

 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 8465

Yates Petroleum
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. 12
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 to 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', with a long horizontal flourish extending to the right.

Aaron L. Myers
Consulting Landman

Yates Petroleum

_____ 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 Petroleum

By: _____
Name

Title: _____

Date: _____

Yates Petroleum

_____ 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 Petroleum

By: _____
Name

Title: _____

Date: _____

PARALLEL

AUTHORITY FOR EXPENDITURE

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

				BCP	ACP	TOTAL
INTANGIBLE WELL COSTS						
830.020 PERMIT	\$ 2,000	830.030 SURVEY LOC	\$ 2,500	\$ 4,500		\$ 4,500
830.040 SURF DAMAGES	\$ 4,000	830.050 INSURANCE	\$ -	\$ 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			
830.120 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	\$ 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.	\$ -	\$ 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	\$ 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	\$ 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						
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	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			
830.210 INSPECT TUB. - BCP	\$ 9,000	840.170 INSP. - ACP	\$ 9,000	\$ 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	\$ -		\$ 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	\$ -		\$ 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
860.260 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
TOTAL WELL COSTS				\$ 1,420,400	\$ 1,178,000	\$ 2,598,400
PLUG & ABANDON EXPENSE				\$ -		
DRY HOLE COST				\$ 1,420,400		

CATEGORY				NET ESTIMATED COST		
TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL		
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	\$ 2,208,640	
APPROVALS					NET AFE FOR DRY HOLE COST ONLY	
6 SEP 06					\$ 1,207,340	
APPROVALS				DATE	9/11/06	
APPROVALS				DATE	9/7/06	
APPROVALS				DATE	9/7/06	
NAME OF COMPANY				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™

7006 0810 0005 7586 8465
7006 0810 0005 7586 8465

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

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

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	
Sent To <u>YATES, Peteraem</u>		
Street, Apt. No., or PO Box No. <u>105 S. Fourth St.</u>		
City, State, ZIP+4 <u>ARTESIA, NM 88210</u>		
PS Form 3800, June 2002 See Reverse for Instructions		

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.

COMPLETE THIS SECTION ON DELIVERY

A. Signature X	☐ Agent ☐ Addressee
B. Received by (Printed Name)	C. Date of Delivery

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.

COMPLETE THIS SECTION ON DELIVERY

A. Signature <u>Kathy Donaghe</u>	☐ Agent ☐ Addressee
B. Received by (Printed Name) <u>KATHY DONAGHE</u>	C. Date of Delivery
D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	

Yes
No

Merchandise

☐ Yes

1. Article Addressed to:

YATES Peteraem
105 S. Fourth St.
ARTESIA, NM 88210

Article Number

(Transfer from service label)

7006 0810 0005 7586 8465

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

102595-02-M-1540

PS Form 3844, February 2004

Domestic Return Receipt

102595-02-M-1540