

1335

K-06-66

OCD-ARTESIA

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM NM 104616	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Parallel Petroleum Corporation		7. If Unit or CA Agreement, Name and No. 36054	
3a. Address 1004 North Big Spring, Suite 400 Midland, Texas		8. Lease Name and Well No. Pandora's Box 1921-8 Federal #1 com	
3b. Phone No. (include area code) 432/684-3727		9. API Well No. 230387 30-015-35166	
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 700' FEL and 300' FSL At proposed prod. zone 660' FSL and 660' FEL		10. Field and Pool, or Exploratory Gardner Draw; Morrow	
14. Distance in miles and direction from nearest town or post office* 9 miles south of Hope, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area 8-19S-21E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 300'		12. County or Parish Eddy	
16. No. of acres in lease 920		13. State NM	
17. Spacing Unit dedicated to this well 320		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. None	
19. Proposed Depth 7,700'		20. BLM/BIA Bond No. on file NMB000265	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL 4418'		22. Approximate date work will start* 10/01/2006	
		23. Estimated duration 30 days	

24. Attachments **ROSWEIL 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 <i>Deane Durham</i>	Name (Printed/Typed) Deane Durham	Date 8-25-06
Title Drilling Engineer, Parallel Petroleum Corporation		

Approved by (Signature) <i>Tony J. Herrell</i>	Name (Printed/Typed) Tony J. Herrell	Date SEP 28 2006
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.

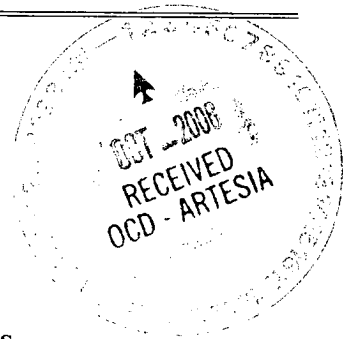
APPROVAL FOR 1 YEAR

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.



DISTRICT I
1825 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

K-06-66
Rec'd-8/28/06

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	77340	Gardner Draw; Morrow
Property Code	Property Name	Well Number
	PANDORA'S BOX 1921-8 FEDERAL	1
OGRID No.	Operator Name	Elevation
	PARALLEL PETROLEUM CORPORATION	4418'

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	8	19 S	21 E		300	SOUTH	700	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	8	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

Project Area

Producing Area

Coordinate Table	
Description	Plane Coordinate
Pandora's Box 1921-8 Federal #1	X = 353,457.6
Surface Location	Y = 607,208.6
Pandora's Box 1921-8 Federal #1	X = 353,498.8
Bottom Hole Location	Y = 607,568.3

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.

OPERATOR CERTIFICATION

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.

Deane Durham 8-25-06
Signature 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 supervision and that the same is true and correct to the best of my belief.

August 7, 2006
Date of Survey

Signature & Seal of Professional Surveyor

W.O. Num. 2006-0809
Certificate No. MACON McDONALD 12185

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 104616


Legal Description of Land: Pandora's Box 1921-8 Federal #1
SHL: 300' FSL AND 700' FEL, SEC 8, T19S, R21E
BHL: 660' FSL AND 660' FEL, SEC 8, T19S, R21E
Eddy County, New Mexico

Formation(s) (if applicable: Morrow with alternate in the Wolfcamp

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

BLM Bond File No: NMB000265

8-25-06
Date


Name: Deane Durham
Title: Engineer

**ATTACHMENT TO FORM 3160-3
PANDORA'S BOX 1921-8 FEDERAL #1
Surface Hole Location
300 FSL AND 700 FEL, SEC 8, 19S, 21E
Bottom Hole Location
660 FSL AND 660 FEL, SEC 8, 19S, 21E
EDDY COUNTY, NEW MEXICO**

DRILLING PROGRAM

This well is designed as a 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'(+ 2768')
Tubb 2660'+(1758')
Abo Shale 3300' (+1118')
Abo Carbonate 3420' (+998')
Wolfcamp 4225' (+193')
Wolfcamp Shale 4415'+(3')
Penn Cisco 5885' (-1467')
Canyon 6350' (-1932')
Strawn 6765' (-2347')
Atoka 7150' (-2732')
Morrow 7275' (-2857')
Miss. Chester 7525'(-3107')

