

**STATE OF UTAH**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT   
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>			5. MINERAL LEASE NO: <b>ML-49049</b>	6. SURFACE: <b>Fee</b>
1A. TYPE OF WORK: <b>DRILL</b> <input checked="" type="checkbox"/> <b>REENTER</b> <input type="checkbox"/> <b>DEEPEN</b> <input type="checkbox"/>			7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: <b>OIL</b> <input type="checkbox"/> <b>GAS</b> <input type="checkbox"/> <b>OTHER</b> <u>Core Test</u> <b>SINGLE ZONE</b> <input checked="" type="checkbox"/> <b>MULTIPLE ZONE</b> <input type="checkbox"/>			8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: <b>Parallel Petroleum Corp.</b>			9. WELL NAME and NUMBER: <b>Trail Creek Anticline 1-2-6-25</b>	
3. ADDRESS OF OPERATOR: <b>1004 N. Big Springs ST, CITY Midland STATE TX ZIP 79701</b>			10. FIELD AND POOL, OR WILDCAT: <b>Widdow</b>	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: <b>667' FNL &amp; 552' FEL SENE</b> AT PROPOSED PRODUCING ZONE: <b>same as above</b>			11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SENE 2 6S 25E</b>	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: <b>20.81 miles Northeast of Jensen, UT</b>			12. COUNTY: <b>Uintah</b>	13. STATE: <b>UTAH</b>
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) <b>552'</b>	16. NUMBER OF ACRES IN LEASE: <b>514.78</b>	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: <b>40</b>		
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) <b>NA</b>	19. PROPOSED DEPTH: <b>1,500</b>	20. BOND DESCRIPTION: <b>UTB-000-167</b>		
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): <b>5887.9</b>	22. APPROXIMATE DATE WORK WILL START: <b>8/1/2006</b>	23. ESTIMATED DURATION: <b>30 days</b>		

**24. PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT

**25. ATTACHMENTS**

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) William A Ryan TITLE Agent  
SIGNATURE *William A Ryan* DATE 6/14/2006

(This space for State use only)  
API NUMBER ASSIGNED: 49-04738324

**Approved by the  
Utah Division of  
Oil, Gas and Mining**

APPROVAL:  
Date: 05-29-08  
By: *[Signature]*

**RECEIVED  
JUN 22 2006  
DIV. OF OIL, GAS & MINING**

**Ten Point Plan**

**Parallel Petroleum Corporation**

**Trail Creek Anticline 1-2-6-25**

**Surface Location SE ¼ NE ¼, Section 2, T. 6S., R. 25E.**

**1. Surface Formation**

Shinarump

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

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
Shinarump	Surface	+5,888' G.L.
Anhydrite	300	+5,588'
Phosphoria	600	+5,288'
Weber	750	+5,138'
TD	1,500	+4,388'

**3. Producing Formation Depth:**

Formation objective includes the Weber and its sub-members.

**Off Set Well information:**

None

**4. Proposed Casing:**

No Casing is planned.

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

None

**6. Mud Program:**

<u>Interval</u>	<u>Mud weight</u> <u>lbs./gal.</u>	<u>Viscosity</u> <u>Sec./OT.</u>	<u>Fluid Loss</u> <u>MI/30 Mins.</u>	<u>Mud Type</u>
0-TD	Clear Water	NA	No Control	Gel/Water

**7. Auxiliary Equipment**

None

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

- a) Test: None are anticipated.
- b) Coring: Surface to TD
- c) Sampling: Core is sample
- d) Logging: natural gamma, neutron density and resistivity, and electric logs from TD to surface

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

No abnormal pressures, temperatures or other hazards are anticipated.

**10. Drilling Schedule:**

The anticipated starting date is 8/1/06. Duration of operations is expected to be 30 days.

**PARALLEL PETROLEUM CORP**

**13 POINT SURFACE USE PLAN**

**FOR WELL**

**TRAIL CREEK ANTICLINE 1-2-6-25**

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

**SECTION 2, T.6S, R25E, S.L.B.&M.**

**UINTAH COUNTY, UTAH**

**LEASE NUMBER: ML-49049**

**SURFACE OWNERSHIP: FEE**

1. Existing Roads:

To reach Parallel Petroleum Corporation test well, Trail Creek Anticline 1-2-6-25, in Section 2, T6S, R25E, Starting in Jensen, Utah:

Proceed in an easterly direction from Jensen, Utah along U.S. Highway 40 approximately 12.4 miles to the junction of this road and an existing road to the north; turn left and proceed in an easterly, then northeasterly direction approximately 3.1 miles to the junction of this road and an existing jeep trail to the east; turn right and proceed in a southeasterly, then northeasterly, then northerly, then southerly direction approximately 3.95 miles to the beginning of the proposed access to the south; follow road flags in a southerly direction approximately 1915' to the proposed location.

Total distance from Jensen, Utah to the proposed test well location is approximately 20.81 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 525' of new construction on lease and approximately 1390' of new construction off lease. The road

will be graded once per year minimum and maintained.

- A) Approximate length 1915 ft
- B) Right of Way width 30 ft
- C) Running surface 18 ft
- D) Surface material Native soil
- E) Maximum grade 8%
- 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 Federal & Fee
- L) All new construction on lease No
- M) Pipe line crossing None

Please see the attached location plat for additional details.

An off lease right-of-way will be required for approximately 1,390' +/- . A Right-of-Way application has been filed with the BLM, Vernal Field Office.

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

**D) Monitoring or observation well**  
**None**

fluids, chemicals, produced fluids, etc.

Please see the attached map for additional details.

**B) Produced fluids:**

4. Location and type of water supply

**Water for drilling and cementing will come from Dalbo/A-1 Tank Vernal City Tap.**

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. **Evaporation may be used instead of trucking to facilitate closing and reclamation of the reserve pit. A pumping system would be used for evaporation.**

5. 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.

**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.

6. Methods for handling waste disposal

**A) Pit construction and liners:**

The reserve pit will be approximately **5 ft.** deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

**D) Sewage:**

A portable chemical toilet will be supplied for human waste.

The reserve pit will be lined.

**E) Site clean-up:**

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

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

7. Ancillary facilities

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

8. Well-site layout

Location dimensions are as follows:

- A) Pad length 125 ft.
- B) Pad width 125 ft.
- C) Pit depth 5 ft.
- D) Pit length 30 ft.
- E) Pit width 15 ft.
- F) Max cut 3.9 ft.
- G) Max fill 3.0 ft.
- H) Total cut yds. 540 cu yds
- I) Pit location East end
- J) Top soil location West 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.

9. 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 320 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

**To be determined by the Authorized Officer.**

10. Surface ownership:

<b>Access road Location</b>	<b>Fee &amp; Federal Fee</b>
---------------------------------	----------------------------------

11. Other information:

A) Vegetation

The vegetation coverage is Slight. The majority of the existing vegetation consists of non-native species. Rabbit brush, bitter brush. Indian Rice grass, Cedar Trees and Sagebrush are also found on the location.

B) Dwellings:

There are no dwellings 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 the Green River located 16 miles to the West.**

E) Chemicals:

No pesticides, herbicides or other possible hazardous chemicals will be used without prior application.

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 wireline rig.
- c) Spudde notice:  
At least twenty-four (24) hours prior to spudding the well.
- d) Casing string and cementing:  
Not applicable.
- e) BOP and related equipment tests:  
Not applicable.
- f) First production notice:  
Not applicable.

G) Flare pit:

None.

12. Lessees or Operator's representative and certification

A) Representative

William A. Ryan  
Rocky Mountain Consulting  
290 S 800 E  
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  
performed by Parallel  
Petroleum Corp. and its  
contractors and subcontractors  
in conformity with this plan  
and the terms and conditions  
under which it is approved.

Date: June 14, 2006

  
William A. Ryan, Agent  
Rocky Mountain Consulting

**Onsite Dates:**

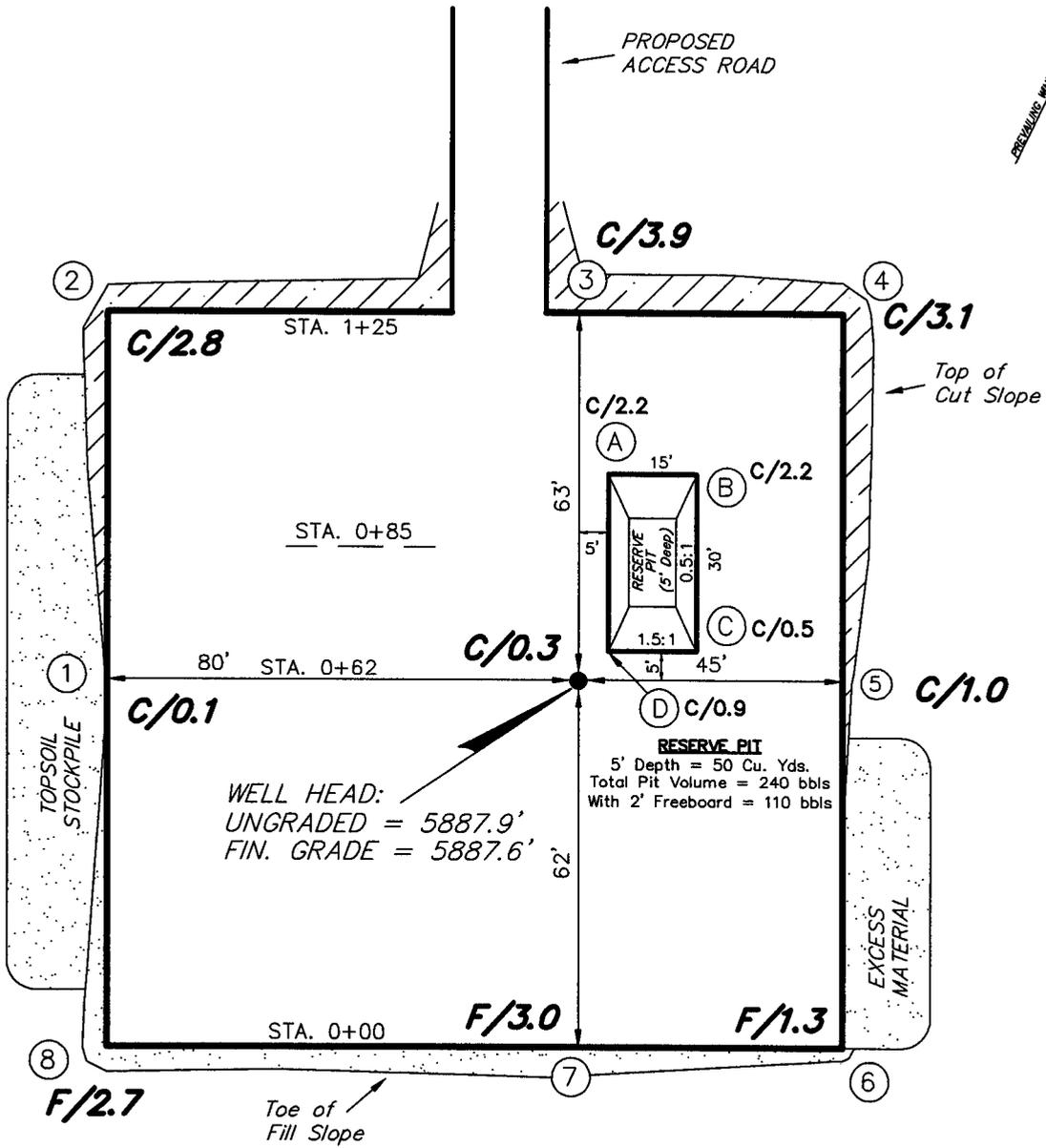
Landowner Contact  
Information is as follows:

Lynn Siddoway  
319 N 850 W  
Vernal, UT 84078  
435-789-2730

# PARALLEL PETROLEUM CORP.

## TRAIL CREEK ANTICLINE 1-2-6-25

Section 2, T6S, R25E, S.L.B.&M.



### REFERENCE POINTS

- 130' WEST = 5887.8'
- 180' WEST = 5887.3'
- 112.5' SOUTH = 5882.9'
- 162.5' SOUTH = 5881.4'

SURVEYED BY: K.G.S.

SCALE: 1" = 30'

DRAWN BY: F.T.M.

DATE: 01-25-06

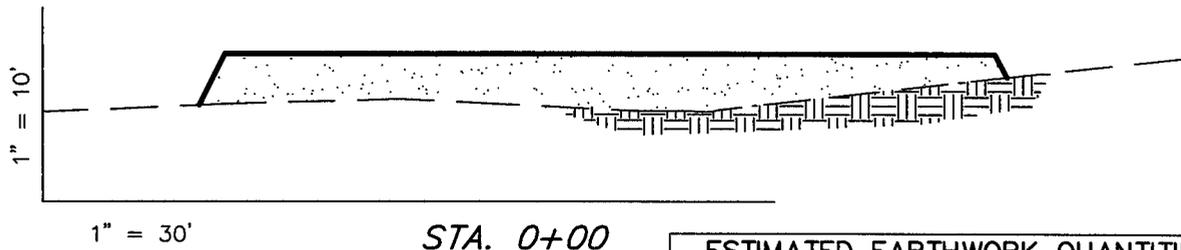
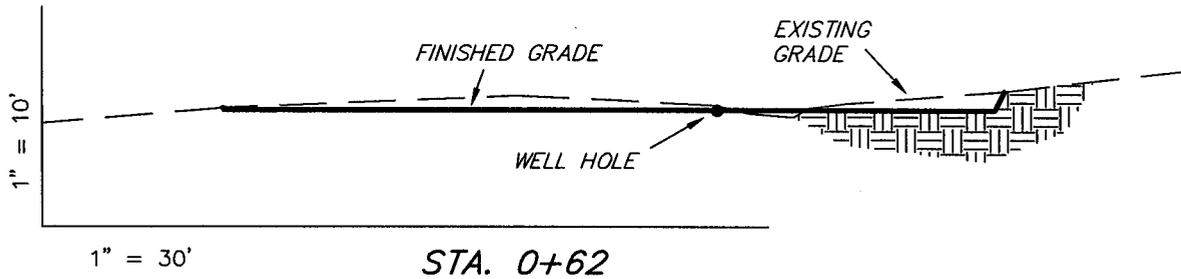
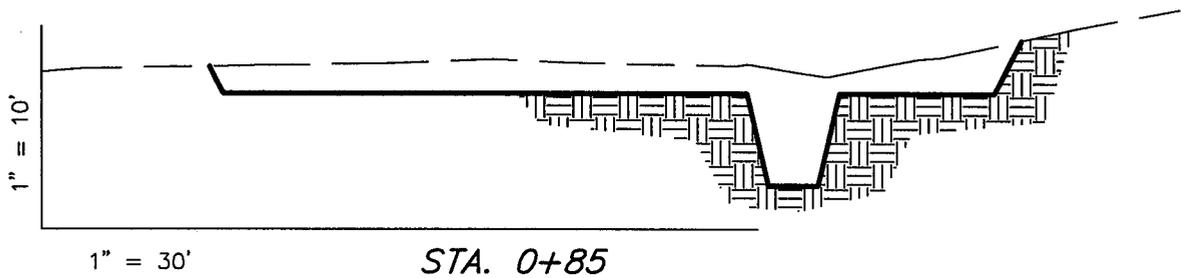
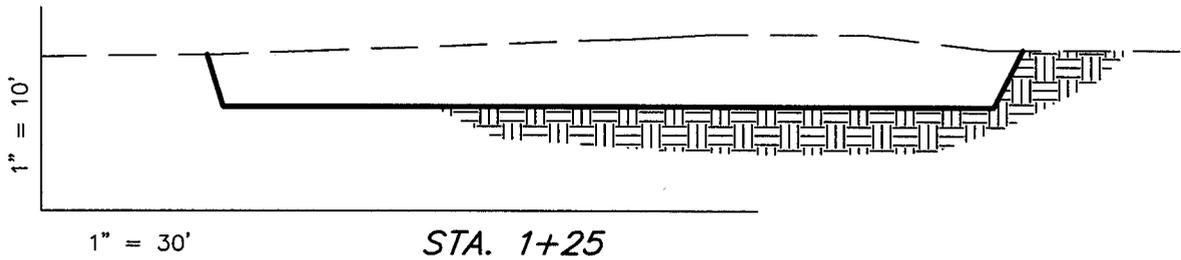
(435) 781-2501

**Tri State**  
 Land Surveying, Inc.  
 180 NORTH VERNAL AVE. VERNAL, UTAH 84078

PARALLEL PETROLEUM CORP.

CROSS SECTIONS

TRAIL CREEK ANTICLINE 1-2-6-25



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

ESTIMATED EARTHWORK QUANTITIES (No Shrink or swell adjustments have been used) (Expressed in Cubic Yards)				
ITEM	CUT	FILL	6" TOPSOIL	EXCESS
PAD	490	490	Topsoil is not included in Pad Cut	0
PIT	50	0		50
TOTALS	540	490	320	50

SURVEYED BY: K.G.S.

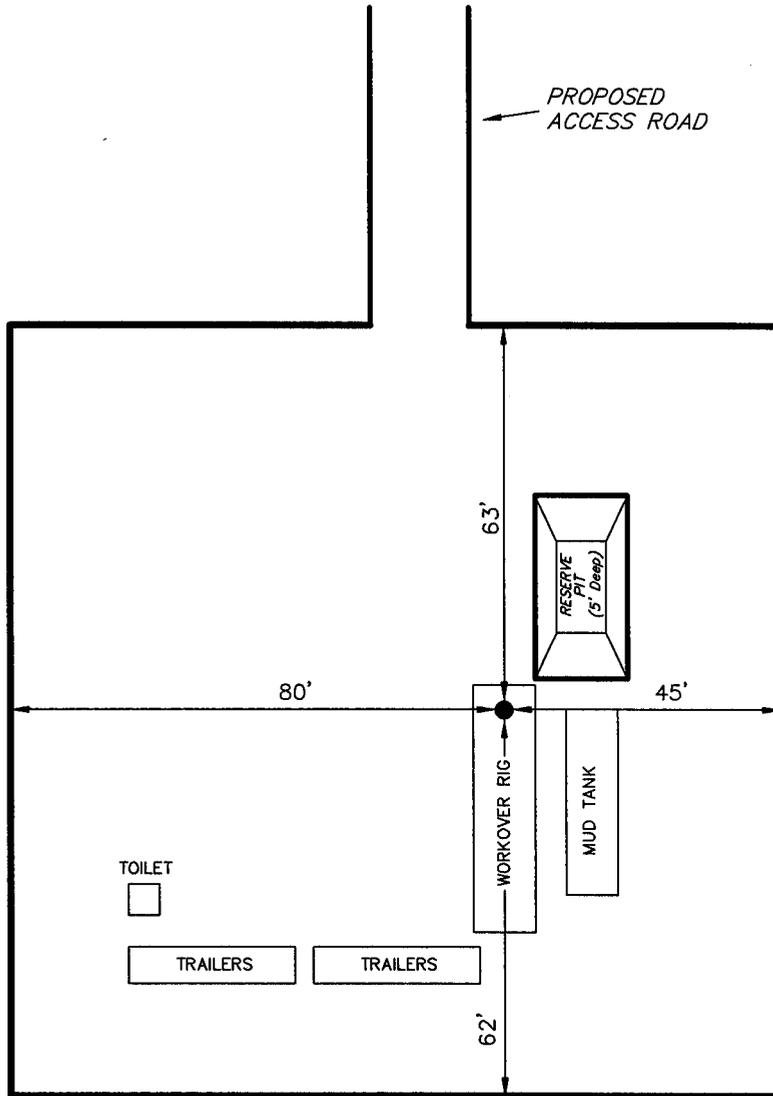
SCALE: 1" = 30'

DRAWN BY: F.T.M.

