



AUTHORITY FOR EXPENDITURE

OPERATOR Parallel Petroleum	LEASE/WELL NAME Funny Cide 1525-8 FED COM #1	A/E NUMBER 4070025
LOCATION S/2 Sec 8, T15S, R25E	COUNTY Chaves	STATE New Mexico
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well	TYPE WELL gas	TO BE STARTED JUL 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501080 / County Line / Wildcat(Wolfcamp Gas)		PROPOSED DEPTH 9450 MD, 5250 TVD

INTANGIBLE WELL COSTS

	BCP	ACP	TOTAL
830.020 PERMIT \$ 2,000	\$ 4,500		\$ 4,500
830.040 SURF DAMAGES \$ 4,000	\$ 14,000		\$ 14,000
830.110 LOC & PITS \$ 54,000	\$ 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	\$ 67,000		\$ 67,000
830.180 WATER - BCP \$ 35,000	\$ 35,000	\$ 93,000	\$ 128,000
830.140 TRUCKING - BCP \$ 18,200	\$ 18,200	\$ 8,000	\$ 26,200
830.170 POWER & FUEL \$ 30,000	\$ 169,000		\$ 169,000
830.270 MUD LOGGING \$ 25,000	\$ 25,000		\$ 25,000
830.230 CEMENTING: SURF \$ 35,000	\$ 38,000		\$ 38,000
840.190 PRODUCTION \$ 30,000		\$ 33,000	\$ 33,000
830.270 CORING \$ -			
830.290 WL LOGGING: OH \$ 32,000	\$ 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	\$ 55,000		\$ 55,000
840.150 ACP - RENTALS: SURF \$ 15,000		\$ 35,000	\$ 35,000
840.220 STIMULATE: ACID \$ 25,000		\$ 410,000	\$ 410,000
830.240 ENVIRON. COST - BCP \$ 15,000		\$ 5,000	\$ 5,000
830.320 DRLG OVERHEAD \$ 6,000	\$ 15,000	\$ 15,000	\$ 30,000
830.090 LABOR: CO. - BCP \$ 24,000	\$ 16,000	\$ 5,000	\$ 21,000
840.030 LABOR: CO. - ACP \$ 5,000	\$ 39,000		\$ 39,000
830.240 CLEAN UP SITE \$ 50,000		\$ 20,000	\$ 20,000
830.250 MISC. INTANG. COST \$ 20,000	\$ 50,000	\$ 3,000	\$ 53,000
830.340 CONTINGENCY: BCP 5.00%	\$ 20,000	\$ 10,000	\$ 30,000
830.030 SURVEY LOC \$ 2,500			
830.050 INSURANCE \$ -			
830.110 ROADS \$ 2,000			
830.130 TURNKEY \$ -			
830.250 WELDING \$ 2,000			
830.190 MUD & CHEM \$ 58,000			
840.140 TRUCKING - ACP \$ 8,000			
830.135 DIRECTIONAL \$ 138,000			
830.270 DST \$ -			
830.230 INTERMED. \$ -			
860.080 FLOAT EQUIP \$ 3,000			
830.270 CORE ANAL. \$ -			
840.200 CSD. HOLE \$ 7,000			
840.200 PERF \$ 70,000			
830.080 ENGR SUPR \$ 10,000			
830.160 BCP - SUBSURFACE \$ 35,000			
840.160 ACP - SUBSURFACE \$ 20,000			
840.220 FRACTURE \$ 385,000			
840.140 COMPL. FLUID \$ 5,000			
840.280 ENV. COST - ACP \$ 15,000			
830.070 GEOL. SUPR \$ 5,000			
830.250 CONTRACT - BCP \$ 15,000			
840.020 CONTRACT - ACP \$ 15,000			
830.250 FENCE LOC \$ 3,000			
840.120 MISC. COST - ACP \$ 10,000			
840.280 CONTING. ACP 5.00%			
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 @	\$28.00 /FT	\$ 36,400	\$ 36,400
850.030 PROTECTION 0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT		
860.040 PRODUCTION 9450 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT	\$ 132,300	\$ 132,300
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	\$ 7,500	\$ 15,000
850.050 CASINGHEAD \$ 7,500	860.030 TUBINGHEAD \$ 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 4790 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT	\$ 26,968	\$ 26,968
860.110 RODS 0 FEET OF RODS @	\$0.00 /FT (AVG)			
860.130 SUBSURFACE PUMP \$ -	860.120 TBG ANCHOR \$ -	860.120 PACKER \$ 7,500	\$ 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 \$ -	860.100 COAT TBG \$ -	\$ 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 \$ 15,000	860.250 BUILDINGS \$ -		\$ 16,000	\$ 16,000
860.020 INSTALLATION LABOR \$ 18,000	840.130 TRUCKING \$ 18,200		\$ 3,200	\$ 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	\$ 40,732
TOTAL TANGIBLE COSTS				\$ 60,100
TOTAL WELL COSTS				\$ 1,154,900
PLUG & ABANDON EXPENSE				\$ -
DRY HOLE COST				\$ 1,154,900

CATEGORY

TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	\$ 1,968,770
PREPARED BY Diane Durham - Engineer	DATE 7/14/07				NET AFE FOR DRY HOLE COST ONLY
					\$ 981,665
APPROVALS Brian McCarty - Operations Manager	DATE 3/8/07	APPROVALS Lynn Odham - President / CEO	DATE 3/12/07		
APPROVALS Diane Durham - Chief Operating Officer	DATE 3/9/07	APPROVALS Diane Durham	DATE 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.