N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(April 2004)

RECEIVED
JAN 24 2006
OCD-ARTESIA

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM NM 112258

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER 35395

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
SPECTACULAR BID FED COM#1

2. Name of Operator
Parallel Petroleum Corporation 230387

9. API Well No.
30-005-63804

3a. Address
1004 North Big Spring, Suite 400
Midland, Texas

3b. Phone No. *(include area code)*
432/684-3727 WILDCAT

10. Field and Pool, or Exploratory
Wolfcamp 97489

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface 200' FSL AND 1820' FWL BHL
At proposed prod. zone 500' FSL AND 1820' FWL 200' FNL & 1820' FWL

11. Sec., T. R. M. or Blk. and Survey or Area
34, T14S, R26E

14. Distance in miles and direction from nearest town or post office*
4 miles South of Hagerman, New Mexico

12. County or Parish
Chaves

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
	120.00	320
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
	TVD 5285,MD 10001'	NMB000265
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
GL 3441'	01/30/2006	30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name *(Printed/Typed)*	Date
Deane Durham	Deane Durham	17NOV2005

Title
Engineer, Parallel Petroleum Corporation

Approved by *(Signature)* /S/LARRY D. BRAY	Name *(Printed/Typed)*	Date JAN 23 2006
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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.

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)

Drill Only NSL required to produce.

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

NSL-

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name

Property Code	Property Name	Well Number
	SPECTACULAR BID FED. COM	1
OGRID No.	Operator Name	Elevation
	PARALLEL PETROLEUM CORPORATION	3441'

Surface Location

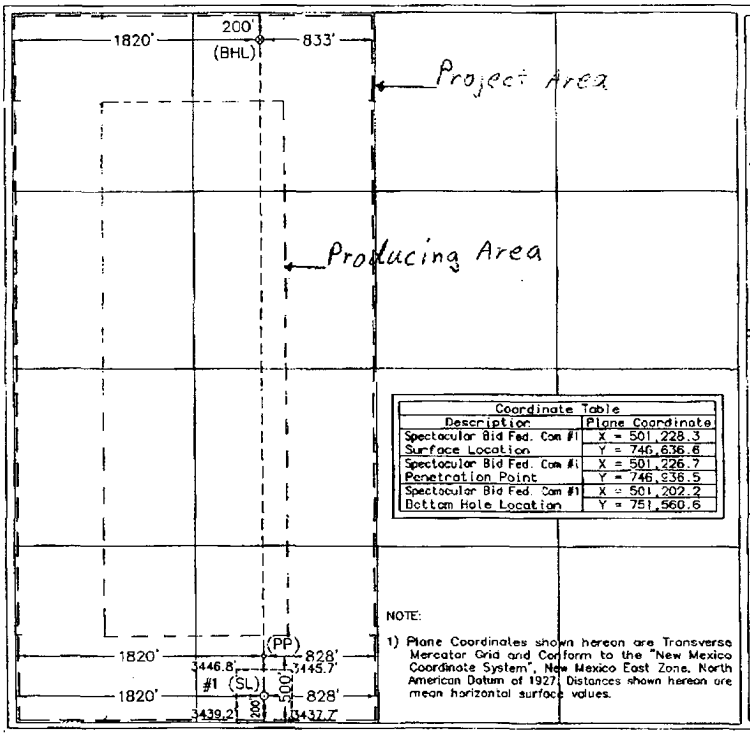
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	34	14 S	26 E		200	SOUTH	1820	WEST	CHAVES

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
C	34	14 S	26 E		200	NORTH	1820	WEST	CHAVES

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



Coordinate Table	
Description	Plane Coordinate
Spectacular Bid Fed. Com #1 Surface Location	X = 501,228.3
	Y = 746,636.6
Spectacular Bid Fed. Com #1 Penetration Point	X = 501,226.7
	Y = 746,236.5
Spectacular Bid Fed. Com #1 Bottom Hole Location	X = 501,202.2
	Y = 751,560.6

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 the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Deane Durham
Printed Name

ENGINEER
Title

25 JAN 2006
Date

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 supervison and that the same is true and rect to the best of my belief

October 6, 2005
Date Surveyed

LVA
Signature & Seal of Professional Surveyor

W.O. Num. 2005-0965

Certificate No.