DATE: 01-25-06

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

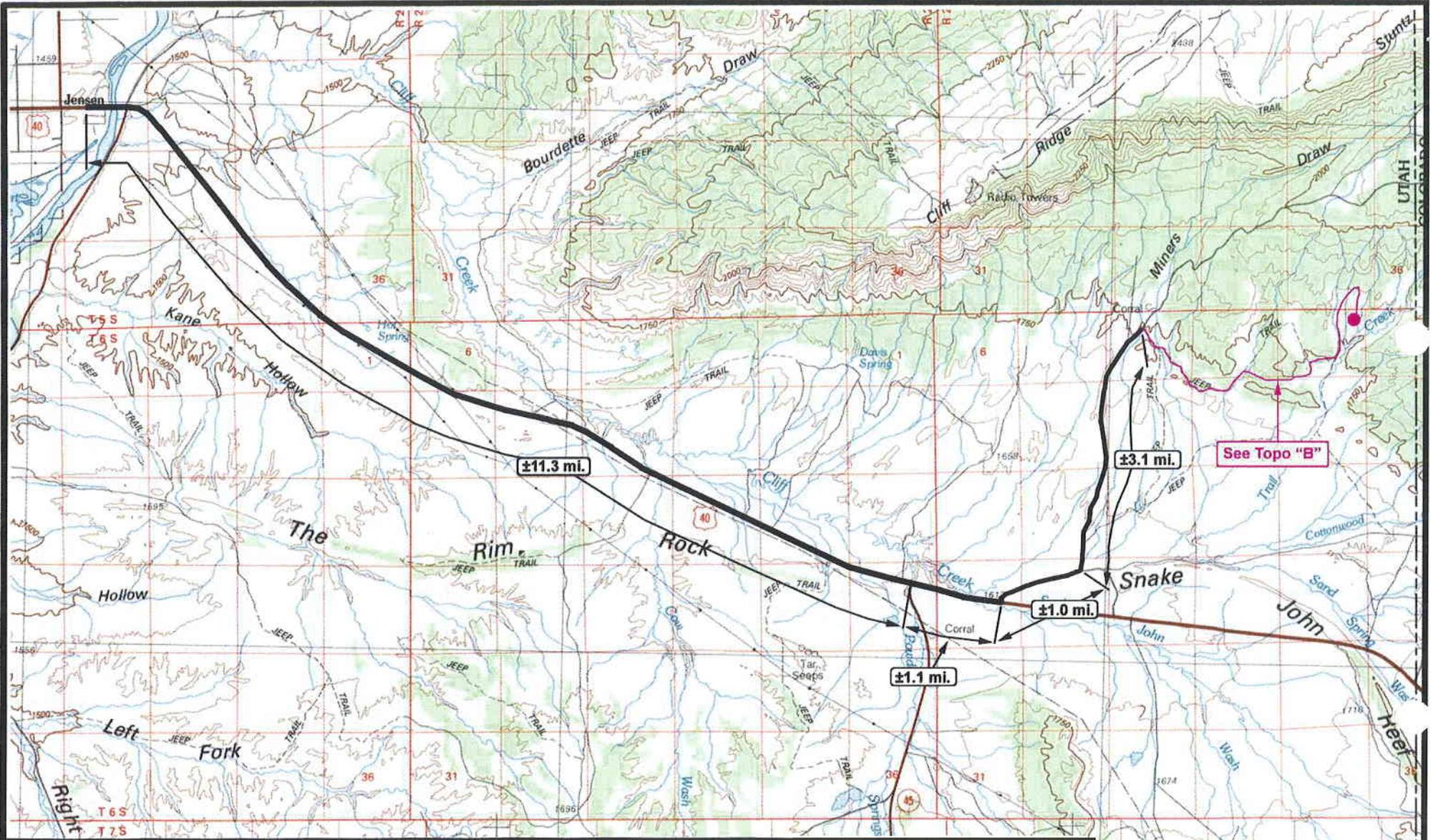
PARALLEL PETROLEUM CORP.  
 TYPICAL RIG LAYOUT  
 TRAIL CREEK ANTICLINE 1-2-6-25



SURVEYED BY: K.G.S.	SCALE: 1" = 30'
DRAWN BY: F.T.M.	DATE: 01-25-06

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





**PARALLEL PETROLEUM CORP.**

**Trail Creek Anticline 1-2-6-25  
SEC. 2, T6S, R25E, S.L.B.&M.**



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

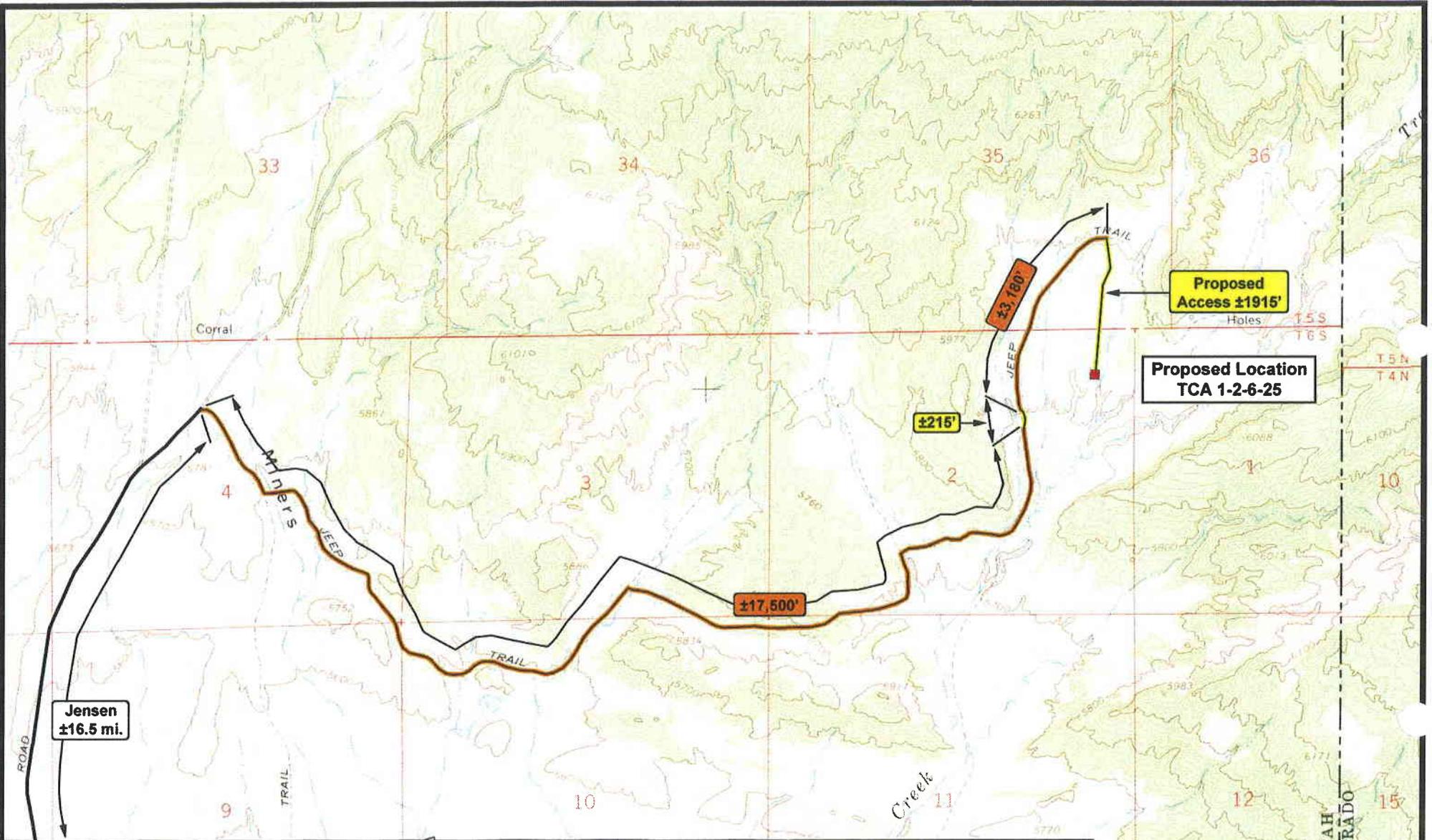
SCALE: 1 : 100,000  
DRAWN BY: bgm  
DATE: 04-26-2006

**Legend**

- Existing Road
- Proposed Access

TOPOGRAPHIC MAP  
**"A"**

UTAH CO



**PARALLEL PETROLEUM CORP.**

**Trail Creek Anticline 1-2-6-25  
SEC. 2, T6S, R25E, S.L.B.&M.**

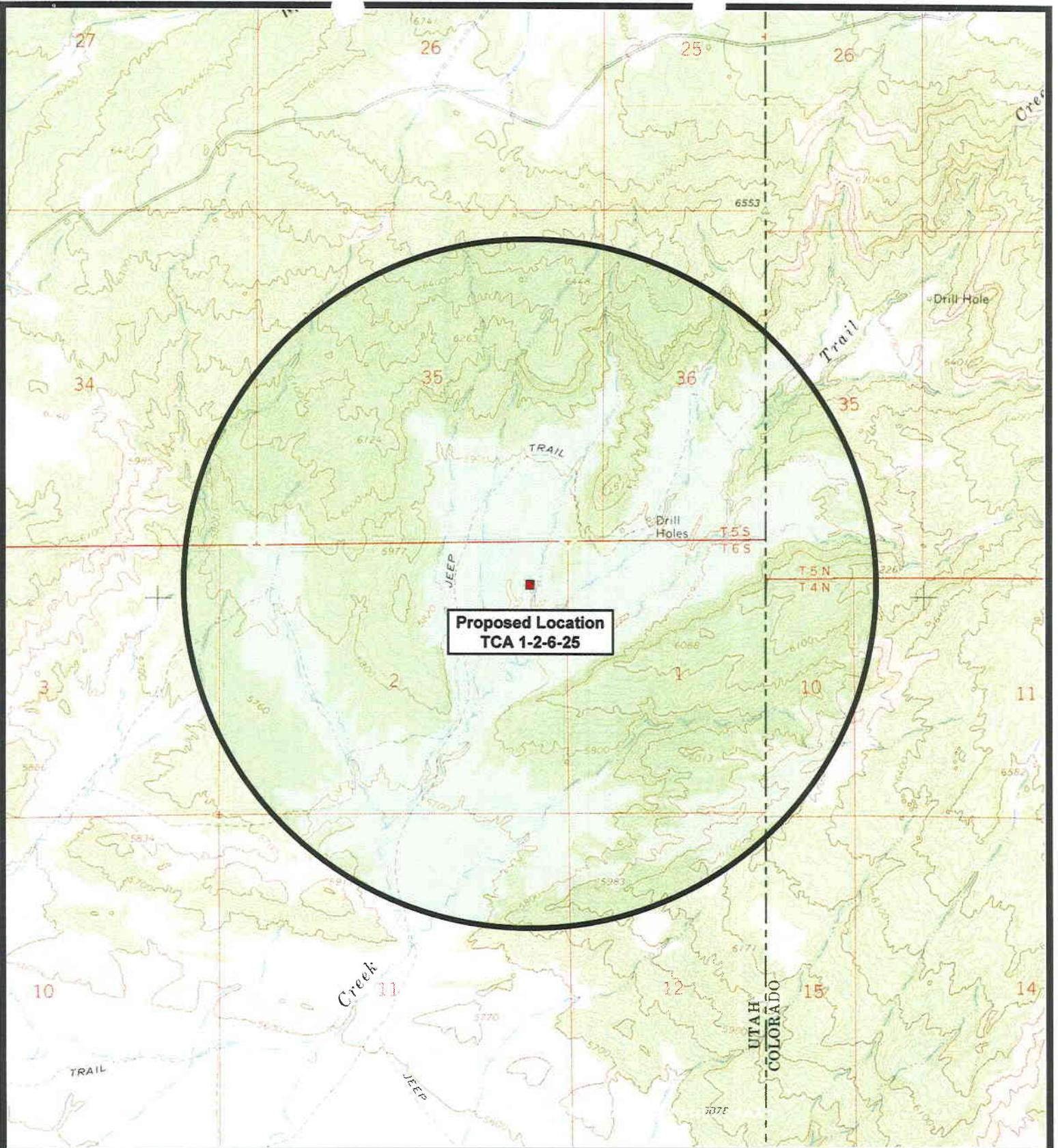


*Tri-State  
Land Surveying Inc.*  
(435) 781-2501  
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2,000'  
DRAWN BY: bgm  
DATE: 04-26-2006

Legend	
	Existing Road
	Proposed Access
	Existing Two-Track

TOPOGRAPHIC MAP  
"B"



**PARALLEL PETROLEUM CORP.**

**Trail Creek Anticline 1-2-6-25  
SEC. 2, T6S, R25E, 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: 01-30-2006

**Legend**

- Location
- One-Mile Radius

TOPOGRAPHIC MAP

**"C"**

**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 06/22/2006

API NO. ASSIGNED: 43-047-38324

WELL NAME: TRAIL CREEK ANTICLINE 1-2-6-25  
 OPERATOR: PARALLEL PETROLEUM CORP ( N2720 )  
 CONTACT: BILL RYAN

PHONE NUMBER: 435-789-0968

PROPOSED LOCATION:

SENE 02 060S 250E  
 SURFACE: 0667 FNL 0552 FEL  
 BOTTOM: 0667 FNL 0552 FEL  
 COUNTY: UINTAH  
 LATITUDE: 40.33381 LONGITUDE: -109.0630  
 UTM SURF EASTINGS: 664548 NORTHINGS: 4466398  
 FIELD NAME: WILDCAT ( 1 )

INSPECT LOCATN BY: / /		
<b>Tech Review</b>	<b>Initials</b>	<b>Date</b>
Engineering	DKW	11/8/07
Geology		
Surface		

LEASE TYPE: 3 - State  
 LEASE NUMBER: ML-49049  
 SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: WEBR  
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[] Ind[] Sta[] Fee[]  
(No. 16405 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. Municipal )
- RDCC Review (Y/N)  
(Date: 07/08/2006 )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (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: Needs presite (07-17-06)

STIPULATIONS: ~~1- SPACING~~  
2- STATEMENT OF BASIS  
3- SURFACE AGREEMENT STIPULATION

T5S R25E

T6S R25E

TRAIL CREEK  
ANTICLINE  
1-2-6-25

2

OPERATOR: PARALLEL PETRO (N2720)

SEC: 2 T. 6S R. 25E

FIELD: WILDCAT (001)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING

**Field Status**

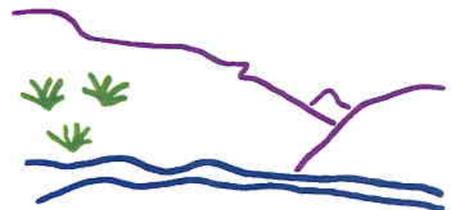
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

**Unit Status**

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

**Wells Status**

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY  
DATE: 23-JUNE-2006

**DIVISION OF OIL, GAS AND MINING  
APPLICATION FOR PERMIT TO DRILL  
STATEMENT OF BASIS**

**OPERATOR:** \_\_\_\_\_ PARALLEL PETROLEUM CORP.  
**WELL NAME & NUMBER:** \_\_\_\_\_ TRAIL CREEK ANTICLINE 1-2-6-25  
**API NUMBER:** \_\_\_\_\_ 43-047-38324  
**LOCATION:** 1/4,1/4 SE/NE Sec: 2 TWP: 06S RNG: 25E 667' FNL 552 FEL

**Geology/Ground Water:**

The proposed well is a stratigraphic core test. No casing is proposed. The well will be drilled from surface to TD with fresh water. The estimated depth to the base of the moderately saline ground water is 4,000 feet. There are no water wells listed within a mile of the proposed well. Drilling of this well as proposed should present no ground water issues.

**Reviewer:** Brad Hill **Date:** 07/19/06

**Surface:**

The purpose of this well is to obtain a core and run logs of the formations. The pre-drill investigation of the surface was performed on July 17, 2006. Lynn Siddoway of Vernal, Utah owns the surface and SITLA owns the minerals. Mr. Siddoway, was contacted on 7-13-2006 by telephone and informed of and invited to the site visit. He said he probably would attend. He phoned Ginger Stringham (Paradime Consulting) the morning of the planned visit and said he would not attend. Jim Davis of SITLA, was also invited but said he would not meet us for this proposal but would join us later in the day for wells on SITLA surface.

Approximately 21,000 feet of low standard two-track road will be upgraded and less than 1915 feet of low-standard new construction will be needed to reach the site. The location of this new construction will be changed from what is shown on Topo. B. It will cross the drainage with a low water crossing rather than loop around the head of the drainage. Other low-water crossings will be used to cross drainages. The location pad will be 125' x 125'.

A plugging plan was not submitted with the proposal. This plan must be submitted to DOGM to be approved and implemented before closing the location.

The selected location appears to be the best site for constructing a pad and drilling in the immediate area. No significant stability problems are anticipated.

**Reviewer:** Floyd Bartlett **Date:** 07/18/2006

**Conditions of Approval/Application for Permit to Drill:**

None.

**ON-SITE PREDRILL EVALUATION**  
**Division of Oil, Gas and Mining**

**OPERATOR:** PARALLEL PETROLEUM CORP.

**WELL NAME & NUMBER:** TRAIL CREEK ANTICLINE 1-2-6-25 (NOTE: The purpose of this well is to obtain a core and run logs of the formations.)

**API NUMBER:** 43-047-38324

**LEASE:** ML-49049      **FIELD/UNIT:** UNDESIGNATED

**LOCATION:** 1/4, 1/4 SE/NE Sec: 2 TWP: 06S RNG: 25E 667' FNL 552 FEL

**LEGAL WELL SITING:** 460 F SEC. LINE; 460 F 1/4, 1/4 LINE; 920 F ANOTHER WELL.

**GPS COORD (UTM):** 664541 E 4466412 N      **SURFACE OWNER:** Lynn Siddoway

**PARTICIPANTS**

Floyd Bartlett (DOGM), Ginger Stringham (Paradime Consulting), Cory Stubbs (Stubbs and Stubbs Construction)

**REGIONAL/LOCAL SETTING & TOPOGRAPHY**

The proposed Trail Creel Anticline core drilling well is located in a small sub-drainage of Cliff Creek which drains westerly approximately 15 miles into the Green River about 1 mile north of Jensen, UT. The Colorado State line is approximately 3/4 miles to the east. Most drainages are ephemeral, however Cliff Creek becomes perennial the last few miles. Seeps and springs exist in some drainages in the area but none were noted within at least 1 mile from the proposed location

The location is proposed on a small flat with a slight slope to the south. Deep washes border the site on the west and east. A small gully runs through the proposed pad.

Access from Jensen will be over existing State Hwy's, Uintah County roads and approximately 21,000 feet of low standard two-track which will be upgraded. Less than 1915 feet of low-standard new construction will be needed to reach the site.

**SURFACE USE PLAN**

**CURRENT SURFACE USE:** wildlife and domestic sheep grazing and hunting.

**PROPOSED SURFACE DISTURBANCE:** Approximately 21,000 feet of low standard two-track which will be upgraded. Less than 1915 feet of low-standard new construction will be needed to reach the site. Several low-water crossings will be used to cross drainages. The location pad will be 125' x 125' with topsoil and excess material piles outside this area

**LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS:** None

**LOCATION OF PRODUCTION FACILITIES AND PIPELINES:** None planned.

**SOURCE OF CONSTRUCTION MATERIAL:** All construction material will be borrowed from site during construction of location.

ANCILLARY FACILITIES: None will be required.

WILL DRILLING AT THIS LOCATION GENERATE PUBLIC INTEREST OR CONCERNS?  
EXPLAIN: Unlikely. The area is on private land and very isolated from general travel.

**WASTE MANAGEMENT PLAN:**

Excess drilling cuttings will be settled into reserve pit. Liquids from pit will be allowed to evaporate. A portable chemical toilet will be used for human waste. Trash will be contained in trash baskets and hauled to an approved land fill.

