PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR	LEASE/WELL NAME			AFE NUMBER
Parallel Petroleum	Personally 1525-33 #1			4060065
LOCATION		COUNTY	STATE	DOCUMENT DATE
N/2N/2 Sec 33, T15S, R25E		Chaves	New Mexico	06-Sep-06
PURPOSE			TYPE WELL	TO BE STARTED
Drill & Complete Wolfcamp Horizontal Gas Well			gas	JUN 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME				PROPOSED DEPTH
501031 / Racehorse / Wildcat(Wolfcamp Gas)				9150 MD, 4750 TVD

INTANGIBLE WELL COSTS

						BCP	ACP	TOTAL
830.020 PERMIT	$ 2,000	830.030 SURVEY LOC	$ 2,500			$ 4,500		$ 4,500
830.040 SURF DAMAGES	$ 4,000	830.050 INSURANCE	$ -	830.020 TITLE	$ 10,000	$ 14,000		$ 14,000
830.110 LOC & PITS	$ 50,000	830.110 ROADS	$ 6,000			$ 56,000		$ 56,000
830.130 DRLG - DAYWORK	31.0 DAYS @		$17,000 /DAY			$ 527,000		$ 527,000
830.130 DRILLING	0 FEET @		$0.00 /FT	830.130 TURNKEY	$ -			
830.120 DRILLING RIG - MOB	$ 49,000					$ 49,000		$ 49,000
830.200 BITS	$ 65,000	830.250 WELDING	$ 2,000			$ 67,000		$ 67,000
830.180 WATER - BCP	$ 32,000	830.190 MUD & CHEM	$ 75,000	840.140 WTR - ACP	$ 35,000	$ 32,000	$ 110,000	$ 142,000
830.140 TRUCKING - BCP	$ 18,200	840.140 TRUCKING - ACP	$ 8,000			$ 18,200	$ 8,000	$ 26,200
830.170 POWER & FUEL	$ 50,000	830.135 DIRECTIONAL	$ 180,000			$ 230,000		$ 230,000
830.270 MUD LOGGING	$ 15,000	830.270 DST	$ -			$ 15,000		$ 15,000
830.230 CEMENTING: SURF	$ 35,000	830.230 INTERMED.	$ -	850.080 FLOAT EQ	$ 3,000	$ 38,000		$ 38,000
840.190 PRODUCTION	$ 30,000	860.080 FLOAT EQUIP	$ 3,000				$ 33,000	$ 33,000
830.270 CORING	$ -	830.270 CORE ANAL.	$ -					
830.290 WL LOGGING: OH	$ 32,000	840.200 CSD. HOLE	$ 7,000	840.200 PERF	$ 70,000	$ 32,000	$ 77,000	$ 109,000
840.100 COMPLETION UNIT	5 DAYS @		$4,500 /DAY				$ 22,500	$ 22,500
830.150 BCP - RENTALS: SURF	$ 20,000	830.160 BCP - SUBSURFACE	$ 35,000			$ 55,000		$ 55,000
840.150 ACP - RENTALS: SURF	$ 15,000	840.160 ACP - SUBSURFACE	$ 20,000				$ 35,000	$ 35,000
840.220 STIMULATE: ACID	$ 25,000	840.220 FRACTURE	$ 390,000				$ 415,000	$ 415,000
		840.140 COMPL. FLUID	$ 10,000				$ 10,000	$ 10,000
830.240 ENVIRON. COST - BCP	$ 15,000	840.260 ENV. COST - ACP	$ 15,000			$ 15,000	$ 15,000	$ 30,000
830.320 DRLG OVERHEAD	$ 6,000	830.070 GEOL SUPR	$ 5,000	830.080 ENGR SUPR	$ 10,000	$ 16,000	$ 5,000	$ 21,000
830.090 LABOR: CO. - BCP	$ 37,200	830.250 CONTRACT - BCP	$ 15,000			$ 52,200		$ 52,200
840.030 LABOR: CO. - ACP	$ 5,000	840.020 CONTRACT - ACP	$ 5,000				$ 10,000	$ 10,000
830.240 CLEAN UP SITE	$ 50,000	830.250 FENCE LOC	$ 3,000			$ 50,000	$ 3,000	$ 53,000
830.250 MISC. INTANG. COST	$ 20,000	840.120 MISC. COST - ACP	$ 10,000			$ 20,000	$ 10,000	$ 30,000
830.340 CONTINGENCY: BCP	5.00%	840.280 CONTING: ACP	5.00%			$ 64,500	$ 37,700	$ 102,200
TOTAL INTANGIBLE WELL COSTS						$ 1,355,400	$ 791,200	$ 2,146,600