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 112258
Legal Description of Land:	SHL: 200' FSL and 1820' FWL, Sec. 34, T14S, R26E Zone Penetration Point 500' FSL and 1820' FWL BHL: 200' FNL and 1820' FWL, Sec. 34, T14S, R26E Chaves County, New Mexico
Formation(s) (if applicable:	Wolfcamp
Bond Coverage:	$25,000 statewide bond of Parallel Petroleum Corporation
BLM Bond File No:	**NMB000265**

17 NOV 2005
Date

Deane Durham
Name: Deane Durham
Title: Engineer

ATTACHMENT TO FORM 3160-3
SPECTACULAR BID FED COM #1
Surface Hole Location
200 FSL AND 1820 FWL, SEC 34, 14S, 26E
Bottom Hole Location
200 FNL AND 1820 FWL, SEC 34, 14S, 26E
CHAVES COUNTY, NEW MEXICO

DRILLING PROGRAM

This well is designed as a horizontal test in the Wolfcamp formation.

1. GEOLOGIC NAME OF SURFACE FORMATION

San Andres

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Glorieta 2600'(+841')
Tubb 3610'(-169')
Abo Shale 4360' (-919')
Wolfcamp 5285' (-1844')
Wolfcamp Shale 5460'(-2019')

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

Fresh water 65'
Oil and Gas Wolfcamp 5285' (-1844') - 5460'(-2019')
No H_2S gas should be encountered

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
20" conductor	0'-40'			
13 3/8"	0' – 300'	48#	H-40	STC
9 5/8"	0' – 1,300'	36#	J-55	LTC
5 1/2"	1,200' – 9,325'	17#	N-80	LTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

13-3/8" slurry: 440 sacks Class C + 2% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 56.3% fresh water

9-5/8" slurry: Lead: 125 sacks (50:50) Poz (Fly Ash): Class C + 5% bwow Sodium Chloride + 10% bwoc Bentonite + 151.7% fresh water. Tail: 200 sacks Class C + 1% bwoc Calcium Chloride + 56.3% fresh water

Note: If cement does not circulate to surface, notify BLM. A temperature survey will most likely be required. Top out to surface with 1" pipe in the annulus.

Note: 5-1/2" Cement per completion procedure. Top of Cement should be at liner top.

Drilling Procedure

a. Set 20" conductor pipe at 40' with a rathole unit.
b. Drill 17 1/2" surface hole with rotary equipment to an approximate depth of 300', using a fresh water gel spud mud. Set 13 3/8", 48# H-40 casing with 440 sx Class C cement (circulate to surface, 1" if necessary).
c. Drill 12 ¼" intermediate hole to an approximate depth of 1300', 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).
d. Set slips on 9 5/8" CSG. Cut 13 3/8" CSG at bottom cellar level. Cover cellar floor with concrete. Cut 9 5/8" CSG and NU & test BOP.
e. Drill 8 3/4" production hole to 5600', using cut brine to an approximate depth of 4300' and a starch mud system to TD.
f. Plug lower portion of the hole, per OCD/BLM specifications.
g. Set 7" 23# J-55 casing at the top of the Wolfcamp zone of interest at an approximate depth of 4800' with 600 sx, Class C.
h. Dress CMT to kick off point at approximately 4904', oriented at 0 degree (grid) azimuth.
i. Build angle at 15 degrees per 100' to 90 degrees and hold.
j. Drill 6 1/8" horizontal drain hole to a terminus of 200' FNL (10001' MD).
k. Run 4 ½" 11.6# N-80 liner from TD back to 4700', cement with 500 sx Class C
l. Rig Down Rotary Tools

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 300' with fresh water gel spud mud for surface string.
b. The intermediate section from 300' to 1,300' will be 8.3 ppg Fresh Water system and viscous sweeps for hole cleaning.
c. The production section from 1,300' to 4,300' will utilize a cut brine mud system.
d. The remaining production section from 4,300' 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:

Is planned that operations will commence around second quarter of 2006 with drilling and completion operation lasting about 30 days.

SURFACE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING

PARALLEL PETROLEUM CORPORATION
SPECTACULAR BID FED. COM. #1
SHL: 200' FSL AND 1820' FWL, SEC 34, T14S, R26E
CHAVES COUNTY, NEW MEXICO

LOCATED:

4 miles South of Hagerman, New Mexico

OIL & GAS LEASE:

NM NM 112258

RECORD LESSEE:

Doug J. Schultz
P.O. Box 973
Santa Fe, New Mexico 87504

BOND COVERAGE:

$25,000 statewide bond # NMB000265 of Parallel Petroleum Corporation

ACRES IN LEASE:

120.00

FEE SURFACE OWNER:

Parallel Petroleum Corporation
1004 North Big Spring, Suite 400
Midland, Texas 79705

POOL:

Wolfcamp (Gas)

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
I. Blow Out Preventer (BOP) Schematic
J. Choke Manifold Schematic

1. EXISTING ROADS

A. Exhibits A and D are area road maps showing existing roads in the vicinity of the site.

B. Exhibit F is a topographic map of the location showing existing roads and the proposed new access road.

2. ACCESS ROADS

A. Length and Width

No access road will be constructed other that a 50' long by 75' wide turn in off County Road 92. The well is located 200' north of the county road.