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

Fresh water 790'
Oil and Gas Morrow 7275' (-2857') to 7525'(-3107')
Alternate Horizontal Completion
Oil and Gas Wolfcamp 4225' (+193')
No H₂S gas should be encountered

PANDORA'S BOX 1921-8 FEDERAL #1

Page 2

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'			
9 5/8"	0'	1500'	36#	J-55	LTC
7"	0'	7,800'	23#	J-55	LTC
Horizontal casing program for Production String					
5 1/2"	0'	8400'	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 as deep as possible up to 120' with a rathole unit.
- b. Drill 12 1/4" 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 5000' to drill directionally to an orthodox bottom-hole location of 660 FSL and 660 FEL Sec. 8, 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'.
- 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' FWL (8400' MD).
- f. Run 5 1/2" 17# N-80 Casing from TD back to surface, cement with acid soluble cement per completion
- g. Rig Down Rotary Tools

PANDORA'S BOX 1921-8 FEDERAL #1

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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 3,200' will utilize a cut brine mud system.
- c. The remaining production section from 3,200' 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 fourth quarter of 2006 with drilling and completion operation lasting about 30 days.

**SURFACE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING**

**PARALLEL PETROLEUM CORPORATION
PANDORA'S BOX 1921-8 FEDERAL #1
SHL: 300' FSL AND 700' FEL, SEC 8, T19S, R21E
EDDY COUNTY, NEW MEXICO**

LOCATED:

9 miles South of Hope, New Mexico

OIL & GAS LEASE:

NM NM 104616

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:

920

SURFACE OWNER:

Federal

SURFACE TENANT:

Phyllis Crockett
P.O. Box C
Hope, NM 88250
505-484-3687

POOL:

Primary Objective – Morrow with Wolfcamp Alternative

PANDORA'S BOX 1921-8 FEDERAL #1

Page 2

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 and F-1 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 F and F-1. The existing access road will come off County Road 20 and go west 2.2 mile to a cattle guard. Go thru the cattle guard and at the intersection just pas the cattle guard turn left and go .2 mile to location. This ROW and access road will share a ROW with Bold Energy and will be used for the Parallel Petroleum Corp. Shoe Box 1921-17 Federal #1 and Juke Box 1921-10 Federal #1. The new access road will be surfaced with caliche and will be 16' to 24' wide with a total length of .2 mile.
- B. Surface Material

Caliche from a commercial source.
- C. Maximum Grade

Less than five percent.
- D. Turnouts

One turnout may be constructed on the new section of the access road.

PANDORA'S BOX 1921-8 FEDERAL #1

Page 3

E. Drainage Design

No low water crossings will be constructed on this section of the access road.

F. Culverts

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

G. Gates and Cattle Guards

A cattle guard and gate will be installed on the fence line between sections 8 and 9 for the original 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. Or water will be secured and trucked or transported by poly line to the location from a commercial source.

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. 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 northeast exposure. The regional drainage of the site being to the north and east toward Catclaw Draw.

B. Soil

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

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.

PANDORA'S BOX 1921-8 FEDERAL #1

Page 5

D. Ponds and Streams

Catclaw Draw, an intermittent stream which flows west to east, is located 1/2 mile north of the site. There are no other rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

The Michael Bennet Ranch house is located 3.5 miles south west of the site and the Barbra Runyon Ranch house is located 5.5 miles northeast of the proposed well site

