PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR: Parallel Petroleum	LEASE/WELL NAME: John Town 1525-29 #1		AFE NUMBER: 4070005
LOCATION: S/2 Sec 29, T15S, R25E	COUNTY: Chaves	STATE: New Mexico	DOCUMENT DATE: 01-Mar-07
PURPOSE: Drill & Complete Wolfcamp Horizontal Gas Well		TYPE WELL: gas	TO BE STARTED: APR 07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME: 601063 / County Line / Wildcat(Wolfcamp Gas)			PROPOSED DEPTH: 8032 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	$ 54,000	830.110	ROADS	$ 2,000				$ 56,000		$ 56,000
830.130	DRLG - DAYWORK	20.0 DAYS @			$17,000 /DAY				$ 340,000		$ 340,000
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	$ 35,000	830.190	MUD & CHEM	$ 58,000	840.140	WTR - ACP	$ 35,000	$ 35,000	$ 93,000	$ 128,000
830.140	TRUCKING - BCP	$ 18,200	840.140	TRUCKING - ACP	$ 8,000				$ 18,200	$ 8,000	$ 26,200
830.170	POWER & FUEL	$ 30,000	830.135	DIRECTIONAL	$ 139,000				$ 169,000		$ 169,000
830.270	MUD LOGGING	$ 25,000	830.270	DST	$ -				$ 25,000		$ 25,000
830.230	CEMENTING: SURF	$ 35,000	830.230	INTERMED.	$ -	850.000	FLOAT EQ	$ 3,000	$ 38,000		$ 38,000
840.100	PRODUCTION	$ 30,000	860.080	FLOAT EQUIP	$ 3,000					$ 33,000	$ 33,000
830.270	CORING	$ -	830.270	CORE ANAL.	$ -						
830.250	WL LOGGING: OH	$ 32,000	840.200	CSG. 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	$ 385,000					$ 410,000	$ 410,000
			840.140	COMPL. FLUID	$ 5,000					$ 5,000	$ 5,000
830.240	ENVIRON. COST - BCP	$ 15,000	840.280	ENV. COST - ACP	$ 15,000				$ 15,000	$ 15,000	$ 30,000
830.320	DRLG OVERHEAD	$ 0,000	830.070	GEOL SUPR	$ 5,000	830.080	ENGR SUPR	$ 10,000	$ 16,000	$ 5,000	$ 21,000
830.000	LABOR: CO. - BCP	$ 24,000	830.250	CONTRACT - BCP	$ 15,000				$ 39,000		$ 39,000
840.030	LABOR: CO. - ACP	$ 5,000	840.020	CONTRACT - ACP	$ 15,000					$ 20,000	$ 20,000
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%				$ 52,100	$ 36,800	$ 88,900
							TOTAL INTANGIBLE WELL COSTS		$ 1,094,800	$ 773,300	$ 1,868,100

TANGIBLE WELL COSTS

									BCP	ACP	TOTAL
850.020	CASING: SURFACE	0 FEET OF			0.000 INCH CASING @			$0.00 /FT			
850.030	INTERMEDIATE	1100 FEET OF			8.625 INCH CASING @			$26.00 /FT	$ 28,600		$ 28,600
850.030	PROTECTION	0 FEET OF			0.000 INCH CASING @			$0.00 /FT			
860.040	PRODUCTION	8932 FEET OF			5.500 INCH CASING @			$14.00 /FT		$ 125,048	$ 125,048
860.040	LINER	0 FEET OF			0.000 INCH CASING @			$0.00 /FT			
830.210	INSPECT TUB. - BCP	$ 4,500	840.170	INSP. - ACP	$ 4,500	840.120	CSG SRVCS	$ 6,000	$ 7,500	$ 7,500	$ 15,000
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	4800 FEET OF			2.875 INCH TUBING @			$5.63 /FT		$ 27,024	$ 27,024
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%							$ 4,700	$ 34,528	$ 39,228
							TOTAL TANGIBLE COSTS		$ 51,500	$ 380,100	$ 431,600
							TOTAL WELL COSTS		$ 1,146,300	$ 1,153,400	$ 2,299,700
							PLUG & ABANDON EXPENSE		$ -		
							DRY HOLE COST		$ 1,146,300		

CATEGORY

TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	$ 1,954,745

PREPARED BY: David Dulam - Engineer	DATE: 14 MAR 07		NET AFE FOR DRY HOLE COST ONLY: $ 974,355
APPROVALS: Brian McCurry - Operations Manager	DATE	APPROVALS: Larry Oldham - President / CEO	DATE
APPROVALS: Don Tiffin - Chief Operating Officer	DATE	APPROVALS	DATE

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 costs and expenses associated with the proposed operation could substantially exceed such estimates.

Before the Oil Conservation Division
Exhibit No. 5
Parallel Petroleum Corp
OCD CASE 13919
Hearing: July 26, 2007