

RECEIVED

JUN 21 2006

Form 3160-3
(April 2004)

OCD-ARTESIA

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 20075. Lease Serial No.
NM NM 103570 at BHL
6. If Indian, Allottee or Tribe Name1a. Type of work: ☒ DRILL ☐ REENTER1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator
Parallel Petroleum Corporation3a. Address 1004 North Big Spring, Suite 400
Midland, Texas3b. Phone No. (include area code)
432/684-37274. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface 282' FSL and 710' FEL, 12-19S-21E
At proposed prod. zone BHL 660' FSL and 710' FEL, 13-19S-21ESubject to
Like Approval
By State9. API Well No.
30-015-3498310. Field and Pool, or Exploratory
Wolfcamp14. Distance in miles and direction from nearest town or post office*
9 miles south of Hope, New Mexico11. Sec., T. R. M. or Blk. and Survey or Area
SL12-19S-21E, BHL 13-19S-21E12. County or Parish
Eddy13. State
NM15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) 660'16. No. of acres in lease
2,560.0017. Spacing Unit dedicated to this well
32018. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. 18' s of Squeeze Box19. Proposed Depth
4700' TVD, 8924' MD20. BLM/BIA Bond No. on file
NMB00026521. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL 4167'22. Approximate date work will start*
07/30/200623. Estimated duration
30 days

24. Attachments

Roswell Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

Name (Printed/Typed)

Deane Durham

Date

5-15-06

Title

Drilling Engineer, Parallel Petroleum Corporation

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

/s/ James Stovall

Date

JUN 19 2006

Title

ACTING FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

WITNESS

8 5/8" CEMENTING

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHEDIf earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Frances Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96086	Pool Name Wildcat; Wolfcamp
Property Code	Property Name TOOL BOX FEDERAL	Well Number 1
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION	Elevation 4167'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	12	19 S	21 E		282	SOUTH	710	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	13	19 S	21 E		660	SOUTH	710	EAST	EDDY

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>NOTE:</p> <p>1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p>	<p>Coordinate Table</p> <table><tr><th>Description</th><th>Plane Coordinate</th></tr><tr><td>Tool Box Federal #1</td><td>X = 374,586.9</td></tr><tr><td>Surface Location</td><td>Y = 607,117.1</td></tr><tr><td>Tool Box Federal #1</td><td>X = 374,575.2</td></tr><tr><td>Bottom Hole Location</td><td>Y = 602,215.5</td></tr></table>	Description	Plane Coordinate	Tool Box Federal #1	X = 374,586.9	Surface Location	Y = 607,117.1	Tool Box Federal #1	X = 374,575.2	Bottom Hole Location	Y = 602,215.5	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Deane Durham</i> 5-15-06 Signature Date Deane Durham Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>April 4, 2006 Date of Survey Signature & Seal of Professional Surveyor W.O. Num. 2006-0241 Certificate No. MACON McDONALD 12185</p>
Description	Plane Coordinate											
Tool Box Federal #1	X = 374,586.9											
Surface Location	Y = 607,117.1											
Tool Box Federal #1	X = 374,575.2											
Bottom Hole Location	Y = 602,215.5											

Exhibit G

**ATTACHMENT TO FORM 3160-3
TOOL BOX FEDERAL #1
Surface Hole Location
282 FSL AND 710 FEL, SEC 12, 19S, 21E
Bottom Hole Location
660 FSL AND 710 FEL, SEC 13, 19S, 21E
EDDY COUNTY, NEW MEXICO**

DRILLING PROGRAM

This well is designed as a horizontal test in the Wolfcamp formation.

1. GEOLOGIC NAME OF SURFACE FORMATION

San Andres

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Glorieta 1825'(+2341')
Tubb 2830'(+1336')
Yeso 2970' (+1196')
Abo Shale 3470' (+696')
Abo Carbonate 3584' (+582')
Wolfcamp 4422' (-256')
Wolfcamp Shale 4528'(-362')

3. ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

Fresh water 790'
Oil and Gas Wolfcamp 4422' (-256')
No H₂S gas should be encountered

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u> <u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
20" conductor	0'-120'			
8 5/8"	0' - 1400'	24#	J-55	STC
5 1/2"	0' - 9,325'	17#	N-80	LTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

TOOL BOX FEDERAL #1

Page 2

8-5/8" slurry: Lead: 125 sacks (50:50) Poz (Fly Ash): Class C + 5% bwow Sodium Chloride + 10% bwoc Bentonite + 151.7% fresh water. Tail: 200 sacks Class C + 1% bwoc Calcium Chloride + 56.3% fresh water

Note: If cement does not circulate to surface, notify BLM. A temperature survey will most likely be required. Top out to surface with 1" pipe in the annulus.

Note: 5-1/2" Cement per completion procedure.

Drilling Procedure

- a. Set 20" conductor pipe at 120' with a rathole unit.
- b. Drill 12 1/4" surface hole to an approximate depth of 1400', using fresh water and viscous sweeps for hole cleaning. Set 8 5/8", 24# J-55 casing with 460 sx, Class C cement (lead will be 50/50 Poz, circulate to surface, 1" if necessary).
- c. Set slips on 8 5/8" CSG. Cut 8 5/8" CSG and NU & test BOP.
- d. Drill 7 7/8" production hole to 4700', using cut brine to an approximate depth of 3400' and a starch mud system to TD.
- e. Run open-hole logs
- f. Plug lower portion of the hole, per OCD/BLM specifications.
- g. Set CMT kick-off plug.
- h. Dress CMT to kick off point at approximately 4100', oriented at 0 degree (grid) azimuth.
- i. Build angle at 14 degrees per 100' to 90 degrees and hold.
- j. Drill 7 7/8" horizontal drain hole to a terminus of 660' FSL.
- k. Run 5 1/2" 17# N-80 CSG to TD. Cement with 500 sx Class C
- l. Rig Down Rotary Tools

TOOL BOX FEDERAL #1

Page 3

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERS OF THE PROPOSED MUD SYSTEM

- a. Spud and drill to 1,400' with 8.3 ppg Fresh Water system and viscous sweeps for hole cleaning.
- c. The production section from 1,400' to 3,400' will utilize a cut brine mud system.
- d. The remaining production section from 3,400' to TD will be a starch mud system with mud weight sufficient to control formation pressures.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

Mud logs as well as DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

BHP expected to be 1,100 psi.

