



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico RECEIVED OCD
Commissioner of Public Lands - 7 P 12: 31

COMMISSIONER'S OFFICE

310 OLD SANTA FE TRAIL

P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

June 26, 2012

Parallel Petroleum LLC
1004 N. Big Spring, Suite 400
Midland, Texas 79701-3883

Attn: Mr. Dennis J. Hopkins

Re: Paris Draw State Exploratory Unit
Automatic Elimination Effective May 9, 2012
Chaves County, New Mexico

Dear Mr. Hopkins:

Our records reflect that pursuant to Article 9 of the Paris Draw State Exploratory Unit, the contraction/automatic elimination date occurred on May 9, 2012. Our review of this unit reflects the following:

- The Paris Draw Unit was approved effective May 9, 2007.
- Article 9 of the Paris Draw Unit provides for the following:
 - Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.
- The Paris Draw Unit Well No. 1 (30-015-35554) (P) Sec. 20-16S-24E was determined to be a commercial Wolfcamp well by our letter of November 27, 2007. This well is currently producing from the Cottonwood Creek; WC, West (Gas) pool. The OCD spacing assigned to this well is the S/2 of Sec. 21-16S-24E, 320.00 Acres.
- The Paris Draw Well No. 7 (30-015-35856) (A) Sec. 20-16S-24E is currently producing from the Cottonwood Creek; WC, West (Gas) pool. The spacing assigned to this well is the N/2 of Section 21-16S-24E, 320.00 acres.
- The Paris Draw Well No. 8 (30-015-35857) is currently producing from the Cottonwood Creek; WC, West (Gas) pool. The spacing assigned to this well is the N/2 of Section 20-16S-24E, 320.00 acres.
- No drilling operations were being conducted on May 9, 2012.

In view of the above please be advised that the Paris Draw unit has been automatically contracted to the NMOCD spacing units of the Well Nos. 1, 7 and 8 effective May 9, 2012. The unit boundaries now consist of the W/2NE/4, SE/4NE/4, SE/4, W/2 of Section 21-16S-24E and the N/2 of Section 20-16S-24E containing 920.00 acres (Unit Tract Nos. 4, 5 and 7).

Parallel Petroleum LLC
June 26, 2012
Page 2

Please also be advised that due to the automatic elimination, the following State Leases have expired by their own terms:

VA-2603-2, W/2 Sec. 35-16S-23E, 320.00 Acres.
VA-2604-2, W/2 Sec. 16-16S-24E, 320.00 Acres.
VA-2605-2, SW/4 Sec. 20-16S-24E, 160.00 Acres.
VA-2607-2, Lots 1,2,3,4, E/2W/2 Sec. 30-16S-24E, 318.08 Acres.
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VA-2657-2, E/2 Sec. 36-16S-23E, 320.00 Acres.
VA-2774-2, E/2 Sec. 13-16S-23E, 320.00 Acres.
VA-2775-2, E/2 Sec. 23-16S-23E, 320.00 Acres.
VA-2776-2, E/2 Sec. 17-16S-24E, 320.00 Acres.
VA-2797-2, E/2, SW/4 Sec. 24-16S-23E, 480.00 Acres.
VA-2798-2, W/2 Sec. 17-16S-24E, 320.00 Acres.
VA-2881-2, Lots 1,2,3,4, E/2W/2 Sec. 19-16S-24E, 315.40 Acres.
VA-2897-2, E/2 Sec. 19-16S-24E, 320.00 Acres.

Please submit revised exhibits "A" and "B" for this unit to reflect the revised acreage due to the contraction. In addition, please notify all interested parties of this action.

