1256

OCD-ARTESIA SEP - 2008 RECEIVED OCD - ARTESIA

Form 3160-3
(April 2004)

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

K-06-25
Rec'd 8-14-06

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. **NM 103571**

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. **Tackle Box 1921-15 Federal #1** 36044

2. Name of Operator **Parallel Petroleum Corporation** 230387

9. API Well No. 30-015-35142

3a. Address **1004 North Big Spring, Suite 400 Midland, Texas**

3b. Phone No. *(include area code)* **432/684-3727**

10. Field and Pool, or Exploratory Bunting Ranch; Morrow

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface **200' FSL AND 100' FEL**
At proposed prod. zone **660' FSL and 660' FEL**

Subject to Like Approval By State

11. Sec., T. R. M. or Blk. and Survey or Area **15, T19S, R21E**

14. Distance in miles and direction from nearest town or post office* **9 miles south of Hope, New Mexico**

12. County or Parish **Eddy**

13. State **NM**

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **100'**

16. No. of acres in lease **1,920.00**

17. Spacing Unit dedicated to this well **320**

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **860' south**

19. Proposed Depth **7800'**

20. BLM/BIA Bond No. on file **NMB000265**

21. Elevations (Show whether DF, KDB, RT, GL, etc.) **GL 4218'**

22. Approximate date work will start* **09/01/2006**

23. 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:

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

25. Signature *Deane Durham* | Name *(Printed/Typed)* **Deane Durham** | Date **08/11/2006**

Title **Engineer, Parallel Petroleum Corporation**

Approved by *(Signature)* **/s/ Tony J. Herrell** | Name *(Printed/Typed)* **/s/ Tony J. Herrell** | Date SEP 0 9 2008

Title 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)*

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

ATTACHMENT TO FORM 3160-3
TACKLE BOX 1921-15 FEDERAL #1
Surface Hole Location
200 FSL AND 100 FEL, SEC 15, 19S, 21E
Bottom Hole Location
660 FSL AND 660 FEL, SEC 15, 19S, 21E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

This well is designed as a vertical Morrow test. In the event that the Morrow is found to be non-productive, a horizontal test in the Wolfcamp formation will be drilled.

1. GEOLOGIC NAME OF SURFACE FORMATION

San Andres

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Glorieta 1650'(+ 2568')
Tubb 2660'(+1558')
Abo Shale 3300' (+918')
Abo Carbonate 3420' (+798')
Wolfcamp 4225' (-7')
Wolfcamp Shale 4415'(-197')
Penn Cisco 5885' (-1667')
Canyon 6350' (-2132')
Strawn 6765' (-2547')
Atoka 7150' (-2932')
Morrow 7275' (-3057')
Miss. Chester 7525'(-3307')

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

Fresh water	790'
Oil and Gas	Morrow 7275' (-3057') to 7525'(-3307')
Alternate Horizontal Completion	
Oil and Gas	Wolfcamp 4225' (-7')

No H_2S gas should be encountered

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
20" conductor	0'-120'			
9 5/8"	0' – 1500'	36#	J-55	LTC
7"	0' – 7,800'	23#	J-55	LTC
Horizontal casing program for Production String				
5 ½"	0'- 8202'	17#	N-80	LTC

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

Primary Drilling Procedure

a. Set 20" conductor pipe at 120' with a rathole unit.
b. Drill 12 ¼" surface hole to an approximate depth of 1500', using fresh water and viscous sweeps for hole cleaning. Set 9 5/8", 36# 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 9 5/8. Cut 9 5/8 and NU WH & BOP.
d. Drill 8 3/4" production hole to 7800', using cut brine to an approximate depth of 3200' and a starch mud system to TD.
e. Pick up directional tools and kick-off at 3500' to drill directionally to an orthodox bottom-hole location of 660 FSL and 660 FEL Sec. 15, T19S, R21E.
f. Log and Test Morrow zone of interest.
g. Set 7" 23# J-55 casing at TD with 1070 sx Class C cement with the estimated top of cement at 1300' (lead 50/50 Poz).

