



PARALLEL

PETROLEUM CORPORATION

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-8057

MICHAEL M. GRAY

CERTIFIED RETURN RECIEPT

September 22, 2005

Sally A. Ellis
771 Crescent Drive
Boulder, CO 80306

Re: Bold Venture No. 1
Township 14 South, Range 26 East
Section 27: E/2
Chaves County, New Mexico

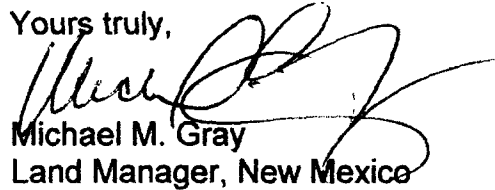
Gentlemen:

You are the owner of 1.25% of the minerals under the SE/4NE/4 AND E/2SE/4 of the captioned section. Parallel Petroleum Corporation proposes the drilling of the Bold Venture No. 1 well as a horizontal well to test the Wolfcamp formation under the captioned acreage. Surface location for the well is 1930' FEL and 400' FNL of the section with a horizontal terminus at 1930' FEL and 660' FSL of the section. Penetration point in the objective formation will be approximately 700' FNL. Total vertical depth of the well will be approximately 5200'. Measured depth will be approximately 9420'.

Enclosed is an Authority for Expenditure estimating the total cost of the proposed well. Please mark the appropriate space below to indicate whether or not you elect to join in the drilling of the well. If you desire to participate in the drilling of the well please execute and return one copy of the enclosed Authority for Expenditure confirming your election to join in the drilling of the well.

If you do elect to participate in the well we will send you an Operating Agreement for your review and execution. If you do not want to participate in the drilling of the well we will consider the acquisition of an oil and gas lease from you on mutually agreeable terms. If you have any questions or wish to discuss a trade, please contact me at the letterhead address and phone number.

Yours truly,



Michael M. Gray
Land Manager, New Mexico

_____ Will participate in the drilling of the well and have executed the enclosed Authority for Expenditure.

_____ Will not participate in the drilling of the well.

By: _____
Sally A. Ellis

Date: _____

Word114

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

SALLY A. ELLIS
771 CRESCENT DRIVE
BOULDER, CO 80306

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Sally A. Ellis* ☐ Agent
☒ Addressee
 B. Received by (Printed Name) NOV 14 2005 C. Date of Delivery
 D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
 4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number **7002 2410 0001 5840 9001**

(Transfer from service label)

PS Form 3811, February 2004

Domestic Return Receipt

102505-02-01-1540

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Postmark Here

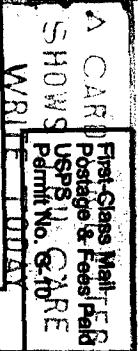
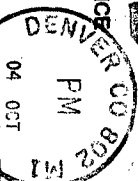
Sent To

SALLY A. ELLIS
771 CRESCENT DRIVE

Street, Apt. No., or PO Box No.

City, State ZIP+4

2002 0712 0001 5840 9001



• Sender: Please print your name, address, and city, state, and ZIP code in this box.

RECEIVED
OCT 11 2005

Parallel Petroleum Corporation
1804 N. Big Spring, Ste. 400
Midland, Texas 79701

ATTN: Tim Feece

C092

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may ONLY be combined with First-Class Mail® or Priority Mail®.
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- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a Return Receipt may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece, "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "Restricted Delivery".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

2891-M-20-965201
(reverse) 2002 USPS Form 3800, PSN 7530-01-000-9000

PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR	LEASE/WELL NAME	AFE NUMBER	
Parallel Petroleum	Bold Venture No. 1		
LOCATION	COUNTY	STATE	DOCUMENT DATE
Sec 27, T-14-S, R-26-E: E/2 SL 1930 FEL & 400' FNL - BHL 1930' FEL & 660' FSL	Chaves	New Mexico	September 21, 2005
PURPOSE	TYPE WELL	TO BE STARTED	
Drill & Complete Wolfcamp Horizontal Gas Well (4220' lateral)	gas	January 2006	
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME			PROPOSED DEPTH
			9420' MD, 5200' TVD