B. Surface Material

Caliche from a commercial source.

C. Maximum Grade

Less than five percent.

D. Turnouts

No turnouts will be constructed.

E. Drainage Design

No Change.

F. Culverts

None necessary.

G. Gates and Cattle Guards

None needed.

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 will be drilled on the property near the drill site. A permit for drilling the well will be secured from the New Mexico Office of State Engineers prior to the start of drilling operations.

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.

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 not needed for operations will be removed. The well site will be cleaned of all trash and junk to leave the site in as aesthetically pleasing condition as possible.

B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

10. OTHER INFORMATION

A. Topography

The land surface at the well site is rolling native grass with a regional slope being to the south and east.

B. Soil

The limited topsoil at the well site is rocky, sandy soil.

C. Flora and Fauna

The location is in an area sparsely covered with mesquite and range grasses.

D. Ponds and Streams

Prichard Lake and several unnamed playa lakes are located .5 miles north of the site. Drainage from the site however will be to the south and east, away from these playas. No streams or creeks are located in the immediate vicinity of the wellsite.

E. Residences and Other Structures

Occupied mobile homes are located .25 mile west and south west of the well site.

F. Archaeological, Historical, and Cultural Sites

See archaeological report # SNMAS-05NM-1954
submitted by: Southern New Mexico Archaeological Services, Inc.,
P.O. Box 1
Bent, New Mexico 88314 Phone 505-67-4797

G. Land Use

Undeveloped

H. Surface Ownership

Surface is owned by the Operator, Parallel Petroleum Corporation

11. OPERATOR'S REPRESENTATIVE

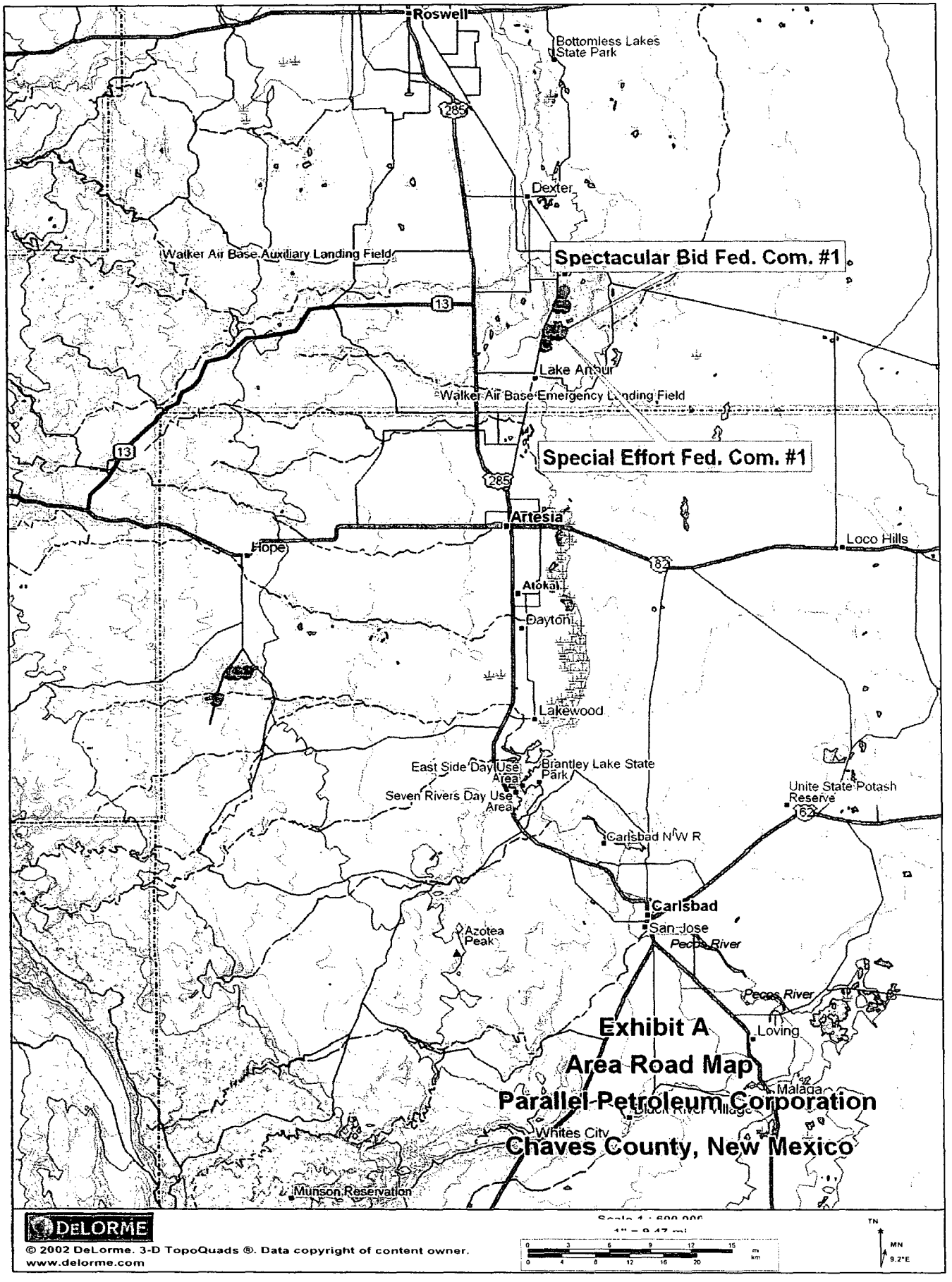
Deane Durham, Engineer
Parallel Petroleum Corporation
1004 North Big Spring Street, Suite 400
Midland, Texas 79701
Office: (432) 684-3727