Alternate Drilling Procedure (if Morrow is Non-Productive)

a. Plug lower portion of the hole, per OCD/BLM specifications.
b. Set 18 ppg CMT kick-off plug across Wolfcamp zone.
c. Dress CMT to kick off point at approximately 3800', oriented at 0 degree (grid) azimuth.
d. Build angle in 8-3/4" hole at 13.5 degrees per 100' to 90 degrees and hold.
e. Drill 7-7/8" horizontal drain hole to a terminus of 660' FNL (8202' MD).
f. Run 5 ½" 17# N-80 Casing from TD back to surface, cement with acid soluble cement per completion
g. Rig Down Rotary Tools

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 1500' with fresh water gel spud mud for surface string.
b. The production section from 1,500' to 3,100' will utilize a cut brine mud system.
c. The remaining production section from 3,100' 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 30 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:	NM NM 103571
Legal Description of Land:	Tackle Box 1921-15 Federal #1 SHL: 200' FSL AND 100' FEL, SEC 15, T19S, R21E Eddy County, New Mexico
Formation(s) (if applicable:	Morrow
Bond Coverage:	$25,000 statewide bond of Parallel Petroleum Corporation
BLM Bond File No:	**NMB000265**

8-11-06
Date

Deane Durham
Name: Deane Durham
Title: Engineer

SURFACE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING

PARALLEL PETROLEUM CORPORATION
TACKLE BOX 1921-15 FEDERAL #1
SHL: 200' FSL AND 100' FEL, SEC 15, T19S, R21E
BHL: 660' FSL AND 660' FEL, SEC 15, T19S, R21E
EDDY COUNTY, NEW MEXICO

LOCATED:

12 miles South of Hope, New Mexico

OIL & GAS LEASE:

NM NM 103571

RECORD LESSEE:

Echo Production, Inc.
P.O. Box 1210
Graham, Texas 76450

BOND COVERAGE:

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

ACRES IN LEASE:

1,920.00

SURFACE OWNER:

Federal

SURFACE TENANT:

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

POOL:

Primary Objective - Morrow (Gas)

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 current one mile long access road to the Jack in the Box Federal #1 will be used. The new portion of the access road will come off the well location of the Jack in the Box Federal #1and go south and west approximately 600' to a Y in the road. Turn right at the Y and go 193' to the location. The new access road will be 16' to 24' wide.

B. Surface Material
Caliche from a commercial source.

C. Maximum Grade
Less than five percent.

D. Turnouts
One turnout will be constructed on the access road.

E. Drainage Design
No low water crossings will be required for the construction of this access road.

F. Culverts
It is not anticipated that any culverts will be needed on the access road at this time. If any drainage areas are crossed a culvert will be used so water is not backed up by the road bed.

G. Gates and Cattle Guards
No new gates or cattle guards will be required for this location.

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 well located east of the well site that is operated by the Runyon Ranch may be available or water may be trucked in from a commercial source. A poly flow line will be used to deliver the water to the site if the Runyon well is utilized.

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.

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.

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 not needed for operations will be removed. The well site will be cleaned of all trash and junk to leave the site in as aesthetically pleasing condition as possible.

B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

10. OTHER INFORMATION

A. Topography
The location is located on the first bench above the south side of Gardner Draw, in a broad, open, relatively flat plain, with Northeast exposure and drainages to Gardner Draw.

B. Soil
Soils are tan/grey loamy sandy silts, overlying limestone substrata.

C. Flora and Fauna
Area vegetation consists of broom snakeweed, grasses, creosote, gyp coldenia, catclaw, prickly pear, yucca, cholla, sumac and various other forbs.

D. Ponds and Streams
Gardner Draw, an intermittent stream which flows west to east, is located 1200' north of the site. Small drainages are located 900' east of the wellsite with flow going northeast into Gardner Draw. There are no other rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures
There are no residences with several miles of the project site.

F. Archaeological, Historical, and Cultural Sites
See archaeological report # SNMAS-06NM-2339
submitted by: Southern New Mexico Archaeological Services, Inc.,
P.O. Box 1
Bent, New Mexico 88314 Phone 505-67-4797

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

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.