**ENVIRONMENTAL PARAMETERS**

AFFECTED FLOODPLAINS AND/OR WETLANDS: None.

FLORA/FAUNA: Poorly vegetated desert shrub type. Greasewood, big sage brush, broom snake weed and cheat grass are present. Pronghorn, rodents, rabbits, songbirds, raptors, elk, deer, bobcat, coyote. Winter sheep grazing.

SOIL TYPE AND CHARACTERISTICS: Very deep sandy loam surface.

EROSION/SEDIMENTATION/STABILITY: The location is intersected by a small gully. It heads immediately north of the site. Diversion is not needed.

No significant stability problems are anticipated with the construction and operation of the location.

PALEONTOLOGICAL POTENTIAL: None expected or sited.

**RESERVE PIT**

CHARACTERISTICS: 15' by 30' and 5' deep. The reserve pit is planned within an area of cut on the northeast corner of the location

LINER REQUIREMENTS (Site Ranking Form attached): A liner is not required for the reserve pit but the operator plans to install at least a 12 mil liner with a sub-felt if needed. Sensitivity score is 10 and a rating Level I.

**SURFACE RESTORATION/RECLAMATION PLAN**

As per landowner agreement.

SURFACE AGREEMENT: In place.

CULTURAL RESOURCES/ARCHAEOLOGY: Not required. Private land surface..

**OTHER OBSERVATIONS/COMMENTS**

Lynn Siddoway, surface owner was contacted on 7-13-2006 by telephone and

informed of and invited to the site visit. [REDACTED] said he probably would attend. He phoned Ginger Stringham the morning of the planned visit and said he would not attend. Jim Davis of SITLA was also invited but said he would not meet us, but would join us later in the day for wells on SITLA surface.

**ATTACHMENTS**

Photos of site have been taken and placed on file.

Floyd Bartlett  
DOGM REPRESENTATIVE

07/17/2006 10:30 AM  
DATE/TIME

**Evaluation Ranking Criteria and Ranking Score  
For Reserve and Onsite Pit Liner Requirements**

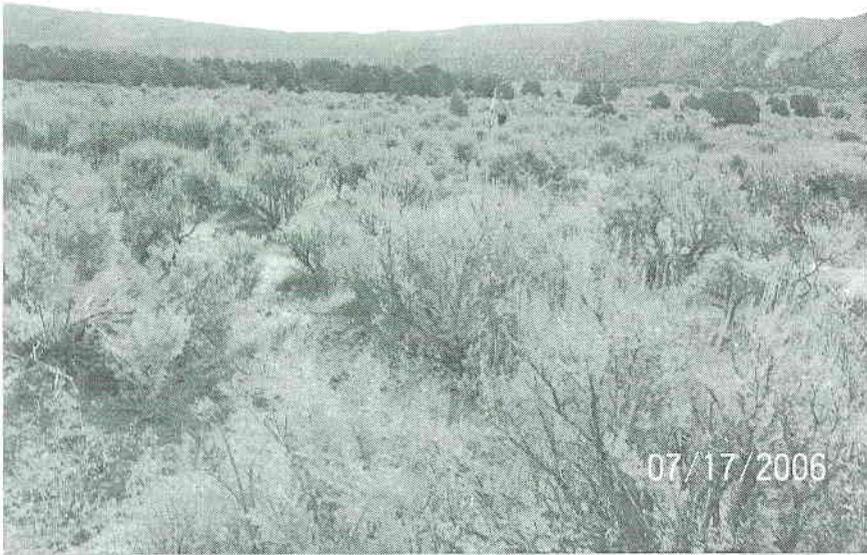
<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>0</u>
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>00</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>10</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Base Mud Fluid	15	
containing significant levels of hazardous constituents	20	
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>0</u>

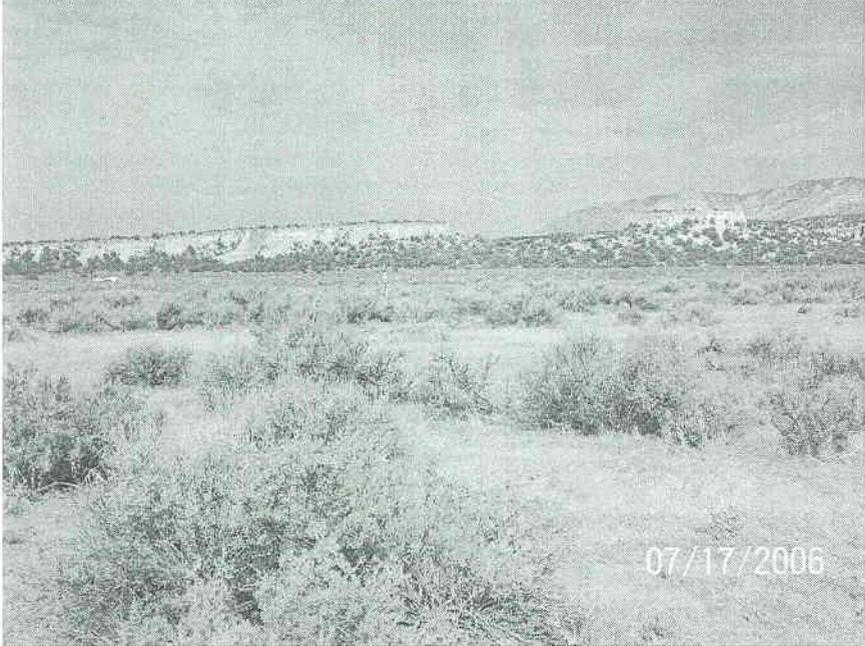
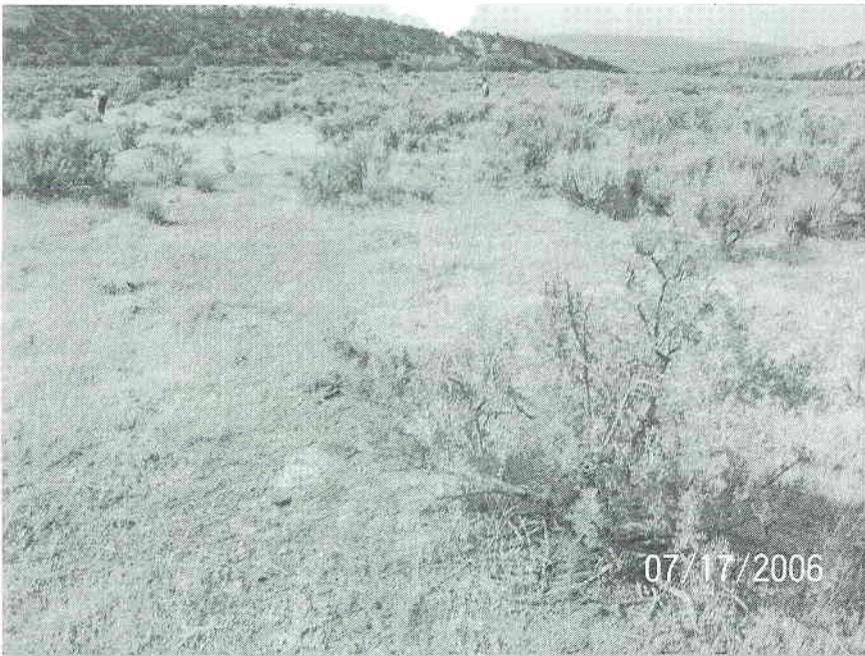
**Final Score**      10      (Level I Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

Sensitivity Level II = 15-19; lining is discretionary.

Sensitivity Level III = below 15; no specific lining is required.





2007-10 Parallel Trail Creek Anticline 1-2-6-25

Casing Schematic

BHP  $0.052(1500)9.2 = 718 \text{ psi}$   
anticipate 2000 psi

Gas  $.12(1500) = 180$   
 $718 - 180 = 538 \text{ psi MASP}$

BOPE 2M ✓

Burst 2950  
70% 2065 psi

Max P @ surf shoe  
 $.22(900) = 198$   
 $718 - 198 = 520 \text{ psi}$

Test to 550 psi ✓

✓ Adequate  
DWD 11/8/07

Surface

15 3/4"

28 1/2"

TOC @ 0. Shinarump

300' Anhydrite

TOC @ 360.

600' Phosphoria

Surface 600. MD

750' Weber

8-5/8"  
MW 8.3  
Frac 19.3

5-1/2"  
MW 9.2

Production  
1500. MD

Well name:	<b>2007-10 Parallel Trail Creek Anticline 1-2-6-25</b>		
Operator:	<b>Parallel Petroleum Corp</b>		Project ID:
String type:	Surface		43-047-38324
Location:	Uintah		

**Design parameters:**

**Collapse**

Mud weight: 8.330 ppg  
 Design is based on evacuated pipe.

**Burst**

Max anticipated surface pressure: 528 psi  
 Internal gradient: 0.120 psi/ft  
 Calculated BHP: 600 psi  
  
 No backup mud specified.

**Minimum design factors:**

**Collapse:**

Design factor 1.125

**Burst:**

Design factor 1.00

**Tension:**

8 Round STC: 1.80 (J)  
 8 Round LTC: 1.80 (J)  
 Buttress: 1.60 (J)  
 Premium: 1.50 (J)  
 Body yield: 1.50 (B)

Tension is based on air weight.  
 Neutral point: 525 ft

**Environment:**

H2S considered? No  
 Surface temperature: 65 °F  
 Bottom hole temperature: 73 °F  
 Temperature gradient: 1.40 °F/100ft  
 Minimum section length: 150 ft  
  
 Cement top: Surface

**Non-directional string.**

**Re subsequent strings:**

Next setting depth: 1,500 ft  
 Next mud weight: 9.200 ppg  
 Next setting BHP: 717 psi  
 Fracture mud wt: 19.250 ppg  
 Fracture depth: 600 ft  
 Injection pressure: 600 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	600	8.625	24.00	J-55	ST&C	600	600	7.972	214.5
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	260	1370	5.277	600	2950	4.92	14	244	16.94 J

Prepared by: Helen Sadik-Macdonald  
 Div of Oil, Gas & Minerals

Phone: 801-538-5357

Date: October 31, 2007  
 Salt Lake City, Utah

**ENGINEERING STIPULATIONS: NONE**

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
 Collapse is based on a vertical depth of 600 ft, a mud weight of 8.33 ppg. The casing is considered to be evacuated for collapse purposes.  
 Burst strength is not adjusted for tension.

*Engineering responsibility for use of this design will be that of the purchaser.*

Well name:	<b>2007-10 Parallel Trail Creek Anticline 1-2-6-25</b>	
Operator:	<b>Parallel Petroleum Corp</b>	Project ID:
String type:	Production	43-047-38324
Location:	Uintah	

<b>Design parameters:</b>	<b>Minimum design factors:</b>	<b>Environment:</b>
<u><b>Collapse</b></u>	<u><b>Collapse:</b></u>	H2S considered? No
Mud weight: 9.200 ppg	Design factor 1.125	Surface temperature: 65 °F
Design is based on evacuated pipe.		Bottom hole temperature: 86 °F
		Temperature gradient: 1.40 °F/100ft
		Minimum section length: 368 ft
	<u><b>Burst:</b></u>	Cement top: 360 ft
	Design factor 1.00	
<u><b>Burst</b></u>		
Max anticipated surface pressure: 387 psi		
Internal gradient: 0.220 psi/ft		
Calculated BHP 717 psi		
No backup mud specified.		
	<u><b>Tension:</b></u>	<b>Non-directional string.</b>
	8 Round STC: 1.80 (J)	
	8 Round LTC: 1.80 (J)	
	Buttress: 1.60 (J)	
	Premium: 1.50 (J)	
	Body yield: 1.50 (B)	
	Tension is based on air weight.	
	Neutral point: 1,291 ft	

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	1500	5.5	15.50	J-55	LT&C	1500	1500	4.825	200.5

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	717	4040	5.636	717	4810	6.71	23	217	9.33 J

Prepared by: Helen Sadik-Macdonald  
Div of Oil, Gas & Minerals

Phone: 801-538-5357

Date: October 31, 2007  
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE  
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
Collapse is based on a vertical depth of 1500 ft, a mud weight of 9.2 ppg The casing is considered to be evacuated for collapse purposes.  
Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

**STATE ACTIONS**  
**Resource Development Coordinating Committee**  
**Governor's Office of Planning and Budget**  
**5110 State Office Building**  
**SLC, UT 84114**  
**Phone No. 537-9230**

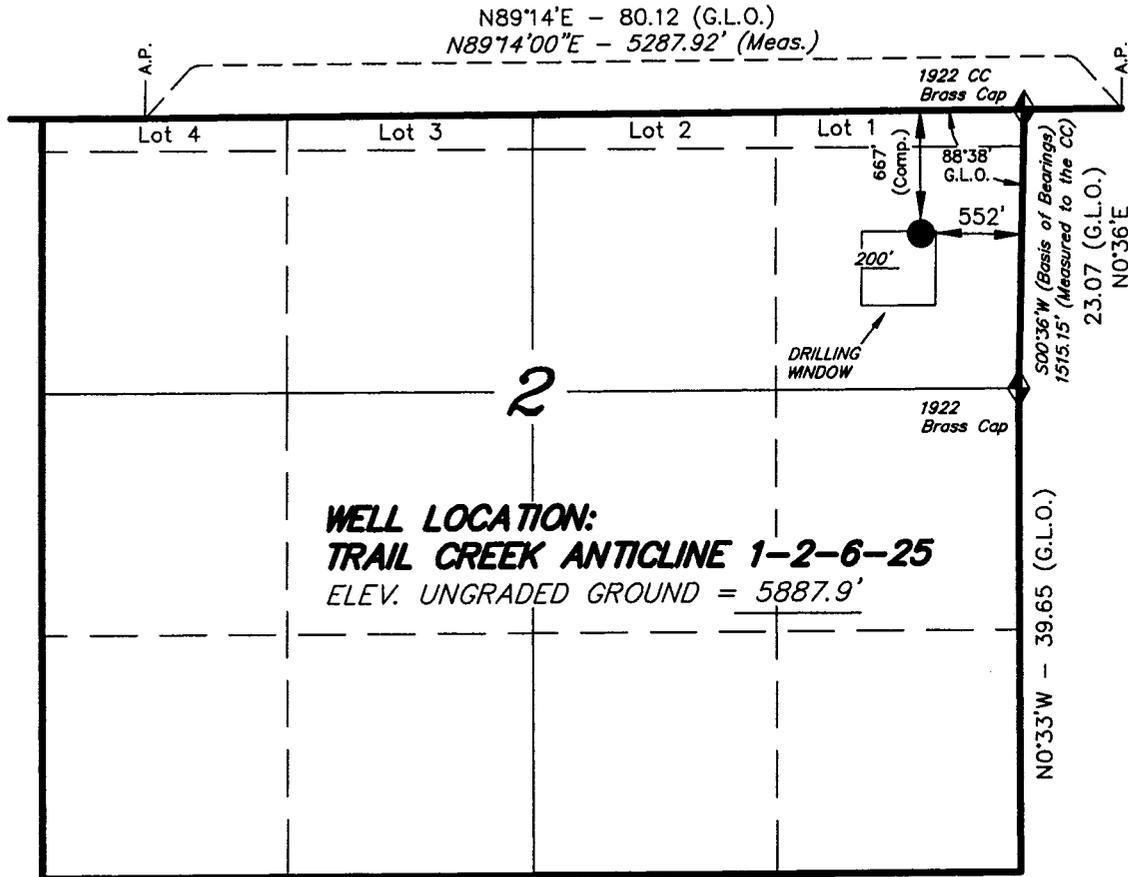
<b>1. State Agency</b> Oil, Gas and Mining 1594 West North Temple, Suite 1210 Salt Lake City, UT 84114-5801	<b>2. Approximate date project will start:</b>  Upon Approval or June 7, 2006
<b>3. Title of proposed action:</b> Application for Permit to Drill	
<b>4. Description of Project:</b>  Parallel Petroleum Corporation proposes to drill the Trail Creek Anticline 1-2-6-25 well (wildcat) on a State lease ML-49049, Uintah County, Utah. This action is being presented to the RDCC for consideration of resource issues affecting state interests. The Division of Oil, Gas and Mining is the primary administrative agency in this action and must issue approval before operations commence.	
<b>5. Location and detailed map of land affected (site location map required, electronic GIS map preferred)</b> (include UTM coordinates where possible) <b>(indicate county)</b> 667' FNL 552' FEL, SE/4 NE/4, Section 2, Township 6 South, Range 25 East, Uintah County, Utah	
<b>6. Possible significant impacts likely to occur:</b> Surface impacts include up to five acres of surface disturbance during the drilling and completion phase (estimated for five weeks duration). If oil and gas in commercial quantities is discovered, the location will be reclaimed back to a net disturbance of between one and two acres – not including road, pipeline, or utility infrastructure. If no oil or gas is discovered, the location will be completely reclaimed.	
<b>7. Identify local government affected</b> a. <b>Has the government been contacted?</b> No. b. <b>When?</b> c. <b>What was the response?</b> d. <b>If no response, how is the local government(s) likely to be impacted?</b>	
<b>8. For acquisitions of land or interests in land by DWR or State Parks please identify state representative and state senator for the project area. Name and phone number of state representative, state senator near project site, if applicable:</b> a. <b>Has the representative and senator been contacted?</b> N/A	
<b>9. Areawide clearinghouse(s) receiving state action:</b> (to be sent out by agency in block 1) Uintah Basin Association of Governments	
<b>10. For further information, contact:</b>   <b>Diana Whitney</b> <b>Phone:</b> (801) 538-5312	<b>11. Signature and title of authorized officer</b>   Gil Hunt, Associate Director <b>Date:</b> June 23, 2006



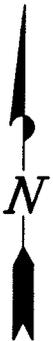
**T6S, R25E, S.L.B.&M.**

**PARALLEL PETROLEUM CORP.**

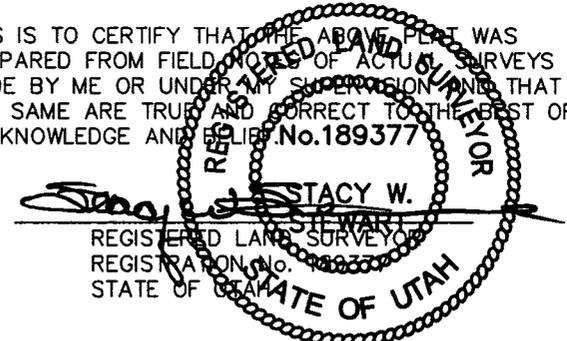
WELL LOCATION, TRAIL CREEK ANTICLINE  
1-2-6-25, LOCATED AS SHOWN IN THE  
SE 1/4 NE 1/4 OF SECTION 2, T6S,  
R25E, S.L.B.&M. UNITAH COUNTY, UTAH.