INTANGIBLE WELL COSTS

	BCP	ACP	TOTAL
3.020 PERMIT \$ 2,000 3.030 SURVEY LOC \$ 2,500	\$ 4,500		\$ 4,500
3.040 SURF DAMAGES \$ 4,000 3.050 INSURANCE \$ - 3.020 TITLE \$ 10,000	\$ 14,000		\$ 14,000
3.110 LOC & PITS \$ 40,000 3.110 ROADS \$ 8,000	\$ 48,000		\$ 48,000
3.130 DRLG - DAYWORK 28.0 DAYS @ \$11,500 /DAY	\$ 322,000		\$ 322,000
3.130 DRILLING 0 FEET @ \$0.00 /FT 3.130 TURNKEY \$ -			
3.120 DRILLING RIG - MOBILIZATION / DEMOBILIZATION \$ 40,000	\$ 40,000		\$ 40,000
3.200 BITS \$ 60,000 3.250 WELDING \$ 3,000	\$ 63,000		\$ 63,000
3.180 WATER - BCP \$ 15,000 3.190 MUD & CHEM \$ 20,000 4.140 WTR - ACP \$ 25,000	\$ 15,000	\$ 45,000	\$ 60,000
3.140 TRUCKING - BCP \$ 17,000 4.130 TRUCKING - ACP \$ 15,000	\$ 17,000	\$ 15,000	\$ 32,000
3.170 POWER & FUEL \$ 32,000	\$ 32,000		\$ 32,000
3.270 MUD LOGGING \$ 20,400 3.270 DST \$ -	\$ 20,400		\$ 20,400
3.230 CEMENTING: SURF \$ 20,000 3.230 INTERMED. \$ 35,000 5.080 FLOAT EQ \$ 4,500	\$ 59,500		\$ 59,500
4.180 PRODUCTION \$ 25,000 6.050 FLOAT EQUIP \$ 5,000		\$ 30,000	\$ 30,000
3.270 CORING \$ - 3.270 CORE ANAL \$ -			
3.290 WL LOGGING: OH \$ 40,000 4.200 CSD. HOLE \$ 12,500 4.200 PERF \$ 60,000	\$ 40,000	\$ 72,500	\$ 112,500
4.100 COMPLETION UNIT 0 DAYS @ \$2,500 /DAY		\$ -	
3.150 BCP - RENTALS: SURF \$ 20,000 3.180 BCP - SUBSURFACE \$ 42,000	\$ 62,000		\$ 62,000
4.150 ACP - RENTALS: SURF \$ 20,000 4.160 ACP - SUBSURFACE \$ 25,000		\$ 45,000	\$ 45,000
4.220 STIMULATE: ACID \$ 20,000 4.220 FRACTURE \$ 200,000		\$ 220,000	\$ 220,000
4.140 COMPL FLUID \$ 12,000		\$ 12,000	\$ 12,000
3.240 ENVIRON. COST - BCP \$ 10,000 4.260 ENV. COST - ACP \$ 20,000	\$ 10,000	\$ 20,000	\$ 30,000
3.320 DRLG OVERHEAD \$ 11,000 3.070 GEOL SUPR \$ - 3.080 ENGR SUPR \$ 40,000	\$ 36,000	\$ 15,000	\$ 51,000
3.090 LABOR: CO. - BCP \$ - 3.250 CONTRACT - BCP \$ 20,000	\$ 20,000		\$ 20,000
4.030 LABOR: CO. - ACP \$ - 4.020 CONTRACT - ACP \$ -		\$ -	
3.240 CLEAN UP SITE \$ 2,500 3.250 FENCE LOC \$ -	\$ 2,500		\$ 2,500
3.250 MISC. INTANG. COST \$ 167,000 4.120 MISC. COST - ACP \$ 5,000	\$ 167,000	\$ 5,000	\$ 172,000
3.340 CONTINGENCY: BCP 5.00% 4.280 CONTING: ACP 5.00%	\$ 48,600	\$ 24,000	\$ 72,600
TOTAL INTANGIBLE WELL COSTS			\$ 1,525,000