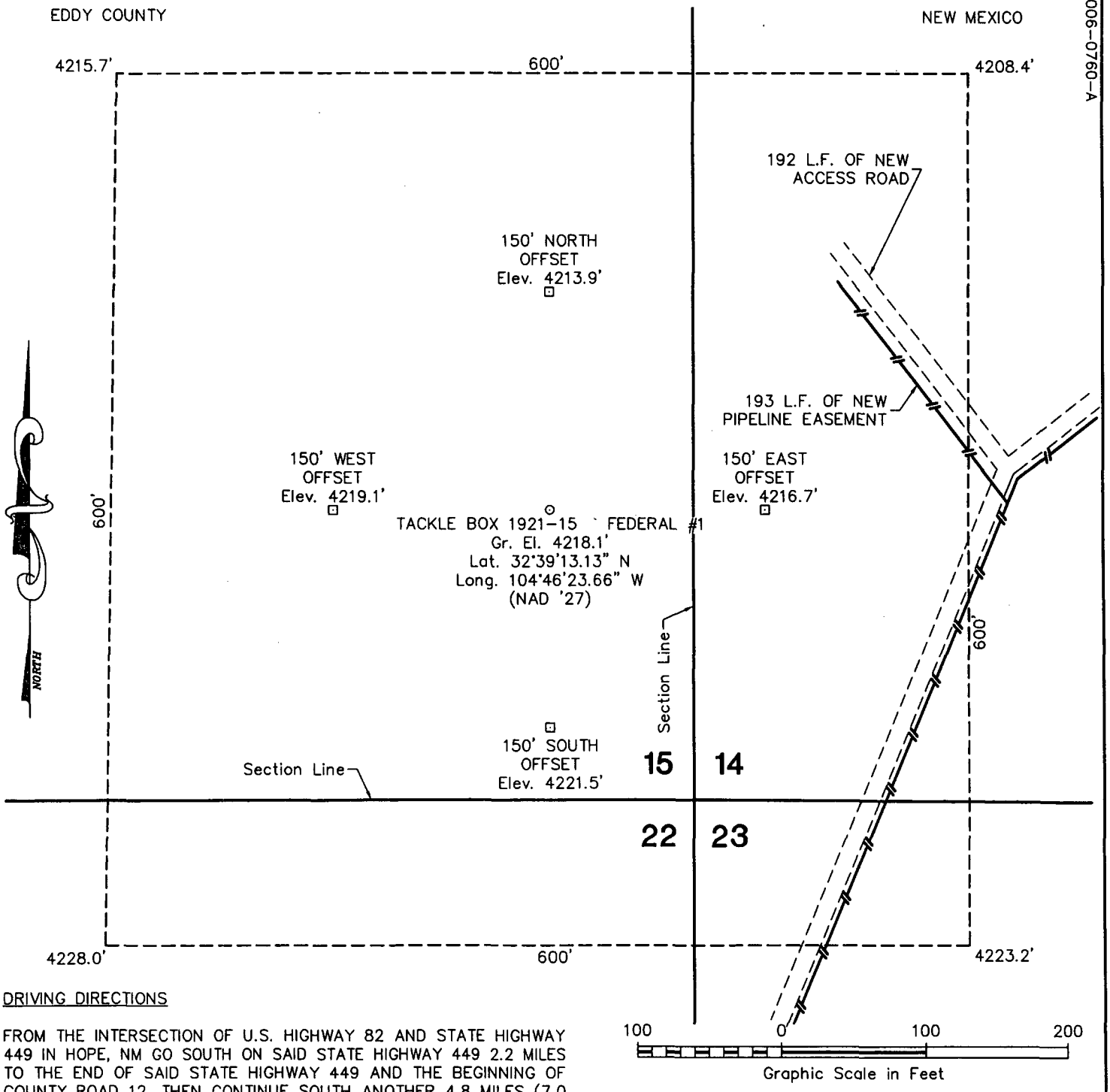
8-11-06
Date

Name: Deane Durham
Title: Engineer

SECTION 15, TOWNSHIP 19 SOUTH, RANGE 21 EAST, N.M.P.M.

EDDY COUNTY NEW MEXICO

L-2006-0760-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) 4.2 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 0.7 MILE TO A POINT, THEN GO SOUTHWEST AND SOUTH 0.3 MILE TO A POINT AT THE SOUTHEAST CORNER OF THE JACK IN THE BOX FEDERAL #1 WELL PAD, THEN GO WEST TO THE SOUTHWEST CORNER OF SAID WELL PAD AND SOUTHWEST FROM THERE 0.1 MILE TO A PROPOSED ACCESS ROAD ON NORTH (RIGHT) SIDE OF ROAD, THEN GO NORTHWEST ALONG SAID ACCESS ROAD 192 FEET TO THE PROPOSED LOCATION.

WEST COMPANY of Midland, Inc.

