
having any right, title, interest  
or claim in the following cases  
and notice to the public:

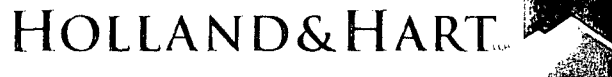
(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

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 bottom-hole 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.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 8th day of June 2007.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

Mark E. Fesmire, P.E., Director



**Ocean Munds-Dry**  
Associate  
omundsdry@hollandhart.com

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,

A handwritten signature in cursive script that reads "Ocean Munds-Dry".

Ocean Munds-Dry  
ATTORNEY FOR PARALLEL PETROLEUM  
CORP.

**Holland & Hart LLP**

Phone (505) 988-4421 Fax (505) 983-6043 [www.hollandhart.com](http://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. ☏

**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

7006 2760 0001 6391 3645

**U.S. Postal Service<sup>TM</sup>**  
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**PAUL ELLIOTT A Baird III**

Postage	\$ .58
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	5.38
Total Postage & Fees	

Sent to: William J. Baird, III  
 Street, Apt: 6414 Sunset Terrace  
 or PO Box: Windsor Heights, IA 50311  
 City, State:

Postmark: CORONADO STATION 87505  
 Date: JAN - 07

PS Form 3811, December 1994

7006 2760 0001 6391 3652

**U.S. Postal Service<sup>TM</sup>**  
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**PAUL ELLIOTT A Baird III**

Postage	\$ 0.58
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	5.38
Total Postage & Fees	

Sent to: Mark Baird  
 Street, Apt: 7730 Dellwood Drive  
 or PO Box: Urbandale, IA 50322  
 City, State:

Postmark: CORONADO STATION 87505  
 Date: JAN - 07

PS Form 3811, December 1994

*James M. Baird*  
 1/2/07

Is your RETURN

ated on the reverse side?

**SENDER:**

Complete items 1 and/or 2 for additional services.  
☐ Complete items 3, 4a, and 4b.  
☐ Print your name and address on the reverse of this form so that we can return this card to you.  
☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.  
☐ Write "Return Receipt Requested" on the mailpiece below the article number.  
☐ The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Mark Baird  
 7730 Dellwood Drive  
 Urbandale, IA 50322

4b. Service Type  
☐ Registered  
☐ Express Mail  
☒ Return Receipt for Merchandise  
☐ COD

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)  
*James M. Baird*

6. Signature (Addressee or Agent)

PS Form 3811, December 1994

102595-99-B-0223 Domestic Return Receipt

Thank you for using Return Receipt Service.

7006 2760 0001 6391 3669

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*PAID BY + Michael S. E.*

Postage	\$ .58
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.38



Sent To \_\_\_\_\_  
Jennie Cathcart  
Street, Apt. \_\_\_\_\_  
P.O. Box 2914  
City, State \_\_\_\_\_  
Reno, NV 89505

PS Form 3849

Postage & Fees