

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF PARALLEL PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13948

AFFIDAVIT OF AARON L. MYERS

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

I, Aaron L. Myers, being first duly sworn on oath, states as follows:

1. My name is Aaron Myers. I reside in Midland, Texas. I am the Landman employed by Parallel Petroleum Corporation ("Parallel") who is familiar with the status of the lands in Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico.

2. Parallel seeks an order pooling certain interest owners in the S/2 of Section 20 from the surface to the base of the Wolfcamp formation in the following described spacing and proration units: the S/2 for all formations and/or pools developed on 320-acre spacing.

3. Parallel owns a working interest in the S/2 of Section 20 and has dedicated this proposed spacing unit to its Bubbling Over 1525-20 Fed Com Well No. 1 (API 30-005-63879) to be drilled from a surface location 1880 feet from the South line and 190 feet from the West line and a bottomhole location 1880 feet from the South line and 660 feet from the West line of said Section 20 to an approximate depth of 5500 feet. Attachment A is a plat of the subject lands showing the proposed spacing unit and the well location.

4. The proposed spacing unit consists of 320 acres of Federal and Fee lands. Attachment B lists the nature and percentage of the ownership interests in the subject spacing unit.

5. All mineral owners in the project area have voluntarily agreed to pool their interests. This application has been instituted solely to pool the interests of working interest owners who have not been found and/or who do not oppose the application.

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 13948....Exhibit No. 1
Submitted by:
Parallel Petroleum Corporation
Hearing Date: June 12, 2007

6. Parallel has conducted a diligent search to locate Mark Baird, William J. Baird, III and Jennie Cathcart. A search of the county title records in Chaves County, New Mexico, provided the names and addresses of the parties to be pooled. At the present time letters proposing the drilling of the Bubbling Over 1525-20 #1 Well have been sent to those parties. To date, there has been no response from the parties to be pooled.

7. Attachment C is a copy of the well proposal letter that was sent to those interest owners with last known addresses.

8. Parallel requests that these interests be pooled and Parallel be designated operator of the well and the project area.

9. Parallel proposes overhead charges (combined fixed rates) of \$4,500.00 per month while drilling and \$450.00 per month while producing.

10. Attachment D is a copy of the authorization for expenditure (AFE) for this well.

11. Attachment E is an affidavit of publication showing notice of this hearing was given pursuant to Division rules as well as a copy of the notice letters sent to each interest owner.

11. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste, will protect correlative rights, and allow Parallel and the other interest owners in the S/2 of Section 20 an opportunity to obtain their just and fair share of the oil and gas under the subject lands.

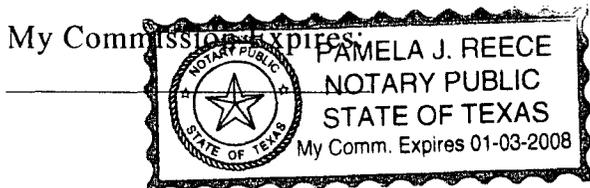
FURTHER AFFIANT SAYETH NOT.