F. Archaeological, Historical, and Cultural Sites

See archaeological report # SNMAS-06NM-2353

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

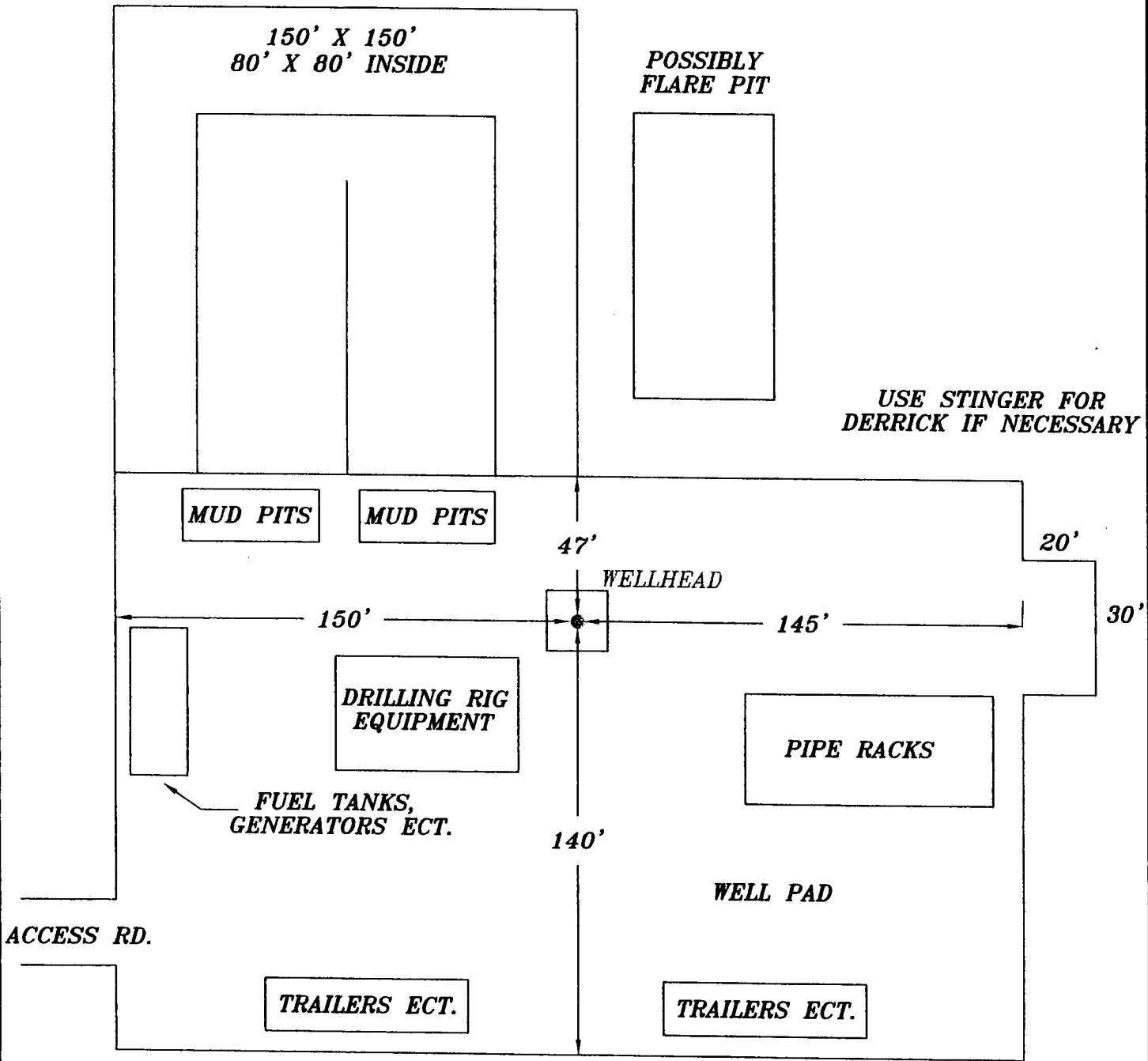
12. CERTIFICATION

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.

8-25-06
Date

Deane Durham
Name: Deane Durham
Title: Engineer

DOUBLE HOESHOE RESERVE PIT



USE STINGER FOR DERRICK IF NECESSARY

EXHIBIT B

DATE: 11/3/05
DRN. BY: JJ
FILE: C:\PARALLEL\2005\DRILLING LAYOUT-2

**PARALLEL PETROLEUM
DRILLING RIG LAYOUT**
**HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS**

NOT TO SCALE

SECTION 8, TOWNSHIP 19 SOUTH, RANGE 21 EAST, N.M.P.M.