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.

17 NOV 2005
Date

Deane Durham
Name: Deane Durham
Title: Engineer


Roswell
Bottomless Lakes State Park
285
Dexter
Spectacular Bid Fed. Com. #1
Walker Air Base Auxiliary Landing Field
13
Lake Arthur
Walker Air Base Emergency Landing Field
Special Effort Fed. Com. #1
13
285
Artesia
Hope
Loco Hills
82
Atoka
Dayton
Lakewood
East Side Day Use Area
Brantley Lake State Park
Seven Rivers Day Use Area
Unite State Potash Reserve
62
Carlsbad N W R
Carlsbad
San Jose
Azotea Peak
Pecos River
Pecos River
Loving
Malaga
Whites City
Munson Reservation
Exhibit A
Area Road Map
Parallel Petroleum Corporation
Chaves County, New Mexico
DELORME
© 2002 DeLorme. 3-D TopoQuads ®. Data copyright of content owner.
www.delorme.com
TN
MN
9.2°E

SECTION 34, TOWNSHIP 14 SOUTH, RANGE 26 EAST, N.M.P.M.

CHAVES COUNTY NEW MEXICO

L-2005-0965-A

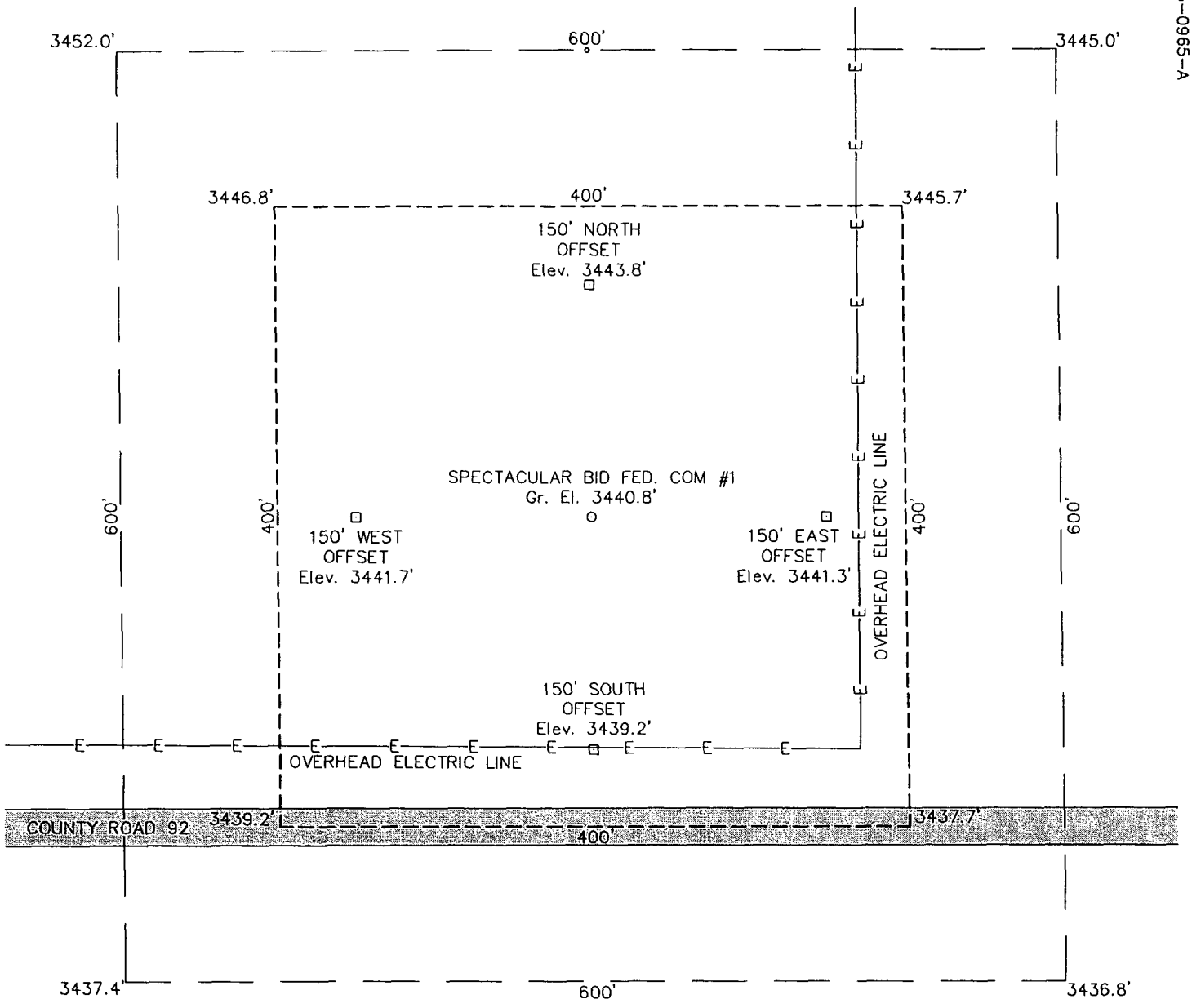


Exhibit "C"

100 0 100 200

Graphic Scale in Feet

DRIVING DIRECTIONS

FROM THE INTERSECTION OF STATE HIGHWAY 339 AND STATE HIGHWAY 2 IN HAGERMAN, NM GO SOUTH AND SOUTHWEST ON SAID STATE HIGHWAY 2, 4.2 MILES TO COUNTY ROAD 92, THEN GO EAST ON SAID COUNTY ROAD 92 1.4 MILES TO A POINT BEING APPROXIMATELY 200 FEET SOUTH OF PROPOSED LOCATION.