10. ANTICIPATED STARTING DATE:

It is planned that operations will commence around third quarter of 2006 with drilling and completion operation lasting about 35 days.

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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

The undersigned accepts all applicable terms, conditions, stipulations and restrictions covering operations conducted on the leased land or portion thereof, as described below:

Lease No: Surface Location Lease # NM NM 98791
 Bottom Hole Location Lease # NM NM 103570

Well will located on the same well site as the Squeeze Box Federal #1

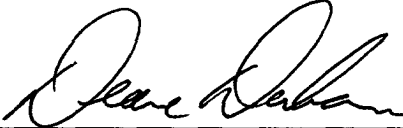
Legal Description of Land: Tool Box Federal #1
 SHL: 282' FSL AND 710' FEL, SEC 12, T19S, R21E
 BHL: 660' FSL AND 710' FEL, SEC 13, T19S, R21E
 Eddy County, New Mexico

Formation(s) (if applicable: Wolfcamp

Bond Coverage: \$25,000 statewide bond of Parallel Petroleum Corporation

BLM Bond File No: NMB000265

5-15-06
Date



Name: Deane Durham
Title: Engineer

**SURFACE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING
PARALLEL PETROLEUM CORPORATION
TOOL BOX FEDERAL #1
SHL: 282' FSL AND 710' FEL, SEC 12, T19S, R21E
BHL: 660' FSL AND 710' FEL, SEC 13, T19S, R21E
EDDY COUNTY, NEW MEXICO**

LOCATED:

9 miles South of Hope, New Mexico, located on the same pad as the Squeeze Box Federal #1.

OIL & GAS LEASE:

Surface Location Lease # NM NM 98791
Bottom Hole Location Lease # NM NM 103570

RECORD LESSEE:

Surface Location:	Nearburg Exploration Company, LLC 3300 N. A Street, Bldg. 2 #120 Midland, Texas 79705
Bottom Hole Location:	Echo Production, Inc. P.O. Box 1210 Graham, Texas 76450

BOND COVERAGE:

\$25,000 statewide bond # NMB000265 of Parallel Petroleum Corporation

ACRES IN LEASE:

2,560.00

SURFACE OWNER:

Federal

SURFACE TENANT:

Barbra Runyon Ranch
P.O. Box 2468
Roswell, NM 88202
Jim Bob Burnet, Ranch Manager, 505-484-3141

TOOL BOX FEDERAL #1

Page 2

POOL:

Primary Objective - Wolfcamp

EXHIBITS:

- A. Area Road Map
- B. Drilling Rig Layout
- C. Pad Elevation Plat
- D. Vicinity Map
- E. Area Production Map
- F. Topographic & Location Verification Map
- G. Well Location & Acreage Dedication Map (NMOCD Form C-102)
- H. NMOCD Form C-144, Pit Registration (Original forwarded to NMOCD)
- I. Blow Out Preventer (BOP) Schematic
- J. Choke Manifold Schematic
- K. Estimated Horizontal Survey Calculation Program
- L. Estimated Wellbore Plot

1. EXISTING ROADS

- A. Exhibits A and D are area road maps showing existing roads in the vicinity of the site.
- B. Exhibit F is a topographic map of the location showing existing roads and the proposed new access road.

2. ACCESS ROADS

- A. Length and Width
The access road will be built as shown on Exhibit D. The access road will come off County Road 20 and go east on to an existing 2 track road that runs along side an H-Frame power line. This access road may be utilized for as many as four drill sites including this one. The road will go east 5995' and then turn left (north) to the proposed location of the Music Box Federal #1 site. The road will continue north and east of this location 3110' to the Squeeze Box Federal #1/Tool Box Federal #1 wellsite.
- B. Surface Material
Caliche from a commercial source.
- C. Maximum Grade
Less than five percent.

TOOL BOX FEDERAL #1

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D. Turnouts

Two turnouts will be constructed on the access road.

E. Drainage Design

There will be at least three low water crossings constructed on the existing two track road and no low water crossings are anticipated on the new section of access road from the Music Box Federal #1 proposed location.

F. Culverts

It is not anticipated that any culverts will be needed on the access road at this time.

G. Gates and Cattle Guards

No gates or cattle guards will be installed as no fences will be crossed for this location or access road.

3. LOCATION OF EXISTING WELLS

Existing wells in the immediate area are shown in Exhibit "E".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

Necessary production facilities for this well will be located on the well pad.

5. LOCATION AND TYPE OF WATER SUPPLY

A water well may be drilled on this location for water supply for both drilling and completion. Upon completion of operations on this site the well may be used for drilling of additional wells on this lease. The well will be made available for the surface tenant upon completion of drilling in this area for use as stock water. A permit will be secured from the New Mexico Office of the State Engineer for this water well.