EDDY COUNTY

NEW MEXICO

L-2006-0809-A

4409.1'

600'

4405.8'

150' NORTH
OFFSET
Elev. 4412.4'
□

150' WEST
OFFSET
Elev. 4419.3'
□

150' EAST
OFFSET
Elev. 4416.2'
□

PANDORA'S BOX 1921-8 FEDERAL #1
Gr. El. 4417.9'
Lat. 32°40'06.29" N
Long. 104°48'34.36" W
(NAD '27)

150' SOUTH
OFFSET
Elev. 4416.4'
□

515 L.F. OF NEW
ACCESS ROAD



4418.7'

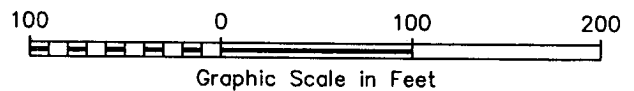
SECTION 8
SECTION 17

600'

4413.2'

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 (6.9 TOTAL) TO A FORK IN THE ROAD, THE INTERSECTION OF SAID COUNTY ROAD 12 AND A LEASE ROAD HEADING SOUTHWEST (RIGHT FORK), THEN GO SOUTHWEST ALONG SAID LEASE ROAD 3.5 MILES TO ANOTHER LEASE ROAD ON WEST (RIGHT) SIDE OF ROAD, THEN GO WEST ALONG SAID LEASE ROAD 2.3 MILE TO A POINT WHERE A NEW ACCESS ROAD BEGINS TO THE NORTH (RIGHT) SIDE OF SAID LEASE ROAD, THEN GO NORTHWEST ALONG SAID ACCESS ROAD 277 FEET TO THE PROPOSED LOCATION.



