

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

5. LEASE DESIGNATION AND SERIAL NO. <b>UTU-78437</b>
6. IF INDIAN, ALLOTTEE OR TRIBE NAME <b>NA</b>
7. UNIT AGREEMENT NAME <b>NA</b>
8. FARM OR LEASE NAME <b>NA</b>
9. WELL NO. <b>Sunshine Bench #2</b>
10. FIELD OR LEASE NAME <b>Wildcat</b>
11. Sec. T., R., M., OR BLK AND SURVEY OR AREA <b>Sec. 34, T4S, R22E</b>
12. COUNTY OR PARISH   13. STATE <b>Uintah   Utah</b>

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

1a TYPE OF WORK  
**DRILL**       **DEEPEN**       **PLUG BACK**

B TYPE OF WELL  
 OIL WELL       GAS WELL       SINGLE ZONE       MULTIPLE ZONE

2. NAME OF OPERATOR: **Parallel Petroleum Corp.**      915-684-3727

3. ADDRESS OF OPERATORS: **1004 N Big Spring ST, Suite 400 Midland, TX 79701**

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirement)  
 at surface **632731X 460' FNL & 1780' FWL NENW 40.433490**  
 At proposed prod. Zone **4476837Y -109.435168**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
**7.9 miles East of Vernal, UT**

15. DISTANCE FROM PROPOSED LOC. TO NEAREST PROP. OR LEASE LINE, FT. (Also to nearest drlg. Unit line, if any)      16. NO. OF ACRES IN LEASE      17. NO. OF ACRES ASSIGNED TO THIS WELL  
**460'**           **40**

16. DISTANCE FROM PROPOSED LOCATION \* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.      19. PROPOSED DEPTH      20. ROTARY OR CABLE TOOLS  
**1200'**      **5,600**      **Rotary**

21. ELEVATION (SHOW WHETHER DF. RT, GR, etc.)      22. APPROX. DATE WORK WILL START  
**5087.1 GR**      **Oct. 15, 2005**

PROPOSED CASING AND CEMENT PROGRAM				
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
<b>12 1/4</b>	<b>9 5/8</b>	<b>36</b>	<b>300'</b>	<b>To Surface</b>
<b>7 7/8</b>	<b>5 1/2</b>	<b>15.5</b>	<b>T.D.</b>	<b>To Surface</b>

**Operator requests permission to drill the subject well.  
Please see the attached 10 Point and 13 Point Surface Use Plan.**

**If you require additional information please contact:**

**William Ryan  
290 S 800 E  
Vernal, Utah  
435-789-0968**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposed in to deepen or plug back, give data on proposed productive zone and proposed new productive zone. If proposal is to drill or deepen directional, give pertinent data on subsurface location and measure and true vertical depths. Give blowout preventer program, if any.

24

SIGNATURE William A Ryan      TITLE Agent      DATE April 15, 2005

(This space for Federal or State Office use)

PERMIT NO. 43047BA733      APPROVAL DATE \_\_\_\_\_

APPROVED BY Bradley G Hill      TITLE BRADLEY G. HILL      DATE 08-17-05  
 CONDITIONS OF APPROVAL, IF ANY: ENVIRONMENTAL SCIENTIST III

**\*See Instructions on Reverse Side**

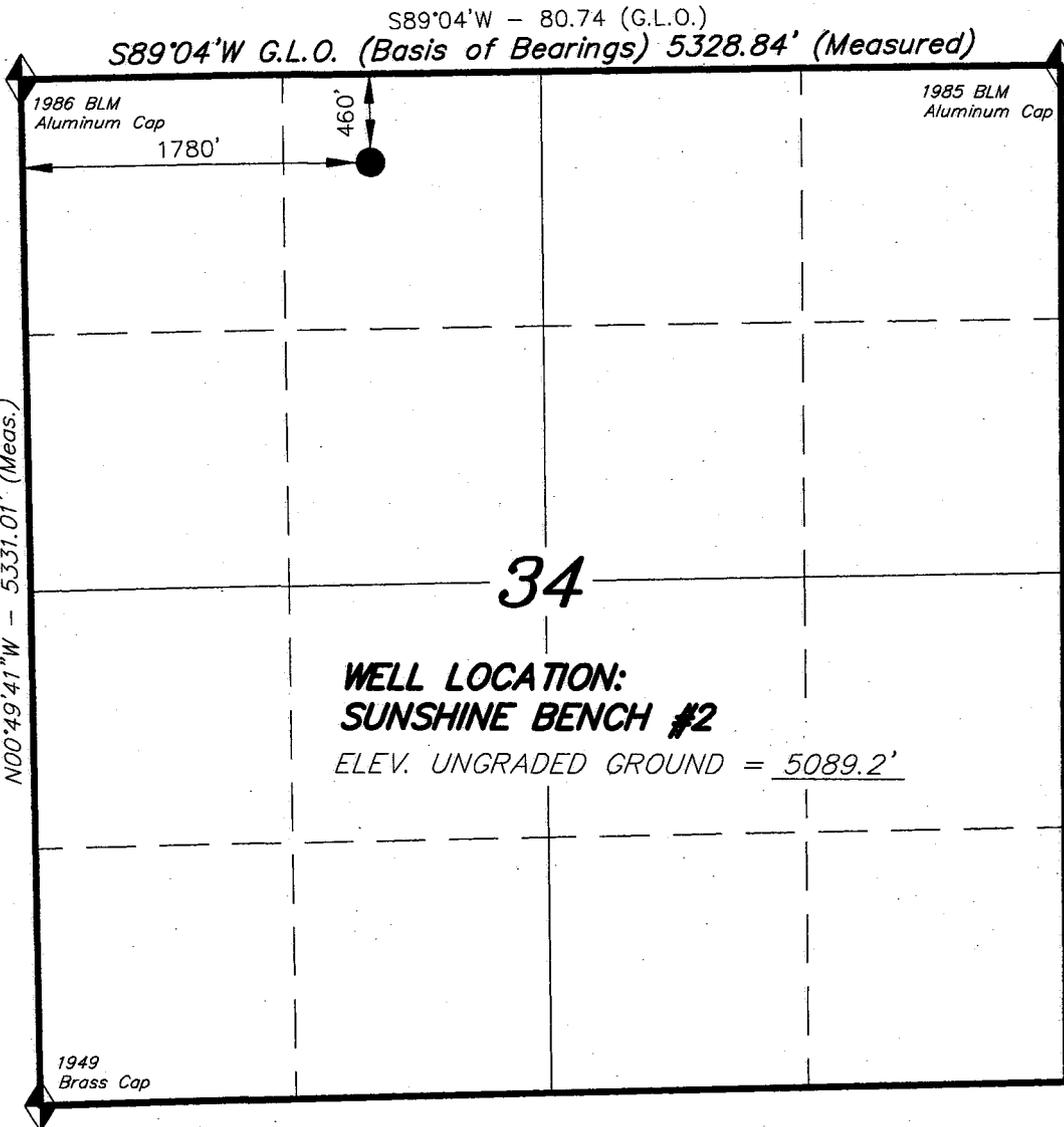
Title 18 U. S. C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*Federal Approval of this  
Action is Necessary*

**RECEIVED  
MAY 24 2005**

# T4S, R22E, S.L.B.&M.

# PARALLEL PETROLEUM CORP.

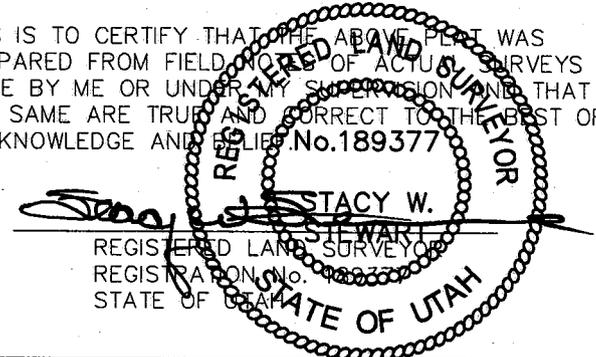


WELL LOCATION, SUNSHINE BENCH #2,  
 LOCATED AS SHOWN IN THE NE 1/4 NW  
 1/4 OF SECTION 34, T4S, R22E,  
 S.L.B.&M. UNITAH COUNTY, UTAH.



**34**  
**WELL LOCATION:**  
**SUNSHINE BENCH #2**  
 ELEV. UNGRADED GROUND = 5089.2'

THIS IS TO CERTIFY THAT THE ABOVE PLOT WAS  
 PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS  
 MADE BY ME OR UNDER MY SUPERVISION AND THAT  
 THE SAME ARE TRUE AND CORRECT TO THE BEST OF  
 MY KNOWLEDGE AND BELIEF. No. 189377



**TRI STATE LAND SURVEYING & CONSULTING**  
 180 NORTH VERNAL AVE. - VERNAL, UTAH 84078  
 (435) 781-2501

SCALE: 1" = 1000'	SURVEYED BY: D.P.
DATE: 05-19-05	DRAWN BY: F.T.M.
NOTES:	FILE #

◆ = SECTION CORNERS LOCATED  
 BASIS OF ELEV; U.S.G.S. 7-1/2 min QUAD (NAPLES)

**SELF-CERTIFICATION STATEMENT**

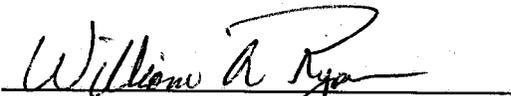
**The following self-certification statement is provided per Federal requirements dated June 15, 1988.**

**Please be advised that Parallel Petroleum is considered to be the operator of the following well.**

**Sunshine Bench #2  
Section 34, T.4S, R.22E.  
NE ¼ NW ¼  
Lease UTU-78437  
Uintah County, Utah**

**Parallel Petroleum is responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.**

**Bond UTU-000167 provides state-wide bond coverage on all Federal lands.**



**William A. Ryan, Agent  
Rocky Mountain Consulting  
290 S. 800 E.  
Vernal UT 84078  
435-789-0968 Office  
435-828-0968 Cell  
435-789-0970 Fax  
rmcwar@hotmail.com**

**Ten Point Plan**

**Parallel Petroleum Corp.**

**Sunshine Bench #2**

**Surface Location Section 34, Township 4 South, Range 22 East NE/NW**

**1. Surface Formation**

Green River

**2. Estimated Formation Tops and Datum:**

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
Green River	Surface	5,087.1' G.R.
Frontier	900'	4,187.1'
Dakota	1,250'	3,837.1'
Salt Wash	1,800'	3,287.1'
Weber	4,800'	287.1'
TD	5,600'	-512.9'

**3. Producing Formation Depth:**

Formation objective includes the Green River, Wasatch, Mesaverde and its sub-members.