6. METHODS OF HANDLING WASTE DISPOSAL

A. Drilling fluids will be allowed to dry in the drilling pits until the pits are closed.

B. Water produced during tests will be disposed of in the drilling pits.

C. Oil produced during tests will be stored in test tanks.

D. Trash will be contained in a trash trailer and removed from well site.

TOOL BOX FEDERAL #1

Page 4

- E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.
- F. The reserve pit will be closed as per BLM and NMOCD regulations and guidelines. This will include leaving the drill cuttings in place in the pit, allowing them to dry, and covering the pit with at least 3' of backfill while not disturbing the pit liner. The cuttings may also be placed in a lined trench along side the drilling pit for disposal. If this disposal method is used the cuttings will be covered with a plastic liner and then covered with a minimum of 3' of backfill.

7. ANCILLARY FACILITIES

None required.

8. WELL SITE LAYOUT

Exhibit B shows the relative location and dimensions of the well pad, mud pits, reserve pit, and the location of major rig components.

9. PLANS FOR RESTORATION OF THE SURFACE

- A. After completion of drilling and/or completion operations, all equipment and other material that will not be used lease for operations will be removed from the site.
- B. After abandonment, all equipment, trash, and debris will be removed and the site will be reclaimed as per BLM permit stipulations.

10. OTHER INFORMATION

A. Topography

The project is located on open, rolling ridge slopes, with east/southeast exposure. The area has a regional drainage being to the south and east toward Gardner Draw.

B. Soil

Soils are very thin and shallow, tan/pink/grey loamy sandy silts, overlying limestone bedrock.

TOOL BOX FEDERAL #1

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C. Flora and Fauna

The location is located on a ridge and the vegetation consist of broom snakeweed, grasses, creosote, cholla, yucca catclaw, prickly pear, beargrass and various species of cacti.

D. Ponds and Streams

Gardner Draw, an intermittent stream which flows west to east, is located ½ mile south of the site. A small stock pond is located 1800' southwest of the location. Drainage from this site will eventually flow into Gardener Draw. There are no other rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

The Barbra Runyon Ranch house is located 1.5 miles northeast of the proposed well site

F. Archaeological, Historical, and Cultural Sites

See archaeological report # SNMAS-06NM-2081 was originally prepared for the Squeeze Box Federal #1, which will share this site.

submitted by: Southern New Mexico Archaeological Services, Inc.,
P.O. Box 1
Bent, New Mexico 88314 Phone 505-671-4797

G. Land Use

Grazing

H. Surface Ownership

Federal

11. OPERATOR'S REPRESENTATIVE

Deane Durham, Engineer
Parallel Petroleum Corporation
1004 North Big Spring Street, Suite 400
Midland, Texas 79701
Office: (432) 684-3727