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

PARALLEL PETROLEUM CORPORATION

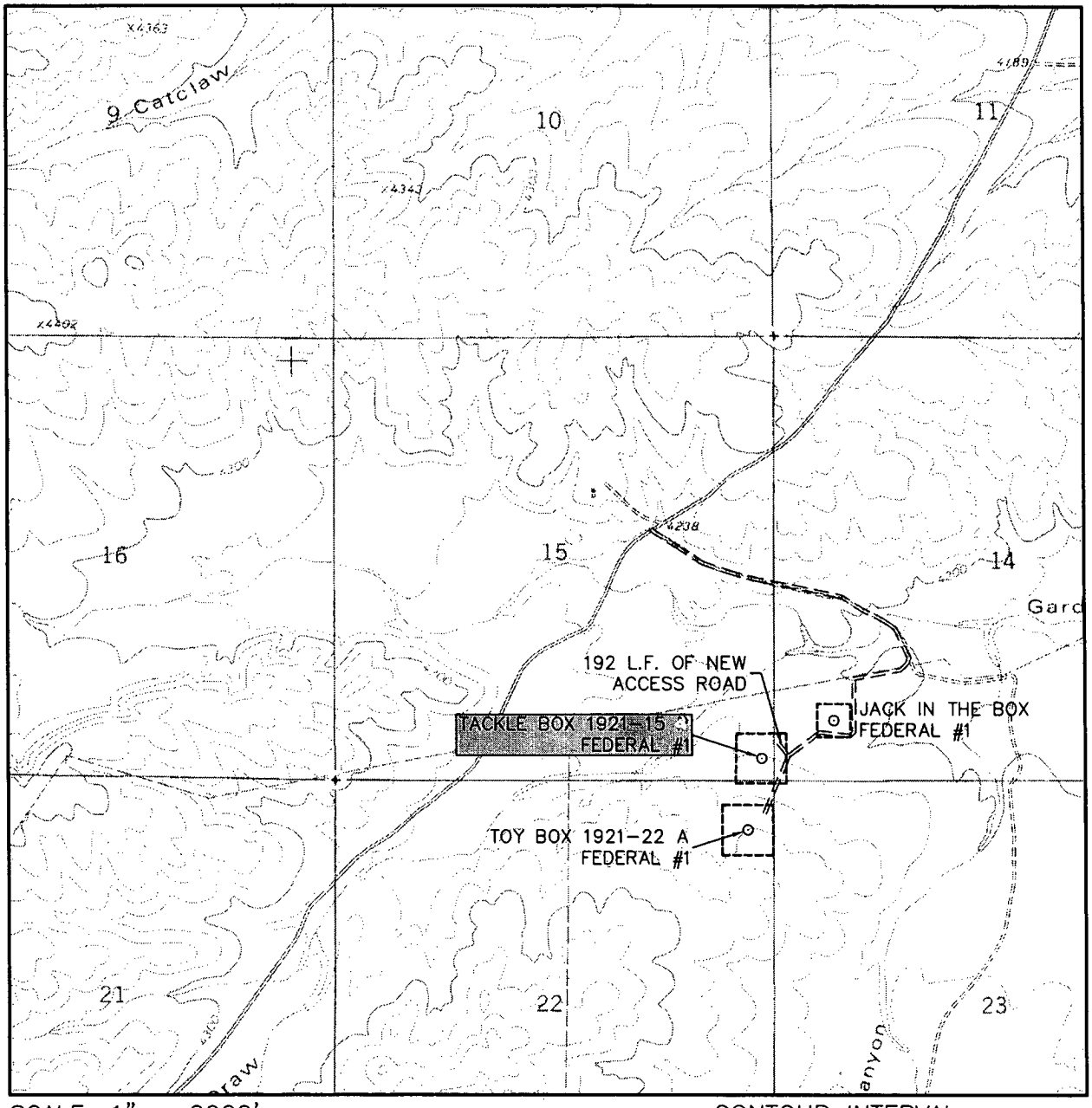
TACKLE BOX 1921-15 FEDERAL #1

Located 200' FSL & 100' FEL, Section 15
Township 19 South, Range 21 East, N.M.P.M.
Eddy County, New Mexico

Drawn By: LVA	Date: July 27, 2006
Scale: 1"=100'	Field Book: 338 / 63-64
Revision Date:	Quadrangle: Holt Tank
W.O. No: 2006-0760	Dwg. No.: L-2006-0760-A

Exhibit C

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOLT TANK - 20'

SEC. 15 TWP. 19-S RGE. 21-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 200' FSL & 100' FEL

ELEVATION 4218'

OPERATOR PARALLEL PETROLEUM CORPORATION

LEASE TACKLE BOX 1921-15 "C" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
HOLT TANK, N.M.

Exhibit F

WEST COMPANY of Midland, Inc.

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

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

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, 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	Pool Name
	73100	Bunting Ranch; Morrow

Property Code	Property Name	Well Number
	TACKLE BOX 1921-15 FEDERAL	1

OGRID No.	Operator Name	Elevation
	PARALLEL PETROLEUM CORPORATION	4218'