Off Set Well information (Wells within a one-mile radius)

Sunshine Bench #1

**4. Proposed Casing:**

<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight/FT</u>	<u>Grade</u>	<u>Coupling &amp; Tread</u>	<u>Casing Depth</u>	<u>New/Used</u>
12 ¼	9 5/8	36#	J-55	ST&C	350	NEW
7 7/8	5 ½	11.6#	N-80	LT&C	T.D.	NEW

**Cement Program:**

The Surface Casing will be cemented to the Surface as follows:

	<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead:	9 5/8	Premium Lite II .05#/sk Static Free .25#/sk Cello Flake 5#/sk KOL Seal .002 gps FP-6L 10% Bentonite .5% Sodium Metasilicate 3% Potassium Chloride	250 sks. +/-	3.38ft³/sk	11.0 ppg
Tail:	9 5/8	Class "G" 2% Calcium Chloride .25#/sk Cello Flake	329 sks. +/-	1.2ft³/sk	15.6 ppg
Top Job:	9 5/8	4% Calcium Chloride .25#/sk Cello Flake	200 sks. +/-	1.10ft³/sk	15.6 ppg

Production casing will be cemented to 350' or higher as follows:

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead: 5 1/2	Premium Lite II .25#/sk Cello Flake .05#/sk Static Free 5#/sk Kol Seal 3% Potassium Chloride .055 gps FP-6L 10% Bentonite .5 Sodium Metasilicate	200 sks +/-	3.3ft <sup>3</sup> /sk	11.0 ppg
Tail: 5 1/2	Class "G" .05% Static Free 2 Sodium Chloride .1% R-3 2% Bentonite	400 sks +/-	1.56ft <sup>3</sup> /sk	14.3 ppg

**5. BOP and Pressure Containment Data:**

The anticipated bottom hole pressure will be less than 3000 psi.

A 3000-psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 9 5/8" surface casing. The BOP system including the casing will be pressure tested to minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation.

## 6. Mud Program:

<u>Interval</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./OT.</u>	<u>Fluid Loss Ml/30 Mins.</u>	<u>Mud Type</u>
0-350	Air/Clear Water	-----	No Control	Water/Gel
350-T.D.	8.4-12.0	30	8-10	Water/Gel

## 7. Auxiliary Equipment

Upper Kelly cock, full opening stabbing valve, 2 1/2" choke manifold and pit level indicator.

## 8. Testing, Coring, Sampling and Logging:

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Every 10' from 350' to T.D.
- d) Logging:

Type	Interval
DLL/SFL W/GR and SP	T.D. to Surf. Csg
FDC/CNL W/GR and CAL	T.D. to Surf. Csg

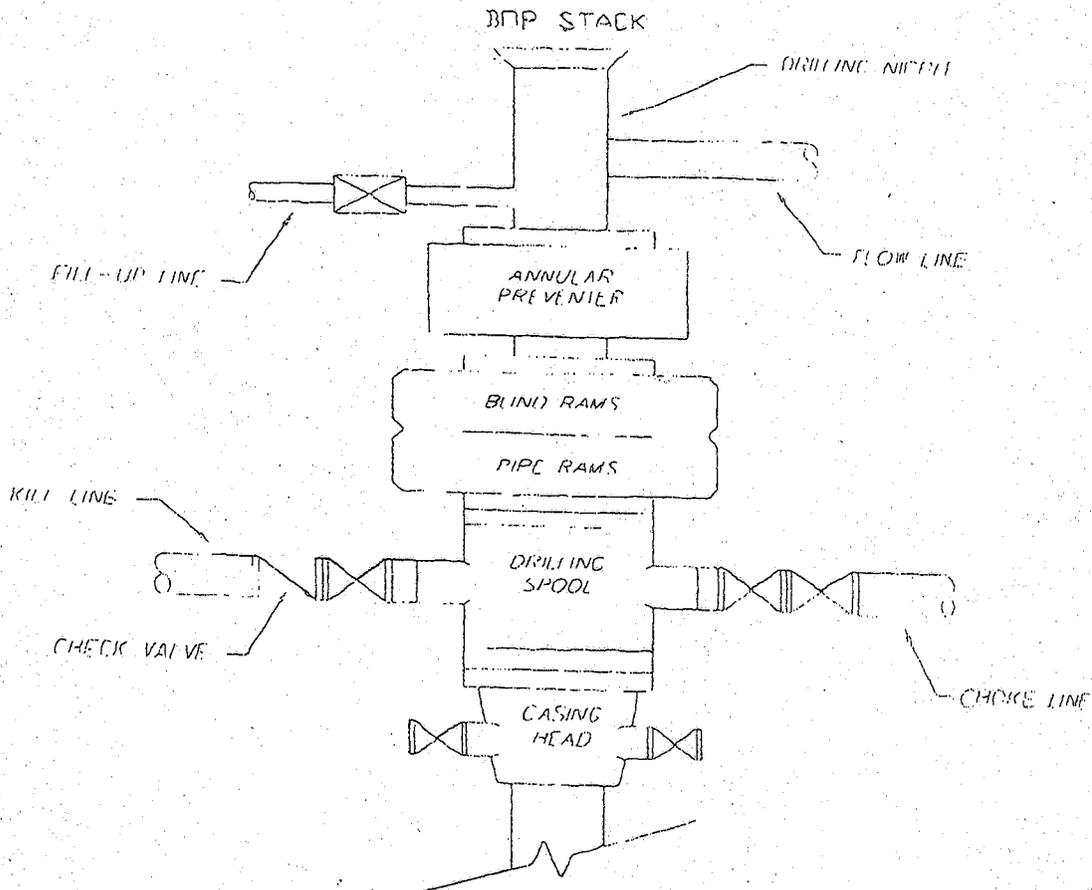
## 9. Abnormalities (including sour gas):

No abnormal pressures, temperatures or other hazards are anticipated. Oil and gas shows are anticipated in the Wasatch Formation. Other wells drilled in the area have not encountered over pressured zones or H<sub>2</sub>S.

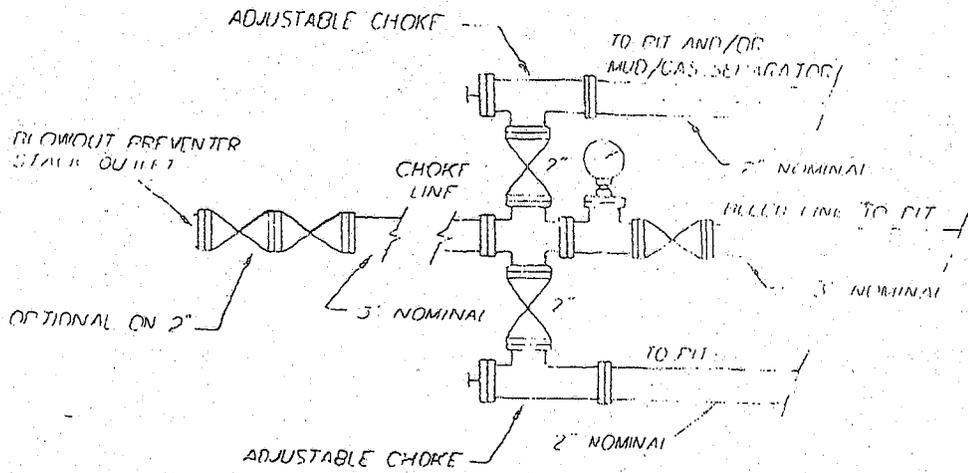
## 10. Drilling Schedule:

The anticipated starting date is October 15, 2005. Duration of operations is expected to be 30 days.

TYPICAL 3,000 p.s.i.  
BLOWOUT PREVENTER SCHEMATIC



TYPICAL 3,000 p.s.i.  
CHOKER MANIFOLD SCHEMATIC



**PARALLEL PETROLEUM CORPORATION**

**13 POINT SURFACE USE PLAN**

**FOR WELL**

**SUNSHINE BENCH #2**

**LOCATED IN NE  $\frac{1}{4}$  NW  $\frac{1}{4}$**

**SECTION 34, T.4S, R22E, S.L.B.&M.**

**UINTAH COUNTY, UTAH**

**LEASE NUMBER: UTU-78437**

**SURFACE OWNERSHIP: FEDERAL**

**1. Existing Roads:**

To reach Parallel Petroleum well Sunshine Bench #2 in Section 34, T4S, R 22 E, Starting in Vernal, Utah.