TOOL BOX FEDERAL #1

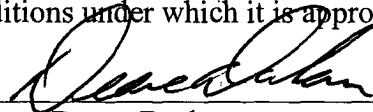
Page 6

12. CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Parallel Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

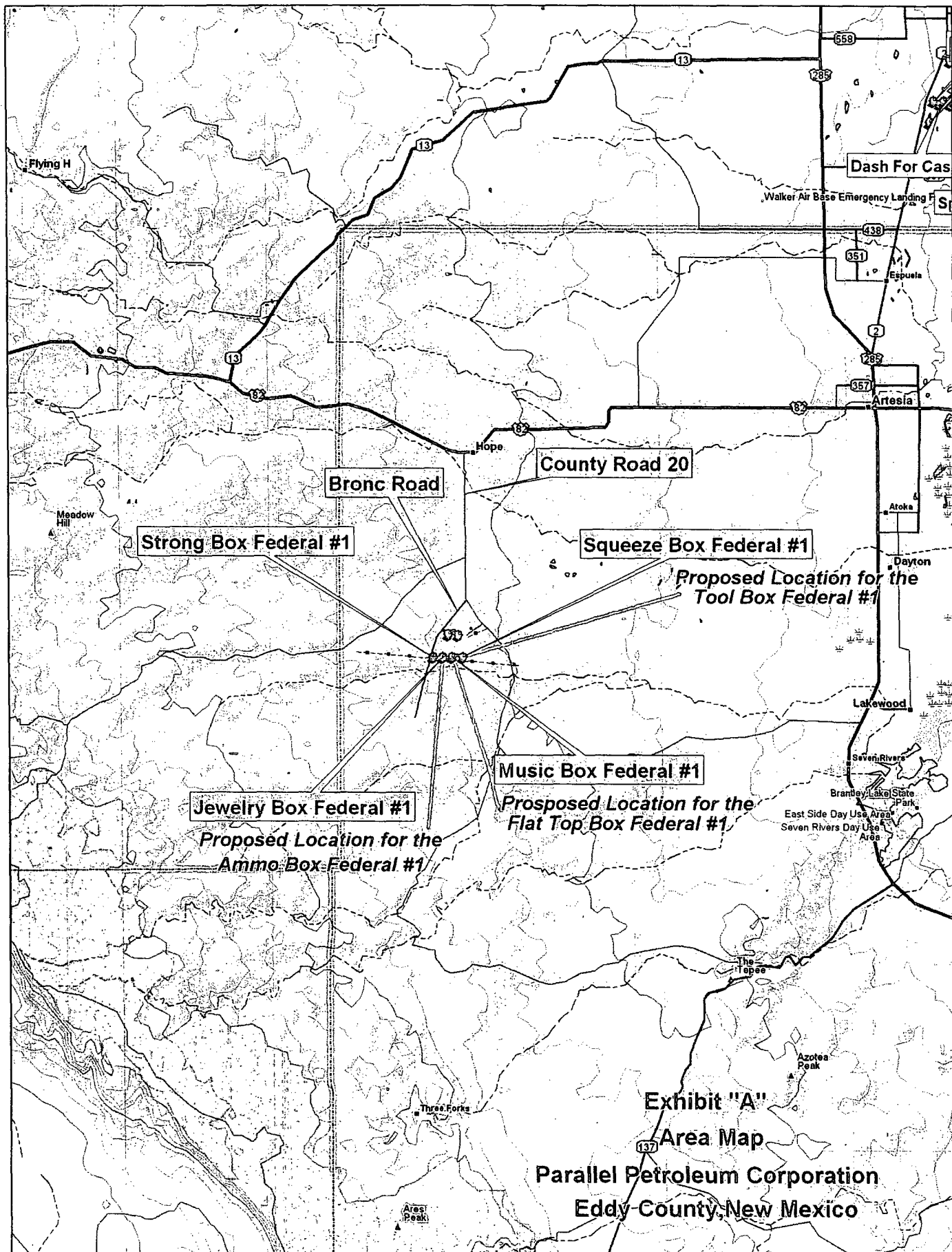
5-15-06

Date



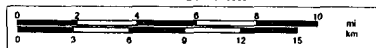
Name: Deane Durham

Title: Engineer



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www.delorme.com

Scale 1 : 400,000
 1" = 6.31 mi



DOUBLE HORSESHOE RESERVE PIT

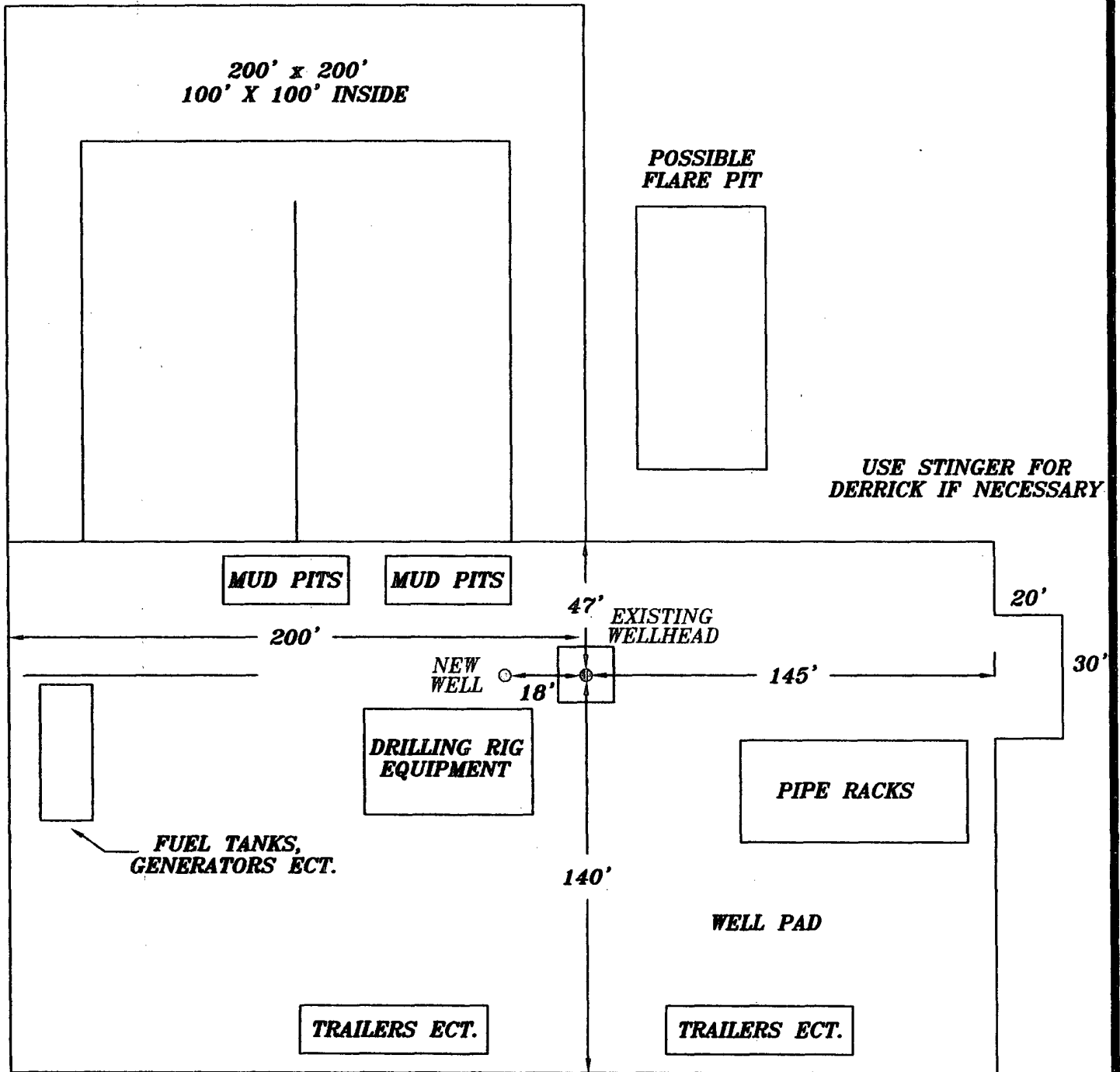


EXHIBIT B

**PARALLEL PETROLEUM
DRILLING RIG LAYOUT
DUAL WELL LOCATIONS**

**HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS**

DATE:
4/28/06
DRAWN BY:
JJ
FILE:
C:\PROMISE\JACKSON\DRILLING RIG LAYOUT

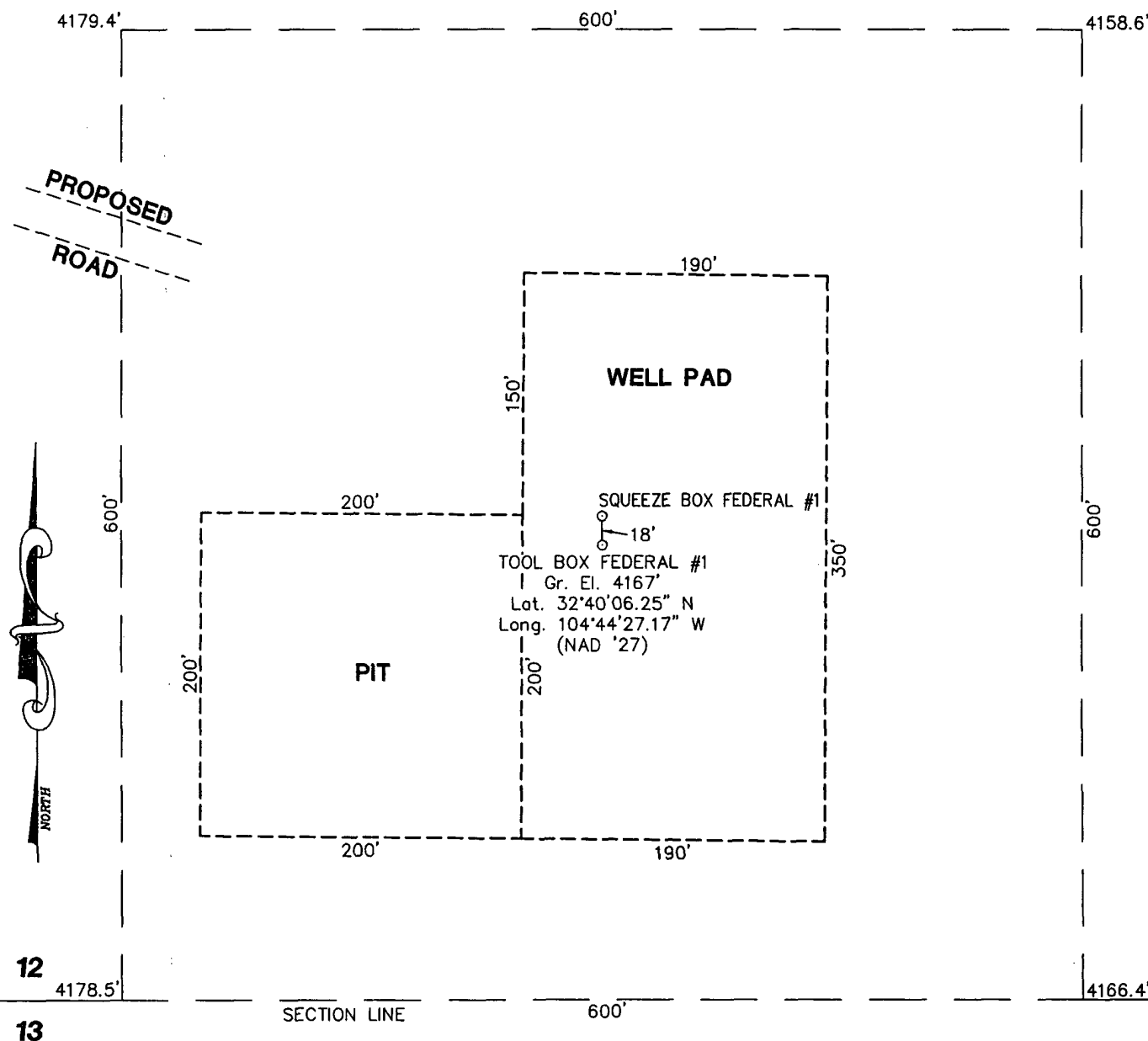
NOT TO SCALE

SECTION 12, TOWNSHIP 19 SOUTH, RANGE 21 EAST, N.M.P.M.

EDDY COUNTY

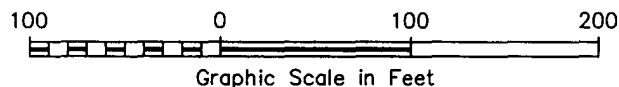
NEW MEXICO