**Note:**  
The Proposed Well head bears  
N32°53'16"W 1000.92' from the East  
1/4 Corner of Section 2.



THIS IS TO CERTIFY THAT THE ABOVE PLAN 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

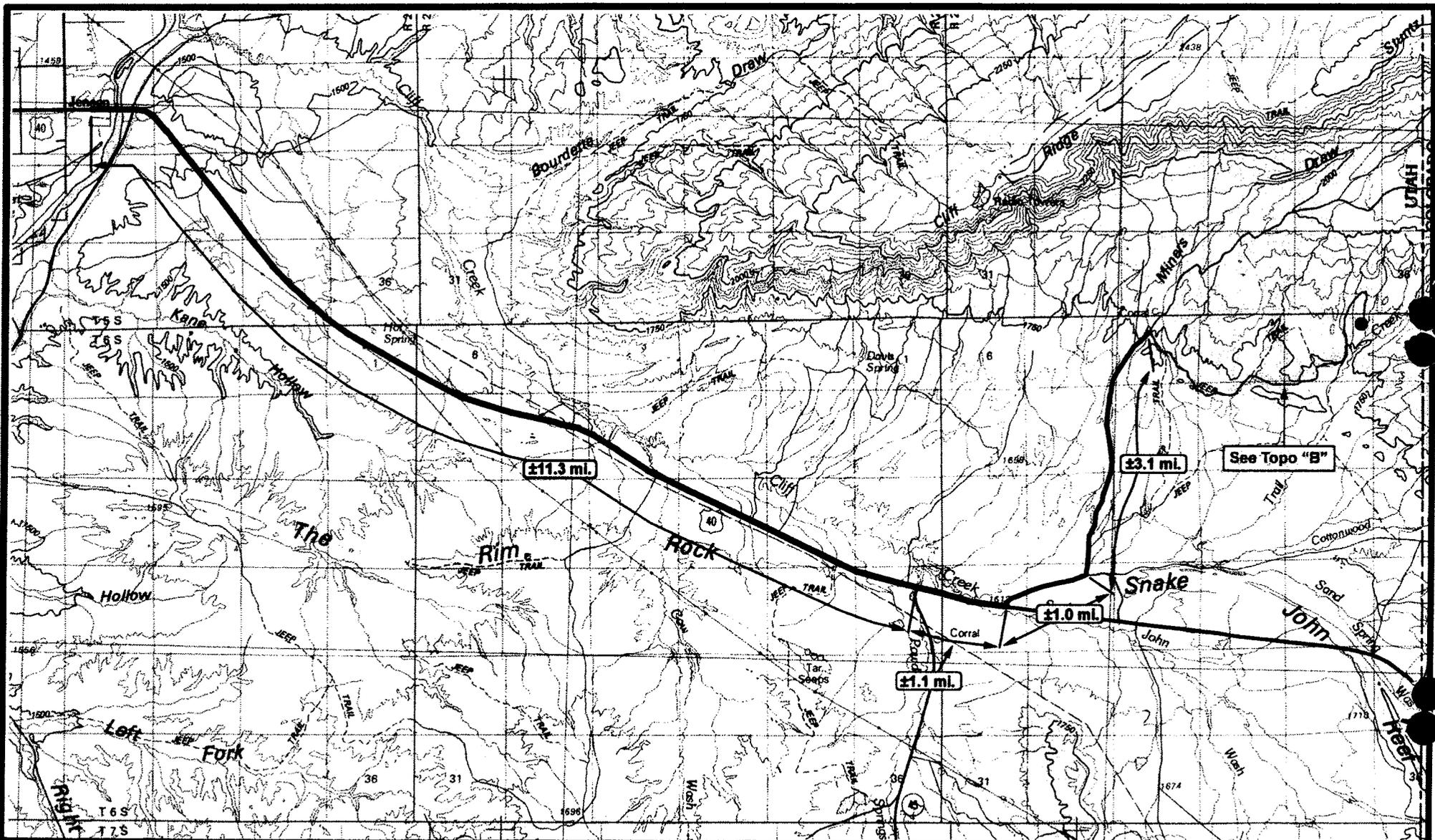


◆ = SECTION CORNERS LOCATED

BASIS OF ELEV;  
U.S.G.S. 7-1/2 min QUAD (SNAKE JOHN REEF)

**TRAIL CREEK ANTICLINE 1-2-6-25**  
(Surface Location) NAD 83  
LATITUDE = 40° 20' 02.12"  
LONGITUDE = 109° 03' 49.51"

<b>TRI STATE LAND SURVEYING &amp; CONSULTING</b>	
180 NORTH VERNAL AVE. - VERNAL, UTAH 84078 (435) 781-2501	
DATE SURVEYED: 01-13-06	SURVEYED BY: K.G.S.
DATE DRAWN: 01-25-06	DRAWN BY: F.T.M.
REVISED:	SCALE: 1" = 1000'



**PARALLEL PETROLEUM CORP.**

**Trail Creek Anticline 1-2-6-25  
SEC. 2, T6S, R25E, 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: 04-26-2006

- Legend**
- Existing Road
  - Proposed Access

TOPOGRAPHIC MAP

**"A"**

UTAH CO

**From:** Robert Clark  
**To:** Whitney, Diana  
**Date:** 7/25/2006 9:42:56 AM  
**Subject:** RDCC short turn around responses

*Parallel Petro  
43447-38324*

The following comments are provided in response to **RDCC #6842 - RDCC #6848**.

**RDCC #6842, Comments begin:** The proposal of Petro-Canada Resources (USA) Inc. to drill the **State 32-21** wildcat well, in Carbon County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at <http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end.**

**RDCC #6843, Comments begin:** The proposal of Parallel Petroleum Corporation to drill the **Trail Creek Anticline 1-2-6-25** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at <http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end.**

**RDCC #6844, Comments begin:** The proposal of Parallel Petroleum Corporation to drill the **Buckskin Hills 13-32-3-22** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at <http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end.**

**RDCC #6845, Comments begin:** The proposal of Pioneer Natural Resources (USA) Inc. to drill the **UTCO Fee 32C-25B-12-25** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at

<http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end. RDCC #6846, Comments begin:** The proposal of Pioneer Natural Resources (USA) Inc. to drill the **UTCO Fee 24C-24-12-25** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at

<http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end. RDCC #6847, Comments begin:** The proposal of Pioneer Natural Resources (USA) Inc. to drill the **UTCO Fee 23C-25-12-25** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at

<http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end. RDCC #6848, Comments begin:** The proposal of Thurston Energy Operating Company to drill the **Thurston 12-29-9-24** wildcat well, in Uintah County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board if any compressor or pump stations are constructed at the site. If a permit is required, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. The guidelines for preparing an NOI are available on-line at

<http://www.airquality.utah.gov/Permits/FORMS/NOIGuide8.pdf>. The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at [www.rules.utah.gov/publicat/code/r307/r307.htm](http://www.rules.utah.gov/publicat/code/r307/r307.htm). **Comments end.** Robert Clark Division of Air Quality 536-4435

CC: McNeill, Dave; Wright, Carolyn

Parallel Petroleum  
PO BOX 47  
Amarillo, TX 79105

To Whom It May Concern:

The following is an H2S contingency plan for coal bed methane core test well Trail Creek Anticline 1-2-6-25 in Uintah County, Utah located in Section 2, Township 6 South, Range 25 East.

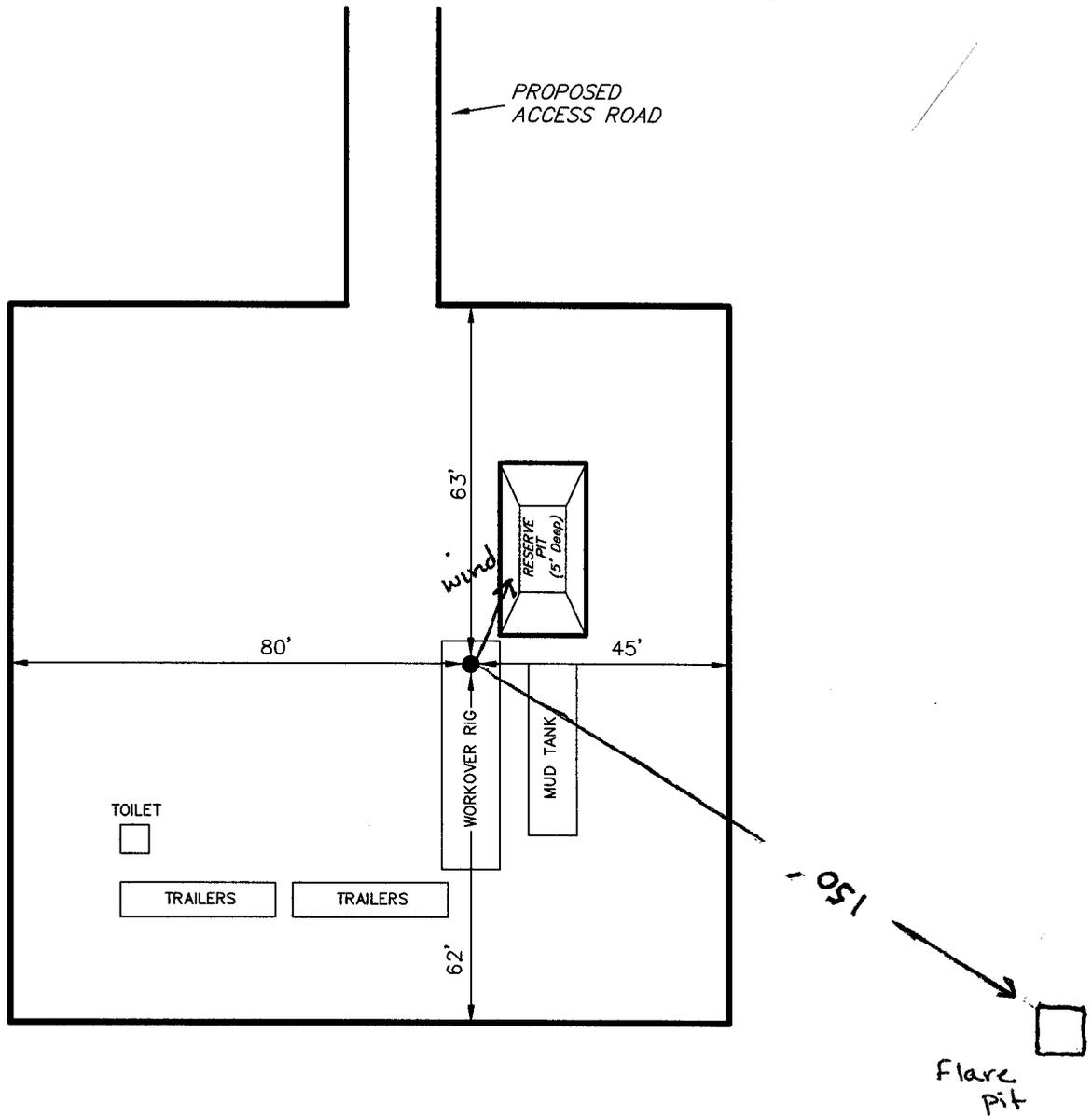
1. The proposed drill site will be planned to obtain the maximum safety benefits consistent with the rig configuration, terrain, and prevailing winds. The core test rig will be situated so that prevailing winds blow across the rig in a direction toward the reserve pit and away from escape routes. On-site trailers will be located to allow reasonable safe distances from both the well and the outlet flare lines.
2. At least two cleared areas will be designated as crew briefing or safety areas. Both areas will be located at least 200 feet from the well, with at least one area located generally upwind from the well. Please see the attached map.
3. Protective equipment will be provided by the H2S Safety Company for operating personnel and will include the following:
  - 3.1 An adequate number of positive pressure type self-contained breathing apparatus to allow personnel normally involved in the drilling operation immediate access to such equipment, with a minimum of one working apparatus available for immediate use of each rig hand in emergencies.
  - 3.2 Chalk boards or note pads to be used for communication when wearing protective breathing apparatus.
  - 3.3 First aid supplies.
  - 3.4 One resuscitator complete with medical oxygen.
  - 3.5 A litter stretcher.
  - 3.6 Harnesses or lifelines.
  - 3.7 The H2S contactor will provide a telephone, radio, mobile phone, or other communication device that provides emergency two-way communication from a safe area at the well location.
4. The subject location will have an H2S detection and monitoring system, provided by an H2S contractor, which will activate audible and visible alarms when the concentration of H2S reaches the threshold limit of 20 ppm in air. This equipment will

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NOV 30 2006  
DIV. OF OIL, GAS & MINING

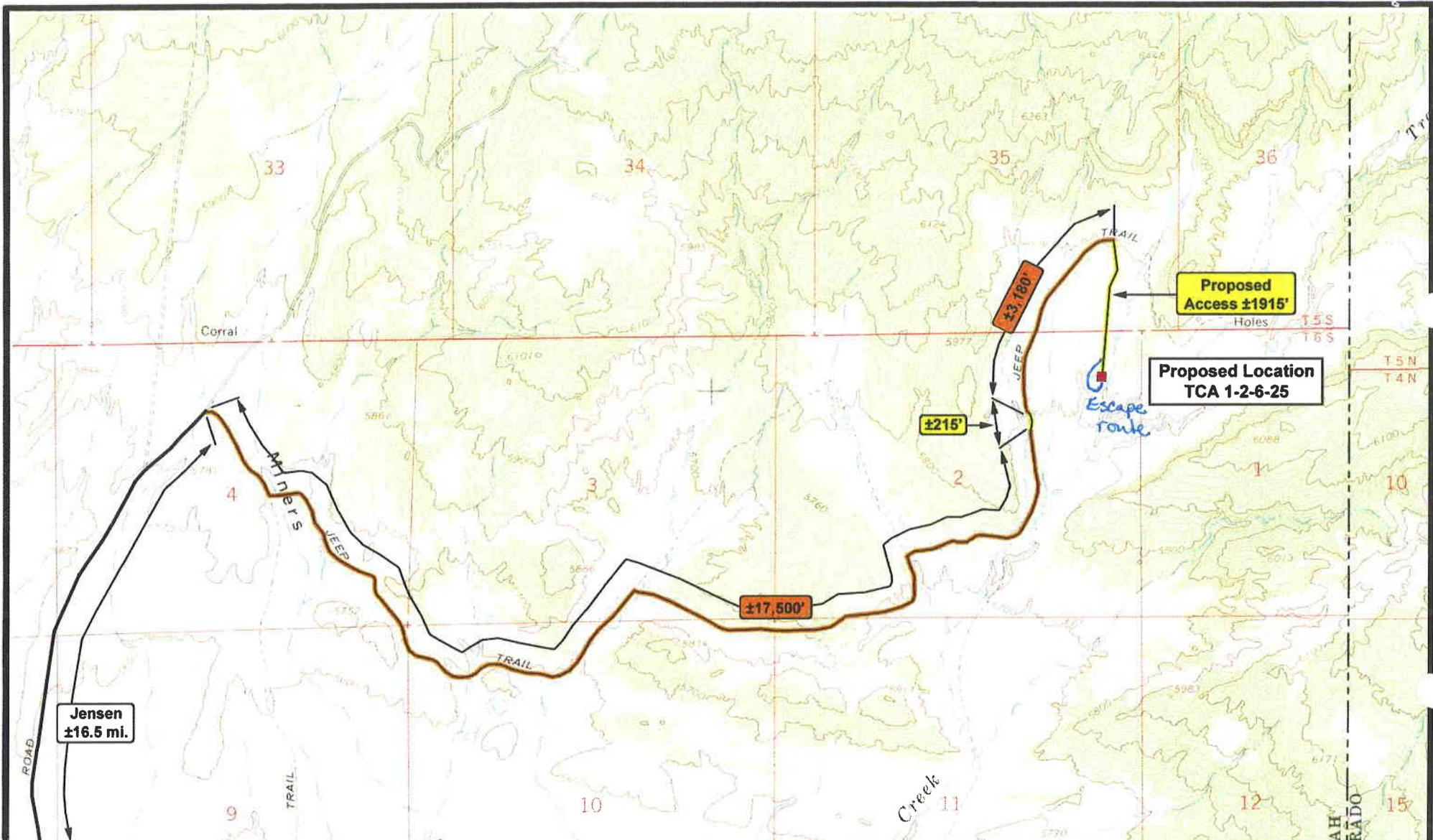
have a rapid response time and be capable of sensing a minimum of ten ppm H<sub>2</sub>S in air, with at least three sensing points, located at the shale shaker, on the derrick floor and in the cellar. Other sensing points shall be located at other critical areas where H<sub>2</sub>S might accumulate. Portable H<sub>2</sub>S detection equipment capable of sensing an H<sub>2</sub>S concentration of 20 ppm shall be available for all working personnel and will be equipped with an audible warning signal.

5. Equipment to indicate wind direction at all times shall be installed at prominent locations. At least two windsocks or streamers shall be located at separate elevations at the well location and shall be easily visible from all areas of the location. Windsocks or streamers will be located in illuminated areas for night operations.
6. When H<sub>2</sub>S is encountered during drilling, well marked, highly visible warning signs will be displayed at the rig and along all access routes to the well location. The signs will warn of the presence of H<sub>2</sub>S and will prohibit approach to the well location when red flags are displayed. Red flags will be displayed when H<sub>2</sub>S is present in concentrations greater than 20ppm or in air as measured on the equipment required under R649-3-12-6.
7. If H<sub>2</sub>S is encountered, ventilation fans will be installed under the substructure.
8. A flare system will be utilized to safely gather and burn H<sub>2</sub>S bearing gas. Flare lines will be located as far from the operating site as feasible and will be located in a manner to compensate for wind changes. The outlets of all flare lines will be located at least 150 feet from the well head unless otherwise approved by the division. A gas buster and flare igniter will be on location.
9. In case of an emergency, the local Sheriff's Department can be contacted at 435-789-2511 or for after hours emergencies 435-789-4222.
10. There are no homes located within a ½ mile radius.
11. Please find the attached map for additional details.

PARALLEL PETROLEUM CORP.  
TYPICAL RIG LAYOUT  
TRAIL CREEK ANTICLINE 1-2-6-25



SURVEYED BY: K.G.S.	SCALE: 1" = 30'	<b>Tri State</b> Land Surveying, Inc. 180 NORTH VERNAL AVE. VERNAL, UTAH 84078
DRAWN BY: F.T.M.	DATE: 01-25-06	



**PARALLEL PETROLEUM CORP.**

**Trail Creek Anticline 1-2-6-25  
SEC. 2, T6S, R25E, 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: 04-26-2006

Legend	
	Existing Road
	Proposed Access
	Existing Two-Track

TOPOGRAPHIC MAP

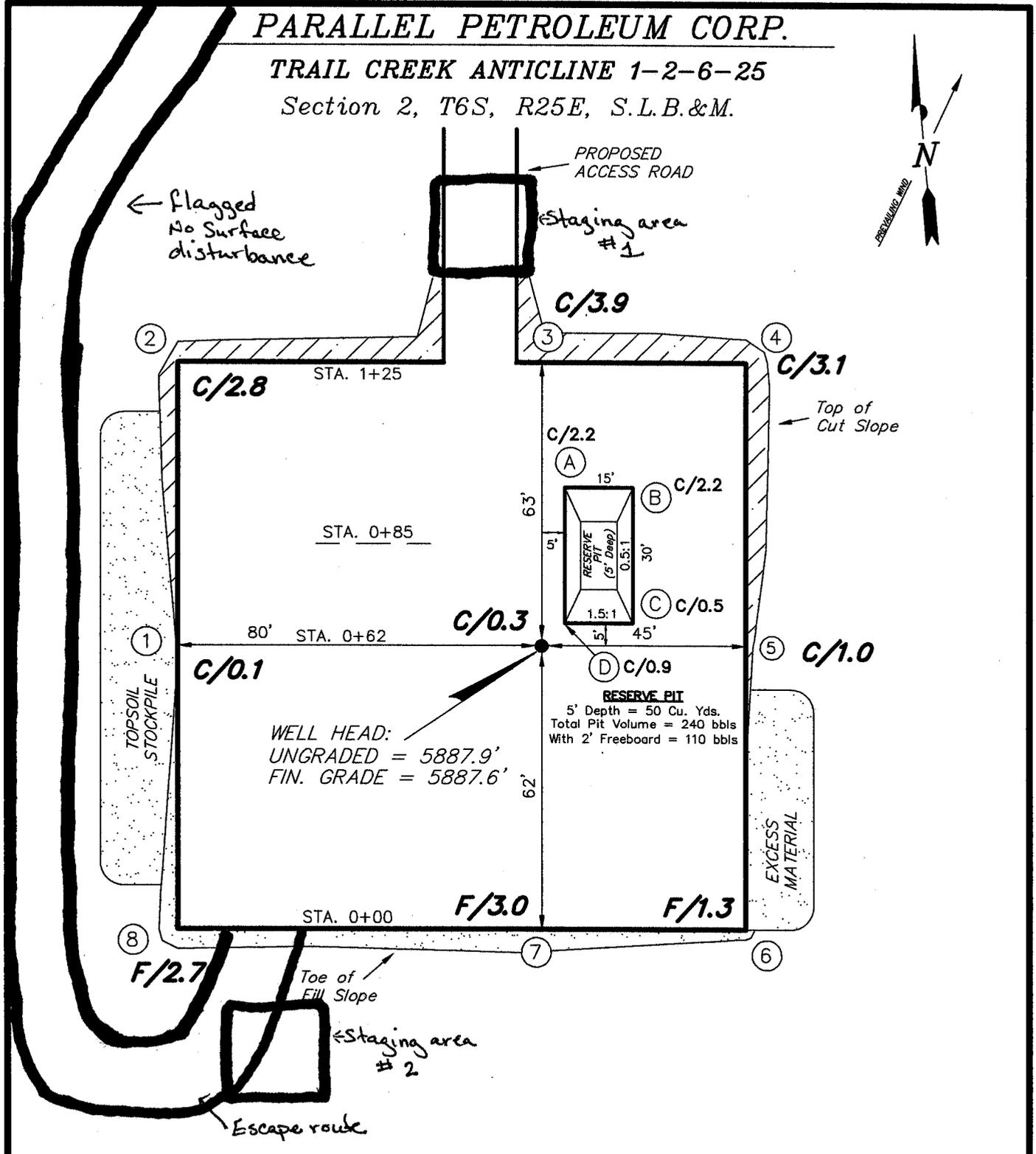
**"B"**

UTAH  
COLORADO

**PARALLEL PETROLEUM CORP.**

**TRAIL CREEK ANTICLINE 1-2-6-25**

Section 2, T6S, R25E, S.L.B.&M.