Surface Location

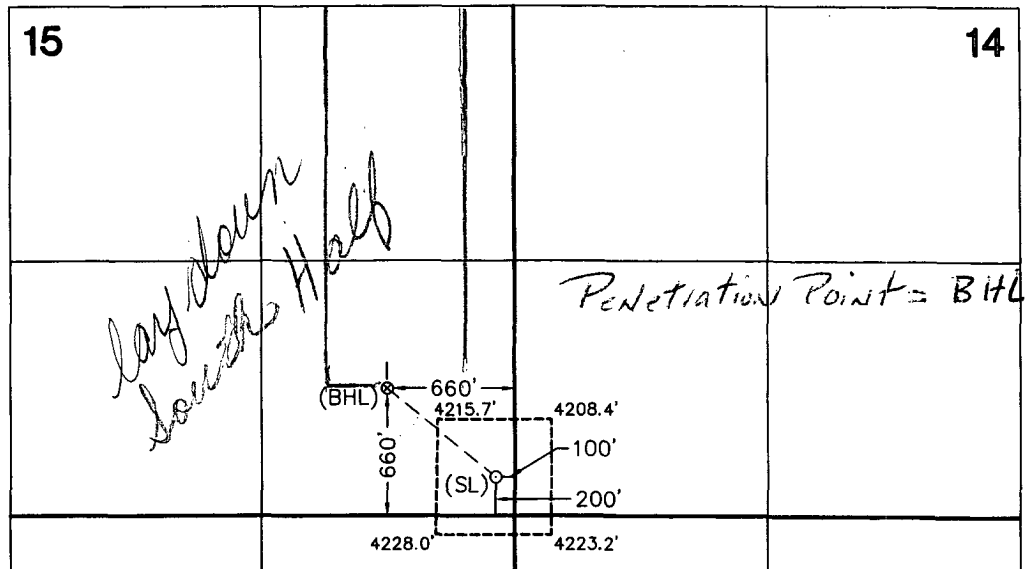
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	15	19 S	21 E		200	SOUTH	100	EAST	EDDY

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	15	19 S	21 E		660	SOUTH	660	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



Coordinate Table	
Description	Plane Coordinate
Tackle Box 1921-15 P Federal #1	X = 364,607.0
Surface Location	Y = 601,789.0
Tackle Box 1921-15 P Federal #1	X = 364,047.9
Bottom Hole Location	Y = 602,248.2

NOTE:

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.

22

23

OPERATOR CERTIFICATION

I hereby certify the 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 interestin 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.

Signature 8-11-06
Date

Deane Durham
Printed Name

SURVEYOR CERTIFICATION

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 supervison and that the same is true and correct to the best of my belief.

July 25, 2006
Date of Survey

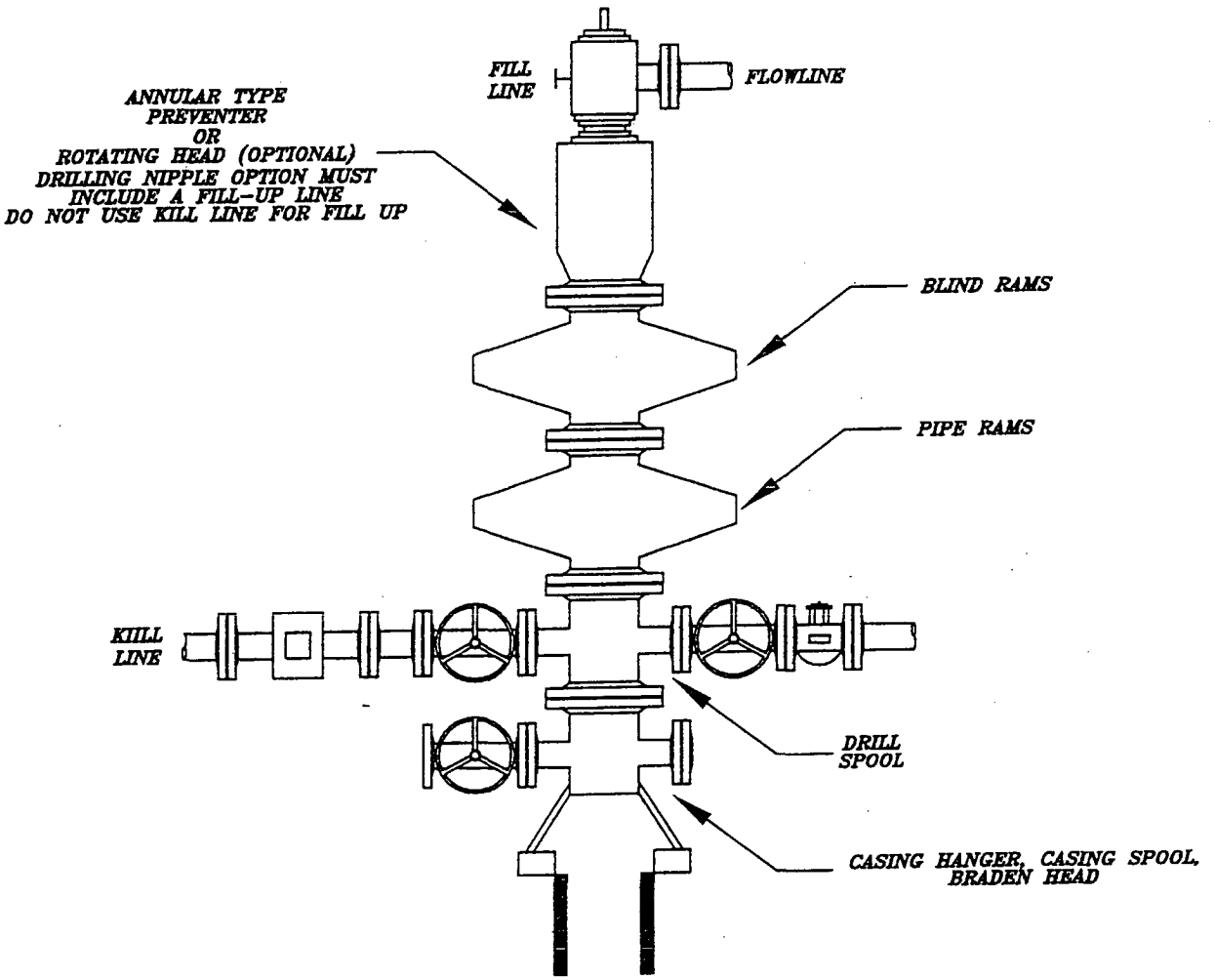
Signature & Seal of Professional Surveyor