PARALLEL PETROLEUM CORPORATION

SPECTACULAR BID FED. COM #1

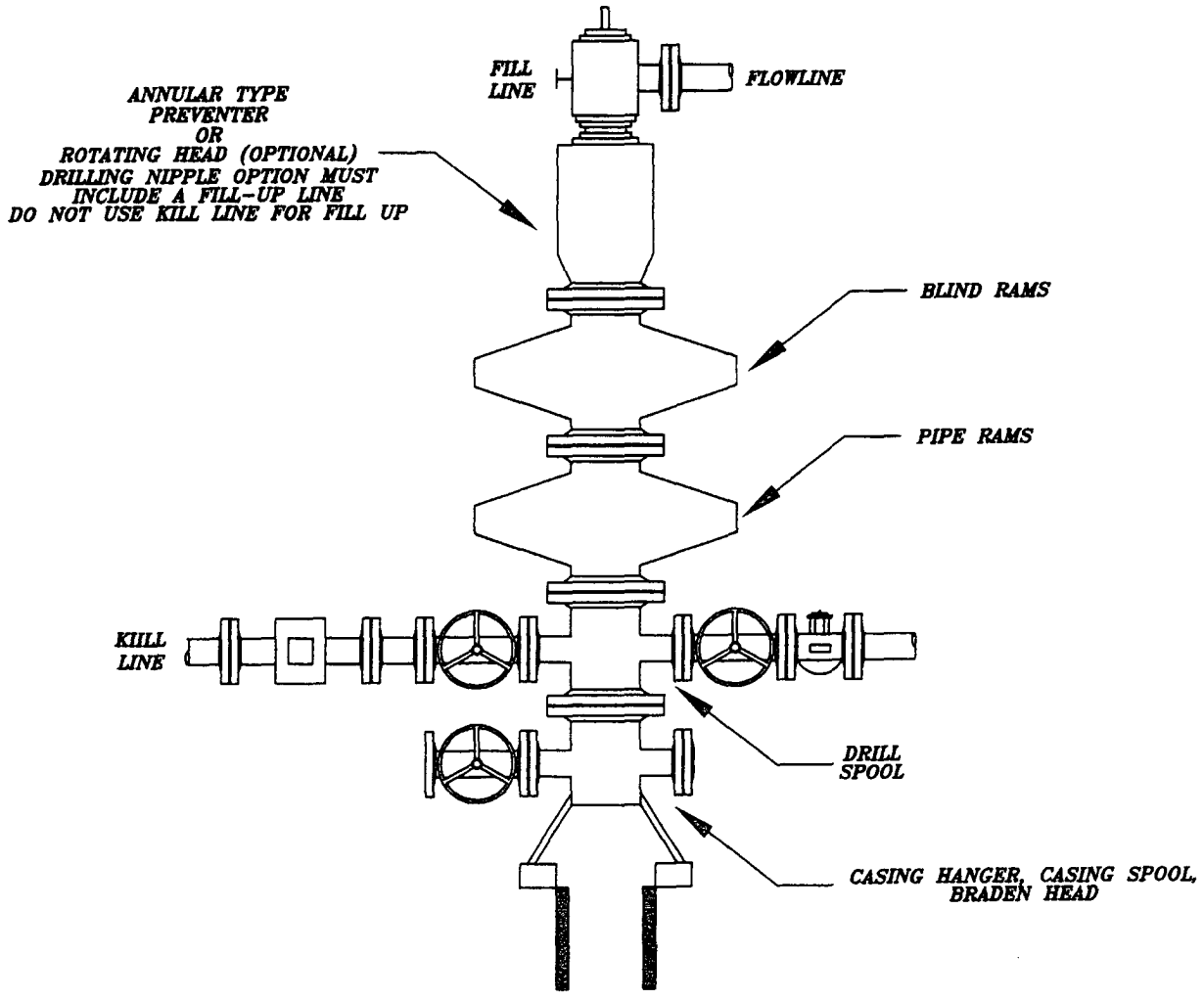
Located 200' FSL & 1820' FWL, Section 34
Township 14 South, Range 26 East, N.M.P.M.
Chaves County, New Mexico

Drawn By: LVA	Date: October 14, 2005
Scale: 1"=100'	Field Book: 254 / 6-15
Revision Date: 10-20-2005	Quadrangle: Hagerman
W.O. No: 2005-0965	Dwg. No.: L-2005-0965-A

WEST COMPANY of Midland, Inc.