PARALLEL PETROLEUM CORPORATION

PANDORA'S BOX 1921-8 FEDERAL #1

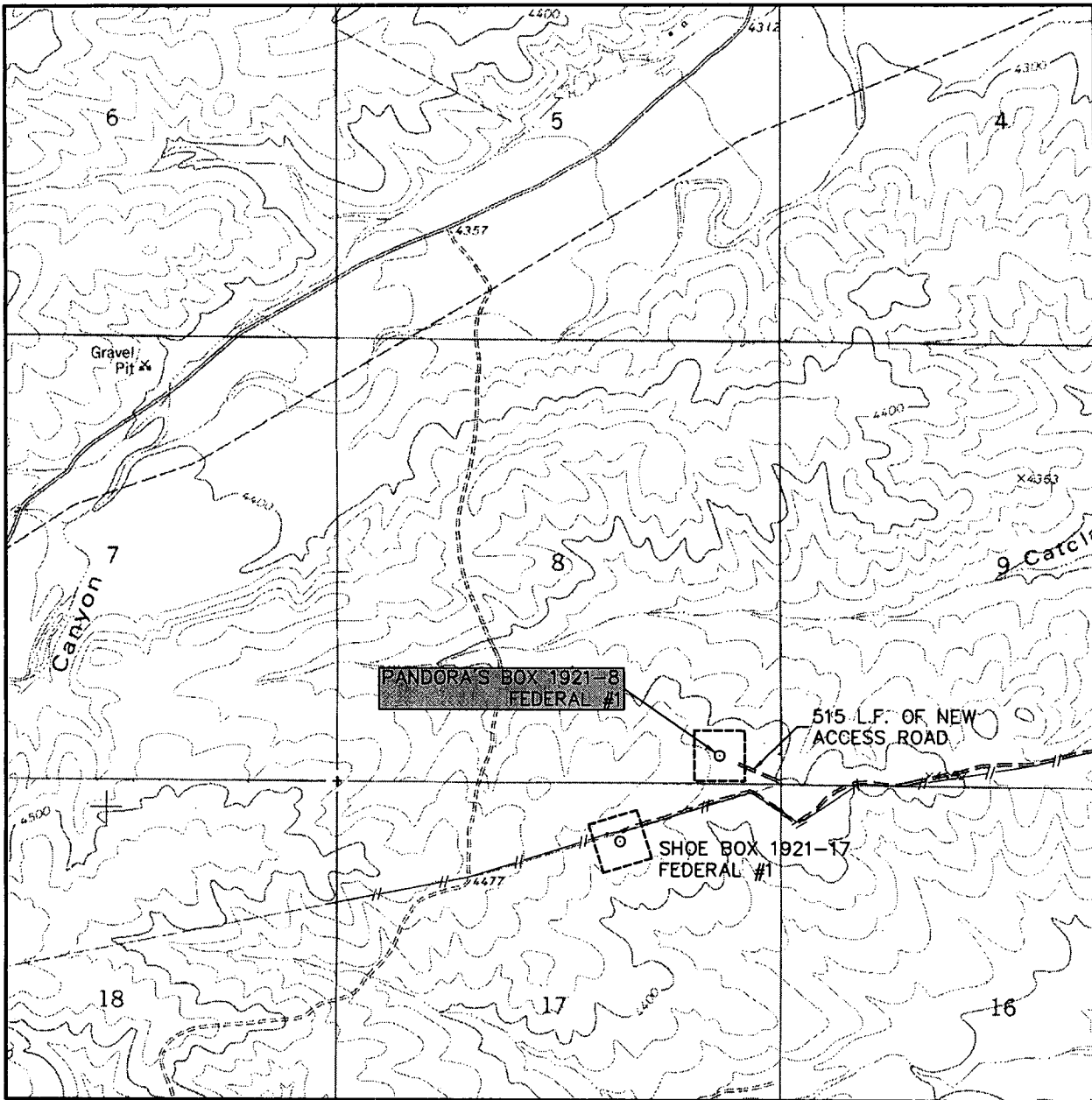
Located 300' FSL & 700' FEL, Section 8
Township 19 South, Range 21 East, N.M.P.M.
Eddy County, New Mexico



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

Drawn By: LVA	Date: August 14, 2006
Scale: 1"=100'	Field Book: 347 / 15-16
Revision Date: 8-25-2006	Quadrangle: Holt Tank
W.O. No: 2006-0809	Dwg. No.: L-2006-0809-A

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOLT TANK - 20'

SEC. 8 TWP. 19-S RGE. 21-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 300' FSL & 700' FEL

ELEVATION 4418'