W.O. Num. 2006-0760

Certificate No. MACON McDONALD 12185

Exhibit G

MINIMUM BOP SCHEMATIC

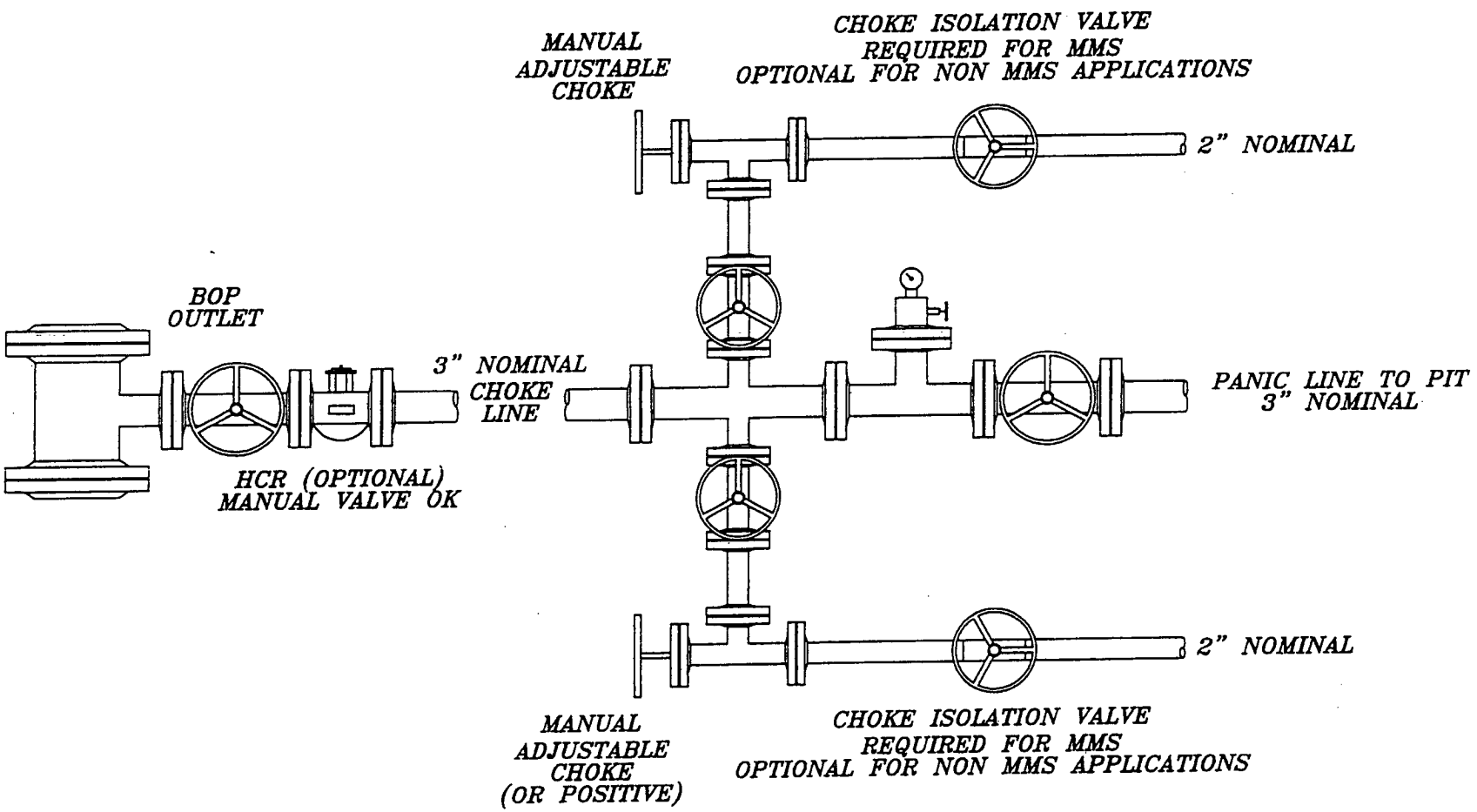


NOT TO SCALE

EXHIBIT I

DATE: 7/26/05	PARALLEL PETROLEUM BOP SCHEMATIC
DWN. BY: JJ	HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS
FILE: C:\PARALLEL\2439\ BOP SCHEMATIC	

CHOKE MANIFOLD
5M SERVICE



NOT TO SCALE

EXHIBIT J

DATE: 8/17/05	PARALLEL PETROLEUM CHOKE MANIFOLD
DWN. BY: JJ	HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS
FILE: C:\PARALLEL\3M3R\ CHOKE MANIFOLD	

PARALLEL PETROLEUM CORPORATION

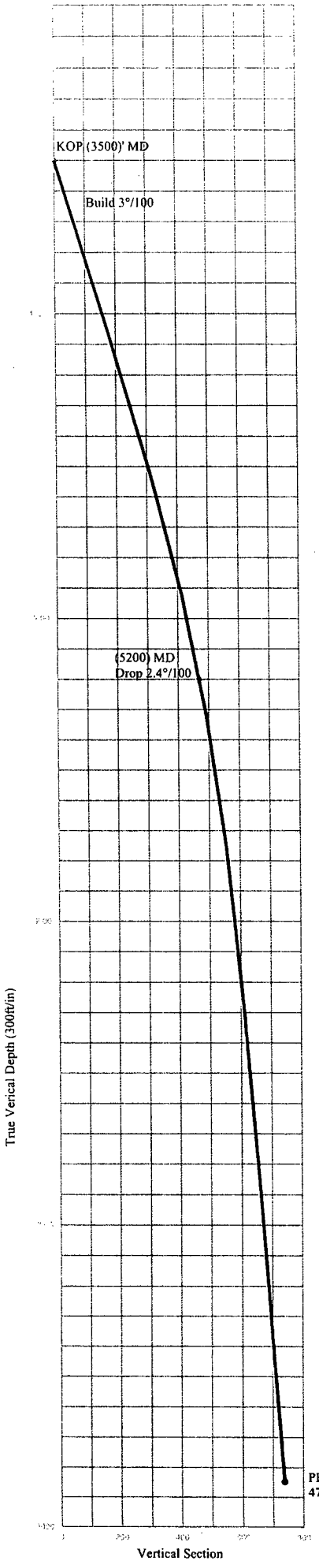
SURVEY CALCULATION PROGRAM

OPERATOR:	Parallel Petroleum Corporation		
WELL:	Tackle Box 1921-15 P Federal #1		
LOCATION:	200 FSL, 100 FEL Sec. 15 19-21	Eddy County, NM	