Proceed in an easterly direction from Vernal, Utah approximately 4.7 miles on 500 South to the junction of this road and an existing road to the south, turn right and proceed in a southwesterly direction approximately 2.2 miles to the junction of this road and an existing two-track to the east; turn left and proceed in a southeasterly direction approximately 3,100' to the proposed access to the Sunshine Bench #1, follow road flags approximately 1,200 to the beginning of the proposed access for the well location, follow road flags in an easterly direction approximately 800' to the proposed location.

Total distance from Vernal, Utah to the proposed well location is approximately 7.9 miles.

All existing roads to the proposed location are State of Utah, BLM maintained or County Class D roads. Please see the attached map for additional details.

**2. Planned access road**

The proposed access road will be approximately 800' +/- of new construction on lease. The road

will be graded once per year minimum and maintained.

- A) Approximate length 800 ft
- B) Right-of-Way width 30 ft
- C) Running surface 18 ft
- D) Surface material Native soil
- E) Maximum grade 5%
- F) Fence crossing None
- G) Culvert None
- H) Turnouts None
- I) Major cuts and fills None
- J) Road Flagged Yes
- K) Access road surface ownership Fee & Federal
- L) All new construction on lease No
- M) Pipe line crossing No

Please see the attached location plat for additional details.

An off lease Right-of-Way will not be required.

All surface disturbances for the road and location will be within the lease boundary.

**3. Location of existing wells**

The following wells are located within a one-mile radius of the location site.

- A) Producing well None
- B) Water well None
- C) Abandoned well None
- D) Temp. abandoned well None
- E) Disposal well None
- F) Drilling /Permitted well None
- G) Shut in wells None
- H) Injection well None
- I) Monitoring or observation well None

Please see the attached map for additional details.

4. Location of tank batteries, production facilities and production gathering service lines.

All production facilities are to be contained within the proposed location site. Please see the attached plat plan for a typical gas well separator installation and well site piping.

All permanent (on site for more than six months or longer) structures constructed or installed will be painted a **Carlsbad Canyon** color. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded. The required paint color is **Carlsbad Canyon**.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank in the battery. The integrity of the dike will be maintained.

The operator will adhere to all site security guidelines and regulation identified in 43 cfr 3126.7.

All off lease storage, off lease measurement, commingling on lease or off lease, of production, will have prior written approval from the authorized officer.

5. Location and type of water supply

**Water for drilling and cementing will come from Vernal City.**

6. Source of construction materials

All construction material for this location site and access road shall be borrow material accumulated during construction of the location site and access road. Additional road gravel or pit lining material will be obtained from private resources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately **8 ft.** deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The reserve pit will be lined.

The reserve pit will be used to store water for drilling. A semi-closed system will be used to drill the well. All fresh water for drilling will come from a frac tank placed on location and from the rig tank. The pit will be used to hold non-flammable materials such as cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

**B) Produced fluids:**

Produced water will be confined to the reserve pit, or if deemed necessary, a storage tank for a period not to exceed 90 days after initial production. During the 90-day period an application for approval for permanent disposal method and location will be submitted to the authorized officer.

**C) Garbage:**

A trash cage fabricated from expanded metal will be used to hold trash on location and will be removed to an authorized landfill location.

**D) Sewage:**

A portable chemical toilet will be supplied for human waste.

**E) Site clean-up:**

After the rig is moved off the location the well site area will be cleaned and all refuse removed.

**8. Ancillary facilities**

There are no ancillary facilities planned at this time and none are foreseen for the future.

**9. Well-site layout**

Location dimensions are as follows:

- A) Pad length                    290 ft**
- B) Pad width                     149 ft**

- C) Pit depth                        8 ft**
- D) Pit length                      130 ft**
- E) Pit width                        40 ft**
- F) Max cut                         6.1 ft**
- G) Max fill                         7.8 ft**
- H) Total cut yds.    3,850 cu yds**
- I) Pit location                    west side**
- J) Top soil location                east end**
- K) Access road location            north end**
- L) Flare Pit                         none**

Please see the attached location diagram for additional details.

All pits will be fenced according to the following minimum standards:

- A) Thirty nine inch net wire shall be used with at least one strand of wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.**
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.**
- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.**
- D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 ft.**
- E) All wire shall be stretched by**

using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. The topsoil removed and piled will amount to approximately **1,000** cubic yards of material. Topsoil will be stockpiled in one distinct pile. Placement of the topsoil is noted on the attached location plat. The topsoil pile from the location will be seeded as soon as the soil is stock piled with the seed mix listed. When all drilling and completion activities have been completed and the pit back-filled the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the soil has been spread. The unused portion of the location (the area outside the dead men) will be re-contoured.

The dirt contractor will be provided with an approved copy of the surface use plan prior to construction activities.

Changes to the drainage during the construction activities shall be restored to its original line of flow or as near as possible when the pit is back-filled

All disturbed areas will be re-contoured to the approximate natural contours. Prior to back filling the pit the fences around the reserve pit will be removed.

The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow back filling, an extension on the time requirement for back filling the pit will be requested. Once reclamation activities have begun, they shall be completed within 30 days.

After the reserve pit has been reclaimed, no depressions in the soil covering the reserve pit will be allowed. The objective is to keep seasonal rainfall and run off from seeping into the soil used to cover the reserve pit. Diversion ditches and water bars will be used to divert the run off as needed.

When restoration activities have been completed, the location site and new access road cuts and shoulders shall be reseeded. Prior to reseeding, all disturbed areas will be scarified. And left with a rough surface.

A) Seeding dates:

Seed will be spread when topsoil is stock piled and when reclamation work is performed.

The seed mix and quantity list will be used whether the seed is broadcast or drilled.

B) Seed Mix

<b>Mat Salt Brush</b>	<b>3#/acre</b>
<b>Crested Wheat</b>	<b>3#/acre</b>

11. Surface ownership:

<b>Access road</b>	<b>Fee &amp; Federal</b>
<b>Location</b>	<b>Federal</b>
<b>Pipe line</b>	<b>None</b>

chemicals will be used without prior application.

12. Other information:

A) Vegetation

The vegetation coverage is slight.

B) Dwellings:

There are no dwelling or other facilities within a one-mile radius of the location.

C) Archeology:

The location has been surveyed. A copy of that survey will be forwarded to your office.

If, during operations, any archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations which would affect such sites will be suspended and the discovery reported promptly to the surface management agency.

D) Water:

**The nearest water is Vernal City Sewer Lagoons.**

E) Chemicals:

No pesticides, herbicides or other possible hazardous

F) Notification:

- a) Location Construction  
At least forty eight (48) hours prior to construction of location and access roads.
- b) Location completion  
Prior to moving on the drilling rig.
- c) Spud notice  
At least twenty-four (24) hours prior to spudding the well.
- d) Casing string and cementing  
At least twenty-four (24) hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests  
At least twenty-four (24) hours prior to initial pressure tests.
- f) First production notice  
Within five (5) business days after the new well begins, or production resumes after well has been off production for more than 90 days.

G) Flare pit:

**None**

13. Lessees or Operator's representative and certification

A) Representative

William A. Ryan  
Rocky Mountain Consulting  
Vernal, UT 84078

Office 435-789-0968  
Fax 435-789-0970  
Cellular 435-828-0968

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, onshore oil and gas orders, and any applicable notices to lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

This drilling permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

**B) 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 and belief, true and correct, and that the work associated with the operation proposed herein will be preformed by Parallel Petroleum and its

contractors and subcontractors in conformity with this plan and terms and conditions with this plan and the terms and conditions under which it is approved.

Date 4/15/05



William A. Ryan, Agent  
Rocky Mountain Consulting

**Onsite Dates: 4/28/05**

### **Statement of use of Hazardous Materials**

No chemical(s) from the EPA's consolidated list of Chemicals subject to Reporting under Title III of the Superfund Amendments and Reauthorization, Act (SARA) of 1986 will be used, produced, transported, stored, disposed, or associated with the proposed action. No extremely hazardous substances, as defined in 40 cfr 355, will be used, produced, stored, transported, disposed, or associated with the proposed action.

If you require additional information please contact:

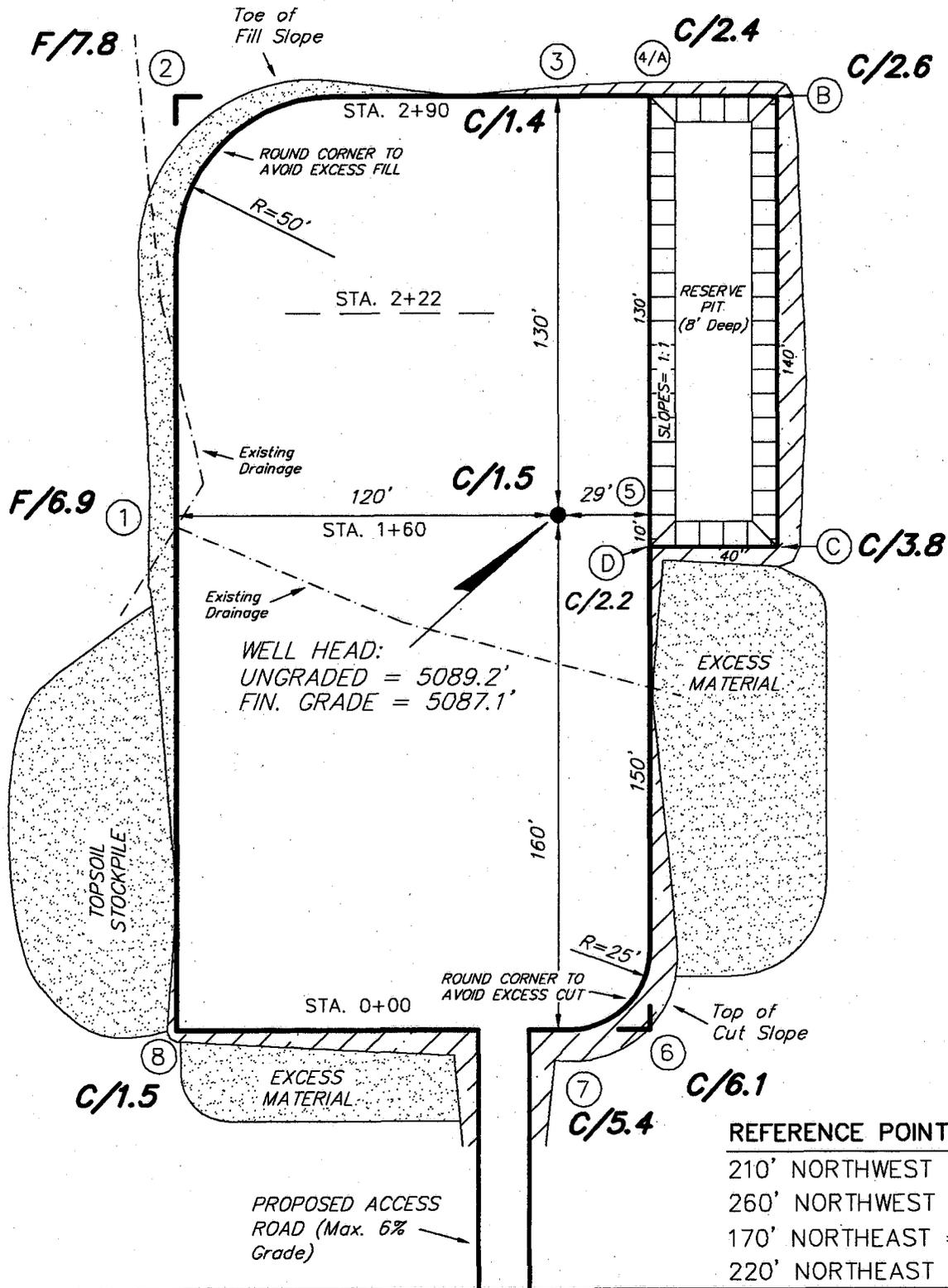
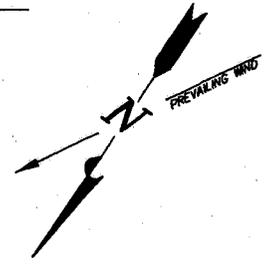
William A Ryan  
Agent for Parallel Petroleum Corporation  
Rocky Mountain Consulting  
290 S 800 E  
Vernal, UT 84078

435-789-0968 Office  
435-828-0968 Cell  
435-789-0970 Fax

# PARALLEL PETROLEUM CORP.

## SUNSHINE BENCH #2

Section 34, T4S, R22E, S.L.B.&M.



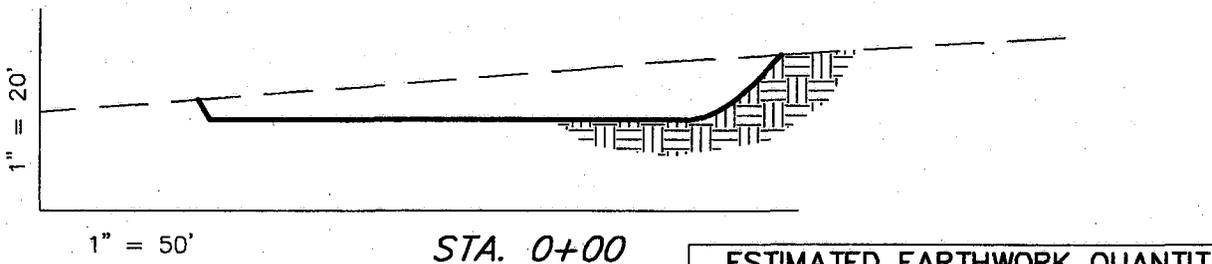
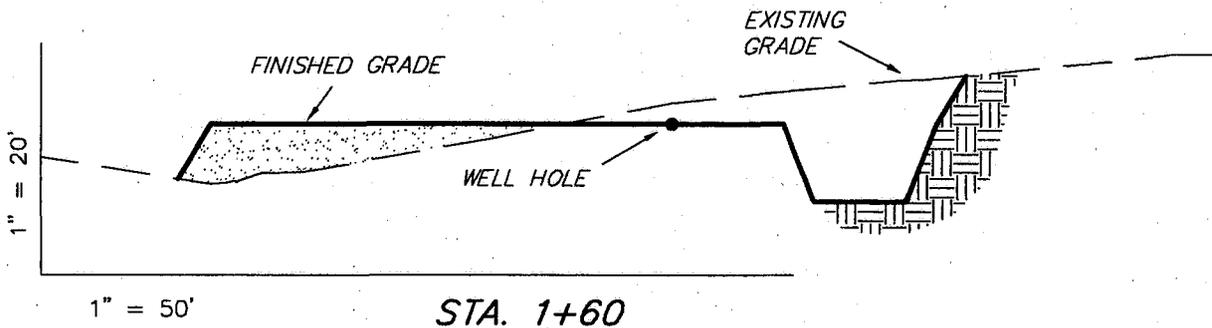
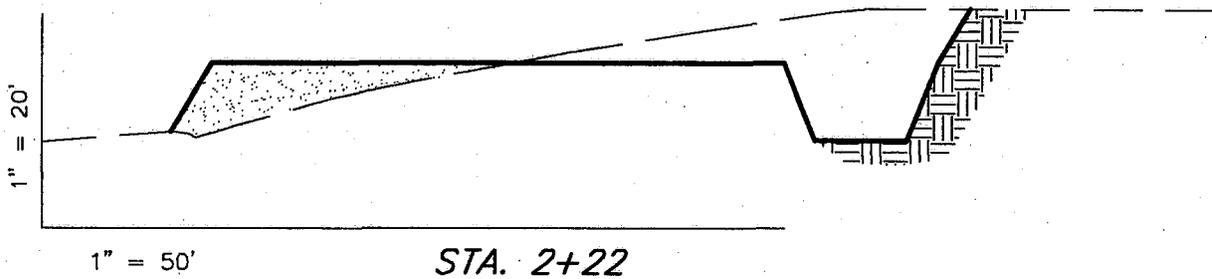
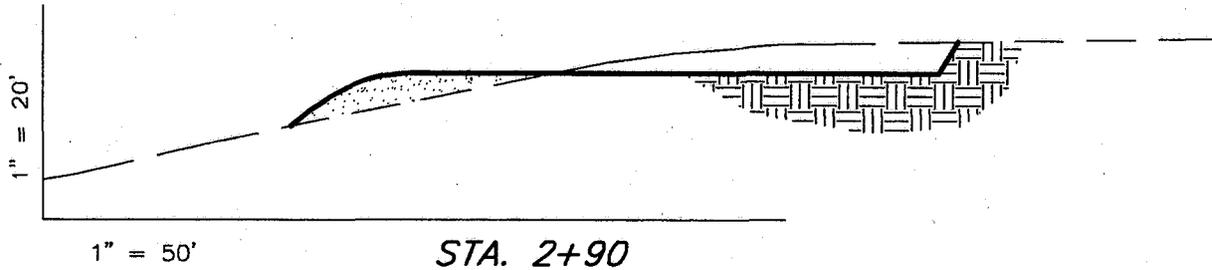
SURVEYED BY: D.P.	SCALE: 1" = 50'
DRAWN BY: F.T.M.	DATE: 5-19-05

**Tri State**  
Land Surveying, Inc.  
180 NORTH VERNAL AVE. VERNAL, UTAH 84078  
(435) 781-2501

# PARALLEL PETROLEUM CORP.

## CROSS SECTIONS

### SUNSHINE BENCH #2



**ESTIMATED EARTHWORK QUANTITIES**  
(No Shrink or swell adjustments have been used)  
(Expressed in Cubic Yards)

ITEM	CUT	FILL	6" TOPSOIL	EXCESS
PAD	2,600	2,600	Topsoil is not included in Pad Cut	0
PIT	1,250	0		1,250
TOTALS	3,850	2,600	1,000	1,250

NOTE:  
UNLESS OTHERWISE NOTED  
ALL CUT/FILL SLOPES ARE  
AT 1.5:1

SURVEYED BY: D.P.