OPERATOR PARALLEL PETROLEUM CORPORATION

LEASE PANDORA'S BOX 1921-8 FEDERAL

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

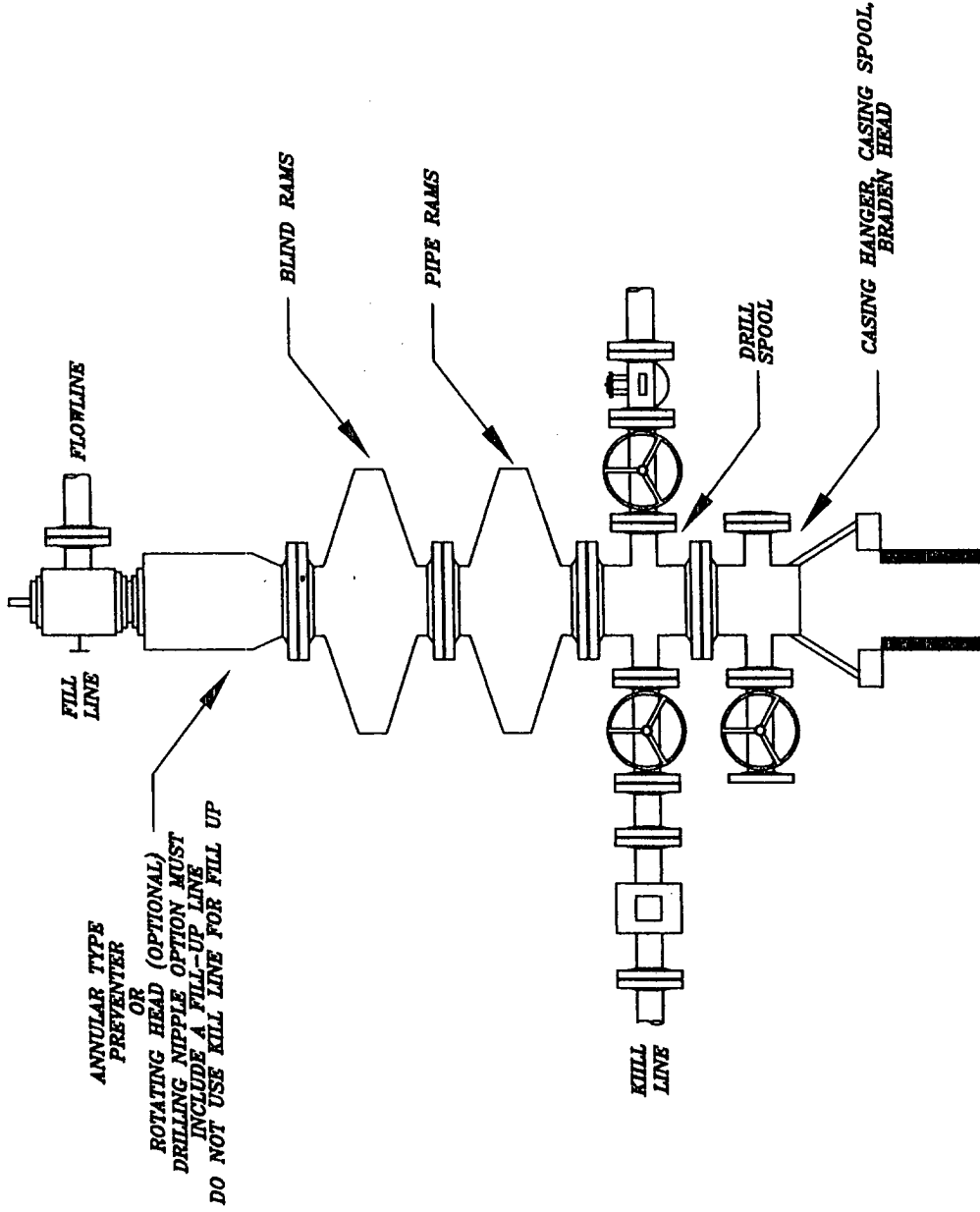


Exhibit F



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

MINIMUM BOP SCHEMATIC



ANNULAR TYPE
PREVENTER
OR
ROTATING HEAD (OPTIONAL)
DRILLING NIPPLE OPTION MUST
INCLUDE A FILL-UP LINE.
DO NOT USE KILL LINE FOR FILL UP

EXHIBIT I

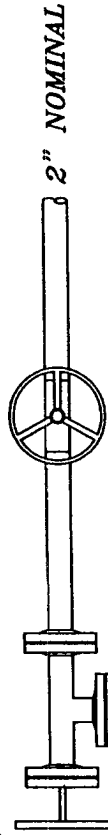
PARALLEL PETROLEUM
BOP SCHEMATIC
HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