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

MINIMUM BOP SCHEMATIC

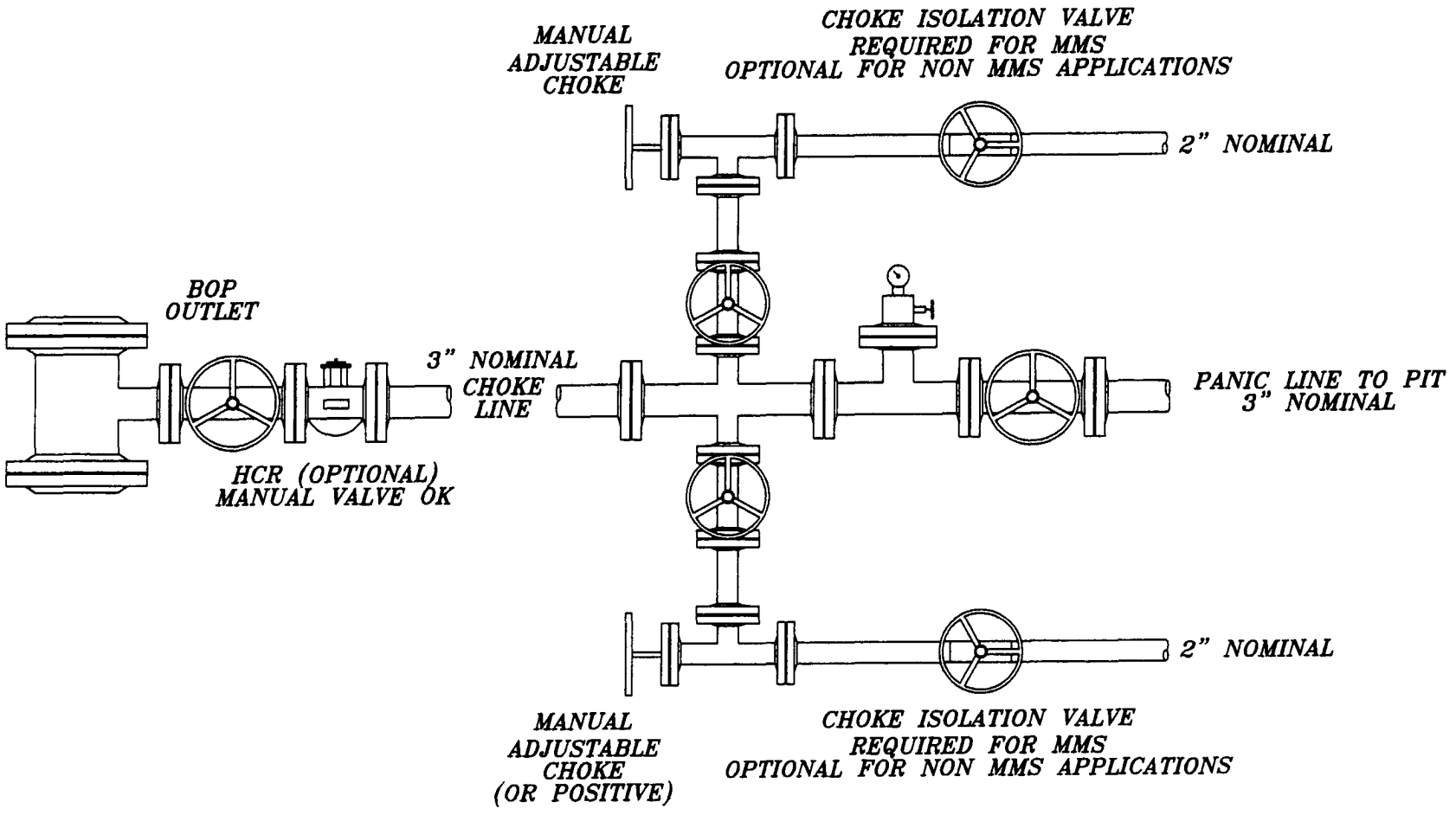


NOT TO SCALE

EXHIBIT I

DATE: 7/26/05	PARALLEL PETROLEUM BOP SCHEMATIC
DWN. BY: JJ	HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS
FILE: C:\PARALLEL\3439\ BOP SCHEMATIC	

CHOKE MANIFOLD
5M SERVICE



NOT TO SCALE

EXHIBIT J

DATE: 8/17/05	PARALLEL PETROLEUM CHOKE MANIFOLD
DWN. BY: JJ	
FILE: C:\PARALLEL\3429\CHOKE MANIFOLD	HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS

PARALLEL PETROLEUM CORPORATION

SURVEY CALCULATION PROGRAM

OPERATOR:	Parallel Petroleum Corporation	Supervisors:	
WELL:	Spectacular Bid Fed. Com. #1		
LOCATION:	Sec. 34 T-14-S R-26-E		
API NUMBER:			
COMMENTS:			
		MAG DEC.(-/+)	
		GRID CORR.(-/+)	
		TOTAL CORR.(-/+)	0.0

DATE: 10/21/05 TIME: 1:43 PM TRUE TO GRID

MINIMUM CURVATURE CALCULATIONS(SPE-3362) PROPOSED DIRECTION 0.0

SVY NUM	MD	INC	GRID AZM	TVD	VERT SECT	N-S	E-W	DLS/ 100	TARGET TRACKING TO CENTER ABOVE(+) BELOW(-)	RIGHT(+) LEFT(-)
TIE	0	0.0	0.0	0.0	0.0	0.0	0.0			
1	4904	0.0	0.0	4904.0	0.0	0.0	0.0	0.0	381.0	0.0
2	4914	1.5	0.0	4914.0	0.1	0.1	0.0	15.0	371.0	0.0
3	4924	3.0	0.0	4924.0	0.5	0.5	0.0	15.0	361.0	0.0
4	5503	90.0	0.0	5285.3	381.3	381.3	0.0	15.0	-0.3	0.0
5	10001	90.0	0.0	5285.3	4879.3	4879.3	0.0	0.0	-0.3	0.0