Please also be advised that since the SE/4SE/4 of Section 20-16S-24E is now "unleased land" a "Well Pad Easement" is now required by this office for the well pad for the Paris Draw 1624-21 Well No. 1 located on the surface location in the SE/4SE/4 of Section 20-16S-24E. Please contact Mr. Donald Martinez of our Surface Resources Division at 505-827-5731 for the appropriate easement through State Trust Lands.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm

pc: Reader File,
OCD-Santa Fe, Attn: Mr. Ed Martin
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Mr. Kurt McFall
BLM Carlsbad-Attn: Mr. Wesley Ingram

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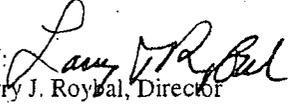
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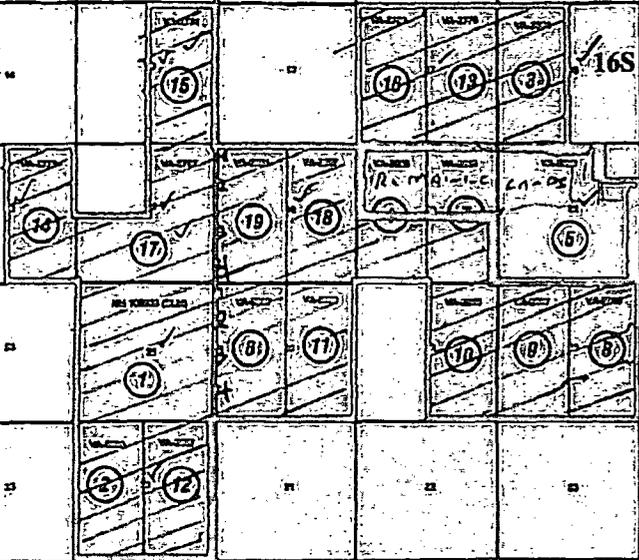
BY: 
Larry J. Roybal, Director
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RMD-Attn: Mr. Kurt McFall
BLM Carlsbad-Attn: Mr. Wesley Ingram

EDDY COUNTY

16S 23E

16S 24E



LANDS ELIMINATED EFF: 5-9-2012



PARALLEL
PETROLEUM CORPORATION

PARIS/DRAW UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule showing all lands and leases within the Paris Draw Exploratory Unit
Eddy County, New Mexico

Tract No.	Description of Lands	Acres	Serial No.	Exploration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
14	1163, R23B - Sec 36 W/2, Eddy Co., NM <i>ELIMINATED</i>	64.00	USA-BLM 108925	09/01/12	USA-BLM - 12.5%	Capstone Oil & Gas <i>5/18/09</i>	C. Mark Wheeler - 2.4166667% Jerry B. Elger - 2.4166667% Dale Douglas - 0.2083334% Jerald Partners, Ltd. - 0.2041668% James H. Gelfing, Trustee of the Myra Trust - 0.0041668% Kathi Williams - 0.25% <i>5/18/02</i>	Capstone Oil & Gas Company LP - 12.5% CMW Industries, Inc. - 1.25% Eggs Exploration, Inc. - 1.25% Total - 100.00% <i>5/18/02</i>
24	1163, R23B - Sec 36 W/2, Eddy Co., NM <i>ELIMINATED</i>	32.00	State of New Mexico VA 2501	06/01/01	State of New Mexico - 12.5%	Capstone & LCC <i>5/18/09</i>	C. Mark Wheeler - 2.4166667% Jerry B. Elger - 2.4166667% LCC Energy, LLC - 1.70% Dale Douglas - 0.2083334% Jerald Partners, Ltd. - 0.2041668% James H. Gelfing, Trustee of the Myra Trust - 0.0041668% Kathi Williams - 0.25% <i>5/18/02</i>	Parade Petroleum Corp. - 85% Capstone Oil & Gas Company LP - 12.5% CMW Industries, Inc. - 1.25% Eggs Exploration, Inc. - 1.25% Total - 100.00% <i>5/18/02</i>
14	1163, R23B - Sec 16 W/2, Eddy Co., NM <i>ELIMINATED</i>	32.00	State of New Mexico VA 2604	06/01/01	State of New Mexico - 12.5%	Capstone & LCC <i>5/18/09</i>	C. Mark Wheeler - 2.4166667% Jerry B. Elger - 2.4166667% LCC Energy, LLC - 1.70% Dale Douglas - 0.2083334% Jerald Partners, Ltd. - 0.2041668% James H. Gelfing, Trustee of the Myra Trust - 0.0041668% Kathi Williams - 0.25% <i>5/18/02</i>	Parade Petroleum Corp. - 85% Capstone Oil & Gas Company LP - 12.5% CMW Industries, Inc. - 1.25% Eggs Exploration, Inc. - 1.25% Total - 100.00% <i>5/18/02</i>