**REFERENCE POINTS**

- 130' WEST = 5887.8'
- 180' WEST = 5887.3'
- 112.5' SOUTH = 5882.9'
- 162.5' SOUTH = 5881.4'

SURVEYED BY: K.G.S.	SCALE: 1" = 30'	<p><b>Tri State</b> Land Surveying, Inc. 180 NORTH VERNAL AVE. VERNAL, UTAH 84078</p>	(435) 781-2501
DRAWN BY: F.T.M.	DATE: 01-25-06		

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <u>Coal bed methane core test</u>		5. LEASE DESIGNATION AND SERIAL NUMBER: <b>ML-49049</b>
2. NAME OF OPERATOR: <b>Parallel Petroleum Corp.</b>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: <b>1004 N. Big Springs ST</b> CITY <b>Midland</b> STATE <b>TX</b> ZIP <b>79701</b>		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>667' FNL &amp; 552' FEL</b>		8. WELL NAME and NUMBER: <b>Trail Creek Anticline 1-2-6-25</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SENE 2 6S 25E</b>		9. API NUMBER: <b>4304738324</b>
COUNTY: <b>Uintah</b>		10. FIELD AND POOL, OR WILDCAT: <b>wildcat</b>
STATE: <b>UTAH</b>		

**11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input checked="" type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The operator respectfully requests approval for a change of plans. The original subject location was proposed as a coal bed methane core test. The operator is now requesting approval for a gas well. Please find the attached down-hole plan for the subject location. All surface disturbances will remain the same as in the original application.

*Bowden*

NAME (PLEASE PRINT) <u>Ginger Stringham</u>	TITLE <u>Agent</u>	<u>435-789-4162</u>
SIGNATURE <u>Ginger Stringham</u>	DATE <u>8/15/07</u>	

(This space for State use only)

**RECEIVED**  
**OCT 18 2007**

**DIV. OF OIL, GAS & MINING**

**Ten Point Plan**  
**Trail Creek Anticline 1-2-6-25**  
**SE/4 of NE/4, Section 2, T6S, R25E, S.L.B.& M. Uintah County**

**1. Surface Formation – Shinarump**

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

<b>Formation</b>	<b>Depth</b>	<b>Datum</b>
Shinarump	Surface	+5,888' G.L.
Anhydrite	300'	+5,588'
Phosphoria	600'	+5,288'
Weber	750'	+5,138'
TD	1,500'	+4,388'

Drill 12 1/4" hole on air to top of Phosphoria for 8 5/8" surface casing shoe.

**3. Producing Formation Depth:**

Formation objective – Weber sand

**4. Proposed Casing and Cement:**

Casing Program

<u>HOLE SIZE</u>	<u>CSG. SIZE</u>	<u>#/ Ft.</u>	<u>GRADE</u>	<u>CONNECTION.</u>	<u>DEPTH</u>	<u>CONDITION</u>
12 1/4"	8 5/8"	24	J-55	ST&C	600'	New
7 7/8"	5 1/2"	15.50	J-55	LT&C	T.D.	New

Cementing Program

<u>SECTION</u>	<u>INTERVAL</u>	<u>HOLE SIZE</u>	<u>CSG SIZE</u>	<u>SLURRY</u>
Surface	0 - 600'	12 1/4"	8 5/8"	<b>Lead:</b> 140 sx Light Premium Plus 'V' + 2 % CaCl <sub>2</sub> + .125 pps Cello Flake <i>Wt: 12.8 ppg Yld: 1.79 ft<sup>3</sup> / sx</i> <b>Tail:</b> 220 sx Premium Plus 'V' + 2 % CaCl <sub>2</sub> + .125 pps Cello Flake <i>Wt: 15.6 ppg Yld: 1.20 ft<sup>3</sup> / sx</i> <b>Volume calculated on 100% excess</b>
Production	0-TD	7 7/8"	5 1/2"	<b>Tail:</b> 200 sx Premium AG (or equivalent) + 10% Cal-Seal 60 (or equivalent) + 1% CaCl <sub>2</sub> + .125 pps Cello Flake <i>Wt: 14.20 ppg Yld: 1.61 ft<sup>3</sup> / sx</i> <b>Volume calculated on 25% excess in open hole</b>

## 5. BOP and Pressure Containment Data:

The anticipated bottom hole pressure will be less than 2000 psi.

A 2000 psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 8 5/8" surface casing. The BOP system including the casing will be tested to minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during drilling operations.

Stack: 2M SAG

## 6. Mud Program:

<u>INTERVAL</u>	<u>MUD WEIGHT</u> <u>lbs./gal.</u>	<u>VISCOSITY</u> <u>Sec / Qt</u>	<u>FLUID LOSS</u> <u>ml / 30 mins.</u>	<u>MUD TYPE</u>
0-600	Air/Mist	No control	No control	
600-1400*	Air/ Mist	No control	No control	
1400-TD**	8.8-9.2	34	8-10	Water / Gel

\*If Phosphoria or Weber produces oil, go to water based mud

\*\*Mud-up at 1400' for logs

## 7. Auxiliary Equipment:

Upper Kelly cock, full opening stabbing valve, and choke manifold

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

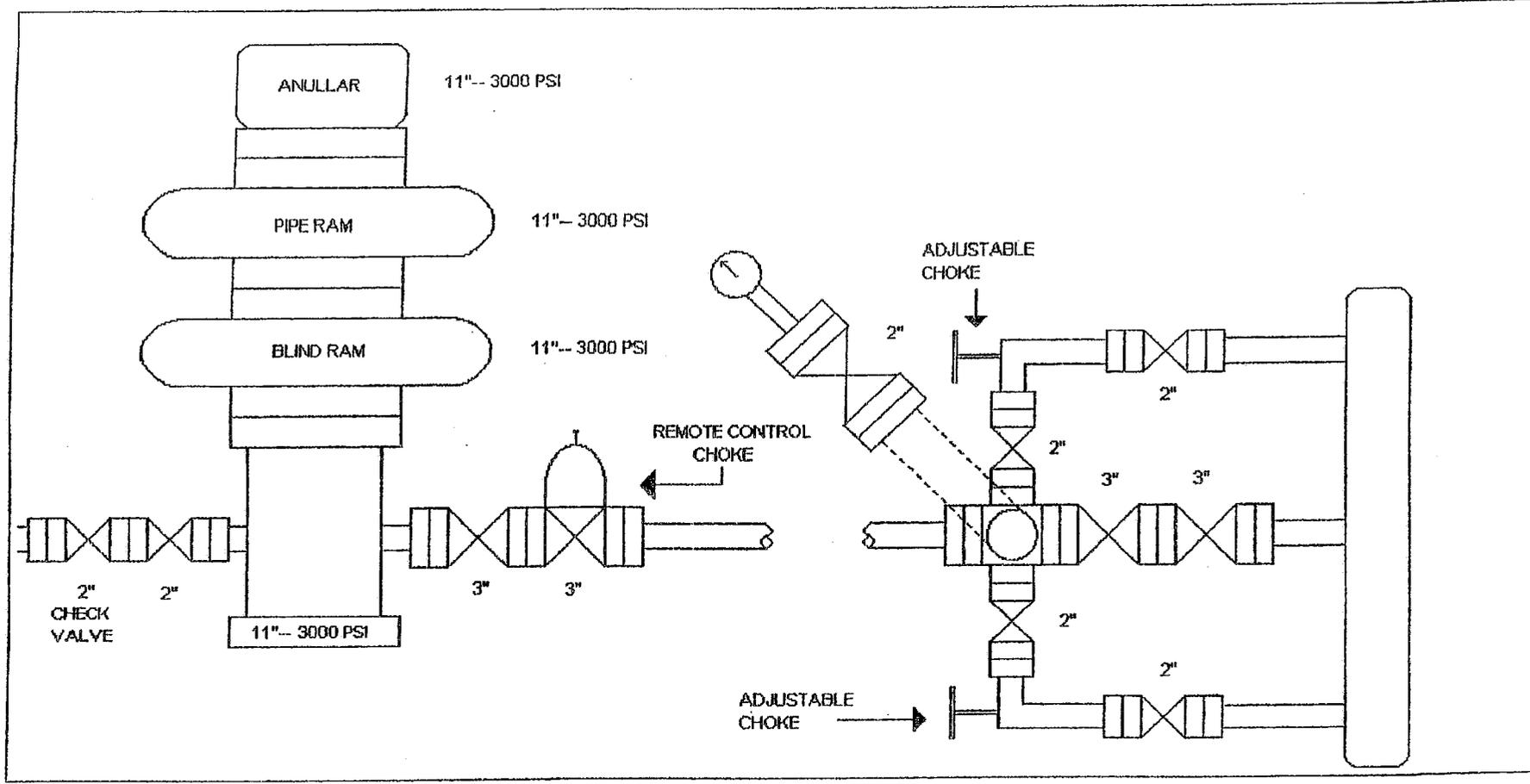
- a) Test: Not Planned
- b) Mudlog: Onsite from 500' to TD.
- c) Coring: Not Planned
- d) Sampling: Every 10' from 550' to T.D.
- e) Logging:     Type                             Interval  
                  Dipmeter                     T.D. to Surf. Csg

## 9. Abnormalities (including sour gas):

Possible oil shows in Phosphoria and Weber.

## 10. Drilling Schedule:

The anticipated starting date is July 16, 2007. Duration of operations is expected to be 30 days.



 **PARALLEL**  
Petroleum Corporation

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

**BRIAN MC CURRY**  
Manager of Operations

November 1, 2007

Field Manager  
Vernal Field Office Manager  
Bureau of Land Management  
170 South 500 East  
Vernal, UT 84078

**RECEIVED**  
**NOV 09 2007**  
DIV. OF OIL, GAS & MINING

Re: Oil & Gas Operations  
Parallel Petroleum Corp  
State of Utah

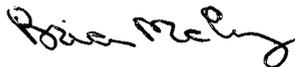
Dear Sirs:

Ginger Bowden of Paradigm Consulting, INC is authorized to act as agent on behalf of Parallel Petroleum Corp. in all aspects of the permit process for potential new wells proposed on Federal and State oil and gas leases as required under Onshore Oil and Gas Order Number One.

This authority would include preparing and submitting applications to drill wells, preparing and submitting applications for road and pipeline right-of-ways and submitting various sundry notices. In addition, she is an authorized Parallel Petroleum Corp agent in all discussions with local, State or Federal regulatory agencies regarding proposed drill sites, routing of roads or pipeline and other matters pertaining to our planned operations in Utah.

The authority granted by this letter will expire November 1, 2008. If you have questions regarding this designation of an agent on our behalf, please call me.

Sincerely,



Name: Brian McCurry  
Title: Manager of Operations

Cc: State of Utah Trust Lands & UDOGM

mccurry@p11.com  
www.p11.com

2:40

04-15-08

2:30

04-15-08

TALKED TO GINGER BOWEN  
(435) 789-4162  
SHE WILL SEND ME THE  
DOCUMENTATION SHE HAS  
ON NEGOTIATIONS WITH  
RICHARD ROACH. SHE PROVIDED  
ME WITH GUS WULFMAN'S PHONE  
NUMBER. (806) 674-3260

~~BA~~

CALLED RICHARD ROACH  
(423) 698-2416, LEFT  
MESSAGE TO CALL ME  
RE: PARALLEL PET WELL.

~~BA~~

12:38

04-21

MR. ROACH RETURNED  
CALL & LEFT A MESSAGE  
(I WAS OUT OF TOWN)

~~BA~~

2:00

05-05-08

2:00

05-01-08

CALLED MR. ROACH.  
LEFT A MESSAGE WITH  
HIS SECRETARY.

~~BA~~

CALLED MR. ROACH @  
(423) 698-2416  
LEFT MESSAGE TO  
CALL.

~~BA~~

9:54

05-02-08

MR. ROACH RETURNED MY  
CALL AND LEFT A MESSAGE.

3:27

05-19-08

LEFT MR ROACH A MESSAGE. SAID THAT PARALLEL WANTED DOGM TO APPROVE THE APD WITHOUT A SURFACE AGREEMENT. I MENTIONED THAT PARALLEL WAS IN THE PROCESS OF BONDING FOR SURFACE ACCESS WITH SITLA. ASKED HIM TO CALL ME.

BA

12:57

05-19-08

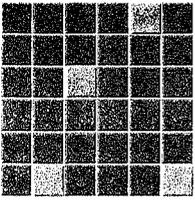
MR. ROACH LEFT MESSAGE TO CALL

8:55

05-29-08

CALLED MR ROACH. HE SAID THAT HE HAD NO INTENTION OF SIGNING AN AGREEMENT AND THAT I SHOULD SIGN THE PERMIT. HE SAID THAT HE WOULD LEAVE IT TO DOGM TO HANDLE RECLAMATION.

BA



State of Utah  
School & Institutional  
Trust Lands Administration

Jon M. Huntsman, Jr.  
Governor

Kevin S. Carter  
Director

675 East 500 South, Suite 500  
Salt Lake City, UT 84102-2818  
801-538-5100  
801-355-0922 (Fax)  
www.trustlands.com

May 19, 2008

Mr. William P. Harris  
P.O. Box 47  
Amarillo, TX 79150

RE: Acceptance of Bond for Surface Operations  
K. Ranch, Surface Owner  
ML 49049  
2-16S-25E  
514.78 acres, more or less

Dear Mr. Harris:

The Trust Lands Administration (TLA) is in receipt of a corporate surety bond in the amount of \$7,800.00 which will be held by TLA for the benefit of the surface owner of the captioned lands and cover surface operations for oil and gas by Parallel Petroleum. This bond covers surface disturbance only for the Trail Creek Anticline 1-2-6-25. If other wells are proposed on this lease, additional bonds or a surface use agreement with the surface owner will need to be posted with this office. The bond will be held until such time as the surface reclamation work is completed or the lessee enters into a surface use agreement with the landowner. TLA encourages you to continue negotiations with the surface owner to agree on terms for a surface use agreement.

The Director will approve the agency holding this bond on the Director's Agenda dated May 30, 2008. The Director's Agenda will be available online at [www.trustlands.utah.gov](http://www.trustlands.utah.gov) on Monday June 2, 2008, if you would like a copy for your files and information.

Please notify the surface owner that this bond is in place prior to your entry upon the land to conduct operations. Should you have any questions, I can be reached at 801/538-5197.

Yours very truly,

LaVonne J. Garrison  
Assisant Director/Oil & Gas

Cc: Mr. Shawn T. Welsh, Holmes, Roberts & Owens  
Mr. Brad Hill, DOGM w/enclosures

Corporate Surety Bond

STATE OF UTAH  
BOND OF LESSEE

KNOW ALL MEN BY THESE PRESENTS, that we Parallel Petroleum Corporation, of 1004 North Big Spring, Suite 400, Midland, Texas 79701 as principal and U.S. Specialty Insurance Company, of 13403 Northwest Freeway, Houston, Texas 77040 as surety are held and firmly bound unto the State of Utah in the sum of Seven Thousand Eight Hundred and No/100 Dollars(\$7,800.00), lawful money of the United States to be paid to the School & Institutional Trust Lands Administration, as agent for the State of Utah, for the use and benefit of the State of Utah, and of any patentee or purchaser of any portion of the land covered by the hereinafter described lease heretofore sold or which may hereafter be sold with a reservation to the State of Utah, on the surface or of other mineral deposits of any portion of such lands, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, sublessees, and assignees, jointly and severally by these presents.

Signed with our hands and sealed this 5<sup>th</sup> day of May, 2008.

The condition of the foregoing obligation is such that, the sum obligated herein is specifically for the use and benefit of K Ranch, LLC, its successors and assigns, to ensure surface reclamation of the access route and well pad for the Trail Creek Anticline 1-2-6-25 well upon the lands described below.

WHEREAS, The State of Utah, as Lessor, issued a lease, Lease Number ML-49049 and dated February 5, 2003, to William P. Harris as lessee (and said lease has been duly assigned to Parallel Petroleum Corporation) to drill for, mine, extract, and remove all of the oil, gas and hydrocarbon deposits in and under the lands subject to the lease, and the surface use to be secured hereby, to wit: Section 2: Lots 1 & 2, NE1/4, Township 6 South, Range 25 East, SLM.

NOW, THEREFORE, the principal and surety shall be obligated to pay all monies, cost of reclamation, damages to the surface and improvements thereon and any other damages, costs, expensed, penalties, interest or liabilities which arise by operation of or in connection with the above described lease(s) accruing to the Lessor and shall fully comply with all other terms and conditions of said lease, the rules, regulations and polices relating thereto of the School & Institutional Trust Lands Administration, the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining as they may now exist or may from time to time be modified or amended. This obligation is in effect even if the principal has conveyed part of its interest to a successor in interest. If the principal fully satisfies the above described obligations, then the surety's obligation to make payment to the State of Utah is void and of no effect, otherwise, it shall remain in full force and effect until released by the School & Institutional Trust Lands Administration.

John A. Foster, CFO  
Witness

Parallel Petroleum Corporation (SEAL)  
Principal

BONDING COMPANY

Wendy Seymour  
Witness Wendy Seymour

By: U.S. Specialty Insurance Company  
Attest: [Signature]  
W. Russell Brown, Jr., Attorney-in-Fact  
Resident Agent: Edwin H. Frank, III, 207768

Bonding Address: 13403 Northwest Freeway  
Houston, Texas 77040

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**W. Russell Brown, Jr., Edwin H. Frank, III**

its true and lawful Attorney(s)-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000.00) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on May 30, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 3rd day of April, 2008.

**U. S. SPECIALTY INSURANCE COMPANY**

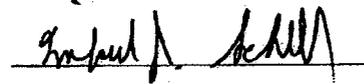
By

Corporate Seal

State of Texas

County of Harris

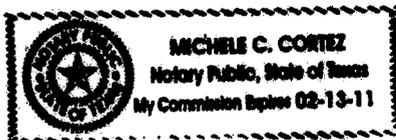
ss:



Michael J. Schell, President

On this 3rd day of April, 2008 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

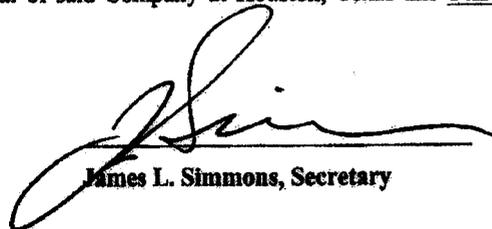


*Michele C. Cortez*, Notary Public  
My commission expires 2/13/11

I, James L. Simmons, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 5th day of May, 20 08.