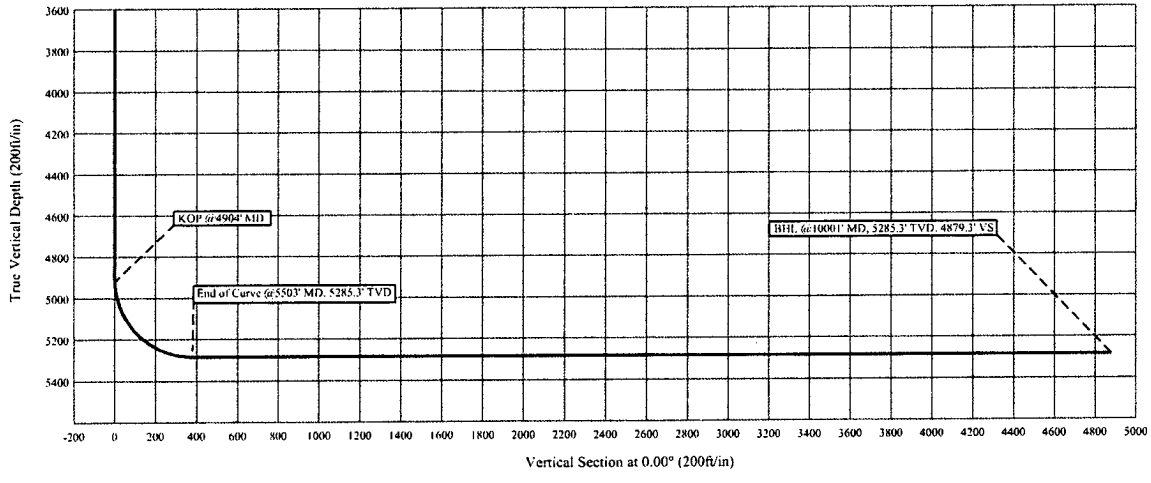
KOP @ 4904' MD
BUR = 15 DEG per 100 FT
End Curve @ 5503' MD, 5285.3' TVD
BHL @ 10001' MD, 5285.3' TVD, 4879.3' VS

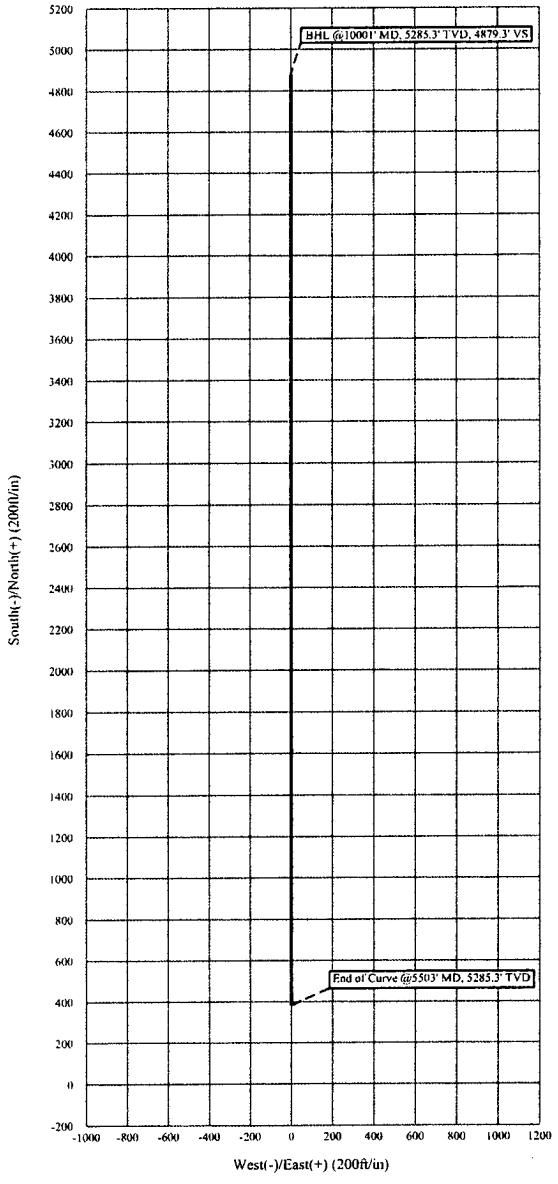
Parallel Petroleum Corp.

Spectacular Bid Fed. Com. #1
Section 34, T 14-S, R 26-E
Chaves County, New Mexico

COMPANY DETAILS

Parallel Petroleum Corp.
1004 N. Big Spring, Ste 400
Midland, Texas 79701





PARALLEL
Petroleum Corporation
1004 North Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

October 21, 2005

New Mexico Oil conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

Re: Hydrogen Sulfide Potential
Hagerman Area Wolfcamp Program
Chavez County, New Mexico

Gentlemen:

Parallel Petroleum Corporation operates the Seabiscuit #1 well located in Section 33, T-14-S, R-26-E. The well which was tested in the Wolfcamp formation did not have any indications of hydrogen sulfide from this formation. We believe the potential for it on locations in this area are negligible.

Should you need any additional information regarding this issue, please contact me at the address or phone number listed above.

Sincerely,

Deane Durham
Drilling Engineer