Tract No.	Description of Lands	Acres	Serial No.	Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
1	25.00 ACRES REPAIRS W/ UNIT SWY SPENTIAL EXP CONTRACTS	25.00	2010	06/01/00	Share of New Mexico - 12.5%	Capstone & LCC	C. Mark Wheeler - 2.4166659%	Prudential Petroleum Corp. - 85% Capstone Oil & Gas Company LP - 12.5%
2	A						LCC Energy, LLC - 1.708%	Capstone Oil & Gas Company LP - 12.5%
3							Dale Douglas - 0.20011659%	Capstone Oil & Gas Company LP - 12.5%
4							James R. Gehring, Trustee of the MLP Trust - 0.0041659%	Capstone Oil & Gas Company LP - 12.5%
5	600.00 ACRES REPAIRS W/ UNIT SWY SPENTIAL EXP CONTRACTS	600.00	2005	06/01/00	Share of New Mexico - 12.5%	Capstone & LCC	C. Mark Wheeler - 2.4166659%	Prudential Petroleum Corp. - 85% Capstone Oil & Gas Company LP - 12.5%
6	1100.00 ACRES REPAIRS W/ UNIT SWY SPENTIAL EXP CONTRACTS	1100.00	2011	06/01/00	Share of New Mexico - 12.5%	Capstone & LCC	C. Mark Wheeler - 2.4166659%	Prudential Petroleum Corp. - 85% Capstone Oil & Gas Company LP - 12.5%
7							James R. Gehring, Trustee of the MLP Trust - 0.0041659%	Capstone Oil & Gas Company LP - 12.5%
8							Dale Douglas - 0.20011659%	Capstone Oil & Gas Company LP - 12.5%
9							James R. Gehring, Trustee of the MLP Trust - 0.0041659%	Capstone Oil & Gas Company LP - 12.5%
10							Keith Williams - 0.200%	Capstone Oil & Gas Company LP - 12.5%
11							Total: 7.209%	Capstone Oil & Gas Company LP - 12.5%
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Tract No.	Description of Lands	Acres	Serial No.	Expiration Date	State	Lease Royalty and Percentage	Working Interest and Percentage
160	THIS LDR. Sec. 28, T2, R2, E4, Co. NM NEW REMAINS IN UNIT SELY ELIMINATES PARTIAL EXPIRATION	3000	State of New Mexico VA-2613	06/01/07	State of New Mexico - 12.5%	C. Mark Wheeler - 2.4166667% Henry B. Elyse - 2.4166667% LCC Energy, LLC - 1.70% Dale Douglas - 0.2833334% James P. O'Leary, Trustee of the Myra Trust - 0.0041667% Kath Williams - 0.25% Total - 7.25%	Perdell Petroleum Corp. - 80% 5/8/02 Cameron Oil & Gas Company L.P. - 12.5% CMW Industry, Inc. - 1.25% Elyse Exploration, Inc. - 1.25% Total - 100.00%
161	THIS LDR. Sec. 28, T2, R2, E4, Co. NM ALL ELIMINATED	3000	State of New Mexico VA-2616	06/01/07	State of New Mexico - 12.5%	C. Mark Wheeler - 2.4166667% Henry B. Elyse - 2.4166667% LCC Energy, LLC - 1.70% Dale Douglas - 0.2833334% James P. O'Leary, Trustee of the Myra Trust - 0.0041667% Kath Williams - 0.25% Total - 7.25%	Perdell Petroleum Corp. - 80% 5/8/02 Cameron Oil & Gas Company L.P. - 12.5% CMW Industry, Inc. - 1.25% Elyse Exploration, Inc. - 1.25% Total - 100.00%
162	THIS LDR. Sec. 28, T2, R2, E4, Co. NM ALL ELIMINATED	3000	State of New Mexico VA-2617	06/01/07	State of New Mexico - 12.5%	C. Mark Wheeler - 2.4166667% Henry B. Elyse - 2.4166667% LCC Energy, LLC - 1.70% Dale Douglas - 0.2833334% James P. O'Leary, Trustee of the Myra Trust - 0.0041667% Kath Williams - 0.25% Total - 7.25%	Perdell Petroleum Corp. - 80% 5/8/02 Cameron Oil & Gas Company L.P. - 12.5% CMW Industry, Inc. - 1.25% Elyse Exploration, Inc. - 1.25% Total - 100.00%