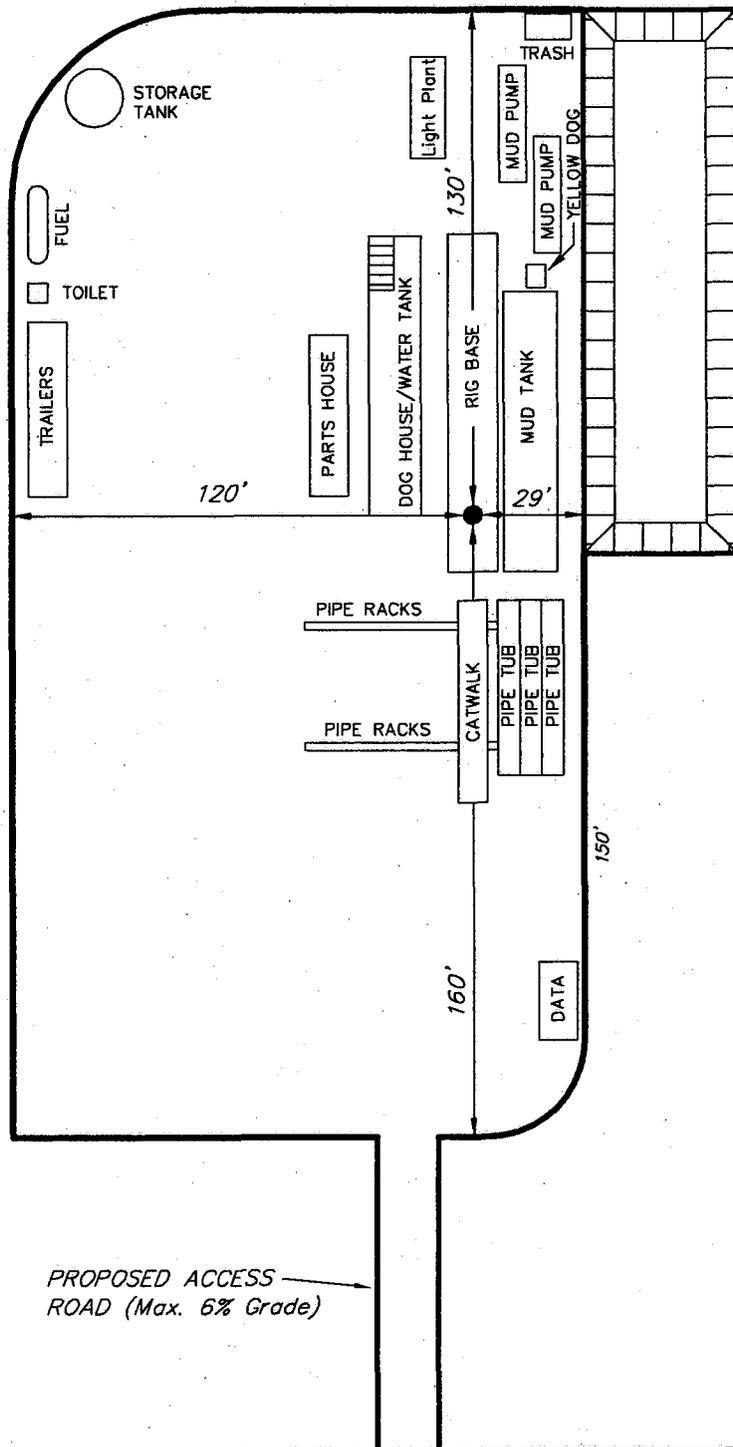
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DRAWN BY: F.T.M.

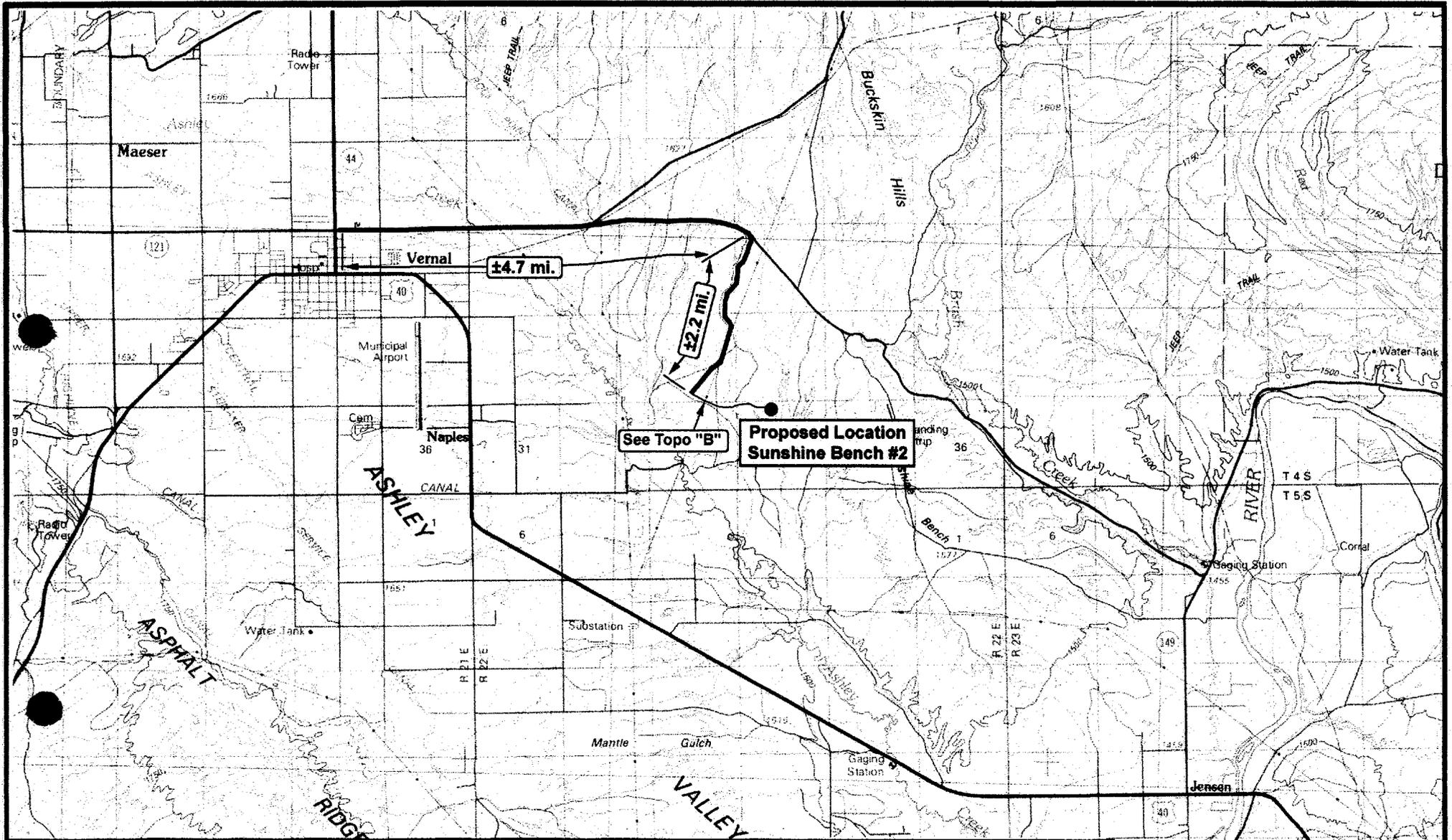
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**Tri State** (435) 781-2501  
Land Surveying, Inc.  
180 NORTH VERNAL AVE. VERNAL, UTAH 84078

**PARALLEL PETROLEUM CORP.**  
**TYPICAL RIG LAYOUT**  
**SUNSHINE BENCH #2**



SURVEYED BY: D.P.	SCALE: 1" = 50'	<b>Tri State</b> Land Surveying, Inc. 180 NORTH VERNAL AVE. VERNAL, UTAH 84078 (435) 781-2501
DRAWN BY: F.T.M.	DATE: 5-19-05	



**PARALLEL PETROLEUM CORP.**

**Sunshine Bench #2  
SEC. 34, T4S, R22E, S.L.B.&M.**



*Tri-State  
Land Surveying Inc.*  
(435) 781-2501  
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1 = 100,000