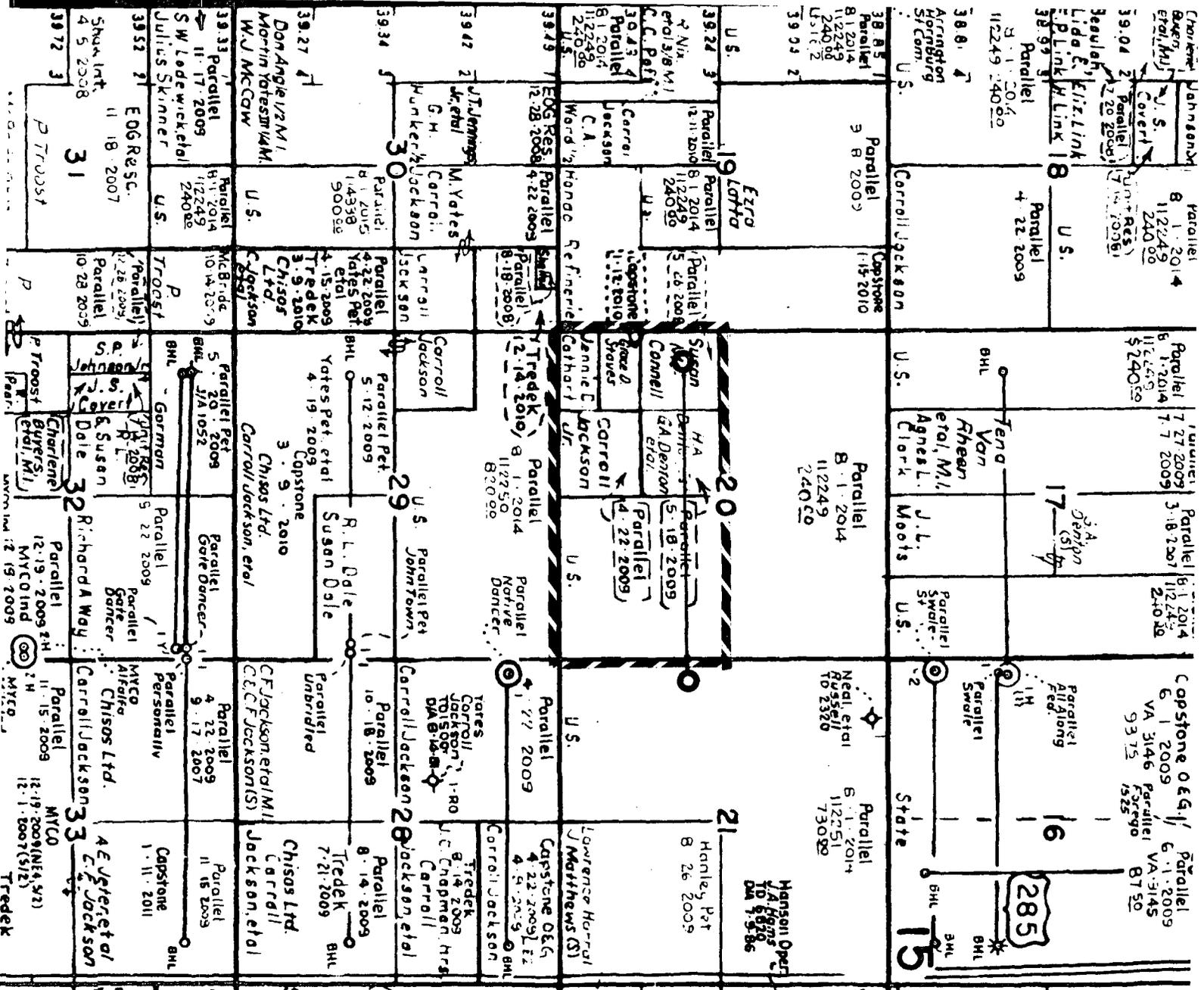


SUBSCRIBED AND SWORN before me on this 9th day of July 2007.



Notary Public





OIL CONSERVATION DIVISION

LOCATOR MAP

Case No. 13948

Parallel Petroleum Corporation

Bubbling Over 1525-20 Fed Com #1 Well

T-15-S, R-25-E

Section 20: S/2

Chaves County, New Mexico

ATTACHMENT

A

BUBBLING OVER 1525-20 #1
 S/2 Sec. 20, T15S, R25E
 Unleased Mineral Owners

SE/4:	NAME	LESSEE	MINERAL INTEREST	UNIT %	WORKING INTEREST
	United States of America	PLLL	ALL	0.50000	0.50000
				TOTAL	0.50000
				PLLL TOTAL	0.50000
				OUTSTANDING	0.00000
SE/4 SW/4:					
	Carroll Jackson, Jr.	PLLL	1/3	0.12500	0.04167
	Coleman F. Jackson	PLLL	1/3	0.12500	0.04167
	Dolly D. Bassett	PLLL	1/3	0.12500	0.04167
				TOTAL	0.12500
				PLLL TOTAL	0.12500
				OUTSTANDING	0.00000
NE/4 SW/4:					
	George A. Denton	PLLL	ALL	0.12500	0.12500
				TOTAL	0.12500
				PLLL TOTAL	0.12500
				OUTSTANDING	0.00000

BUBBLING OVER 1525-20 #1
 S/2 Sec. 20, T15S, R25E
 Unleased Mineral Owners

S/2 SW/4 SW/4					
NAME	LESSEE	MINERAL INTEREST	UNIT %	WORKING INTEREST	
Jennie Cathcart	N/A	ALL	0.06250	0.06250	
			TOTAL	0.06250	
			PLL TOTAL	0.00000	
			OUTSTANDING	0.06250	
S/2 20-15-25					
WORKING INTEREST					
TOTAL:					1.00000
OVERALL PLLL					
TOTAL:					0.90625
OUTSTANDING					
TOTAL:					0.09375



PARALLEL

Petroleum Corporation

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

May 11, 2007

Sent via CMRRR# 7006 0810 0005 7586 8694

Mark Baird
7730 Dellwood Drive
Urbandale, IA 50322

Re: Bubbling Over 1525-20 Fed Com. #1
T-15-S, R-25-E
Section 20: S/2
Chaves County, New Mexico

Dear Mr. Baird,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, New Mexico. The well will be commenced at an off lease location in the NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well will be drilled to an approximate vertical depth of 4,750'. The well will then be drilled horizontally to encounter the Wolfcamp objective at a legal location in the NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 0.08330 decimal interest.