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July 9, 2012

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Attn: Mr. Dennis J. Hopkins

Re: Paris Draw State Exploratory Unit
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Dear Mr. Hopkins:

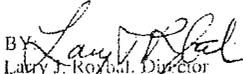
This office has received your letter of July 5, 2012 together with revised exhibits "A" and "B" reflecting the remaining acreage in the Paris Draw State Exploratory Unit as of May 9, 2012.

Please also be advised that the revised exhibits are hereby accepted and have been filed in the Paris Draw State Exploratory Unit file.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm

cc Reader File.
BLM Carlsbad-Attn: Mr. Wesley Ingram



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



IN REPLY REFER TO:

NM118068X

3180 (P0220)

JUL 17 2012

CERTIFIED – RETURN RECEIPT REQUESTED

7008 3230 0002 0987 5530

Parallel Petroleum LLC.
1004 N. Big Spring Street, Suite 400
Midland, Texas 79701

Re: Automatic Elimination Effective May 9, 2012
Paris Draw State Exploratory Unit (NMNM118068X)
Eddy County, New Mexico

Gentlemen:

All legal subdivision of Federal lands (i.e., 40 acres by government survey or its nearest lot or tract equivalent) no part of which is in the spacing assigned to the 3 existing Unit wells, pursuant to Article 9 of the unit agreement and per letter from State of New Mexico Commissioner of Public Lands dated June 26, 2012 were automatically eliminated from the unit effective May 9, 2012.

Also, as requested Parallel has submitted a new Exhibit "A" and "B" by letter dated July 9, 2012 to the State of New Mexico Commissioner of Public Lands, which show that no Federal land remain in the unit area. Therefore, the Federal portion of Unit Agreement (NMNM118068X) is terminated effective May 9, 2012, pursuant to Article 9 of the unit agreement.

Pursuant to 43 CFR 3107.4, these eliminated leases are entitled to an extension since the public interest requirement for the unit has been met. The lease NMNM108926 shall continue in effect for the original term of the lease or for 2 years after their elimination from the unit agreement. The 2 year extension will expire May 9, 2014.

Copies of this letter are being distributed to the appropriate Federal agencies. It is requested that you furnish notice of this termination to each working interest owner, lessee and lessor.

Please contact Edward G. Fernandez, at 575-234-2220 if you have any questions.

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Peterson', with a long horizontal stroke extending to the right.