Corporate Seal

  
James L. Simmons, Secretary



Holme Roberts & Owen LLP  
*Attorneys at Law*

SALT LAKE CITY

March 28, 2008

VIA HAND DELIVERY

BOULDER

Lavonne Garrison  
Utah School and Institutional  
Trust Lands Administration  
675 East 500 South, Suite 500  
Salt Lake City, UT 84102

COLORADO SPRINGS

Re: Trail Creek Anticline Well #1-2-6-25  
Request to accept bond for surface reclamation pursuant to  
Utah Code Ann. § 53C-2-409(3)(c)

DENVER

Dear Ms. Garrison:

LONDON

As set forth in the enclosed documentation, Parallel Petroleum Corporation has filed an application for permit to drill the Trail Creek Anticline Well #1-2-6-25 in the NE1/4, Section 2, Township 6 South, Range 25 East, SLM. The oil, gas and hydrocarbons in these lands are owned by the Utah School and Institutional Trust Lands Administration ("Trust Lands") and are currently leased to Parallel Petroleum Corporation under Trust Lands Lease No. ML-49049. The surface is in fee ownership.

LOS ANGELES

MUNICH

Despite the diligent efforts set forth in the enclosures, a surface use agreement has not been obtained. Accordingly, by this letter and upon the affidavits enclosed, Trust Lands is respectfully requested to accept a bond in the amount of \$7,800.00 in the name of Trust Lands for the use and benefit of K Ranch, LLC, to secure the payment of any damages arising from the use of the surface related to the well. Delivery of said bond in a form set forth in Utah Admin. Code § R850-21-800 will be under separate letter.

SAN FRANCISCO

Mr. Brad Hill, DOGM 4-9-08

**Holme Roberts & Owen LLP**  
*Attorneys at Law*

Lavonne Garrison  
March 28, 2008  
Page 2

A copy of this letter and its enclosures are being delivered to the surface owner by certified mail. Please do not hesitate to contact me should you have any questions or concerns regarding this matter.

Sincerely,



Shawn T. Welch

Enclosures:

Recorded Affidavit and Notice  
Affidavit w/exhibits

cc w/enclosures:

Certified Mail Return Receipt No: 7160 3901 9845 2518 6788  
Mr. Richard Roach  
K Ranch, LLC  
1334 Stuart Street  
Chattanooga, TN 77406

Regular Mail:  
Mr. Nathan A. Keever, Esq.  
Dufford Waldek Milburn & Krohn, LLP  
744 Horizon Court, Suite 300  
Grand Junction, CO 81506

Entry 2008002722  
Book 1082 Page 72 3:2 00  
20-MAR-08 10:41  
RANDY SIMMONS  
RECORDER, UINTAH COUNTY, UTAH  
HOLME ROBERTS & OWEN LLP  
299 80 MAINST SALT LAKE CITY UTAH 84111  
Rec By: CONNIE SIMPER , DEPUTY

**WHEN RECORDED, RETURN TO:**

Gus A. Wulfman  
2201 Civic Circle, Suite 216  
Amarillo, Texas 79105

Entry 2008002722  
Book 1082 Page 72

**AFFIDAVIT AND NOTICE**

GUS A. WULFMAN, being first duly sworn upon his oath, deposes and says:

1. I am over the age of 21 and make this Affidavit and Notice ("Affidavit") upon personal knowledge and upon good-faith investigation.

2. I am a landman in the oil and gas industry having over 12 years of experience, including over 6 years of work involving lands in Uintah County, Utah. I am actively working on the matters set forth in this Affidavit.

3. This Affidavit pertains to real property located in Uintah County, Utah, more particularly described as:

Township 6 South, Range 25 East, SLM  
Section 2: Lot 1, Lot 2, NE1/4

(hereinafter, the "Subject Lands")

4. The Utah School and Institutional Trust Lands Administration ("Trust Lands") is the owner of mineral interests underlying the Subject Lands, including oil, gas, and hydrocarbons. Trust Lands obtained title to the mineral interests effective January 25, 1927, as confirmed by Patent No. 43-65-0173 dated April 27, 1965 and recorded in the Uintah County Records on June 28, 1965 in Book 124, Page 346.

5. Parallel Petroleum Corporation is the owner of that Oil, Gas & Hydrocarbon Lease ML-49049 ("Lease") issued by Trust Lands and conveying to it rights and interests in Trust Lands' oil, gas and hydrocarbons underlying the Subject Lands.

6. By State Patent No. 18931 dated October 30, 1999 and recorded in the Uintah County Records on November 8, 1999 in Book 494, Page 236, Trust Lands conveyed the surface of the Subject Lands into fee ownership. Upon information and belief, the surface of the Subject Lands is owned by K Ranch, LLC, 1334 Stuart Street, Chattanooga, TN 37406.



## AFFIDAVIT

GUS A. WULFMAN, being first duly sworn upon his oath, deposes and says:

1. I am over the age of 21 and make this Affidavit upon personal knowledge and upon information and belief following good-faith investigation.

2. I am a landman in the oil and gas industry having over 12 years of experience, including over 6 years of work involving lands in Uintah County, Utah. I am actively working on the matters set forth in this Affidavit.

3. This Affidavit pertains to real property located in Uintah County, Utah, more particularly described as:

Township 6 South, Range 25 East, SLM  
Section 2: Lot 1, Lot 2, NE1/4

(hereinafter, the "Subject Lands")

4. The Utah School and Institutional Trust Lands Administration ("Trust Lands") is the owner of mineral interests underlying the Subject Lands, including oil, gas, and hydrocarbons. Trust Lands obtained title to the mineral interests effective January 25, 1927, as confirmed by Patent No. 43-65-0173 dated April 27, 1965 and recorded in the Uintah County Records on June 28, 1965 in Book 124, Page 346.

5. By State Patent No. 18931 dated October 30, 1990 and recorded in the Uintah County Records on November 8, 1990 in Book 494, Page 738, the surface of the Subject Lands was conveyed into fee ownership, but expressly reserving "to the State all coal and other mineral deposits, along with the right for the State or other authorized persons to prospect for, mine, and remove the deposits as provided by statute." A copy of State Patent No. 18931 is attached as Exhibit 1.

6. Pursuant to that assignment approved March 9, 2007 Parallel Petroleum Corporation ("Parallel") is now the owner of that Oil, Gas & Hydrocarbon Lease ML-49049 ("Lease") issued by Trust Lands and conveying to it rights and interests in Trust Lands' oil, gas and hydrocarbons underlying the Subject Lands. A copy of the Lease is attached as Exhibit 2.

7. Parallel intends to drill the Trail Creek Anticline Well #1-2-6-25 ("Well") on the Subject Lands and has filed an application for permit to drill the Well. A map of the Subject Lands roughly showing the proposed location of the Well is attached as Exhibit 3. Parallel intends to use an existing county road as access to the Subject Lands, however, access to the Well location will require construction of a new road.

8. Upon information and belief, the surface of the Subject Lands is owned by K Ranch, LLC ("K Ranch"), 1334 Stuart Street, Chattanooga, TN 37406. After diligent efforts, Parallel Petroleum Corporation has been unable to secure an agreement with K Ranch for access and use of a right-of-way and location necessary for drilling the Well.

9. Parallel's efforts to enter into a surface use agreement with K Ranch, and its principal, Mr. Richard Roach, began in late 2006. Both I and Parallel's field consultant, Ginger Bowden of Paradigm Consulting, Inc., have been involved in these efforts. A copy of a proposed Surface Use Agreement delivered to Mr. Roach in early 2007 is attached as Exhibit 4. This agreement was negotiated with Mr. Nate Keever, attorney for K Ranch. As shown in this proposed agreement, Parallel offered \$1,000.00 per acre for surface use (§6) and also committed to restore the Subject Lands to the owner's satisfaction upon termination (§19).

10. Initially, Mr. Roach stated that fires in California caused him to believe that if he entered into a surface use agreement, he could be liable if Parallel's operations started a fire on the Subject Lands and he had authorized Parallel's activities. Mr. Roach expressed his preference that Parallel use Trust Lands' bonding procedures to obtain access and use of the Subject Lands.

11. Parallel continued to attempt to negotiate execution of the Surface Use Agreement. Ultimately, Mr. Roach would not agree to the proposed Surface Use Agreement unless he was paid an amount far in excess of a reasonable amount. Copies of Ms. Bowden's status reports dated November 8, 2007 and January 14, 2008 are attached as Exhibit 5. I have spoken with Mr. Roach on a number of occasions in the past few months and attempted in good faith to enter into the Surface Use Agreement, but without success. In January of 2008, Mr. Roach's office informed me that \$15,000.00 was his take it or leave it price for entering into the Surface Use Agreement. I informed Mr. Roach's office that our offer was still open to negotiation but that Parallel would begin the bonding-on process.

12. The specific route needed for access to the Well location will depend upon future actions of the Bureau of Land Management ("BLM"). As shown in Exhibit 3, access to the Well

location is possible by construction of a "Proposed Access" road 1,915 feet more or less from an existing road and partially crossing BLM lands in the adjacent Section 35. Parallel has applied for a right-of-way on the BLM land, but it is unclear whether BLM will issue this right-of-way due to the assertion that the lands have wilderness characteristics.

13. If the BLM timely issues a right-of-way, Parallel will require a 30' wide road right-of-way 592' in length more or less (totaling .41 acres more or less) and a well location of 155' by 185' (totaling .66 acres more or less) on the Subject Lands. An engineer's site plan and surveyed description of this right-of-way and location are attached as Exhibit 6. Hereinafter, this right-of-way and location will be referred to as Plan A. Under Plan A, the total surface disturbance will be 1.07 acres more or less.

14. If the BLM denies or fails to timely issue the right-of-way, Parallel will have to route its access road entirely within the Subject Lands from an existing county road right of way. See Exhibit 3 and its dotted line "Access Road Change." In this instance, Parallel will require a 30' wide road right-of-way 1,597' in length more or less (totaling 1.1 acres more or less) and a well location of 155' by 185' (totaling .66 acres more or less) on the Subject Lands. An engineer's site plan and surveyed description of this right-of-way and location are attached as Exhibit 7. Hereinafter, this right-of-way and location will be referred to as Plan B. Under Plan B, the total surface disturbance will be 1.76 acres more or less.

15. Plan A is preferred as it will require least amount of surface disturbance and because it will avoid a wash on the Subject Lands that will require greater construction costs. Nevertheless, the availability of Plan A is contingent upon whether the BLM timely issues a right-of-way. No surface improvements on the Subject Lands will be affected by either Plan A or Plan B.

16. Parallel has obtained an estimate of the reclamation costs under Plan A and Plan B. Reclamation costs under Plan A are estimated to be \$3,800.00. Reclamation costs under Plan B are estimated to be \$7,800.00. A copy of this estimate is attached as Exhibit 8.

17. Accordingly, pursuant to Utah State Code Ann. § 53C-2-409(3)(c), Parallel Petroleum Corporation requests Trust Lands to determine the appropriate amount of a bond to protect the interests of the surface owner.

//



STATE OF UTAH PATENT NO. 18931

738

WHEREAS, WILLIAM H. SIDDOWAY of Yermal, Utah, heretofore purchased from the State of Utah, the lands hereinafter described, pursuant to the laws of said State,

AND WHEREAS, the said WILLIAM H. SIDDOWAY has paid for said lands, pursuant to the conditions of said sale, and the laws of the State duly enacted in relation thereto, the sum of Three Thousand One Hundred Seventy Five and 65/100 dollars (\$3,175.65), and all legal interest thereon accrued, as fully appears by the certificate of the proper officer, now on file in the office of the Lieutenant Governor of the State of Utah;

NOW THEREFORE I, NORMAN H. BANGERTER, Governor, by virtue of the power and authority vested in me by the laws of the State of Utah, do issue this PATENT, in the name and by the authority of the State of Utah, hereby granting and confirming unto the said WILLIAM H. SIDDOWAY and to his heirs and assigns forever, the following tract or parcel of land, situated in the County of Uintah, State of Utah, to-wit:

Township 6 South, Range 25 East, SLB&M  
Section 2: All  
Section 16: All

Containing One Thousand One Hundred Fifty-four and 78/100 (1154.78), more or less, acres according to the said certificate.

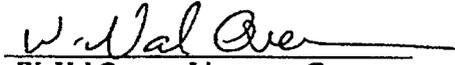
TO HAVE AND TO HOLD the above described and granted premises unto the said WILLIAM H. SIDDOWAY and to his heirs and assigns forever, subject to any valid, existing easement or right of way of any kind and any right, interest, reservation or exception, and subject also to all rights of way for ditches, tunnels, and telephone and transmission lines that have been or may be constructed by authority of the United States as provided by statute. There is reserved to the State all coal and other mineral deposits, along with the right for the State or other authorized persons to prospect for, mine, and remove the deposits as provided by statute.

ENT 5578-90 BK 494 Pg 238-239  
MARIE GARDNER UTAH CO RECORDER  
DATE 11-8-90 AT 4.10 Fee 8.00  
Dep \_\_\_\_\_ Rec for Kenneth Anderson

IN TESTIMONY WHEREOF, I have caused the great seal of the State of Utah to be hereunto affixed. Done at Salt Lake City, this thirtieth day of October in the year of our Lord, one thousand nine hundred and ninety, and of the independence of the United States of America the two hundred and fiftieth, and in the ninety-fifth year of the State of Utah.

By the Governor:

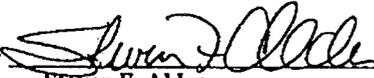
  
Norman H. Bangerter <sup>739</sup>

  
W. Val Oveson, Lieutenant Governor

  
Richard J. Mitchell  
Director, Division of State Lands



APPROVED AS TO FORM  
R. Paul Van Dam  
Attorney General

By   
Steven F. Alder

Recorded Patent Book 38 Page 31

Certificate of Sale No. 21860

PROOF READ BP EB

MINERAL LEASE NUMBER ML 49049

MINERAL LEASE APPLICATION NO. ML 49049 GRANT: SCH

OIL, GAS, AND HYDROCARBON LEASE

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 5TH day of FEBRUARY, 20 03, by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, with its offices located at 675 East 500 South, Suite 500, Salt Lake City, Utah 84102-2818, hereinafter called the "LESSOR," and

WILLIAM P. HARRIS  
P.O. BOX 47  
AMARILLO, TX 79150

hereinafter called the "LESSEE", whether one or more.

WITNESSETH:

SECTION 1. RIGHTS OF LESSEE

That Lessor, in consideration of the rents and royalties to be paid and the covenants and agreements contained herein and to be performed by Lessee, does hereby grant and lease to Lessee the following described tract of land in the County of UINTAH, State of Utah, to-wit:

T6S, R25E, SLB&M  
SECTION 2: LOTS 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)

containing 514.78 acres, more or less, for the purposes and with the exclusive rights of prospecting for, of mining for, of excavating, quarrying, or stripmining for and/or drilling for oil, natural gas, elaterite, ozocerite, other hydrocarbons (whether the same be found in solid, semisolid, liquid, vaporous or any other form) including tar, bitumen, asphaltum, and maltha, other gases (whether combustible or non-combustible), sulphur, (except the metallic sulphide such as pyrite, marcasite and chalcopyrite) and associated substances of whatever kind or nature and whether or not similar to those hereinabove mentioned but excluding coal and oil shale (the hydrocarbons and

### SECTION 3. ANNUAL RENTAL

Lessee agrees to pay to Lessor annually in advance as rental the sum of One Dollar (\$1.00) per acre or fractional part thereof, per annum for the primary term of this lease (ten years) and if this lease is extended beyond the primary term as provided in Section 2, the sum of two dollars (\$2.00) for the 11th thru the 15th year and the sum of three (\$3.00) for the 16th thru the 20th year. Rental will be paid for each year in advance on or before the first day of the month following the anniversary date of this lease, except the rental for the first year which has been paid with the application for this lease.

### SECTION 4. ROYALTIES

(a) Lessee agrees to pay to Lessor a royalty of twelve and one-half (12½) percent of the oil produced, saved and sold from the leased premises; or at the option of Lessor, to pay to Lessor the cash value of such royalty. When paid in money, the royalty shall be calculated upon the reasonable market value of the oil at the well, including any subsidy or extra payment which the Lessee, or any successors in interest thereto, may receive, without regard to whether such subsidy or extra payment shall be made in the nature of money or other consideration, and, in no event shall the royalties be based upon a market value less than that used by the United States in the computation of royalties, if any, paid by this lessee to the United States of America on oil of like grade and gravity produced in the same field. When Lessor elects to take royalty oil in kind, such royalty oil shall be delivered on the premises where produced without cost to Lessor at such time and in such tanks provided by Lessee as may reasonably be required by Lessor, but in no event shall Lessee be required to hold royalty oil in storage beyond the last day of the calendar month next following the calendar month in which the oil was produced. Lessee shall not be responsible or be held liable for the loss or destruction of royalty oil in storage from causes under which Lessee has no control. For royalty purposes, the word "oil" shall mean crude petroleum oil and any other hydrocarbons, regardless of gravities, which are produced at the well in liquid form, provided, however, oil produced from a reservoir with zero or near zero initial shut-in pressure shall bear the royalty rate specified in Section 4(c).

(b) Gas - Lessee agrees to pay to Lessor a royalty of twelve and one-half (12½) percent of the reasonable market value at the well of all gas produced and saved or sold from the leased premises. Where gas is sold under a contract, and such contract has been approved in whole or conditionally by the Lessor, the reasonable market value of such gas for the purpose of determining the royalties payable hereunder, shall be the price at which the production is sold, provided that in no event shall the price for gas be less than that received by the United States of America for its royalties from gas of like grade and quality from the same field; provided, however, the reasonable market value of processed or manufactured or extracted products for the purpose of computing royalty hereunder, shall be the value after deducting the costs of processing, extracting, or manufacturing, except that the deduction deducting the costs of processing, extracting, or manufacturing may not exceed 2/3 of the amount of the gross of any such products without approval by the Lessor and, provided further, that the market value of extracted, processed, or manufactured products used in the computation of royalties hereunder shall not be less than the value used by the United States in its computation of royalties on similar products resulting from production of like grade and quality in the same field.

(c) Other Substances - For the first ten years of commercial production, Lessee agrees to pay Lessor a royalty of six and one-fourth (6¼%) of the reasonable market value of all other hydrocarbon substances which are produced from a reservoir where the initial shut-in pressure is zero or near zero which in the discretion of the School

and Institutional Trust Lands Administration indicated the absence of sufficient motive force for the leased substances to enter the well bore, and where the said substances cannot be produced except by mining or removing the host rock or require the application of heat and/or solvents to remove the hydrocarbon substances from the host rock into the well bore or other form of catch trap or basin. The royalty may, at the discretion of Lessor, be increased after the first ten years of commercial production at a rate not to exceed one percent (1%) per annum until a maximum of 12½% is reached; provided, however, notwithstanding the foregoing, the royalty which Lessee shall pay at any time under this lease may, after notice and hearing, be fixed by Lessor up to the highest royalty rate then being paid, but in any event not to exceed 12½% by a Lessee producing from the same general area, reservoir, or deposit.

(d) Sulphur - Lessee agrees to pay Lessor 12½ percent of the reasonable market value of all sulphur which Lessee shall produce, save, or sell from the leased premises.

The basis for computing the reasonable market value of substances covered in this (c) and (d) shall be as follows:

(I) If the substances are sold under a bonafide contract of sale, the amount of money or its equivalent actually received from the sale of the substances less reasonable costs, if any, of transporting the substances from the place where extracted to the place where, under the contract of sale, the leased substances are to be delivered, shall be regarded as the reasonable market value.