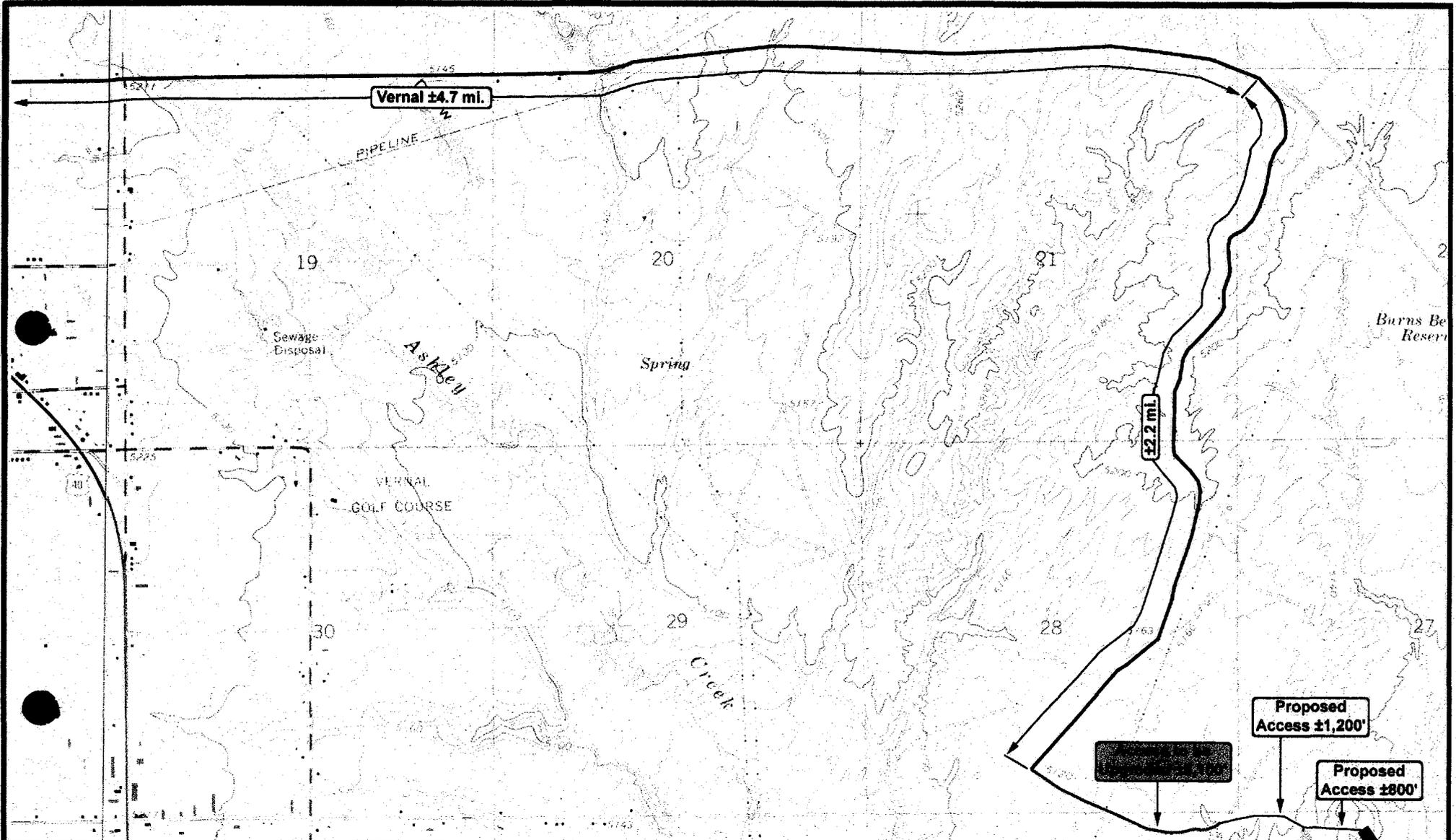
DRAWN BY: bgm

DATE: 05-19-2005

**Legend**  
 Existing Road  
 Proposed Access

TOPOGRAPHIC MAP

**"A"**



**PARALLEL PETROLEUM CORP.**

**Sunshine Bench #2  
SEC. 34, T4S, R22E, S.L.B.&M.**



**Tri-State  
Land Surveying Inc.**  
(435) 781-2501  
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2,000'

DRAWN BY: bgm

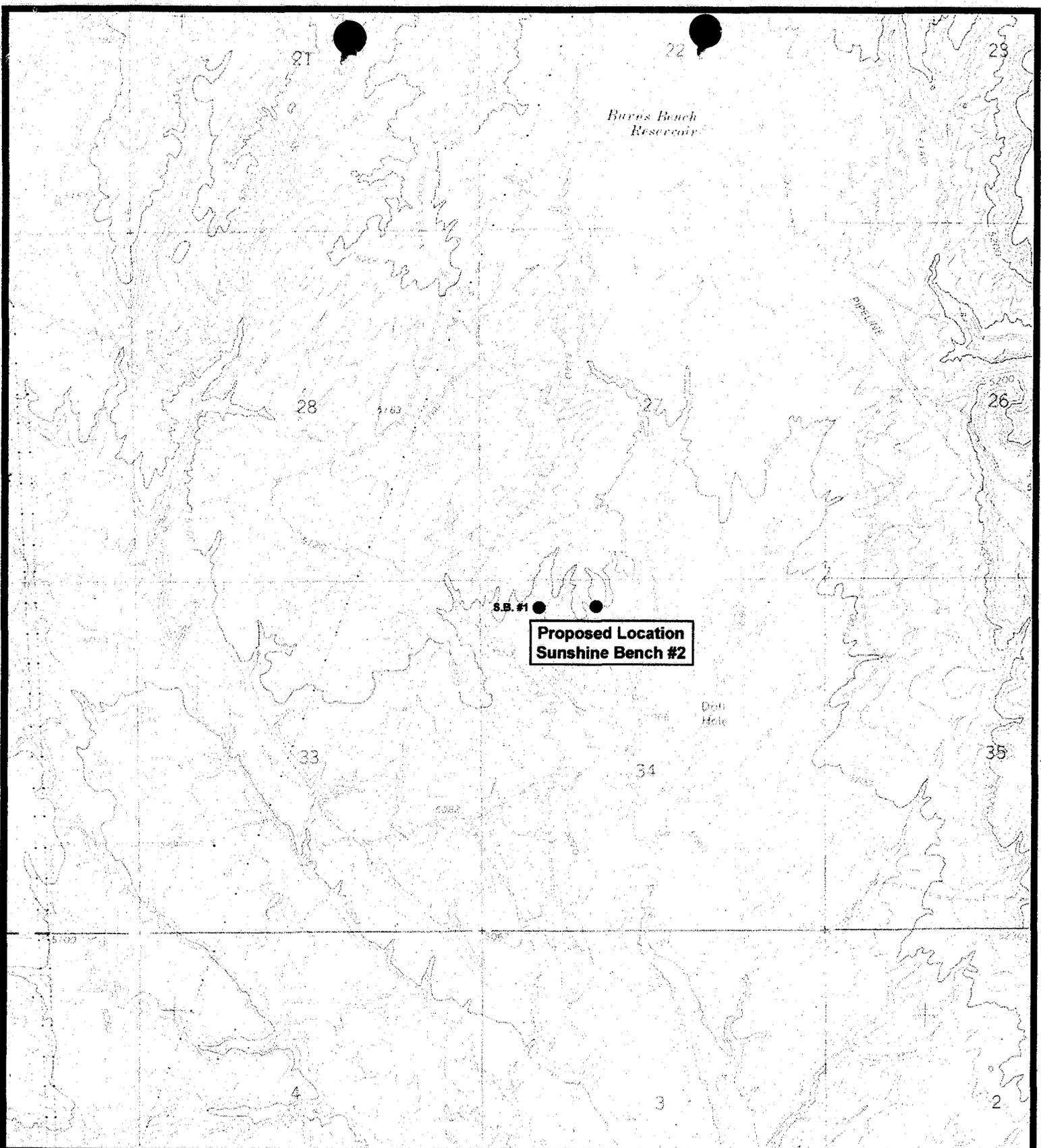
DATE: 05-19-2005

**Legend**

- Existing Road
- Proposed Access
- Existing Two-Track

TOPOGRAPHIC MAP

**"B"**



**PARALLEL PETROLEUM CORP.**

**Sunshine Bench #2  
SEC. 34, T8S, R22E, S.L.B.&M.**



*Tri-State*  
*Land Surveying Inc.*  
(435) 781-2501  
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2,000'

DRAWN BY: bgm

DATE: 03-21-2005

**Legend**

- Location
- One-Mile Radius

TOPOGRAPHIC MAP

**"C"**

**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 05/24/2005

API NO. ASSIGNED: 43-047-36733
--------------------------------

WELL NAME: SUNSHINE BENCH #2  
 OPERATOR: PARALLEL PETROLEUM CORP ( N2720 )  
 CONTACT: BILL RYAN

PHONE NUMBER: 435-789-0968

PROPOSED LOCATION:

NENW 34 040S 220E  
 SURFACE: 0460 FNL 1780 FWL  
 BOTTOM: 0460 FNL 1780 FWL  
 UINTAH  
 WILDCAT ( 1 )

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering		
Geology		
Surface		

LEASE TYPE: 1 - Federal  
 LEASE NUMBER: UTU-78437  
 SURFACE OWNER: 1 - Federal  
 PROPOSED FORMATION: WEBR  
 COALBED METHANE WELL? NO

LATITUDE: 40.43349  
 LONGITUDE: -109.4352

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. UTU-000167 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. T75514 )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

- R649-2-3.  
Unit \_\_\_\_\_
- R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit  
Board Cause No: \_\_\_\_\_  
Eff Date: \_\_\_\_\_  
Siting: \_\_\_\_\_
- R649-3-11. Directional Drill

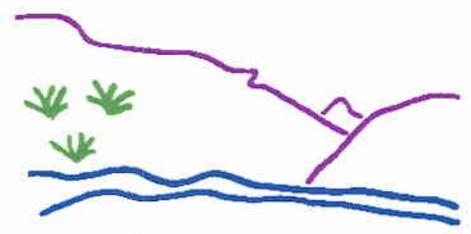
COMMENTS: \_\_\_\_\_

STIPULATIONS: \_\_\_\_\_

*1- Federal Approval*  
*2- Spacing WSP*



OPERATOR: PARALLEL PETRO CORP (N2720)  
 SEC: 34 T. 4S R. 22E  
 FIELD: WILDCAT (001)  
 COUNTY: UINTAH  
 SPACING: R649-3-2 / GENERAL SITING



Utah Oil Gas and Mining

Wells	Units.shp	Fields.shp
↗ GAS INJECTION	EXPLORATORY	ABANDONED
⊗ GAS STORAGE	GAS STORAGE	ACTIVE
× LOCATION ABANDONED	NF PP OIL	COMBINED
⊕ NEW LOCATION	NF SECONDARY	INACTIVE
⊖ PLUGGED & ABANDONED	PENDING	PROPOSED
* PRODUCING GAS	PI OIL	STORAGE
● PRODUCING OIL	PP GAS	TERMINATED
⊖ SHUT-IN GAS	PP GEOTHERML	
⊖ SHUT-IN OIL	PP OIL	
× TEMP. ABANDONED	SECONDARY	
○ TEST WELL	TERMINATED	
⊕ WATER INJECTION		
⊕ WATER SUPPLY		
↘ WATER DISPOSAL		



PREPARED BY: DIANA WHITNEY  
 DATE: 26-MAY-2005



**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

August 17, 2005

Parallel Petroleum Corporation  
1004 N Big Spring St., Suite 400  
Midland, TX 79701

Re: Sunshine Bench #2 Well, 460' FNL, 1780' FWL, NE NW, Sec. 34, T. 4 South,  
R. 22 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-36733.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Uintah County Assessor  
Bureau of Land Management, Vernal District Office

Operator: Parallel Petroleum Corporation

Well Name & Number Sunshine Bench #2

API Number: 43-047-36733

Lease: UTU-78437

Location: NE NW                      Sec. 34                      T. 4 South                      R. 22 East

### Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

September 8, 2005

43-047-36733

BLM, Vernal Field Office  
170 S 800 E  
Vernal, UT 84078

RE: Parallel Petroleum Corp.  
Sunshine Bench #2  
S. 34, T4S, R22E  
UTU-78437  
3160 (UT08300)

Dear Phyllis Phillips,

This letter is in response to your letter dated August 3, 2005 in reference to the subject location. A BLM right-of-way is not required. Parallel Petroleum Corp. has a surface use agreement with Ashley Valley Water Reclamation Facility, the surface owner, for the access road. You may contact Pryor Harrell as the landowner representative and General Manager to confirm this information at 435-789-9805.