Don Peterson
Assistant Field Manager,
Lands and Minerals

Enclosure

cc: Commissioner of Public Lands
ONRR, Denver
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (9210)
NM (P0220)



PARALLEL PETROLEUM LLC

1004 N Big Spring Street
Suite 400
Midland, TX 79701

432.684.3727 phone
432.684.3905 fax

www.pifl.com

July 5, 2012

State of New Mexico Commissioner of Public Lands
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Attn: Mr. Ray Powell

Re: Paris Draw State Exploratory Unit (NM118068X)
Automatic Elimination Effective May 9, 2012
Chaves County, New Mexico

Dear Mr. Powell:

We have been notified by your office that the Paris Draw State Exploratory Unit has been contracted as of May 9, 2012. As requested, we have enclosed the revised exhibits "A" and "B" for these units that reflect the revised acreage due to the contraction.

Our review of this unit reflects the following:

- The Paris Draw Unit Well No. 1 (30-015-35554) (P) Sec. 20-16S-24E was determined to be a commercial Wolfcamp well. This well is currently producing from the Cottonwood Creek; WC, West (Gas) pool. The OCD spacing assigned to this well is the S/2 of Sec. 21-16S-24E, 320.00 Acres.
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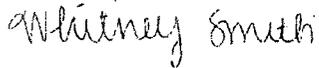
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VA-2897-2, E/2 Sec. 19-16S-24E

As mentioned above, enclosed are the revised exhibits "A" and "B" for the contracted unit.

If you have any questions please contact Dennis Hopkins at (432) 687-8663.