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 \$2,317,500.00. 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 \$12,065.48. 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.

ATTACHMENT

C

If you have any questions or need anything further, please to do not hesitate to contact me. You can 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', with a long horizontal flourish extending to the right.

Aaron L. Myers
Consulting Landman

MARK BAIRD

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed Com. #1 well and enclose an executed Authority for Expenditure.

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

MARK BAIRD

By: _____
Name

Date: _____

MARK BAIRD

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed
Com. #1 well and enclose an executed Authority for Expenditure.

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

MARK BAIRD

By: _____
Name

Date: _____

PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR Parallel Petroleum	LEASE/WELL NAME Bubbling Over 1525-20 FED COM #1	AFE NUMBER 4070023		
LOCATION S/2 Sec 20, T15S, R25E	COUNTY Chaves	STATE New Mexico	DOCUMENT DATE 07-Mar-07	
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well		TYPE:WELL gas	TO BE STARTED JUN 07	
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501078 / County Line / Wildcat(Wolfcamp Gas)			PROPOSED DEPTH 9690 MD, 5250 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	\$ -	\$ 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			
830.120 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	\$ 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.	\$ -	\$ 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	\$ 385,000		\$ 410,000	\$ 410,000
		840.140 COMPL. FLUID	\$ 5,000		\$ 5,000	\$ 5,000
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	\$ 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	1400 FEET OF.....	8.625 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	9690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 135,660	\$ 135,660
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	\$ 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	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT		\$ 24,772	\$ 24,772
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
860.280 GAS PIPELINE/METER	\$ 50,000			\$ 5,500	\$ 50,000	\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,500	\$ 35,368	\$ 40,868

TOTAL TANGIBLE COSTS \$ 60,100 \$ 389,300 \$ 449,400
TOTAL WELL COSTS \$ 1,154,900 \$ 1,162,600 \$ 2,317,500
PLUG & ABANDON EXPENSE \$ -
DRY HOLE COST \$ 1,154,900

CATEGORY				NET ESTIMATED COST	\$ 1,969,875
TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	
PREPARED BY	DATE	NET AFE FOR DRY HOLE COST ONLY			
<i>Deane Durham</i>	7 MAR 07	\$ 981,665			
APPROVALS	DATE	APPROVALS	DATE		
<i>Boice McBurney</i>	3/9/07	<i>Larry Durham</i>	3/12/07		
APPROVALS	DATE	APPROVALS	DATE		
<i>David E. Toff</i>	3/9/07	<i>John D. Jost</i>	3/19/07		
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.

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

MAIL DELIVERY POINT

7006 0810 0005 7586 8694

7006 0810 0005 7586 8694

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

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OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To **MARK GAIED**

Street, Apt. No., or PO Box No. **7730 DENWOOD DR.**

City, State, ZIP+4 **URBANDALE, IA 50322**

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> 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. 	<p>A: Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B: Received by (Printed Name)</p> <p>C: Date of Delivery</p> <p>from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> 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. 	<p>A: Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B: Received by (Printed Name)</p> <p>C: Date of Delivery 5-4-07</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>
<p>1. Article Addressed to:</p> <p>MARK GAIED 7730 DENWOOD DR URBANDALE, IA 50322</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p>7006 0810 0005 7586 8694</p>	<p>press Mail Return Receipt for Merchandise (O.D.) (Fee) <input type="checkbox"/> Yes</p> <p>8694</p> <p>102595-02-M-1540</p>



PARALLEL

Petroleum Corporation

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

May 11, 2007

Sent via CMRRR# 7006 0810 0005 7586 8700

Jennie Cathcart
P.O. Box 2914
Reno, NV 89505

Re: Bubbling Over 1525-20 Fed Com. #1
T-15-S, R-25-E
Section 20: S/2
Chaves County, New Mexico

Dear Ms. Cathcart,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, New Mexico. The well will be commenced at an off lease location in the NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well will be drilled to an approximate vertical depth of 4,750'. The well will then be drilled horizontally to encounter the Wolfcamp objective at a legal location in the NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 1.00000 decimal interest.

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 \$2,317,500.00. 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 \$144,843.75. 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 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', with a long horizontal flourish extending to the right.

Aaron L. Myers
Consulting Landman

JENNIE CATHCART

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed
Com. #1 well and enclose an executed Authority for Expenditure.

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

JENNIE CATHCART

By: _____
Name

Date: _____

JENNIE CATHCART

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed Com. #1 well and enclose an executed Authority for Expenditure.