DATE	7/26/05
DRAWN BY	JJ
FILE	C:\WORK\BOP SCHEMATIC

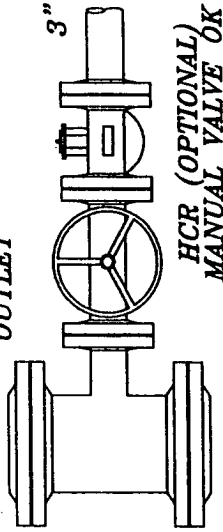
NOT TO SCALE

CHOKES MANIFOLD 5M SERVICE

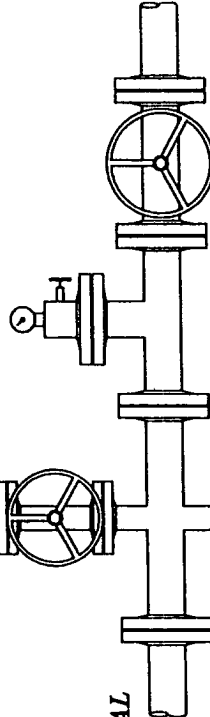
CHOKE ISOLATION VALVE
REQUIRED FOR MMS
OPTIONAL FOR NON MMS APPLICATIONS



BOP
OUTLET



PANIC LINE TO PIT
3" NOMINAL



CHOKE ISOLATION VALVE
REQUIRED FOR MMS
OPTIONAL FOR NON MMS APPLICATIONS

MANUAL
ADJUSTABLE
CHOKES
(OR POSITIVE)

EXHIBIT J

DATE:	8/17/05
CHKD BY:	JJ
FILE NO.:	24-11111-1000
PROJECT:	CHOKES MANIFOLD

PARALLEL PETROLEUM
CHOKES MANIFOLD

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

NOT TO SCALE

PARALLEL SURVEY CALCULATION PROGRAM
PETROLEUM CORPORATION

OPERATOR: Parallel Petroleum Corporation
WELL: Pandora's Box 1921-8 Federal #1
LOCATION: 300 FSL, 700 FEL Sec. 8 19-21 Eddy County, NM
API NUMBER:

COMMENTS:
 MAG DEC.(-/+)
 GRID CORR.(-/+)
 TOTAL CORR.(-/+) 0.0

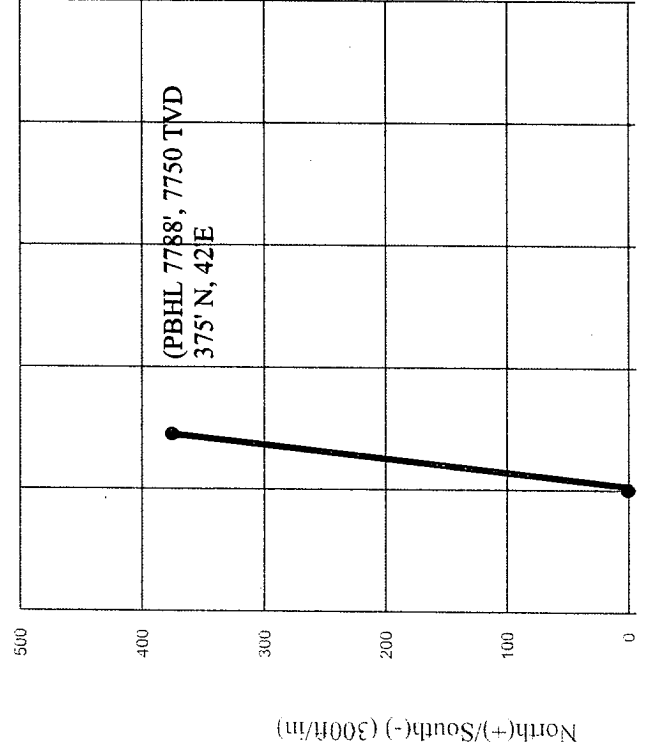
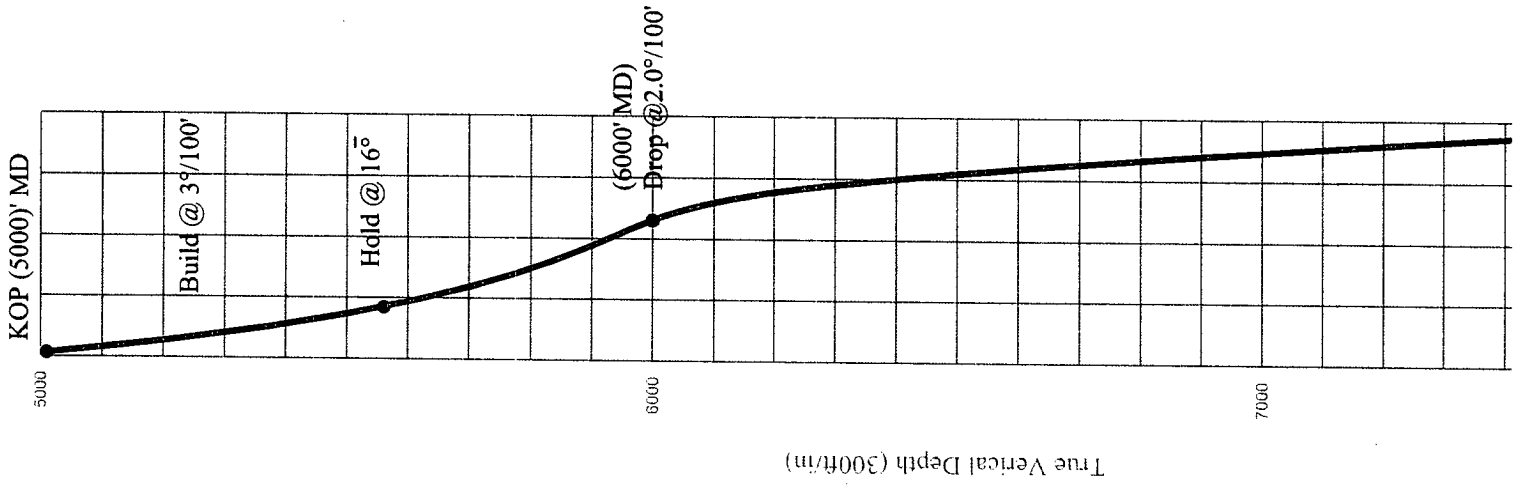
DATE: 08/21/06 **TIME:** 4:12 PM TRUE TO GRID