(ii) If the lease substances extracted are treated at a mill, smelter, processing plant or reduction works which received the substances from independent sources and which is owned or controlled by the same interest owning or controlling the mine, such treatment shall be treated as a sale within the meaning of this section for the purpose of determining market value, and in such event a rate or charge for sampling, assaying, milling, smelting or refining the leased substances therefrom shall be deducted, which shall not exceed an amount to be determined by applying the same rates as are applied by such mill, smelter, or reduction works or competing works on ores of substantially like characteristics and like quantities received from independent sources. In the event of controversy, the Lessor shall have the power to determine such rates and charges. Transportation charges may also be deducted as provided in subdivision (I) hereof.

(iii) If a mill or other reduction works is operated exclusively in connection with a mine, such mill or reduction works shall be treated as a part of the mine, and the costs of operating the mill or reduction works shall, for the purpose of fixing the royalty set forth in this lease, be regarded as part of the costs of mining, and the proportionate cost of assaying, sampling, smelting, refining, and transportation only shall be deducted as herein provided.

(e) Time of Payment - All royalty on production during any calendar month shall be due and payable by Lessee to Lessor not later than the last day of the calendar month following that in which produced.

(f) Lessor agrees that upon request by the Lessee and after notice and hearings, upon good cause shown, the annual rental and/or the royalty rates specified in this lease may be reduced at the discretion of Lessor. However, upon the reduction of said rates, Lessee agrees that Lessor shall have the right to reduce all outstanding overriding royalty interest proportionately.

Lessor may at its option take its royalty gas in kind at the well heads, provided expressly that Lessee shall be under no obligation to furnish any storage facilities for royalty gas.

**SECTION 5. RIGHTS RESERVED TO LESSOR - The Lessor expressly reserves:**

(a) **Easements and Rights of Way** - The right to permit for joint or several use in a manner which will not unreasonably interfere with Lessee's operations hereunder, such easements or rights of way upon, through or in the land hereby leased as may be necessary or appropriate to the workings of other lands belonging to the Lessor containing mineral deposits or to the working of the land hereby leased for other than the hereby leased substances, and for other public purposes.

(b) **Surface Disposition - Leasing for Other Deposits** - The right to use, lease, sell, or otherwise dispose of the surface of said hereby leased lands, or any part thereof, under existing State laws, subject to the rights herein granted and insofar as in the judgment of the Lessor, said surface is not necessary for the use of the Lessee in the exercise of the rights granted Lessee hereunder; and also the right to lease mineral deposits, other than the hereby leased substances, which may be contained in said hereby leased lands.

(c) **Unitization** - The right, with the consent of the Lessee, to commit the hereby leased lands to a unit or cooperative plan of development and to establish, alter or change the drilling, producing and royalty requirements and term of this lease to conform thereunto.

(d) **Production Control** - The right to alter or modify the quantity and rate of production to the end that waste may be eliminated or that production may conform to the Lessee's fair share of allowable production under any system of state or national curtailment and proration authorized by law.

**SECTION 6. DRILLING AND DEVELOPMENT PROVISIONS PERTAINING TO OIL AND GAS OPERATIONS**

(a) **Offset Wells** - Subject to the rights of surrender as provided in this lease, Lessee shall protect the oil and gas under the leased premises from drainage from adjacent lands or leases, and the Lessor expressly reserves the right to require the commencement, completion, and operation of a well or wells necessary for the protection of the leased premises from adjacent lands or leases.

(b) **Diligence - Proper Operations** - Lessee agrees:

(1) After discovery and subject to the right of surrender herein provided, to exercise reasonable diligence in producing oil and gas and in the drilling and operating of wells on the land covered hereby, unless consent to suspend operations temporarily is granted by the Lessor; and

(2) To carry on all operations hereunder in a good workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas, or the entrance of water to the oil or gas bearing sands or strata, to the destruction or injury of such deposits, to the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; and

- (3) To take every reasonable precaution to prevent water from migrating from one stratum to any other and to protect and water-bearing stratum from contamination; and
- (4) To securely and properly plug in an approved manner any well before abandoning it; and
- (5) To drill any well in conformity with law and with the rules and regulations of the Utah Board of Oil, Gas, and Mining; and
- (6) To conduct all operations subject to the inspection of the Lessor and to carry out at the Lessee's expense all reasonable orders and requirements of the Lessor relative to the prevention of waste and preservation of the property, and the health and safety of workmen; and on failure of the Lessee so to do, the Lessor shall have the right, together with other recourse herein provided, to enter on the property to repair damages or prevent waste at the Lessee's expense; and
- (7) To conduct all operations under this lease in accordance with the Lessor's rules and regulations governing exploration for and production of oil and gas which are now in force, and with such reasonable rules and regulations as hereafter may be adopted by the Lessor; and
- (8) To reimburse the owner or Lessee of the surface of the leased premises for actual damages thereto and to improvements thereon resulting from Lessee's operations hereunder, provided that Lessee shall not be held responsible for acts of providence or occurrences beyond Lessee's control.
- (9) Prior to any surface disturbance of the leased premises for exploration, drilling, or ancillary operations, Lessee shall submit a cultural resources survey of any area to be disturbed, and shall not proceed with any proposed surface disturbance without written clearance from Lessor, which may be conditioned upon Lessee's compliance with stipulations deemed necessary by Lessor for protection of cultural resources. When a drill site is located on Lessor's lands, any topsoil which is removed will be stockpiled on the site and will be redistributed on the site at the completion of operations and the land reseeded with grasses and/or native plants by Lessee or operator as prescribed by Lessor. All mud pits will be filled and material and debris will be removed from the site at the completion of operations.

#### SECTION 7. BOND

Lessee agrees at the time of commencement of operations to furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other surety as may be acceptable to the Lessor, in the penal sum of not less than Five Thousand Dollars (\$5,000.00) conditioned upon the payment of all moneys, rentals, and royalties accruing to the Lessor under their terms hereof, and upon the full compliance with all other terms and conditions of this lease and the Rules and Regulations relating hereto, and also conditioned on the payment of all damages to the surface and improvements thereon where the lease covers lands, the surface of which has been sold or otherwise leased. Such bond or bonds furnished prior to the development of the lands contained in this lease may be increased in such reasonable amounts as the Lessor may decide after discovery of said substances.

The Lessor may waive the provision of this section, as to this lease, upon the furnishing of a blanket bond by Lessee extending to and including Lessee's operations hereunder.

#### SECTION 8. LOGS - REPORTS - MAPS

Lessee agrees to keep a log in a form approved by the Board of Oil, Gas and Mining, of each well drilled by Lessee on the leased lands and agrees to file the same, together with such reports, maps and supplements as may be required, with said Commission. Lessee also agrees to furnish Lessor copies of such logs, reports and any other information which Lessor may request from time to time.

#### SECTION 9. NOTICE OF WATER ENCOUNTERED

In the drilling of wells under authority of this lease, all water-bearing strata shall be noted in the log and Lessee shall promptly give notice to Lessor when water has been encountered and such notice shall include an estimate of the possible amount of flow of said water and whether or not the water is fresh water.

#### SECTION 10. DEFAULT OF LESSEE

Upon failure or default of the Lessee to comply with any of the conditions or covenants herein, the Lessor may cancel this lease and such cancellation shall extend to and include all rights granted hereunder as to the whole of the tract hereinabove described, but shall not extend to nor affect the rights of this Lessee under other leases or partial assignments of this lease which have been approved by Lessor upon which no default has been made, provided, however, that in the event of any default by Lessee, Lessor shall, before cancellation, send a notice of intention to cancel said lease to the Lessee by registered or certified return receipt mail addressed to post office address of said Lessee as first hereinabove stated or as shown by the records of the Lessor, which notice shall specify the default for which cancellation is to be made, and, if within thirty (30) days from the date of mailing said notice, Lessee has not remedied the violation or rectified the condition specified and notified Lessor thereof in writing, Lessor may thereupon cancel the lease without further notice to Lessee.

#### SECTION 11. OPERATION REQUIREMENTS - PREVENTION OF WASTE

Lessee covenants that no waste shall be committed on the land and agrees to develop and produce said substances which are susceptible of production with reasonable care and skill and in conformity with all applicable laws of the United States and the State of Utah, and the rules and regulations of the School and Institutional Trust Lands Administration, now in effect or hereafter promulgated, and to carry on all mining, extractions, reducing, refining, and other operations on or below the surface of the earth by safe and economically feasible methods and practices and to take all proper and reasonable steps and precautions to prevent waste of or damages to said substances or other mineral deposits on said land. Should Lessee elect to dump waste products upon the leased lands Lessee shall secure Lessor's consent as to the situs and manner of maintenance of the waste dump; it being understood that Lessor contemplates designating the manner of operation and maintenance of a waste dump so that the land used for dumping of waste will be suitable for other uses. Lessee shall not fence any watering place upon the leased lands

without prior approval of Lessor, nor shall Lessee permit or contribute to the pollution of waters useful for domestic or agricultural purposes.

In those instances where strip or open-pit mining operations or other operations which will disturb the surface of Lessor's lands are utilized, Lessor may require rehabilitation of the surface of the disturbed area. At least 30 days prior to commencement, Lessee will submit to Lessor plans for such operations. Lessor will at the time outline the rehabilitation program required by lessor for the particular property in question. In all cases the Lessee must agree to slope the side of all excavations to a ratio of not more than one foot (1') vertically for each two feet (2') of horizontal distance unless otherwise approved by Lessor prior to commencement of operations. Such sloping is to become a normal part of the operation of the leased premises so as to keep pace with such operation to the extent that such operation shall not at any time constitute a hazard. Whenever practicable, all pits or excavations shall be shaped to drain, and in no case shall the pits or excavations be allowed to become a hazard to persons or livestock. All material mined, but not removed from the premises, is to be used to fill the pits and leveled, unless consent of the Lessor to do otherwise is obtained so that at the termination of the lease the land will as nearly as practicable approximate its original configuration. The Lessee or operator must strike off the peaks and ridges of spoil banks to a width satisfactory to the School and Institutional Trust Lands Administration, Lessor may require that all topsoil in the affected area shall be removed and stockpiled until the completion of operations when in its opinion such action is justified. Upon completion of operations, the stockpiled topsoil will be redistributed on the affected area, and the land reseeded with grasses and/or native plants by Lessee as prescribed by Lessor.

#### SECTION 12. MAPS AND REPORTS

Where Lessee conducts mining operations under this lease, Lessee agrees to keep clear, accurate and detailed maps on tracing cloth, on a scale of not more than fifty (50) feet to the inch, of Lessee's working in each section of leased lands, oriented to a public land corner so that the maps can be readily and correctly superimposed, and to furnish to the Lessor annually, or upon demand, certified copies of such maps and any written reports of operations as Lessor may call for.

#### SECTION 13. IMPROVEMENTS AND REMOVAL OF SAME

Upon termination of this lease for any cause, the Lessee, upon payment of all amounts due Lessor, shall remove from the leased premises all property (including fixtures), machinery, equipment, and supplies. The leased land shall be surrendered in good usable condition in as near the natural condition of the land as is reasonably practical.

#### SECTION 14. LESSOR'S RIGHT OF ACCESS TO LEASED PREMISES AND LESSEE'S RECORDS

Lessor, its officers and agents, shall have the right at all reasonable times to go in and upon the leased lands and premises during the term of the lease to inspect the work done thereon and the progress thereof, and the products obtained therefrom, and to post any notice on the said lands that it may deem fit and proper. Lessee shall permit any authorized representative of the Lessor to examine all books and records pertaining to operations and royalties payable to Lessor under the lease, and to make copies of any extracts from such books and records if desired.

**SECTION 15. SURRENDER BY LESSEE**

Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not less than a quarter-quarter section or surveyed lot, upon payment of all rentals, royalties, and other amounts due Lessor and by filing with the Lessor a written relinquishment. The relinquishment shall be effective as to future rental liability on the date of cancellation by Lessor.

**SECTION 16. WATER RIGHTS**

If the Lessor shall initiate or establish any water rights upon the leased premises, such right shall become an appurtenance of the leased premises, and, upon the termination of the lease, shall become the property of the Lessor.

**SECTION 17. DISCOVERY OF OTHER MINERALS**

Upon such notification of the Lessee to the Lessor, the Lessee shall have 60 days in which to request that the Lessor issue a lease on the newly discovered mineral substances in line with the form of lease and regular rules and regulations of the School and Institutional Trust Lands Administration regarding such mineral substances.

**SECTION 18. FAILURE OF LESSOR'S TITLE**

It is understood and agreed that this lease is issued only under such title as the State of Utah may now have or hereafter acquire, and that the Lessor shall not be liable for any damages sustained by the Lessee, nor shall the Lessee be entitled to or claim any refund of rentals or royalties theretofore paid to the Lessor in the event the Lessor does not have the title to the minerals in the leased lands. If Lessor owns less than the entire and undivided fee simple estate in the leased minerals for which royalty is payable, then the royalties herein provided shall be paid the Lessor only in the proportion which its interest bears to said whole and undivided fee simple estate in the said minerals for which royalty is payable.

**SECTION 19. TRANSFERS OF INTEREST BY LESSEE**

There shall be no assignment of this lease, nor of any interest therein, nor any sublease or operating agreement as to the leased lands, nor any portion thereof, unless and until such assignment, transfer, sublease or operating agreement is approved by the Lessor. Any such instrument shall be filed with Lessor within ninety days from the date of final execution thereof, and when and provided it is approved by the Lessor, shall take effect as of the date of its execution. Any assignment or sub-lease made without such approval shall be void ab initio. Subject to the necessity of approval as herein set out, all of the terms, covenants, conditions, and obligations of this lease shall extend to and shall be binding upon the successor in interest of the Lessee. The Lessee further agrees not to enter into any agreements limiting, restricting, prorating, or otherwise affecting the natural production from said lands in any way or in any event without the prior written consent of the Lessor.

**SECTION 20. NOTICES**

All notices herein provided to be given or which may be given by either party to the other, except as otherwise provided by law, shall be deemed to have been fully given when made in writing and deposited in the United States mail, postage prepaid, and addressed to the last known address of the parties.

**SECTION 21. INTEREST**

Interest shall accrue and be payable on all obligations arising under this lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

**SECTION 22. CONSENT TO SUIT**

Lessee consents to suit in the courts of the State of Utah in any dispute arising under the terms of this lease or as a result of operations carried on under this lease. Service of process in any such action is hereby agreed to be sufficient if sent by registered mail to the Lessee at the last known address appearing on Lessor's records.

**SECTION 23. ATTORNEY'S FEES**

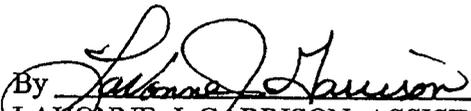
In the event Lessor shall institute and prevail in any action or suit for the enforcement of any provision of this lease, Lessee will pay to Lessor a reasonable attorneys fee on account thereof.

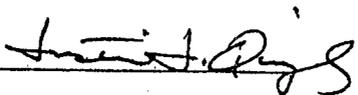
IN WITNESS WHEREOF, the parties have hereunto subscribed their names the day and year first above written.

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION

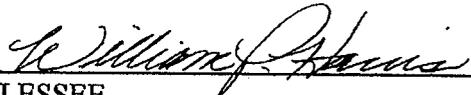
KEVIN S. CARTER  
~~STEPHEN G. BOYDEN, DIRECTOR~~

APPROVED AS TO FORM  
MARK L. SHURTLEFF  
ATTORNEY GENERAL

By   
LAVONNE J. GARRISON, ASSISTANT  
DIRECTOR/OIL & GAS  
School & Institutional Trust Lands Administration - LESSOR

By 

Form Approved: September 4, 2001

\_\_\_\_\_  
  
LESSEE

STATE OF UTAH )  
COUNTY OF SALT LAKE )

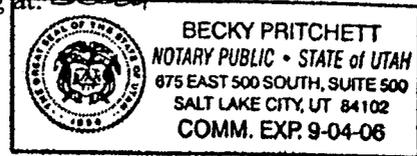
On the 23rd day of April, 2003, personally appeared before me LAVONNE J. GARRISON, who being by me duly sworn did say that she is the Assistant Director/Minerals of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 23rd day of April, 2003.

Becky Pritchett  
NOTARY PUBLIC, residing at: Sweet

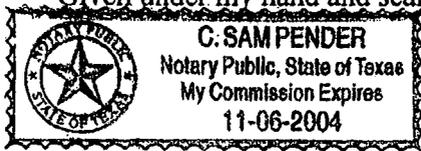
My Commission Expires: 9/4/06

STATE OF ~~UTAH~~ ) TEXAS  
COUNTY OF ) POTTER



On the 11th day of APRIL, 2003, personally appeared before me William P. Harris, signer of the above instrument, who duly acknowledged to me that he executed the same.

Given under my hand and seal this 11th day of APRIL, 2003.



C. Sam Pender  
NOTARY PUBLIC, residing at: 20301 City Lake Road  
Canyon, TX 79015

My Commission Expires:

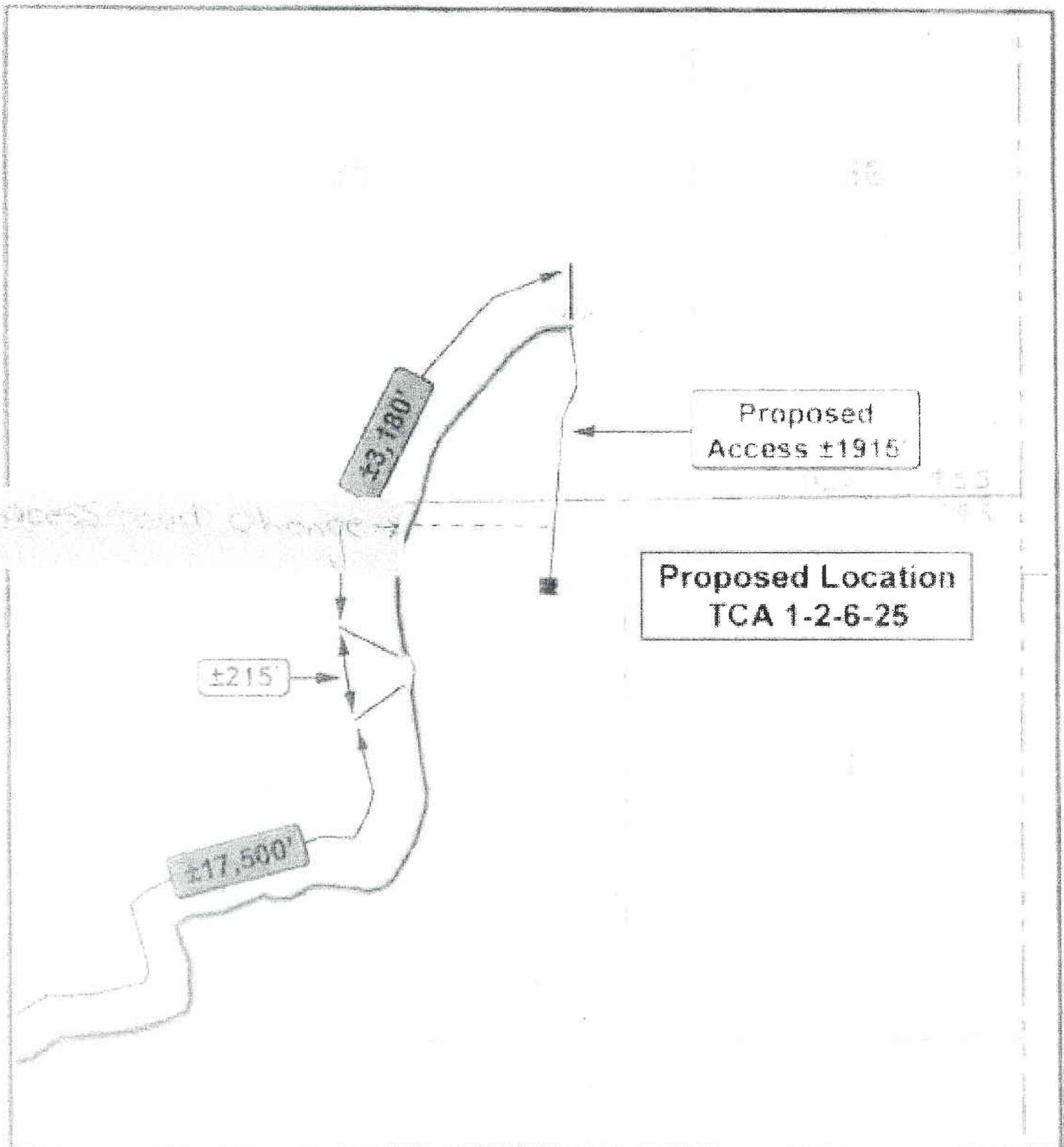
STATE OF UTAH )  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared before me \_\_\_\_\_, who being duly sworn did say that he is an officer of \_\_\_\_\_ and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said \_\_\_\_\_ acknowledged to me that said corporation executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

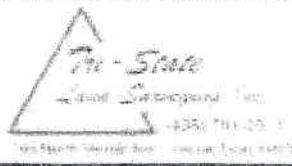
\_\_\_\_\_  
NOTARY PUBLIC, residing at:

My Commission Expires:



PARALLEL PETROLEUM CORP.