TANGIBLE WELL COSTS

						BCP	ACP	TOTAL
850.020 CASING: SURFACE	0 FEET OF	0.000 INCH CASING @	$0.00 /FT					
850.030 INTERMEDIATE	1400 FEET OF	9.625 INCH CASING @	$26.00 /FT			$ 36,400		$ 36,400
850.030 PROTECTION	0 FEET OF	0.000 INCH CASING @	$0.00 /FT					
860.040 PRODUCTION	9150 FEET OF	5.500 INCH CASING @	$14.00 /FT				$ 128,100	$ 128,100
860.040 LINER	0 FEET OF	0.000 INCH CASING @	$0.00 /FT					
830.210 INSPECT TUB. - BCP	$ 9,000	840.170 INSP. - ACP	$ 9,000	840.120 CSG SRVCS	$ 6,000	$ 12,000	$ 12,000	$ 24,000
850.050 CASINGHEAD	$ 7,500	860.030 TUBINGHEAD	$ 7,500			$ 7,500	$ 7,500	$ 15,000
860.070 CHRISTMAS TREE	$ 10,000	860.070 WH FITTINGS	$ 5,000				$ 15,000	$ 15,000
860.090 TUBING	5000 FEET OF	2.875 INCH TUBING @	$5.63 /FT				$ 28,150	$ 28,150
860.110 RODS	0 FEET OF RODS @	$0.00 /FT (AVG)						
860.130 SUBSURFACE PUMP	$ -	860.120 TBG ANCHOR	$ -	860.120 PACKER	$ 7,500		$ 7,500	$ 7,500
860.200 FLOWLINE	$ 2,000	860.190 ELEC CONSTR	$ -				$ 2,000	$ 2,000
860.210 TANK BATTERY	$ 15,000	860.260 COMPRESSOR	$ -	860.100 COAT TBG	$ -		$ 15,000	$ 15,000
860.220 GAS PROD. UNIT	$ -	860.260 DEHYDRATOR	$ 10,000				$ 10,000	$ 10,000
860.220 HEATER-TREATER	$ -	860.220 SEPARATOR	$ 10,000				$ 10,000	$ 10,000
860.130 PLUNGER LIFT	$ -	860.180 PRIME MOVER	$ -					
860.230 SURF EQUIP FTNGS	$ 16,000	860.250 BUILDINGS	$ -				$ 16,000	$ 16,000
860.020 INSTALLATION LABOR	$ 18,000	840.130 TRUCKING	$ 18,200			$ 3,200	$ 33,000	$ 36,200
860.170 PUMPING UNIT	$ -	860.290 METER/CONTROLS	$ 20,000				$ 20,000	$ 20,000
860.280 GAS PIPELINE/METER	$ 50,000						$ 50,000	$ 50,000
860.160 CONTINGENCY	10.00%					$ 5,900	$ 35,450	$ 41,350
TOTAL TANGIBLE COSTS						$ 65,000	$ 389,700	$ 454,700
TOTAL WELL COSTS						$ 1,420,400	$ 1,180,900	$ 2,601,300
PLUG & ABANDON EXPENSE						$ -		
DRY HOLE COST						$ 1,420,400		

CATEGORY

TYPE		DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X	CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	$ 2,211,105
						NET AFE FOR DRY HOLE COST ONLY
						$ 1,207,340

PREPARED BY: Deane Durham - Engineer	DATE
Deane Durham	6 SEP 06

APPROVALS: Brian McCurry - Operations Manager	DATE	APPROVALS: Larry Oldham - President, CEO	DATE
Brian McCurry	9/6/06		9/11/06

APPROVALS: Don Rhea - Chief Operating Officer	DATE	APPROVALS	DATE
	9/8/06	Steve D. Foust	9/7/06

PARTICIPANT APPROVAL

NAME OF COMPANY	AUTHORIZED REPRESENTATIVE'S SIGNATURE	TITLE	DATE

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

DIVISION CASE # 13864

EXHIBIT # 3
Submitted By: Parallel Petroleum
2/15/07