L-2006-0241-A



DRIVING DIRECTIONS

FROM THE INTERSECTION OF U.S. HIGHWAY 82 AND STATE HIGHWAY 449 IN HOPE, NM GO SOUTH ON SAID STATE HIGHWAY 449 2.2 MILES TO THE END OF SAID STATE HIGHWAY 449 AND THE BEGINNING OF COUNTY ROAD 12, THEN CONTINUE SOUTH ANOTHER 4.8 MILES (7.0 TOTAL) TO A FORK IN THE ROAD, THE INTERSECTION OF SAID COUNTY ROAD 12 AND COUNTY ROAD 20 (BRONC ROAD), THEN GO SOUTHWEST ALONG SAID COUNTY ROAD 20 (BRONC ROAD) 3.5 MILES TO A POINT WHERE A PROPOSED ACCESS ROAD BEGINS ON EAST (LEFT) SIDE OF SAID COUNTY ROAD 20, THEN GO SOUTHEAST ALONG SAID ACCESS ROAD 1.1 MILE TO A POINT WHERE ANOTHER PROPOSED ACCESS ROAD BEGINS ON THE NORTH (LEFT) SIDE OF SAID ACCESS ROAD, THEN GO NORTH 0.1 MILE TO THE MUSIC BOX FEDERAL #1 PROPOSED WELL PAD, THEN FROM THE NORTHEAST CORNER OF SAID WELL PAD GO NORTHEAST THEN SOUTHEAST ALONG ANOTHER PROPOSED ACCESS ROAD 0.4 MILE TO THE PROPOSED LOCATION.