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

JENNIE CATHCART

By: _____
Name

Date: _____

PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR Parallel Petroleum	LEASE/WELL NAME Bubbling Over 1525-20 FED COM #1	AFF NUMBER 4070023	
LOCATION S/2 Sec 20, T15S, R25E	COUNTY Chaves	STATE New Mexico	DOCUMENT DATE 07-Mar-07
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well	TYPE WELL gas	TO BE STARTED JUN 07	
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501078 / County Line / Wildcat (Wolfcamp Gas)			PROPOSED DEPTH 9690 MD, 5250 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	\$ 54,000	830.110 ROADS	\$ 2,000			\$ 56,000
830.130 DRLG - DAYWORK	20.0 DAYS @		\$17,000 /DAY			\$ 340,000
830.130 DRILLING	0 FEET @		\$0.00 /FT	830.130 TURNKEY	\$ -	
830.120 DRILLING RIG - MOB	\$ 49,000					\$ 49,000
830.200 BITS	\$ 65,000	830.250 WELDING	\$ 2,000			\$ 67,000
830.180 WATER - BCP	\$ 35,000	830.190 MUD & CHEM	\$ 58,000	840.140 WTR - ACP	\$ 35,000	\$ 128,000
830.140 TRUCKING - BCP	\$ 18,200	840.140 TRUCKING - ACP	\$ 8,000			\$ 26,200
830.170 POWER & FUEL	\$ 30,000	830.135 DIRECTIONAL	\$ 139,000			\$ 169,000
830.270 MUD LOGGING	\$ 25,000	830.270 DST	\$ -			\$ 25,000
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
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			\$ 22,500
830.150 BCP - RENTALS: SURF	\$ 20,000	830.160 BCP - SUBSURFACE	\$ 35,000			\$ 55,000
840.150 ACP - RENTALS: SURF	\$ 15,000	840.160 ACP - SUBSURFACE	\$ 20,000			\$ 35,000
840.220 STIMULATE: ACID	\$ 25,000	840.220 FRACTURE	\$ 385,000			\$ 410,000
		840.140 COMPL. FLUID	\$ 5,000			\$ 5,000
830.240 ENVIRON. COST - BCP	\$ 15,000	840.260 ENV. COST - ACP	\$ 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	\$ 24,000	830.250 CONTRACT - BCP	\$ 15,000			\$ 39,000
840.030 LABOR: CO. - ACP	\$ 5,000	840.020 CONTRACT - ACP	\$ 15,000			\$ 20,000
830.240 CLEAN UP SITE	\$ 50,000	830.250 FENCE LOC	\$ 3,000			\$ 53,000
830.250 MISC. INTANG. COST	\$ 20,000	840.120 MISC. COST - ACP	\$ 10,000			\$ 30,000
830.340 CONTINGENCY: BCP	5.00%	840.280 CONTING: ACP	5.00%			\$ 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	1400 FEET OF.....	8.625 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	8690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT		\$ 135,660	\$ 135,660
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	\$ 15,000
850.050 CASINGHEAD	\$ 7,500	860.030 TUBINGHEAD	\$ 7,500			\$ 15,000
860.070 CHRISTMAS TREE	\$ 10,000	860.070 WH FITTINGS	\$ 5,000			\$ 15,000
860.090 TUBING	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT		\$ 24,772	\$ 24,772
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	\$ 16,000	860.250 BUILDINGS	\$ -			\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200			\$ 36,200
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000			\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000					\$ 50,000
860.160 CONTINGENCY	10.00%					\$ 40,868
TOTAL TANGIBLE COSTS				\$ 60,100	\$ 389,300	\$ 449,400
TOTAL WELL COSTS				\$ 1,154,900	\$ 1,162,600	\$ 2,317,500
PLUG & ABANDON EXPENSE				\$ -		
DRY HOLE COST				\$ 1,154,900		

CATEGORY				NET ESTIMATED COST	\$ 1,969,875
TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	
PREPARED BY <i>Deane Durham</i>	DATE 7 MAR 07	NET AFE FOR DRY HOLE COST ONLY			
APPROVALS <i>Boice McCurry</i>	DATE 3/9/07	APPROVALS <i>Larry Oldham</i>	DATE 3/12/07	NET AFE FOR DRY HOLE COST ONLY	
APPROVALS <i>Don Tiffin</i>	DATE 3/9/07	APPROVALS <i>Steve D. Jost</i>	DATE 3/19/07	NET AFE FOR DRY HOLE COST ONLY	
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.