API NUMBER:			
COMMENTS:			
		MAG DEC.(-/+)	
		GRID CORR.(-/+)	
		TOTAL CORR.(-/+)	0.0
DATE: 08/07/06	TIME: 5:26 PM	TRUE TO GRID	

MINIMUM CURVATURE CALCULATIONS(SPE-3362) PROPOSED DIRECTION 310.0

SVY NUM	MD	INC	GRID AZM	TVD	VERT SECT	N-S	E-W	DLS/ 100	TARGET TRACKING TO CENTER ABOVE(+) BELOW(-)	RIGHT(+) LEFT(-)
TIE	0	0.0	0.0	0.0	0.0	0.0	0.0			
1	3500	0.0	0.0	3500.0	0.0	0.0	0.0	0.0	4250.0	0.0
2	3510	0.3	310.0	3510.0	0.0	0.0	0.0	3.0	4240.0	0.0
3	3520	0.6	310.0	3520.0	0.1	0.1	-0.1	3.0	4230.0	0.0
4	4170	20.0	310.0	4156.5	115.8	74.4	-88.7	3.0	3593.5	0.0
5	5200	20.0	310.0	5124.4	468.1	300.9	-358.5	0.0	2625.6	0.0
4	5700	8.0	310.0	5608.6	588.8	378.5	-451.0	2.4	2141.4	0.0
5	7849	0.0	310.0	7750.6	738.6	474.7	-565.8	0.4	-0.6	0.0

Exhibit K



Parallel Petroleum Corp.