PARALLEL PETROLEUM CORPORATION

TOOL BOX FEDERAL #1

Located 282' FSL & 710' FEL, Section 12
Township 19 South, Range 21 East, N.M.P.M.
Eddy County, New Mexico

Drawn By: LVA	Date: April 11, 2006
Scale: 1"=100'	Field Book: 326 / 49-51
Revision Date: 5-03-2006	Quadrangle: Antelope Sink
W.O. No: 2006-0241	Dwg. No.: L-2006-0241-A

WEST
COMPANY
of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

MINIMUM BOP SCHEMATIC

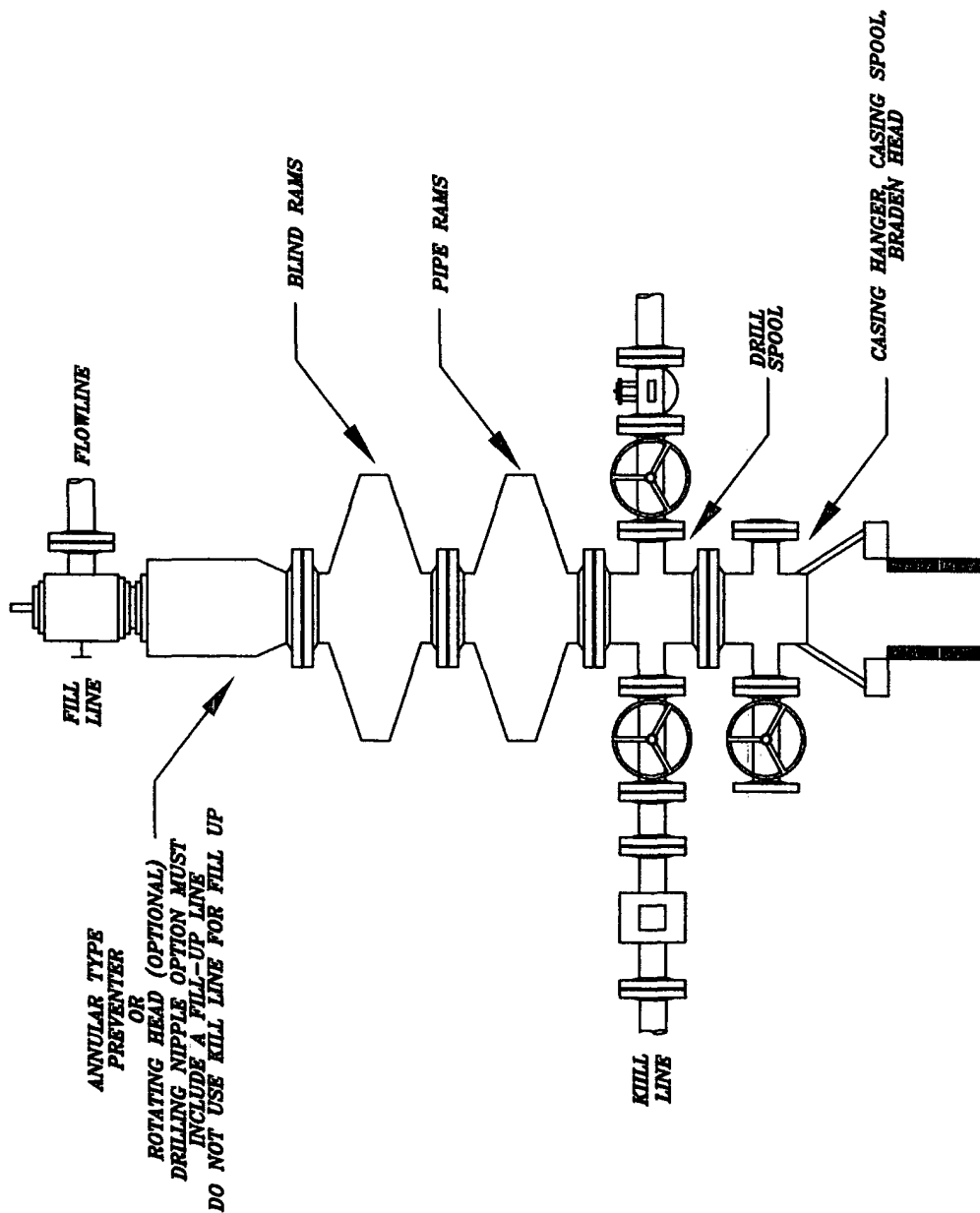


EXHIBIT I

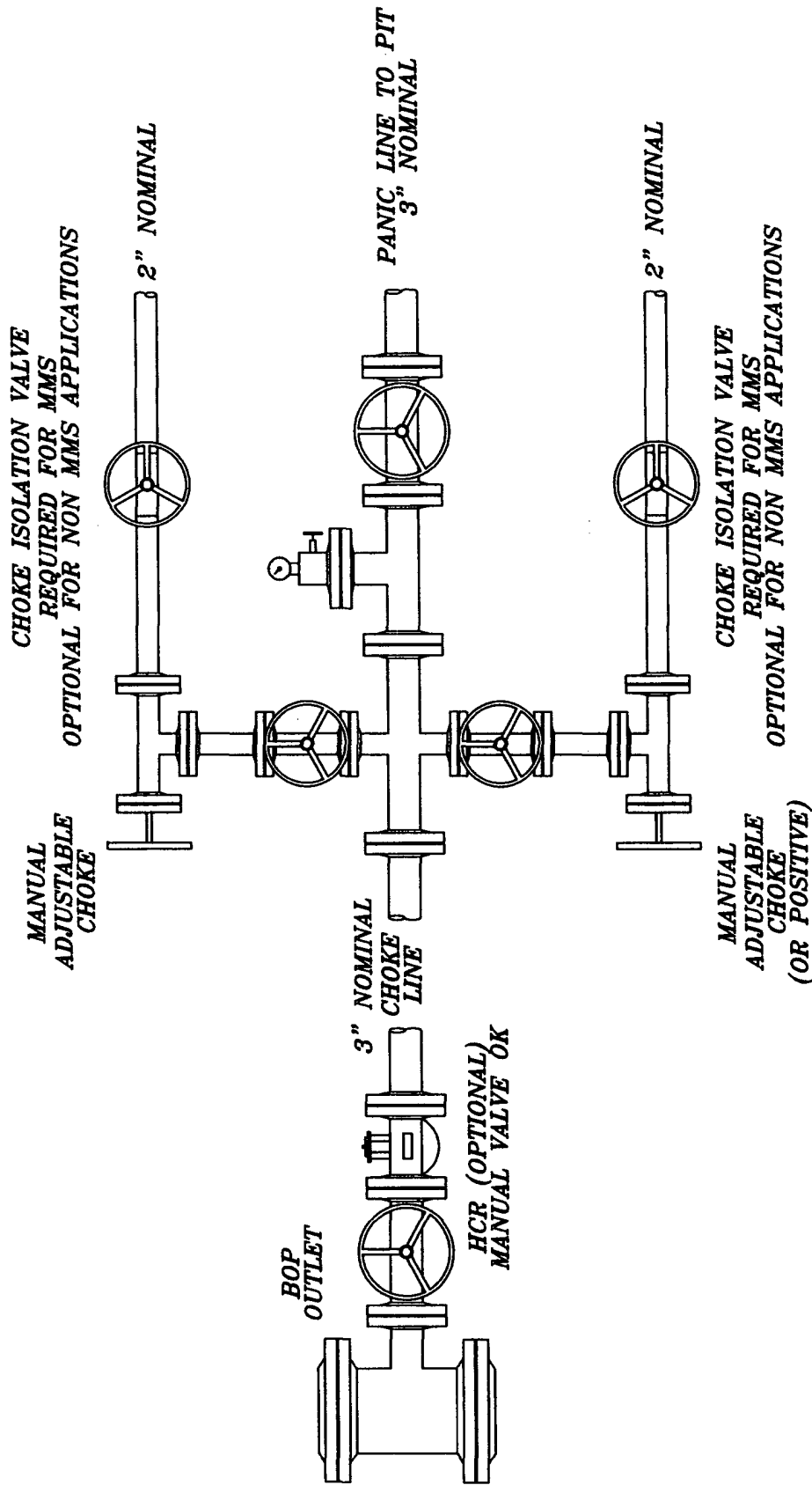
PARALLEL PETROLEUM
BOP SCHEMATIC

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

DATE: 7/26/05
DWG. BY: JJ
FILE: C:\P\PARALLEL\BOP SCHEMATIC


NOT TO SCALE

CHOKES MANIFOLD 5M SERVICE



DATE 8/17/05		DRAWN BY J.J.		FILE C:\MANUALS\5M\CHOKES MANIFOLD	
EXHIBIT J					
PARALLEL PETROLEUM CHOKES MANIFOLD					
HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS					

NOT TO SCALE