TANGIBLE WELL COSTS

5.020 CASING: SURFACE 400 FEET OF..... 13.375 INCH CASING @ \$34.00 /FT	\$ 13,600		\$ 13,600
5.030 INTERMEDIATE 1800 FEET OF..... 9.625 INCH CASING @ \$26.00 /FT	\$ 46,800		\$ 46,800
5.030 PROTECTION 0 FEET OF..... 0.000 INCH CASING @ \$0.00 /FT			
6.040 PRODUCTION 8700 FEET OF..... 5.500 INCH CASING @ \$12.75 /FT		\$ 110,925	\$ 110,925
6.040 LINER 0 FEET OF..... 0.000 INCH CASING @ \$0.00 /FT			
6.020 INSPECT TUB. - BCP \$ 3,000 4.180 INSP. - ACP \$ 2,000 4.120 CSG SRVCS \$ 12,000	\$ 9,000	\$ 8,000	\$ 17,000
5.080 CASINGHEAD \$ 7,500 6.070 TUBINGHEAD \$ 5,000	\$ 7,500	\$ 5,000	\$ 12,500
6.070 CHRISTMAS TREE \$ 5,000 6.070 WH FITTINGS \$ 2,500		\$ 7,500	\$ 7,500
6.090 TUBING 5000 FEET OF..... 2.875 INCH TUBING @ \$5.83 /FT		\$ 28,150	\$ 28,150
6.110 RODS 0 FEET OF RODS @ \$0.00 /FT (AVG)			
6.130 SUBSURFACE PUMP \$ - 6.120 TBG ANCHOR \$ - 6.120 PACKER \$ 7,500		\$ 7,500	\$ 7,500
6.200 FLOWLINE \$ 2,000 6.190 ELEC CONSTR \$ -		\$ 2,000	\$ 2,000
6.210 TANK BATTERY \$ 10,000 6.160 COMPRESSOR \$ - 6.100 COAT TBG \$ -		\$ 10,000	\$ 10,000
6.220 GAS PROD. UNIT \$ - 6.160 DEHYDRATOR \$ 10,000		\$ 10,000	\$ 10,000
6.220 HEATER-TREATER \$ - 6.220 SEPARATOR \$ 10,000		\$ 10,000	\$ 10,000
6.130 PLUNGER LIFT \$ - 6.170 PRIME MOVER \$ -			
6.230 SURF EQUIP FTNGS \$ 16,000 6.180 BUILDINGS \$ -		\$ 16,000	\$ 16,000
6.020 INSTALLATION LABOR \$ 15,000 4.130 TRUCKING \$ 9,500	\$ 3,000	\$ 21,500	\$ 24,500
6.170 PUMPING UNIT \$ - 6.160 METER/CONTROLS \$ 20,000		\$ 20,000	\$ 20,000
6.160 GAS PIPELINE/METER \$ 50,000		\$ 50,000	\$ 50,000
6.160 CONTINGENCY 5.00%	\$ 4,000	\$ 15,325	\$ 19,325
TOTAL TANGIBLE COSTS			\$ 405,800
TOTAL WELL COSTS			\$ 1,930,800
PLUG & ABANDON EXPENSE			\$ -
DRY HOLE COST			\$ 1,105,400

CATEGORY		NET ESTIMATED COST	
TYPE		\$ -	
DEPARTMENT		NET AFE FOR DRY HOLE COST ONLY	
CATEGORY		\$ -	
COMPANY		APPROVALS	
DECIMAL		DATE	
X CAPITAL BUDGETED		APPROVALS	
PREPARED BY Don Tiffin		DATE	
APPROVALS		DATE	
APPROVALS		DATE	
PARTICIPANT APPROVAL		DATE	
NAME OF COMPANY		TITLE	
AUTHORIZED REPRESENTATIVE'S SIGNATURE		DATE	

This Authorization for Expenditure (AFE) is merely an estimate of the costs and expenses for the proposed operation. The actual costs and expenses associated with the proposed operation could substantially exceed such estimates.