MINIMUM CURVATURE CALCULATIONS(SPE-3362) PROPOSED DIRECTION 6.3 TARGET TRACKING TO CENTER

SVY NUM	MD	INC	GRID AZM	TVD	VERT SECT	N-S	E-W	DLS/100	ABOVE(+) BELOW(-)	RIGHT(+) LEFT(-)
TIE	0	0.0	0.0	0.0	0.0	0.0	0.0			
1	5000	0.0	0.0	5000.0	0.0	0.0	0.0	0.0	2750.0	0.0
2	5010	0.3	6.3	5010.0	0.0	0.0	0.0	3.0	2740.0	0.0
3	5020	0.6	6.3	5020.0	0.1	0.1	0.0	3.0	2730.0	0.0
4	5570	16.0	6.3	5562.6	79.3	78.8	8.8	2.8	2187.4	0.0
5	6000	16.0	6.3	5975.9	197.8	196.6	21.8	0.0	1774.1	0.0
4	6400	8.0	6.3	6366.9	280.9	279.2	31.0	2.0	1383.1	0.0
5	7788	0.0	6.3	7750.4	377.6	375.3	41.7	0.6	-0.4	0.0

Parallel Petroleum Corp.

Pandora's Box 1921-8 Fed. #1
Section 8, 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@plll.com.

Sincerely,

Deane Durham
Engineer

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Parallel Petroleum Corporation
Well Name & No. Pandora's Box Federal 1921-8 #1
SH Location: 300' FSL, 700' FEL, Section 8 T. 19 S., R. 21 E., Eddy County, New Mexico
BH Location: 660' FSL, 660' FEL, Section 8 T. 19 S., R. 21 E., Eddy County, New Mexico
Lease: NM-104616

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:
 - A. Well spud
 - B. Cementing casing 9-5/8 inch 7 inch (5-1/2 inch if horizontal lateral drilled)
 - C. BOP tests
2. 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.
3. 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.
4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The 9-5/8 inch surface casing shall be set at approximately 1500 feet and 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 7 inch production casing is to reach at least 500 feet above the top of the uppermost productive hydrocarbon interval.
3. If the Morrow formation is dry and the operator elects to drill a horizontal Wolfcamp hole, a 5-1/2 inch production string will be set with cement to reach at least 500 feet above the top of the uppermost productive hydrocarbon interval.

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.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

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3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - The tests 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 a safe workman-like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

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