 PARALLEL SURVEY CALCULATION PROGRAM PETROLEUM CORPORATION											
OPERATOR:		Parallel Petroleum Corporation				Supervisors:					
WELL:		Tool Box Federal #1									
SURF. LOCATION:		282 FSL, 710 FEL, Sec. 12 T-19-S R-21-E									
BH LOCATION:		660 FSL, 710 FEL, Sec. 13 T-19-S R-21-E									
COMMENTS:											
						MAG DEC. (-/+)					
						GRID CORR. (-/+)					
						TOTAL CORR. (-/+)		0.0			
DATE: 05/11/06				TIME: 10:20 AM		TRUE TO GRID			▼		
MINIMUM CURVATURE CALCULATIONS(SPE-3362)						PROPOSED DIRECTION		180.0		TARGET TRACKING TO CENTER	
SVY	MD	INC	GRID	VERT				DLS/	ABOVE(+)	RIGHT(+)	
NUM			AZM	TVD	SECT	N-S	E-W	100	BELOW(-)	LEFT(-)	
TIE	0	0.0	0.0	0.0	0.0	0.0	0.0				
1	3432	0.0	0.0	3432.0	0.0	0.0	0.0	0.0	990.0	0.0	
2	3462	1.5	180.0	3462.0	0.4	-0.4	0.0	5.0	960.0	0.0	
3	3492	3.0	180.0	3492.0	1.6	-1.6	0.0	5.0	930.0	0.0	
4	4986	89.6	180.0	4428.7	981.8	-981.8	0.0	5.8	0.2	0.0	
5	8924	89.6	180.0	4456.2	4919.7	-4919.7	0.0	0.0	0.2	0.0	