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS TO ALLOW MAIL TO BE TRACKED
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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To JENNIE CARTHEART
 Street, Apt. No., or PO Box No. P.O. Box 2914
 City, State, ZIP+4 RENO, NV 89505

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. 	<ul style="list-style-type: none"> Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> 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. 	<p>by ((Printed Name)) C. Date of Delivery</p> <p>address different from item 1? <input type="checkbox"/> Yes after delivery address below: <input type="checkbox"/> No</p> <p>type: Registered Mail <input type="checkbox"/> Express Mail Certified Mail <input type="checkbox"/> Return Receipt for Merchandise Insured Mail <input type="checkbox"/> C.O.D.</p> <p>Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>1. Article Addressed to:</p> <p><u>JENNIE CARTHEART</u> <u>P.O. Box 2914</u> <u>RENO, NV 89505</u></p>	<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</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 If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>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.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p><u>7006 0810 0005 7586 8700</u></p>	<p><u>0005 7586 8700</u></p> <p>102595-02-M-1540</p>



PARALLEL

Petroleum Corporation

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

May 11, 2007

Sent via CMRRR# 7006 0810 0005 7586 8717

William J. Baird, III
7730 Dellwood Drive
Urbandale, IA 50322

Re: Bubbling Over 1525-20 Fed Com. #1
T-15-S, R-25-E
Section 20: S/2
Chaves County, New Mexico

Dear Mr. Baird,

Parallel Petroleum Corporation proposes the drilling of the above-captioned well to horizontally test the Wolfcamp formation in the South half (S/2) of Section 20, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, New Mexico. The well will be commenced at an off lease location in the NW/4 SW/4 of Section 21, Township 15 South, Range 25 East, N.M.P.M. and penetrate the Wolfcamp formation at an orthodox penetration point in the NE/4 SE/4 of Section 20. The well will be drilled to an approximate vertical depth of 4,750'. The well will then be drilled horizontally to encounter the Wolfcamp objective at a legal location in the NE/4 SE/4 of Section 20 and to a projected orthodox terminus in the NW/4 SW/4 of Section 20.

Based on an examination of the mineral ownership records located in Chaves County, New Mexico, it appears that your interest in the proposed well would be a 0.08330 decimal interest.

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 \$2,317,500.00. 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 \$12,065.48. 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 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Aaron L. Myers
Consulting Landman

WILLIAM J. BAIRD, III

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed Com. #1 well and enclose an executed Authority for Expenditure.

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

WILLIAM J. BAIRD, III

By: _____
Name

Date: _____

WILLIAM J. BAIRD, III

_____ I/We elect to participate in the proposed Bubbling Over 1525-20 Fed
Com. #1 well and enclose an executed Authority for Expenditure.

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

WILLIAM J. BAIRD, III

By: _____
Name

Date: _____



AUTHORITY FOR EXPENDITURE

OPERATOR: Parallel Petroleum; LEASEWELL NAME: Bubbling Over 1525-20 FED COM #1; AFE NUMBER: 4070023; LOCATION: S/2 Sec 20, T15S, R25E; COUNTY: Chaves; STATE: New Mexico; DOCUMENT DATE: 07-Mar-07; PURPOSE: Drill & Complete Wolfcamp Horizontal Gas Well; TYPE WELL: gas; TO BE STARTED: JUN 07; PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME: 501078 / County Line / Wildcat(Wolfcamp Gas); PROPOSED DEPTH: 9690 MD, 5250 TVD

Table with columns: BCP, ACP, TOTAL. Rows include: INTANGIBLE WELL COSTS (PERMIT, SURF DAMAGES, LOG & PITS, DRLG - DAYWORK, DRILLING, DRILLING RIG - MOB, BITS, WATER - BCP, TRUCKING - BCP, POWER & FUEL, MUD LOGGING, CEMENTING: SURF, PRODUCTION, CORING, WL LOGGING: OH, COMPLETION UNIT, BCP - RENTALS: SURF, ACP - RENTALS: SURF, STIMULATE: ACID, ENVIRON. COST - BCP, DRLG OVERHEAD, LABOR: CO. - BCP, LABOR: CO. - ACP, CLEAN UP SITE, MISC. INTANG. COST, CONTINGENCY: BCP, SURVEY LOC, INSURANCE, ROADS, WELDING, MUD & CHEM, TRUCKING - ACP, DIRECTIONAL, DST, INTERMED., FLOAT EQUIP, CORE ANAL., CSD. HOLE, BCP - SUBSURFACE, ACP - SUBSURFACE, FRACTURE, COMPL. FLUID, ENV. COST - ACP, GEOL SUPR, CONTRACT - BCP, CONTRACT - ACP, FENCE LOC, MISC. COST - ACP, CONTING: ACP, TITLE, WTR - ACP, ENGR SUPR, PERF, TURNKEY, FLOAT EQ, etc.

Table with columns: BCP, ACP, TOTAL. Rows include: TANGIBLE WELL COSTS (CASING: SURFACE, INTERMEDIATE, PROTECTION, PRODUCTION, LINER, INSPECT TUB. - BCP, CASINGHEAD, CHRISTMAS TREE, TUBING, RODS, SUBSURFACE PUMP, FLOWLINE, TANK BATTERY, GAS PROD. UNIT, HEATER-TREATER, PLUNGER LIFT, SURF EQUIP FTNGS, INSTALLATION LABOR, PUMPING UNIT, GAS PIPELINE/METER, CONTINGENCY, INCH CASING @, TBG ANCHOR, ELEC CONSTR, COMPRESSOR, DEHYDRATOR, SEPARATOR, PRIME MOVER, BUILDINGS, TRUCKING, METER/CONTROLS, Packer, COAT TBG, CSG SRVCS, etc.)