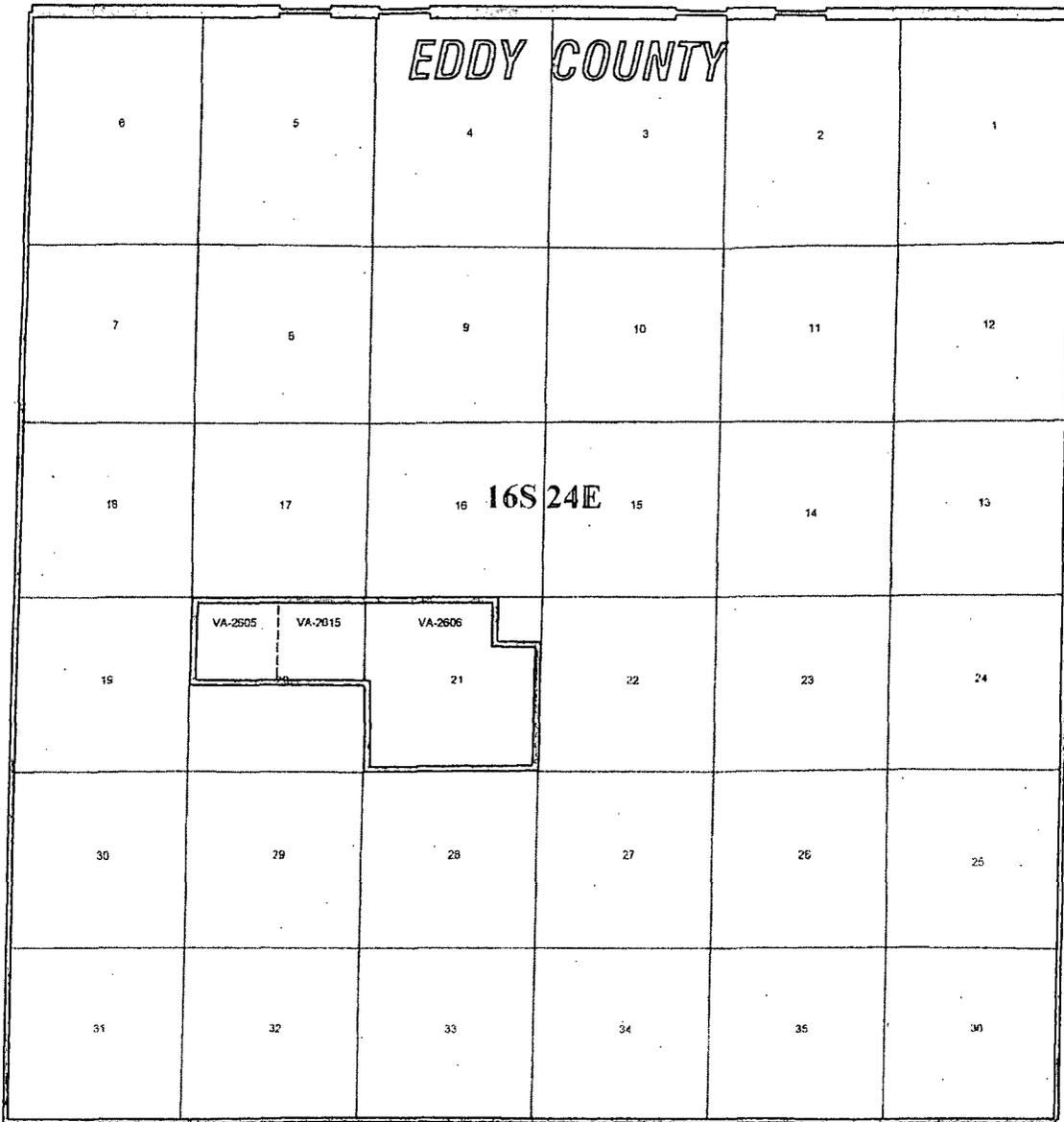
Sincerely,



Whitney Smith
Land Intern
Parallel Petroleum LLC
1004 N. Big Spring, Suite 400
Midland, Texas 79701-3383
(432) 688-3688 direct

cc: See attached mailing list

6/2/13



PARALLEL
 PETROLEUM CORPORATION

Exhibit "A"
PARIS DRAW UNIT
 EDDY COUNTY, NEW MEXICO

Contracted Unit Area as of 5/09/2012

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule showing all lands and leases within the Contracted Paris Draw Exploratory Unit

Eddy County, New Mexico

as of May 9, 2012

Tract No.	Description of Lands	Acres	Serial No.	Exploration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
4	T16S, R24E - Sec. 20: NW/4, Eddy Co., NM	160	State of New Mexico VA-2605	06/01/07	State of New Mexico - 12.5%	Capstone & LCX	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% LCX Energy, LLC - 1.70% Dale Douglas - 0.20833334% Jareed Partners, Ltd. - 0.2041668% James E. Geitgey, Trustee of the Myja Trust - 0.0041668% Keith Williams - 0.25% Total - 7.20%	Parallel Petroleum, LLC - 85% Capstone Oil & Gas Company LP - 12.5% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
5	T16S, R24E - Sec. 21: W/2NE/4, SE/4NE/4, W/2, SE/4, Eddy Co., NM	600	State of New Mexico VA-2606	06/01/07	State of New Mexico - 12.5%	Capstone & LCX	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% LCX Energy, LLC - 1.70% Dale Douglas - 0.20833334% Jareed Partners, Ltd. - 0.2041668% James E. Geitgey, Trustee of the Myja Trust - 0.0041668% Keith Williams - 0.25% Total - 7.20%	Parallel Petroleum, LLC - 85% Capstone Oil & Gas Company LP - 12.5% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
7	T16S, R24E - Sec. 20: NE/4, Eddy Co., NM	160	State of New Mexico VA-2615	06/01/07	State of New Mexico - 12.5%	Capstone & LCX	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% LCX Energy, LLC - 1.70% Dale Douglas - 0.20833334% Jareed Partners, Ltd. - 0.2041668% James E. Geitgey, Trustee of the Myja Trust - 0.0041668% Keith Williams - 0.25% Total - 7.20%	Parallel Petroleum, LLC - 85% Capstone Oil & Gas Company LP - 12.5% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
	Totals:	920						

RECAPITULATION			
		Acres in Unit Boundary	% of Unit
Federal (BLM) Lands:		0	0
State of New Mexico Lands:		920	100.00%
Totals:		920	100.0000000%