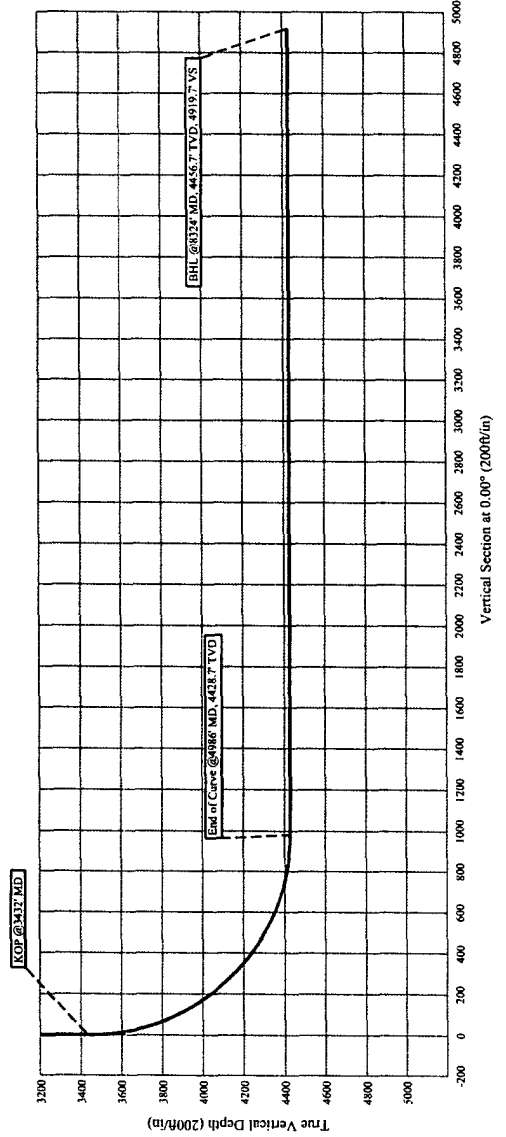
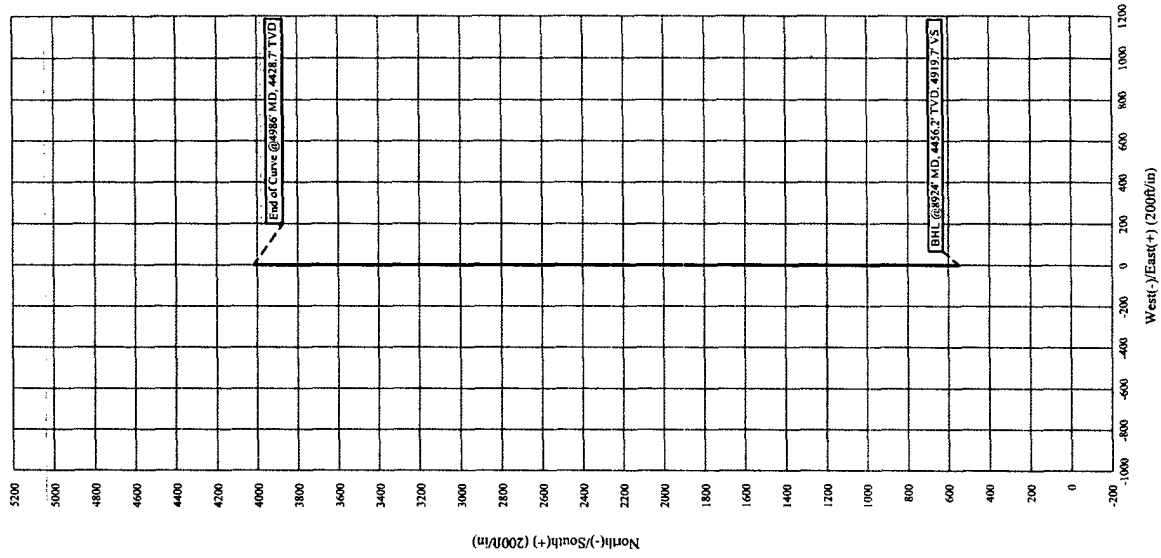
KOP @ 3432' MD
 BUR = 5 DEG per 100 FT
 End Curve @ 4986' MD, 4428.7' TVD
 BHL @ 8924' MD, 4456.2' TVD, 4919.7' VS

Parallel Petroleum Corp.

COMPANY DETAILS

Parallel Petroleum Corp.
1004 N. Big Spring, Ste 400
Midland, Texas 79701

Tool Box Federal #1
Section 12, T 19-S, R 21-E
Eddy County, New Mexico





PARALLEL

Petroleum Corporation

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

November 9, 2005

Mr. Bryan Arrant
State Of New Mexico,
Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

Re: Hydrogen Sulfide Potential
Parallel Petroleum Corporation, Box Area wells,
T-19-S, R-21-E
Eddy County, New Mexico

Dear Mr. Arrant;

The Box Top Federal 19 21-1 #1 site which is being drilled seven miles south of Hope, New Mexico was reviewed for its potential for hydrogen sulfide. Mr. John Simitz, Geologist for the Bureau of Land Management, Roswell, New Mexico reviewed the site and stated that no potential for gas was found a Morrow test in this area. Based on this information we believe the potential H₂S at well locations in this area are negligible.

Should you need additional information regarding this issue, please contact me at the address or phone number listed above or my email address at ddurham@p111.com.

Sincerely,

Deane Durham
Engineer

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Parallel Petroleum Corporation

Well Name & No: Tool Box Federal No.1

Location: BHL 660' FSL & 710' FEL, Sec.13, T.19 S., R. 21 E.

Lease: NMNM 103570

Eddy County, New Mexico

Location SHL: 282' FSL & 710' FEL; Sec. 12, T.19S., R.21E.

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 20 inch conductor; 8 5/8 inch; 5 1/2 inch.

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this well bore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCDC shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 8 5/8 inch shall be set at 1400 Feet with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5 1/2 inch Production casing is to tie back to the 8 5/8 inch shoe by at least 200 ft.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8 5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

(III Cont):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

G Gourley RFO 5/24/06