Summary section including: CATEGORY, TYPE, DEPARTMENT, COMPANY, DECIMAL, NET ESTIMATED COST (\$1,969,875), NET AFE FOR DRY HOLE COST ONLY (\$981,665), APPROVALS (Brian McCurry, Larry Durham), and PARTICIPANT APPROVAL.

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.

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

Sent To William J. Baird III
 Street, Apt. No. or PO Box No. 6414 Sunset Terrace
 City, State, ZIP+4 Windsor Heights, IA 50311

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.	A. Signature: <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature: <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee B. Received by (Printed Name): <u>William J. Baird III</u> C. Date of Delivery: _____ D. Is delivery address different from item 1? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below: _____
1. Article Addressed to: <u>William J. Baird, III</u> <u>6414 Sunset Terrace</u> <u>Windsor Heights, IA</u> <u>50311</u>	Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> C.O.D. (Extra Fee) <input type="checkbox"/> Yes
2. Article Number (Transfer from service label)	7006 0810 0005 7586 8717
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.	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR Parallel Petroleum	LEASE/WELL NAME Bubbling Over 1525-20 FED COM #1	AFE NUMBER 4070023
LOCATION S/2 Sec 20, T15S, R25E	COUNTY Chaves	STATE New Mexico
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well	TYPE WELL gas	DOCUMENT DATE 07-Mar-07
PRODUCING LEASE NUMBER / PROSPECT NAME / FIELD NAME 501078 / County Line / Wildcat(Wolfcamp Gas)	TO BE STARTED JUN 07	PROPOSED DEPTH 9690 MD, 5250 TVD