Best regards,

  
William A Ryan

DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Budget Bureau No. 1004-0135

Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reenter a different reservoir.

Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.

UTU-78437

6. If Indian, Allottee or Tribe Name

na

7. If Unit or CA, Agreement Designation

na

8. Well Name and No.

Sunshine Bench # 2

9. API Well No.

4304736733

10. Field and Pool, or Exploratory Area

11. County or Parish, State

Uintah Utah

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator

Parallel Petroleum Corp.

3. Address and Telephone No.

1004 N Big Springs, Suite 400 Midland, TX 79701 915-684-3727

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

460' FNL & 1780' FWL NENW

4S 22E 3A

12. CHECK APPROPRIATE BOX(es) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

**TYPE OF SUBMISSION**

Notice of Intent  
 Subsequent Report  
 Final Abandonment Notice

**TYPE OF ACTION**

Abandonment  
 Recompletion  
 Plugging Back  
 Casing Repair  
 Altering Casing  
 Other \_\_\_\_\_  
 Change of Plans  
 New Construction  
 Non-Routine Fracturing  
 Water Shut-Off  
 Conversion to Injection  
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Due to a typo the ten point plan has incorrect formation tops. Please find the attached, corrected ten point plan for the subject location.

William A Ryan, Agent  
290 S 800 E  
Vernal, UT 84078

Accepted by the  
Utah Division of  
Oil, Gas and Mining  
FOR RECORD ONLY

RECEIVED  
SEP 22 2005

DIR. OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct

Signed William A Ryan Title Agent Date 09/19/05

(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

\*See Instructions on Reverse Side

**Ten Point Plan**

**Parallel Petroleum Corp.**

**Sunshine Bench #2**

**Surface Location Section 34, Township 4 South, Range 22 East NE/NW**

**1. Surface Formation**

Frontier

**2. Estimated Formation Tops and Datum:**

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
	Surface	5,087.1' G.R.
Frontier	900'	4,187.1'
Dakota	1,250'	3,837.1'
Salt Wash	1,800'	3,287.1'
Weber	4,800'	287.1'
TD	5,600'	-512.9'

**3. Producing Formation Depth:**

Formation objective includes the Frontier, Dakota, Salt Wash, and Weber formations.

Off Set Well information (Wells within a one-mile radius)

Sunshine Bench #1

**4. Proposed Casing:**

<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight/FT</u>	<u>Grade</u>	<u>Coupling &amp; Tread</u>	<u>Casing Depth</u>	<u>New/Used</u>
12 1/4	9 5/8	36#	J-55	ST&C	350	NEW
7 7/8	5 1/2	15.5#	N-80	LT&C	T.D.	NEW

**Cement Program:**

The Surface Casing will be cemented to the Surface as follows:

	<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead:	9 5/8	Premium Lite II .05#/sk Static Free .25#/sk Cello Flake 5#/sk KOL Seal .002 gps FP-6L 10% Bentonite .5% Sodium Metasilicate 3% Potassium Chloride	250 sks. +/-	3.38ft <sup>3</sup> /sk	11.0 ppg
Tail:	9 5/8	Class "G" 2% Calcium Chloride .25#/sk Cello Flake	329 sks. +/-	1.2ft <sup>3</sup> /sk	15.6 ppg
Top Job:	9 5/8	4% Calcium Chloride .25#/sk Cello Flake	200 sks. +/-	1.10ft <sup>3</sup> /sk	15.6 ppg

Production casing will be cemented to 350' or higher as follows:

	<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead:	5 1/2	Premium Lite II .25#/sk Cello Flake .05#/sk Static Free 5#/sk Koi Seal 3% Potassium Chloride .055 gps FP-6L 10% Bentonite .5 Sodium Metasilicate	200 sks +/-	3.3ft <sup>3</sup> /sk	11.0 ppg
Tail:	5 1/2	Class "G" .05% Static Free 2 Sodium Chloride .1% R-3 2% Bentonite	400 sks +/-	1.56ft <sup>3</sup> /sk	14.3 ppg

**5. BOP and Pressure Containment Data:**

The anticipated bottom hole pressure will be less than 3000 psi.

A 3000-psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 9 5/8" surface casing. The BOP system including the casing will be pressure tested to minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation.

**6. Mud Program:**

<u>Interval</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./OT.</u>	<u>Fluid Loss Ml/30 Mins.</u>	<u>Mud Type</u>
0-350	Air/Clear Water	-----	No Control	Water/Gel
350-T.D.	8.4-12.0	30	8-10	Water/Gel

**7. Auxiliary Equipment**

Upper Kelly cock, full opening stabbing valve, 2 1/2" choke manifold and pit level indicator.

**8. Testing, Coring, Sampling and Logging:**

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Every 10' from 350' to T.D.
- d) Logging: 

Type	Interval
DLL/SFL W/GR and SP	T.D. to Surf. Csg
FDC/CNL W/GR and CAL	T.D. to Surf. Csg

**9. Abnormalities (including sour gas):**

No abnormal pressures, temperatures or other hazards are anticipated. Oil and gas shows are anticipated in the Wasatch Formation. Other wells drilled in the area have not encountered over pressured zones or H<sub>2</sub>S.

**10. Drilling Schedule:**

The anticipated starting date is October 15, 2005. Duration of operations is expected to be 30 days.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS SEP 21 2005

Do not use this form for proposals to drill or to deepen or reenter a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.  
UTU-78437

6. If Indian, Allottee or Tribe Name  
na

7. If Unit or CA, Agreement Designation  
na

8. Well Name and No.  
Sunshine Bench # 2

9. API Well No.  
4304736733

10. Field and Pool, or Exploratory Area

11. County or Parish, State  
Uintah Utah

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well     Gas Well     Other

2. Name of Operator

Parallel Petroleum Corp.

3. Address and Telephone No.

1004 N Big Springs, Suite 400 Midland, TX 79701    915-684-3727

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

460' FNL & 1780' FWL NENW  
S34 T4S R22E

12. CHECK APPROPRIATE BOX(es) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

Notice of Intent

Subsequent Report

Final Abandonment Notice

TYPE OF ACTION

Abandonment

Recompletion

Plugging Back

Casing Repair

Altering Casing

Other \_\_\_\_\_

Change of Plans **APP**

New Construction

Non-Routine Fracturing

Water Shut-Off

Conversion to Injection

Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Due to a typo the ten point plan has incorrect formation tops. Please find the attached, corrected ten point plan for the subject location.

William A Ryan, Agent  
290 S 800 E  
Vernal, UT 84078

**CONDITIONS OF APPROVAL ATTACHED**

DATE OF LIST. \_\_\_\_\_

ENG. **ML** 9-27-05

GEOL. \_\_\_\_\_

E.S. \_\_\_\_\_

PET. \_\_\_\_\_

A.M. \_\_\_\_\_

14. I hereby certify that the foregoing is true and correct

Signed William A Ryan Title Agent Date 09/19/05

(This space for Federal or State official use)  
Approved by Michael Lee Title Patroleum Engineer Date 9-28-2005  
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

\*See Instructions on Reverse Side

**RECEIVED**

OCT 11 2005

DIV. OF OIL, GAS & MINING

UDOGM

**Ten Point Plan**  
**Parallel Petroleum Corp.**  
**Sunshine Bench #2**

**Surface Location Section 34, Township 4 South, Range 22 East NE/NW**

**1. Surface Formation**

Frontier

**2. Estimated Formation Tops and Datum:**

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
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Off Set Well information (Wells within a one-mile radius)

Sunshine Bench #1

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<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight/FT</u>	<u>Grade</u>	<u>Coupling &amp; Tread</u>	<u>Casing Depth</u>	<u>New/Used</u>
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Tail:	9 5/8	Class "G" 2% Calcium Chloride .25#/sk Cello Flake	329 sks. +/-	1.2ft³/sk	15.6 ppg
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Production casing will be cemented to 350' or higher as follows:

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amounts</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
Lead: 5 1/2	Premium Lite II .25#/sk Cello Flake .05#/sk Static Free 5#/sk Kol Seal 3% Potassium Chloride .055 gps FP-6L 10% Bentonite .5 Sodium Metasilicate	200 sks +/-	3.3ft <sup>3</sup> /sk	11.0 ppg
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## 6. Mud Program:

<u>Interval</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./OT.</u>	<u>Fluid Loss Ml/30 Mins.</u>	<u>Mud Type</u>
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350-T.D.	8.4-12.0	30	8-10	Water/Gel

## 7. Auxiliary Equipment

Upper Kelly cock, full opening stabbing valve, 2 1/2" choke manifold and pit level indicator.

## 8. Testing, Coring, Sampling and Logging:

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Every 10' from 350' to T.D.
- d) Logging: 

Type	Interval
DLL/SFL W/GR and SP	T.D. to Surf. Csg
FDC/CNL W/GR and CAL	T.D. to Surf. Csg

## 9. Abnormalities (including sour gas):

No abnormal pressures, temperatures or other hazards are anticipated. Oil and gas shows are anticipated in the Wasatch Formation. Other wells drilled in the area have not encountered over pressured zones or H<sub>2</sub>S.

## 10. Drilling Schedule:

The anticipated starting date is October 15, 2005. Duration of operations is expected to be 30 days.