Tackle Box 1921-15 Fed. #11
Section 25, T 19-S, R 21-E
Eddy County, New Mexico

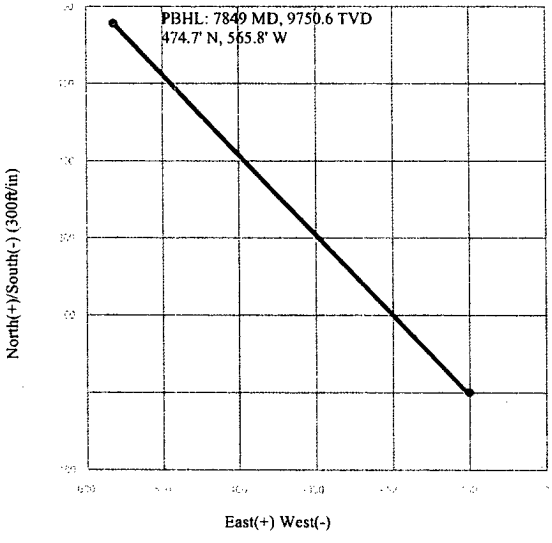


Exhibit L

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 H_2S 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@pll.com.

Sincerely,

Deane Durham

Deane Durham
Engineer

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Parallel Petroleum Corporation Well Name & #: Tackle Box Fed. #1
Location 200 F S L & 100 F E L; Sec. 15, T. 19 S., R. 21 E.
Lease #: NM-103571 County: Eddy State: New Mexico
Bottom Hole: 660 FSL & 660 FEL, Section 15, T. 19 S., R. 21 E.

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

( ) Lesser Prairie Chicken (stips attached)
( ) San Simon Swale (stips attached)
( ) Flood plain (stips attached)
(x) Other **See attached Aplomado Falcon Habitat Stipulations**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(x) The BLM will monitor construction of this drill site. Notify the (x) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(x) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____inches in depth. Approximately _____cubic yards of topsoil material will be stockpiled for reclamation.

(x) Other. **V-Door West (Reserve pits to the South).**

III. WELL COMPLETION REQUIREMENTS

( ) A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

( ) A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

( ) B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus crptandrus)* 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

( ) C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Bouteloua curtipendula)* 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

( ) D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

(x) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( ) Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.
Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.
The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

(1) Lined as specified above and

(2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be re-contoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Stipulations for Drilling in Aplomado Falcon Habitat

The following well pad construction and reclamation measures will be implemented to provide for minimal long-term disturbance:

No Yuccas over 5 feet in height will be damaged by vehicular use or any other activity associated with this project.

Remove all caliche from well pads and roads that are plugged and abandoned. Reclamation will consist of disking, mulching, seeding with a drill (See seed mixture below), and application of water to encourage seed germination.

Well pad size will not exceed 300 ft. x 390 ft. (unless multiple wells are drilled from the same well pad). All unused portions of the well pad associated with producing wells will be reclaimed using the seed mixture below:

Buffalograss (Buchloe dactyloides)	4 lbs/acre
Blue grama (Bouteloua gracilis)	1 lbs/acre
Cane bluestem (Bothriochloa barbinodis)	5 lbs/acre
Sideoats grama (Boutelou curtipendula)	5 lbs/acre
Plains bristlegrass (Setaria macrostachya)	6 lbs/acre

Reserve pits for drilling and disposal are not allowed unless the pit can be effectively netted to the satisfaction of the BLM. Steel tank circulation system must be used if the reserve pit is not netted.

All active raptor nests will be avoided by a minimum of 400 meters by all activities or curtail activities until fledging is complete.

All inactive raptor nests will be avoided by a minimum of 200 meters by all activities.

All roads associated with well development will not exceed 30 ft in width

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Parallel Petroleum Corporation
Well Name & No: TackleBox 1921-15 Fed No 01
Location: Surface 200' FSL & 100' FEL, Sec.15, T. 19 S., R. 21 E.
BHL : 660' FSL & 660' FEL Sec 15. T. 19 S., R. 21 E
Lease: NM 103571
Eddy County, New Mexico

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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: 9 5/8 inch; 5 ½ 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 NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 9 5/8 inch shall be set at **1500 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 ½ inch Production casing is to **circulate to surface.**

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 9 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 8 /28/06**