INTANGIBLE WELL COSTS		BCP	ACP	TOTAL
830.020 PERMIT	\$ 2,000			\$ 2,000
830.040 SURF DAMAGES	\$ 4,000			\$ 4,000
830.110 LOC & PITS	\$ 54,000			\$ 54,000
830.130 DRLG - DAYWORK	20.0 DAYS @ \$17,000 /DAY			\$ 340,000
830.130 DRILLING	0 FEET @ \$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000			\$ 49,000
830.200 BITS	\$ 65,000			\$ 65,000
830.180 WATER - BCP	\$ 35,000			\$ 35,000
830.140 TRUCKING - BCP	\$ 18,200			\$ 18,200
830.170 POWER & FUEL	\$ 30,000			\$ 30,000
830.270 MUD LOGGING	\$ 25,000			\$ 25,000
830.230 CEMENTING: SURF	\$ 35,000			\$ 35,000
840.190 PRODUCTION	\$ 30,000			\$ 30,000
830.270 CORING	\$ -			\$ -
830.290 WL LOGGING: OH	\$ 32,000			\$ 32,000
840.100 COMPLETION UNIT	5 DAYS @ \$4,500 /DAY			\$ 22,500
830.150 BCP - RENTALS: SURF	\$ 20,000			\$ 20,000
840.150 ACP - RENTALS: SURF	\$ 15,000			\$ 15,000
840.220 STIMULATE: ACID	\$ 25,000			\$ 25,000
830.240 ENVIRON. COST - BCP	\$ 15,000			\$ 15,000
830.320 DRLG OVERHEAD	\$ 6,000			\$ 6,000
830.090 LABOR: CO. - BCP	\$ 24,000			\$ 24,000
840.030 LABOR: CO. - ACP	\$ 5,000			\$ 5,000
830.240 CLEAN UP SITE	\$ 50,000			\$ 50,000
830.250 MISC. INTANG. COST	\$ 20,000			\$ 20,000
830.340 CONTINGENCY: BCP	5.00%			\$ 10,000
830.030 SURVEY LOC	\$ 2,500			\$ 2,500
830.050 INSURANCE	\$ -			\$ -
830.110 ROADS	\$ 2,000			\$ 2,000
830.250 WELDING	\$ 2,000			\$ 2,000
830.190 MUD & CHEM	\$ 58,000			\$ 58,000
840.140 TRUCKING - ACP	\$ 8,000			\$ 8,000
830.135 DIRECTIONAL	\$ 139,000			\$ 139,000
830.270 DST	\$ -			\$ -
830.230 INTERMED.	\$ -			\$ -
860.080 FLOAT EQUIP	\$ 3,000			\$ 3,000
830.270 CORE ANAL.	\$ -			\$ -
840.200 CSD. HOLE	\$ 7,000			\$ 7,000
830.160 BCP - SUBSURFACE	\$ 35,000			\$ 35,000
840.160 ACP - SUBSURFACE	\$ 20,000			\$ 20,000
840.220 FRACTURE	\$ 385,000			\$ 385,000
840.140 COMPL. FLUID	\$ 5,000			\$ 5,000
840.260 ENV. COST - ACP	\$ 15,000			\$ 15,000
830.070 GEOL SUPR	\$ 5,000			\$ 5,000
830.250 CONTRACT - BCP	\$ 15,000			\$ 15,000
840.020 CONTRACT - ACP	\$ 15,000			\$ 15,000
830.250 FENCE LOC	\$ 3,000			\$ 3,000
840.120 MISC. COST - ACP	\$ 10,000			\$ 10,000
840.280 CONTING: ACP	5.00%			\$ 5,000
830.020 TITLE	\$ 10,000			\$ 10,000
840.140 WTR - ACP	\$ 35,000			\$ 35,000
850.080 FLOAT EQ	\$ 3,000			\$ 3,000
840.200 PERF	\$ 70,000			\$ 70,000
830.130 TURNKEY	\$ -			\$ -
840.080 ENGR SUPR	\$ 10,000			\$ 10,000
840.120 CSG SRVCS	\$ 6,000			\$ 6,000
860.120 PACKER	\$ 7,500			\$ 7,500
860.190 ELEC CONSTR	\$ -			\$ -
860.260 COMPRESSOR	\$ -			\$ -
860.260 DEHYDRATOR	\$ 10,000			\$ 10,000
860.220 SEPARATOR	\$ 10,000			\$ 10,000
860.180 PRIME MOVER	\$ -			\$ -
860.250 BUILDINGS	\$ -			\$ -
840.130 TRUCKING	\$ 18,200			\$ 18,200
860.290 METER/CONTROLS	\$ 20,000			\$ 20,000
860.120 TUBINGHEAD	\$ 7,500			\$ 7,500
860.070 WH FITTINGS	\$ 5,000			\$ 5,000
860.090 TUBING	4400 FEET OF @ 2.875 INCH TUBING @ \$5.63 /FT			\$ 24,772
860.110 RODS	0 FEET OF RODS @ \$0.00 /FT (AVG)			\$ -
860.130 SUBSURFACE PUMP	\$ -			\$ -
860.200 FLOWLINE	\$ 2,000			\$ 2,000
860.210 TANK BATTERY	\$ 15,000			\$ 15,000
860.220 GAS PROD. UNIT	\$ -			\$ -
860.220 HEATER-TREATER	\$ -			\$ -
860.130 PLUNGER LIFT	\$ -			\$ -
860.230 SURF EQUIP FTNGS	\$ 16,000			\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000			\$ 18,000
860.170 PUMPING UNIT	\$ -			\$ -
860.280 GAS PIPELINE/METER	\$ 50,000			\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,000
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	1400 FEET OF @ 8.625 INCH CASING @ \$26.00 /FT			\$ 36,400
850.030 PROTECTION	0 FEET OF @ 0.000 INCH CASING @ \$0.00 /FT			\$ -
860.040 PRODUCTION	9690 FEET OF @ 5.500 INCH CASING @ \$14.00 /FT			\$ 135,660
860.040 LINER	0 FEET OF @ 0.000 INCH CASING @ \$0.00 /FT			\$ -
830.210 INSPECT TUB. - BCP	\$ 4,500			\$ 4,500
850.050 CASINGHEAD	\$ 7,500			\$ 7,500
860.070 CHRISTMAS TREE	\$ 10,000			\$ 10,000
860.090 TUBING	4400 FEET OF @ 2.875 INCH TUBING @ \$5.63 /FT			\$ 24,772
860.110 RODS	0 FEET OF RODS @ \$0.00 /FT (AVG)			\$ -
860.130 SUBSURFACE PUMP	\$ -			\$ -
860.200 FLOWLINE	\$ 2,000			\$ 2,000
860.210 TANK BATTERY	\$ 15,000			\$ 15,000
860.220 GAS PROD. UNIT	\$ -			\$ -
860.220 HEATER-TREATER	\$ -			\$ -
860.130 PLUNGER LIFT	\$ -			\$ -
860.230 SURF EQUIP FTNGS	\$ 16,000			\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000			\$ 18,000
860.170 PUMPING UNIT	\$ -			\$ -
860.280 GAS PIPELINE/METER	\$ 50,000			\$ 50,000
860.160 CONTINGENCY	10.00%			\$ 5,000
TOTAL TANGIBLE COSTS		\$ 60,100	\$ 389,300	\$ 449,400
TOTAL WELL COSTS		\$ 1,154,900	\$ 1,162,600	\$ 2,317,500
PLUG & ABANDON EXPENSE		\$ -	\$ -	\$ -
DRY HOLE COST		\$ 1,154,900	\$ -	\$ 1,154,900

CATEGORY				
TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL
X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000
PREPARED BY	DATE			
<i>Ernie Dickham</i>	7 MAR 07			
APPROVALS	DATE	APPROVALS	DATE	
<i>Brian McCurry</i>	3/9/07	<i>Ernie Dickham</i>	3/12/07	
APPROVALS	DATE	APPROVALS	DATE	
<i>David E. [Signature]</i>	3/9/07	<i>Steve D. Jost</i>	3/19/07	
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.

