

 **PARALLEL**  
Petroleum Corporation

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

May 2, 2007

**Sent via CMRRR# 7006 0810 0005 7586 8342**

EOG Resources, Inc.  
Attn: Mr. Rick Lanning  
P.O. Box 2267  
Midland, TX 79702

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. 11  
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 \$567,172.87. 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 may reach me at the 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', written in a cursive style.

Aaron L. Myers  
Consulting Landman

**EOG Resources, Inc.**

\_\_\_\_\_ 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.

**EOG Resources, Inc.**

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

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

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

**EOG Resources, Inc.**

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

**EOG Resources, Inc.**

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

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

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

# PARALLEL

## AUTHORITY FOR EXPENDITURE

OPERATOR	WELL NAME	WELL NUMBER
Parallel Petroleum	Codex 1525-34 #1	4080062
LOCATION	COUNTY	STATE
S/2N/2 Sec 34, T15S, R25E	Chaves	New Mexico
PURPOSE	TYPE WELL	PROPOSED DATE
Drill & Complete Wolfcamp Horizontal Gas Well	gas	MAR 07
501028 / Racehorse / Wildcat (Wolfcamp Gas)		8988 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
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	840.140 WTR - ACP	\$ 35,000	\$ 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
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	\$ 109,000
840.100 COMPLETION UNIT	5 DAYS @		\$4,500 /DAY	\$ 32,000	\$ 77,000	\$ 109,000
830.150 BCP - RENTALS: SURF	\$ 20,000	830.160 BCP - SUBSURFACE	\$ 35,000	\$ 55,000	\$ 22,500	\$ 22,500
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	\$ 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
<b>TOTAL INTANGIBLE WELL COSTS</b>				<b>\$ 1,355,400</b>	<b>\$ 791,200</b>	<b>\$ 2,146,600</b>

TANGIBLE WELL COSTS				BCP	ACP	TOTAL
850.020 CASING: SURFACE	0 FEET OF	0.000 INCH CASING @	\$0.00 /FT	\$ 36,400		\$ 36,400
850.030 INTERMEDIATE	1400 FEET OF	9.625 INCH CASING @	\$26.00 /FT		\$ 125,524	\$ 125,524
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			
860.040 LINER	0 FEET OF	0.000 INCH CASING @	\$0.00 /FT			
830.210 INSPECT TUB. - BCP	\$ 8,000	840.170 INSP. - ACP	\$ 9,000	840.120 CSG SRVCS	\$ 6,000	\$ 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
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
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	\$ 35,126	\$ 41,026
<b>TOTAL TANGIBLE COSTS</b>				<b>\$ 65,000</b>	<b>\$ 386,800</b>	<b>\$ 451,800</b>
<b>TOTAL WELL COSTS</b>				<b>\$ 1,420,400</b>	<b>\$ 1,178,000</b>	<b>\$ 2,598,400</b>
<b>PLUG &amp; ABANDON EXPENSE</b>				<b>\$ -</b>		
<b>DRY HOLE COST</b>				<b>\$ 1,420,400</b>		

CATEGORY	TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET AMOUNT
	X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	\$ 2,208,640
						NET AFE FOR DRY HOLE COST ONLY
						\$ 1,207,340
			6/30/06			
			9/6/06			9/11/06
			9/7/06			9/7/06
MAJOR COMPANY						

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

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Total Postage & Fees	\$

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Sent To Edh Resources  
 Street, Apt. No. or PO Box No. P.O. Box 2267  
 City, State, ZIP+4 MIDLAND, TX 79702

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.
- Attach this card to the back of the mailpiece, or on the front if space permits.

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1?  Yes

**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 Bell  Agent  
 Addressee

B. Received by (Printed Name) Bell C. Date of Delivery 5/11/07

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

1. Article Addressed to:  
Edh Resources, Inc.  
ATTN: Rick Lanning  
P.O. Box 2267  
MIDLAND, TX 79702

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number 7006 0810 0005 7586 8342  
 (Transfer from service label)