



# PARALLEL

Petroleum Corporation

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

May 3, 2007

**Sent via CMRRR# 7006 0810 0005 7586 8366**

Yates Drilling  
105 S. Fourth Street  
Artesia, NM 88210

Re: Codex 1525-34 #1  
T-15-S, R-25-E  
Section 34: N/2  
Chaves County, New Mexico

Before the Oil Conservation Division  
Exhibit No. 9  
Parallel Petroleum Corp  
OCD CASE 13932  
Hearing: June 21, 2007

To Whom It May Concern:

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the North half (N/2) of Section 34, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, New Mexico. The well will be commenced at an on lease location in the SE/4 NE/4 of Section 34, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the SE/4 NE/4 of Section 34. The well will be drilled to an approximate vertical depth of 4,750'. The well will then be drilled horizontally to a projected orthodox terminus in the SW/4 NW/4 of Section 34.

Enclosed please find an Authority for Expenditure estimating the cost of the proposed well. The total cost for the proposed well is estimated to be \$2,598,400.00. Please mark the appropriate space provided below indicating whether or not you intend to join in the drilling of the well. Should you elect to join in the drilling of the well you will be liable for your proportionate share of the actual cost of drilling which is estimated to be \$117,463.92. If you elect to join, please return a signed copy of the Authority for Expenditure. Additionally, if you elect to join, please furnish us with your well information requirements.

If you have any questions or need anything further, please do not hesitate to contact me. You can reach me at my office, my direct dial number is (432) 687-8663. You can also reach me on my cell phone, the

number is (956) 330-4051. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read "Aaron L. Myers". The signature is fluid and cursive, with a long horizontal stroke at the end.

Aaron L. Myers  
Consulting Landman

**Yates Drilling**

\_\_\_\_\_ I/We elect to participate in the proposed Codex 1525-34#1 well and  
enclose an executed Authority for Expenditure.

\_\_\_\_\_ I/We elect not to participate in the proposed well.

**Yates Drilling**

By: \_\_\_\_\_  
Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Yates Drilling**

\_\_\_\_\_ I/We elect to participate in the proposed Codex 1525-34#1 well and  
enclose an executed Authority for Expenditure.

\_\_\_\_\_ I/We elect not to participate in the proposed well.

**Yates Drilling**

By: \_\_\_\_\_  
Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**AUTHORITY FOR EXPENDITURE**

OPERATOR	LEASE/Well NAME	API NUMBER	
Parallel Petroleum	Codex 1525-34 #1	4060062	
LOCATION	COUNTY	STATE	DOCUMENT DATE
S/2N/2 Sec 34, T15S, R25E	Chaves	New Mexico	08-Sep-06
PURPOSE	TYPE WELL	WELL STATUS	
Drill & Complete Wolfcamp Horizontal Gas Well	gas	MAR 07	
PRODUCING LEASE NUMBER / PROPOSED WELL FIELD NAME	PRODUCING LEASE TYPE		
501028 / Racehorse / Wildcat (Wolfcamp Gas)	8966 MD, 4750 TVD		

[illegible]

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	\$ 8,000			\$ 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

#### TANGIBLE WELL COSTS

850.020 CASING: SURFACE	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
850.030 INTERMEDIATE	1400 FEET OF.....	9.825 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	8966 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 125,524	\$ 125,524
860.040 LINER	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT			
860.210 INSPECT TUB. - BCP	\$ 9,000	840.170 INSP. - ACP	\$ 9,000	840.120 CSG SRVCS	\$ 6,000	\$ 12,000
860.060 CASINGHEAD	\$ 7,500	860.030 TUBINGHEAD	\$ 7,500			\$ 7,500
860.070 CHRISTMAS TREE	\$ 10,000	860.070 WH FITTINGS	\$ 5,000			\$ 15,000
860.090 TUBING	5000 FEET OF.....	2.875 INCH TUBING @	\$5.83 /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
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -			\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.260 COMPRESSOR	\$ -	860.100 COAT TBG	\$ -	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.260 DEHYDRATOR	\$ 10,000			\$ 10,000
860.220 HEATER-TREATER	\$ -	860.220 SEPARATOR	\$ 10,000			\$ 10,000
860.130 PLUNGER LIFT	\$ -	860.180 PRIME MOVER	\$ -			
860.230 SURF EQUIP FTNGS	\$ 18,000	860.250 BUILDINGS	\$ -			\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200		\$ 3,200	\$ 33,000
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000			\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000				\$ 50,000	\$ 50,000
860.160 CONTINGENCY	10.00%				\$ 5,900	\$ 35,126
						\$ 41,026

TOTAL TANGIBLE COSTS	\$ 65.000	\$ 386.800	\$ 451.800
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<b>TOTAL WELL COSTS</b>	<b>\$ 1,420,400</b>	<b>\$ 1,178,000</b>	<b>\$ 2,598,400</b>
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PLUG & ABANDON EXPENSE	\$	-		
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DRY HOLE COST	\$ 1,420,400		
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TYPE		DEPARTMENT		CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
X	CAPITAL	BUDGETED			Parallel Petroleum	0.8500000	\$ 2,208,640
PREPARED BY: <i>Steve Baker</i>				DATE: <i>6 SEP 06</i>			NET ARE FOR DRY HOLE COST ONLY
							\$ 1,207,340
APPROVAL:		DATE: <i>9/6/06</i>		APPROVAL: <i>[Signature]</i>		DATE: <i>9/11/06</i>	
APPROVAL:		DATE: <i>9/7/06</i>		APPROVAL: <i>Sto D. Faust</i>		DATE: <i>9/7/06</i>	
NAME OR COMPANY		AUTHORIZED REPRESENTATIVE 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.

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS FOLD AT DOTTED LINE

CERTIFIED MAIL

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

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Sent To YATES DRILLING  
Street, Apt. No., or PO Box No. 105 S. FOURTH ST.  
City, State, ZIP+4 ARTESIA, NM 88210

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>X</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>
1. Article Addressed to: <u>Drilling</u>	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>X <u>Kathy Donaghe</u></p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>
1. Article Addressed to: <u>YATES DRILLING</u> <u>105 S. FOURTH ST.</u> <u>ARTESIA, NM 88210</u>	
2. Article Number (Transfer from service label)	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
PS Form 3811, February 2004	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes

7006 0810 0005 7586 8366

Domestic Return Receipt