AFFIDAVIT OF PUBLICATION
STATE OF NEW MEXICO

I, Fran Saunders
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

one time

beginning with the issue dated

June 14th 2007

and ending with the issue dated

June 14th 2007



Clerk

Sworn and subscribed to before me

this 14th day of June 2007



Notary Public

My Commission expires
June 13, 2010

(SEAL)

Publish June 14, 2007.

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on July 12th, 2007, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by July 2nd, 2007. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public:

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13948: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. To: William J. Baird III, Mark Baird, Jennie Cathcart or their successors, heirs or devisees. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in the following described spacing and proration units located in the S/2 of Section 20, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico; the S/2 for all formations and/or pools developed on 320-acre spacing. Said unit is to be dedicated to its Bubbling Over 1525-20, Fed Com Well No. 1 to be drilled at a surface location 1880 feet from the South line and 190 feet from the West line of Section 21 and a bottom-hole location 1880 feet from the South line and 660 feet from the West line of Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 5500 feet to test any and all formations from the surface to the base of the Wolfcamp formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Parallel Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 5 miles north of Artesia, New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 8th day of June 2007.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Mark E. Fesmire, P.E., Director

June 8, 2007

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico.

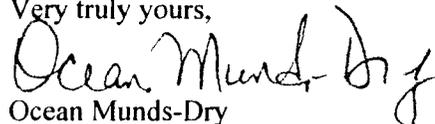
Ladies and Gentlemen:

This letter is to advise you that Parallel Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in certain spacing and proration units in the S/2 of Section 20, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Said pooled units are to be dedicated to Parallel's Bubbling Over 1525-20 Well No. 1 to be drilled at a surface location 1880 feet from the South line and 190 feet from the West line of Section 21 and a bottomhole location 1880 feet from the South line and 660 feet from the West line of Section 20, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 5500 feet to test any and all formations from the surface to the base of the Wolfcamp formation.

This application has been set for hearing before a Division Examiner at 8:15 a.m. on July 12, 2007. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



Ocean Munds-Dry
ATTORNEY FOR PARALLEL PETROLEUM
CORP.

EXHIBIT A

**APPLICATION OF PARALLEL PETROLEUM CORPORATION.
FOR COMPULSORY POOLING
S/2 OF SECTION 20, TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO.**

William J. Baird, III
6414 Sunset Terrace
Windsor Heights, IA 50311

Mark Baird
7730 Dellwood Drive
Urbandale, IA 50322

Jennie Cathcart
P.O. Box 2914
Reno, NV 89505

7006 2760 0001 6391 3645

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

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PAFFELCO LA Baird

Postage	\$.58
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.38



Sent to: William J. Baird, III
Street, Apt: 6414 Sunset Terrace
or PO Box: Windsor Heights, IA 50311
City, State:

PS Form 3811, December 1994

7006 2760 0001 6391 3652

U.S. Postal Service™
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PAFFELCO LA Baird

Postage	\$ 0.58
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.38



Sent to: Mark Baird
Street, Apt: 7730 Dellwood Drive
or PO Box: Urbandale, IA 50322
City, State:

PS Form 3811, December 1994

PAFFELCO LA Baird
1/12/94

ated on the reverse side?

SENDER:

- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- The Return Receipt Requested* on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

3. Article Addressed to:

Mark Baird
7730 Dellwood Drive
Urbandale, IA 50322

7006 2760 0001 6391 3652

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise
- COD

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

Mark Baird

6. Signature (Address use Agent)

PS Form 3811, December 1994

Thank you for using Return Receipt Service.

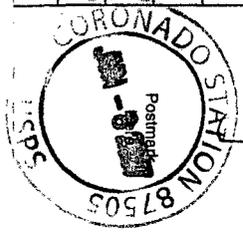
7006 2760 0001 6391 3669

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RECEIVED - MAIL ROOM

Postage	\$.58
Certified Fee		2.65
Return Receipt Fee (Endorsement Required)		2.15
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	5.38



Sent To: Jennie Cathcart
 Street, Apt. P.O. Box 2914
 or P.O. Box
 City, State Reno, NV 89505

PS Form 3800, June 2005