Parallel Petroleum Corp.  
Change Plans  
Sundry – Notice of Intent

Well: Sunshine Bench 2

Location: NENW Sec. 34, T04S, R22E

Lease: UTU-78437

Field:

**Conditions of Approval**

Sundry Notices and Reports on Wells

Type of Submission: Notice of Intent

Type of Action: Change Plans (info in Drilling plan correction / formation tops)

APD Modification as described in NOI Sundry is granted with the following condition(s):

1. All other conditions of approval associated with the previously approved APD must be adhered to.

If you have any other questions concerning this matter, please contact Michael Lee at (435) 781-4432.

noi coa APD Modification info in Drilling plan correction / formation tops : 2005-09-28  
ml

43047 36733

**UNITED STATES  
DEPARTMENT OF THE INTERIOR**  
BUREAU OF LAND MANAGEMENT

MAY 23 2005

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

1a TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. UTU-78437
B TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME NA
2. NAME OF OPERATOR Parallel Petroleum Corp. 915-684-3727		7. UNIT AGREEMENT NAME NA
3. ADDRESS OF OPERATORS 1004 N Big Spring ST, Suite 400 Midland, TX 79701		8. FARM OR LEASE NAME NA
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirement) at surface 460' FNL & 1780' FWL NENW At proposed prod. Zone		9. WELL NO. Sunshine Bench #2
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 7.9 miles East of Vernal, UT		10. FIELD OR LEASE NAME
15. DISTANCE FROM PROPOSED LOC. TO NEAREST PROP. OR LEASE LINE, FT. (Also to nearest drlg. Unit line, if any) 460'	16. NO. OF ACRES IN LEASE	11. Sec., T., R., M., OR BLK AND SURVEY OR AREA Sec. 34, T4S, R22E
16. DISTANCE FROM PROPOSED LOCATION * TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1200'	19. PROPOSED DEPTH 5,600	12. COUNTY OR PARISH Uintah
21. ELEVATION (SHOW WHETHER DF, RT, GR, etc.) 5087.1 GR	17. NO. OF ACRES ASSIGNED TO THIS WELL 40	13. STATE Utah
		20. ROTARY OR CABLE TOOLS Rotary
		22. APPROX. DATE WORK WILL START Oct. 15, 2005

PROPOSED CASING AND CEMENT PROGRAM				
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4	9 5/8	36	300'	To Surface
7 7/8	5 1/2	15.5	T.D.	To Surface

**Operator requests permission to drill the subject well.  
Please see the attached 10 Point and 13 Point Surface Use Plan.**

**If you require additional information please contact:**

**William Ryan  
290 S 800 E  
Vernal, Utah  
435-789-0968**

**RECEIVED  
NOV 08 2005  
DIV. OF OIL, GAS & MINING**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposed in to deepen or plug back, give data on proposed productive zone and proposed new productive zone. If proposal is to drill or deepen directional, give pertinent data on subsurface location and measure and true vertical depths. Give blowout preventer program, if any.

24

SIGNATURE William A Ryan TITLE Agent DATE April 15, 2005

(This space for Federal or State Office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

APPROVED BY Kevin B. Claug TITLE Assistant Field Manager Mineral Resources DATE 11/01/2005

CONDITIONS OF APPROVAL, IF ANY: \_\_\_\_\_

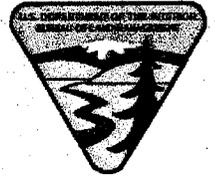
**\*See Instructions on Reverse Side**

Title 18 U. S. C. Section 1001, makes 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.

**NOTICE OF APPROVAL CONDITIONS OF APPROVAL ATTACHED**



UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
VERNAL FIELD OFFICE  
170 South 500 East VERNAL, UT 84078 (435) 781-4400



**CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL**

Company: Parallel Petroleum Corp. Location: NENW Sec 34, T14S, R22E  
Well No: Sunshine Bench #2 Lease No: UTU-78437

Petroleum Engineer: Matt Baker Office: 435-781-4490 Cell: 435-828-4470  
Petroleum Engineer: Michael Lee Office: 435-781-4432 Cell: 435-828-7875  
Supervisory Petroleum Technician: Jamie Sparger Office: 435-781-4502 Cell: 435-828-3913  
BLM FAX Machine 435-781-4410

**A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR  
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations.

***Downhole Conditions of Approval***

All provisions outlined in Onshore Oil and Gas Order #2 Drilling Operations shall be strictly adhered to. The following items are emphasized:

**SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL**

1. None

**DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS**

1. There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well. Any changes in operation must have prior approval from the BLM, Vernal Field Office Petroleum Engineers.
2. The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.

3. **Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.**

4. Blowout prevention equipment (BOPE) will remain in use until the well is completed or abandoned. Closing unit controls must remain unobstructed and readily accessible at all times. Choke manifolds must be located outside of the rig substructure.

All BOPE components will be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil and Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests must be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test must be reported in the driller's log.

BOP drills must be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil and Gas Order No. 2.

Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.

No aggressive/fresh hard-banded drill pipe shall be used within casing.

5. All shows of fresh water and minerals will be reported and protected. A sample will be taken of any water flows and a water analysis furnished the BLM, Vernal Field Office. All oil and gas shows will be adequately tested for commercial possibilities, reported, and protected.
6. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the BLM, Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM, Vernal Field Office must be obtained and notification given before resumption of operations.
7. Chronologic drilling progress reports must be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.

Any change in the program must be approved by the BLM, Vernal Field Office. "Sundry Notices and Reports on Wells" (Form BLM 3160-5) must be filed for all changes of plans and other operations in accordance with 43 CFR ' 3162.3-2.

Emergency approval may be obtained orally, but such approval does not waive the written report requirement. Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, will require the filing of a suitable plan pursuant to Onshore Oil and Gas Order No. 1 of 43 CFR 3164.1 and prior approval by the BLM, Vernal Field Office.

In accordance with 43 CFR ' 3162.4-3, this well must be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report should be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.

8. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) will be submitted only when requested by the BLM, Worland Field Office.

**Please submit an electronic copy of all logs run on this well in LAS format to UT\_VN\_Wellologs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM. The cement bond log must be submitted in raster format (TIF, PDF other).**

9. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease will have prior written approval from the BLM, Vernal Field Office.

All measurement points shall be identified as point of sales or allocation for royalty determination prior to the installation of facilities.

10. Oil and gas meters will be calibrated in place prior to any deliveries. The Field Office Petroleum Engineers will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the BLM, Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement.
11. A schematic facilities diagram as required by Onshore Oil and Gas Order No. 3 shall be submitted to the BLM, Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil and Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil and Gas Order No. 3.
12. This APD is approved subject to the requirement that, should the well be successfully completed for production, the BLM, Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:

- a. Operator name, address, and telephone number.
  - b. Well name and number.
  - c. Well location (¼¼, Sec., Twn, Rng, and P.M.).
  - d. Date well was placed in a producing status (date of first production for which royalty will be paid).
  - e. The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
  - f. The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
  - g. Unit agreement and / or participating area name and number, if applicable.
  - h. Communitization agreement number, if applicable.
13. Any venting or flaring of gas will be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from Field Office Petroleum Engineers.
14. All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events as defined in NTL3A, will be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.
15. Pursuant to Onshore Oil and Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method should be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
16. Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.

Company/Operator: Parallel Petroleum Corp.  
Well Name & Number: Sunshine Bench #2  
Lease Number: UTU78437  
Location: NENW Sec.34 T4S R22E

API Number: 43-047-36733  
Surface Ownership: BLM  
Date NOS Received: 4/21/2005  
Date APD Received: 5/23/2005

- If any paleontological or cultural materials are encountered, stop work immediately and report the find to this office.
- Paint all facilities Fuller O'Brian color Carlsbad Canyon. Any paint brand may be used provided the colors match.
- No drilling or construction will be allowed between April 1-August 15 for Burrowing Owl nesting.
- The authorized officer may prohibit surface disturbing activities during wet and muddy periods to minimize watershed damage. This limitation does not apply to operation and maintenance of producing wells.
- All pounds are in pure live seed.
- Reseeding may be required if first seeding is not successful.
- The topsoil from the reserve pit should be stripped and piled separately near the reserve pit. When the reserve pit is closed, it shall be recontoured and the topsoil respread, and the area shall be seeded in the same manner as the location topsoil.
- Once the location is plugged and abandoned, it shall be recontoured to natural contours, topsoil respread where appropriate, and the entire location seeded with the recommended seed mix. Seeding should take place by broadcasting the seed and walking it into the soil with a dozer immediately after the dirt work is completed.
- Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee shall submit to the Authorized Officer (AO), on Sundry Notice Form 3160-5, an Interim Surface Reclamation Plan for surface disturbance on well pads, access roads, and pipelines. At a minimum, this will include the reshaping of the pad to the original contour to the extent possible; the respreading of the top soil up to the rig anchor points; and, the area reseeded using appropriate reclamation methods. The AO will provide written approval or concurrence within 30 calendar days of receipt.



**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

October 2, 2006

Ginger Stringham  
Parallel Petroleum Corporation  
1004 N Big Springs St., Suite 400  
Midland, TX 79701

Re: APD Rescinded –Sunshine Bench 2 Sec. 34 T. 4S R. 22E  
Uintah County, Utah API No. 43-047-36733

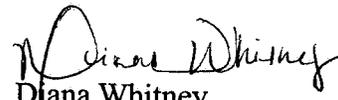
Dear Ms. Stringham:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on August 17, 2005. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 2, 2006.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

  
Diana Whitney  
Engineering Technician

cc: Well File  
Bureau of Land Management, Vernal