Trail Creek Anticline 1-2-6-25  
 SEC 2, T6S, R25E, S.L.B.&M.



SCALE: 1" = 1,000'  
 DRAWN BY: [unclear]  
 DATE: 04/15/2009

Legend	
	Existing Road
	Proposed Access
	Existing Two-Track

Exhibit "A"

## SURFACE USE AND DAMAGE AGREEMENT

This Agreement is made and entered into between K Ranch, LLC (Richard Roach), herein called ("Owner") and Parallel Petroleum Corp herein called ("Operator"), as of \_\_\_\_\_, 2007.

### **IT IS AGREED AS FOLLOWS:**

1. **The Land.** Operator holds interests in mineral leases situated in Uintah County, Utah, and described as: Section 2, Township 6 South, Range 25 East, S.L.B. & M., and containing the Trail Creek Anticline 1-2-6-25 Well location. The Owner owns the surface of the above-described lands. This Agreement covers Operator's activities on and access across the above-described lands only.

2. **Right-of-Way.** In consideration of the premises, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner grants Operator, its contractors, subcontractors and designated agents, a private right-of-way to enter upon and use the above-described lands for the purpose of drilling, testing, and plugging the Trail Creek Anticline 1-2-6-25 on Owner's land.

3. **Notification and Consultation.** Operator shall notify Owner prior to its initial entry upon Owner's land. To the maximum extent possible, Operator will use existing roads on Owner's land for its operations and if construction of a new road is required, Operator will consult with Owner, and following such consultation, locate the new road in a manner so as to cause the least interference with Owner's operations on the affected land. Operator shall notify Owner when the drilling and production operation for the well drilled on the above-described land has been completed. Operator shall provide Owner with a well driller's log when the drilling operation is finished.

4. **Termination of Rights.** The rights granted by Owner to Operator shall terminate when: (1) the underlying Mineral Lease terminates or expires; (2) Operator ceases its operations on the land; (3) upon Operator's notification to Owner of Operator's intention to cease operations; (4) if Owner so elects, upon a breach of this Agreement, or (5) if Owner so elects, twelve (12) months after the effective date of this Agreement if Operator has not commenced drilling of the well. Upon such termination, Operator will execute and deliver to Owner a good and sufficient recordable release and surrender of all of Operator's rights under this Agreement, and will promptly remove all equipment and property used or placed by Operator on Owner's land unless otherwise agreed by Owner in writing.

5. **Nonexclusive Rights.** The rights granted by Owner to Operator are nonexclusive, and Owner reserves the right to use all access roads and all surface and subsurface uses of the land affected by this Agreement and the right to grant successive easements thereon or across, on such terms and conditions as Owner deems necessary or advisable. Owner agrees

that he will grant no easement after the date of this Agreement which will unreasonably interfere with the rights granted hereunder.

6. **Payments.** As compensation for surface damages, Operator will pay to Owner the following:

a. **Well Location.**

\$1,000.00 per acre for the well site location including pad, entry roads, any and all disturbed surface. Upon completion of surface disturbing operations, an as-built diagram and acreage calculation will be made. An estimate of this amount shall be paid by Operator to Owner before entering upon the premises to drill the well. If additional surface area is actually disturbed during construction and/or exploration, an additional payment will be made upon the same terms. There shall be no annual rental payment for well locations or roads.

b. **Pipelines. Not Applicable**

c. **Powerlines. Not Applicable**

7. **Limitation on Rights.** Owner's land may not be used in connection with operations on other lands owned by Owner which are not described herein or operations on other premises not owned or leased by Owner without Owner's written consent.

8. **Locations.** The well site location shall be limited to approximately one (1) acre of land while drilling and no more than one (1) acre for permanent facilities. The well shall not be drilled within one thousand (1,000) feet of any residence, house or barn on the property without the prior written consent of Owner. No housing or dwelling unit or other facility shall be constructed or placed on Owner's land by Operator.

9. **Operations.** Operator shall at all times keep the well sites and the road rights-of-way safe and in good order, free of noxious weeds, litter and debris, and shall suppress dust and spray for noxious weeds upon reasonable demand therefore by Owner. All cattle guards and fences installed by Operator shall be kept clean and in good repair. Operator shall not permit the release or discharge of any toxic or hazardous chemicals or wastes on Owner's Land. Operator shall remove only the minimum amount of vegetation necessary for the construction of roads and facilities. Topsoil shall be conserved during excavation and reused as cover on disturbed areas to facilitate re-growth of vegetation. No construction or routine maintenance activities will be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of four (4) inches deep, the soil shall be deemed too wet to adequately support construction equipment. All culverts installed by Operator shall be at least twenty-four (24) inches in diameter. All surface facilities not subject to safety requirements shall be painted to blend with the natural color of the landscape.

10. **Dry Hole.** If Operator does not discover minerals in paying quantities at the well site and determines the well to be a "dry hole" or upon cessation of production, Operator will give Owner thirty (30) days written notice of the opportunity to take over any abandoned well and convert the well to a water well. If Owner elects in writing to takeover the abandoned well and convert the well to a water well, then the Owner will assume all liability and costs associated with the well thereafter, and both parties shall execute any and all documents necessary to provide that the water in the well shall become the property and responsibility of the Owner. If Owner does not elect to take over the well and convert it to a water well, then Operator shall fill and level the location, re-contour the location, distribute the top soil, make the location ready for reseeding and reseed the area, and abandon the well as required by applicable law and regulations. All cleanup and restoration requirements shall be completed, if weather permits, by Operator within six (6) months after termination of drilling or production activities at the well site.

11. **New Road.** If a new road is constructed by or for Operator, it shall be limited to twenty (20) feet in width for the actually traveled roadbed, together with a reasonable width, not to exceed fifteen (15) feet from the edge of the actually traveled roadbed for fills, shoulders and crosses. No permanent roads will be constructed unless absolutely necessary and Owner consents to the construction and location of the road. Operator shall annually maintain existing and newly constructed roads used by Operator to the satisfaction of Owner. Such maintenance may include shaling, ditching, graveling, blading, installing and cleaning culverts, suppressing dust, and spraying for noxious weeds.

12. **Fences.** Operator shall construct stock-tight fences around any dangerous area, including any well pit. Fences will be constructed in like fashion and materials as Owner's existing fences. Operator shall rehabilitate and restore all disturbed areas caused by Operator's operations within six (6) months after termination of drilling or production activities at the well site and right-of-way, unless inclement weather prevents such rehabilitation and restoration within that time period.

13. **Cattleguards.** Operator shall construct cattleguards with wings at all fence crossings designated by Owner. Installation of the cattleguards shall be at the sole cost and expense of Operator. Cattleguards shall not be less than sixteen (16) feet wide by eight (8) feet across and shall be set on concrete sills not less than twenty-four (24) inches high by sixteen (16) inches wide. Fence braces shall be installed on each side of the cattleguards. Fence braces shall be constructed of like quality material and installed in like style and form as the fence braces currently constructed on Owner's lands. Cattleguards shall be constructed approximately six (6) inches above the existing grade of the road so that water does not run into the cattleguard. Operator shall be responsible for maintenance of all cattleguards used by Operator, together with wings and attached braces.

14. **Improvement.** No fences, cattleguards or other improvements on Owner's property shall be cut or damaged by Operator without the prior written consent of Owner and the institution of other safeguards to protect the rights and property of the Owner. Upon final termination of Operator's rights under this Agreement, Operator shall return all roads and other

rights-of-way or sites as near as practical to the condition which they were in prior to the execution of this Agreement, unless otherwise agreed in writing by Owner. Operator will reseed all areas disturbed by Operator's activities unless otherwise agreed in writing by Owner. Cattleguards shall be removed and fences restored and near as practical to the original condition unless otherwise agreed in writing by Owner, in which case all cattleguards installed by Operator shall become the property of Owner. All cattleguards and fences installed by Operator shall be kept clean and in good repair.

15. **Fencing of Access Roads.** Operator will not fence any access roads without the prior written consent of Owner.

16. **Purchase of Shale and Water.** To the extent that Operator's activities require the use of shale, gravel, or water, where reasonable and practicable Operator shall purchase shale, gravel, or water from owner at the rates prevailing in the area at that time. Operator recognizes Owner's concern about importation of noxious weeds onto Owner's land and, therefore, agrees wherever possible to purchase shale, gravel, or water from the Owner.

17. **First Preference for Work.** Operator shall give first preference to Owner in awarding contracts for any work required to be performed on Owner's land pursuant to the terms of this Agreement, including but not limited to earthmoving, grading or plowing roads, delivering water, spraying noxious weeds, or reseeding, provided that Owner has the equipment necessary to accomplish the work, is capable of adequately performing the work and is willing to perform the work at rates prevailing in the area. Nothing contained in this Agreement nor the award of any contract Operator to Owner for provision of services or materials shall be deemed to create the relationship of employer and employee, principal and agent, partnership, mining partnership or joint venture between the parties hereto.

18. **Payments.** The payments herein provided are acknowledged by Owner as sufficient and in full satisfaction for damages to Owner caused or created by the reasonable and customary entry, rights-of-way, operation and use of the roads and well site, but do not include damage to livestock, buildings or improvements, or injuries to persons or to any damage or destruction caused to Owner's well or water supply on the property. Operator shall be liable for damages if, as a result of its operations hereunder, any water on or under the premises which had been potable is affected to the extent that it is rendered nonpotable for humans, cattle or other ranch animals on Owner's premises, or any such water supply, well or reservoir be destroyed or its output diminished by Operator's activities. Operator shall be liable for any downstream damage caused to other lands or the operations of other landowners caused by Operator's operations. This Agreement does not relieve Operator from liability due to Operator's negligence or due to spills or discharges of any hydrocarbon or toxic or hazardous chemicals or wastes, or from leaks or breaks in Operator's pipelines. Damage to livestock and damage to crops caused by Operator shall be paid for by Operator at the then current market value. Any fires caused by Operator's personnel, agents, or assigns shall be paid for by paying the cost of replacement pasture, the costs of trailing or trucking cattle to replacement pasture plus replacement and/or repair costs for all personal property destroyed or damaged. The cost of

replacement pasture will be determined by the amount generally accepted in the area for like kind pasture.

**19. Restoration.** Unless Owner otherwise agrees in writing, upon termination of any of Operator's operations on Owner's land, Operator shall fully restore and level the surface of the land affected by such terminated operations as near as possible to the contours which existed prior to such operations. Operator shall use water bars and such other measures as appropriate to prevent erosion and non-source water pollution. Operator shall fully restore all private roads and drainage and irrigation ditches disturbed by Operator's operations as near as possible to the condition which existed prior to such operations. All surface restoration shall be accomplished to the satisfaction of Owner.

**20. Reseeding.** All reseeded shall be done with suitable grasses selected by Owner and during a planting period selected by Owner. Reseeding shall be done at the rate of twelve (12) pounds PLS (pure live seeds) per acre for range land, and an amount to be determined by Owner for irrigated ground. In the absence of direction from Owner, no reseeded (except for borrow pits) will be required on any existing access roads. It shall be the duty of Operator to insure that a growing ground cover is established upon the disturbed soils and Operator shall reseed as necessary to accomplish that duty. It shall further be the duty of Operator to inspect and control all noxious weeds as may become established within areas used or disturbed by Operator. Operator shall inspect disturbed areas at such times as Owner shall reasonably request in order to determine the growth of ground cover and/or noxious weeds, and Operator shall reseed ground cover and control noxious weeds from time to time to the extent necessary to accomplish its obligations hereunder. Operator recognizes that this shall be a continuing obligation and Operator shall reseed ground cover and/or control noxious weeds until areas disturbed by Operator are returned to as good condition as existed prior to construction.

**21. No Warranty.** Owner makes no warranty of title or otherwise in entering into this Agreement.

**22. Nondisturbance.** Operator and its employees, contractors, subcontractors, and authorized agents shall not disturb, use or travel upon any of the land of Owner not subject to this Agreement.

**23. Firearms.** None of Operator's employees and authorized agents or any other person under the direction or control of Operator shall be permitted to carry firearms or any weapon while crossing Owner's property and such persons shall not hunt or fish on Owner's property and shall not trespass on owner's property for the purposes of hunting or fishing or recreational uses. No dogs will be permitted on Owner's property at any time. Operator will notify all of its contractors, agents and employees that no dogs, firearms, weapons, hunting, fishing or recreational activities will be allowed on Owner's property.

**24. Surface Owner's Water.** Operator shall not disturb, interfere with, fill, or block any creek, reservoir, spring, or other source of water on Owner's land unless agreed to in writing.

**25. Produced Water.** Surface discharge of produced water will be allowed on Owner's land only with Owner's prior written consent, and only after Owner has approved, in writing, Operator's written water management plan for each discharge point located on Owner's land. In any event, such discharge will be permitted only if it does not degrade or adversely affect the quality of water in reservoirs and water courses on Owner's land or otherwise damage Owner's land. If Owner does not consent to surface discharge of produced water, Operator shall be responsible for piping water off Owner's land and making appropriate arrangements for discharge thereof. All water produced and discharged from Operator's wells shall be produced and discharged in accordance with all applicable rules and regulations of any governmental authority. Whenever possible, and if Owner so consents, the produced water shall be discharged directly into an existing drainage system or reservoir, if allowed by applicable laws and regulations, and if the discharge will not degrade or adversely affect the quality of water in the drainage system or reservoir, so that the Owner may make beneficial use of the water. Produced water shall be discharged in a way so as to cause the least amount of surface disturbance and damage to Owner's land.

**26. Reservoirs.** If Owner consents to the discharge of produced water but does not wish Operator to discharge any of its produced water into Owner's existing reservoirs, Operator shall be solely responsible for finding a suitable water discharge location acceptable to Owner, building the necessary catchment structures (including pipelines, dikes, dams, and outlet piping) and maintaining the same at its sole cost, risk and expense. Similarly, if Operator requests and is granted permission to use any of owner's reservoirs, should any such reservoirs require modification, the necessary upgrading and/or improvement shall be done at Operator's sole cost, risk and expense. Owner shall not be responsible for payment of any cost associated with Operator's development activities which shall include, but not be limited to water discharge, catchment of produced water or maintenance of any related facilities.

**27. Enforcement Costs.** If Operator defaults under this Agreement, Operator shall pay all costs and expenses, including a reasonable attorney's fee, incurred by Owner in enforcing this Agreement.

**28. Time.** Time is of the essence in this Agreement.

**29. Indemnification.** To the maximum extent permitted by law, Operator will indemnify, defend and hold Owner, and if applicable, Owner's officers, directors, employees, agents, successors and assigns harmless from any and all claims, liabilities, demands, suits, losses, damages and costs (including, without limitation, any attorney fees) which may arise out of or be related to Operator's activities on Owner's property (including, without limitation, any claims that Operator's operations hereunder are either illegal, unauthorized, or constitute an improper interference with any parties' rights, or have damaged the lands or operations of adjacent landowners, and including any claims based on the alleged concurrent negligence of owner).

**30. Compliance with Law.** Operator shall conduct operations and activities in accordance with existing local, state and federal laws, rules and regulations.

**31. Release.** To the maximum extent permitted by law, Operator releases and waives and discharges Owner, and, if applicable Owner's officers, directors, employees, agents, successors and assigns from any and all liabilities for personal injury, death, property damage or otherwise arising out of Operator's operations under this Agreement or use of owner's Property.

**32. Notice.** Notice may be given to either party to this Agreement by facsimile and by depositing the same in the United States mail postage prepaid, duly addressed to the other party at the fax number and address set out below the party's signature on this Agreement. Such notice shall be deemed delivered when deposited in the United States mail.

**33. Designated Contact Person.** Operator and Owner will each from time to time designate an individual, with appropriate twenty-four (24) hour telephone and fax numbers, who is to be the primary contact person for discussions and decisions concerning matters related to this Agreement. The initial contact for each of Owner and Operator shall be the signatories hereto.

**34. Recording.** This Agreement may not be recorded without the written consent of the Owner or the Operator. Owner agrees that upon the request of Operator, he will execute a recordable memorandum of this Agreement.

**35. Construction of Agreement.** This Agreement shall be interpreted and construed only by the contents hereof, and there shall be no presumption or standard of construction in favor of or against any party. This Agreement shall be construed and enforced in accordance with, and governed by the laws of the State of Utah.

**36. Entire Agreement.** As of the date hereof, this Agreement and its Attachments constitute the entire agreement between the parties with respect to the specific subject matter hereof and may only be modified by a subsequent writing duly executed by each of the parties.

**37. Severability.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held by a court in an action between the parties or otherwise affecting this Agreement to be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

**38. Binding Effect.** The terms, covenants and conditions contained in this agreement shall be binding upon and inure to the benefit of the heirs, successors, transferees and assigns of the Parties except as otherwise expressly limited in this Agreement.

DATED this \_\_\_\_\_ day of February, 2007.

**Richard Roach**

**Parallel Petroleum Corp**

**OWNER**

**OPERATOR**

\_\_\_\_\_

\_\_\_\_\_

By \_\_\_\_\_

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

Richard Roach  
K Ranch, LLC

(Printed) \_\_\_\_\_

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

Address: 1334 Stuart St  
Chattanooga, TN 37406

Address: PO BOX 47  
Amarillo, TX 79105

Telephone: (423) 698 - 2416

Telephone: (806) 358 - 3648

Fax: (423) 698 - 2430

Fax: ( ) - \_\_\_\_\_

**MEMORANDUM OF SURFACE USE AND DAMAGE AGREEMENT**

1. WHEREAS, effective February \_\_, 2007, K Ranch LLC entered into a Surface Use and Damage Agreement with Parallel Petroleum Corp., covering the Trail Creek Anticline 1-2-6-25 Well located in:

Section 2, Township 6 South, Range 25 East, S.L.B. & M., in Uintah County, Utah.

2. WHEREAS, said agreement provides for the right to access the Trial Creek Anticline 1-2-6-25 Well for the limited purposes of drilling, testing, and plugging the well. Said agreement sets forth payment of specific amounts to cover specified damages. Said agreement is for a limited time period and contains rights and obligations for both K Ranch LLC and Parallel Petroleum.

NOW THEREFORE this Memorandum is placed of record for the purpose of giving notice of the Surface Use and Damage Agreement.

DATED this \_\_\_\_\_ day of February, 2007.

**Richard Roach**

**Parallel Petroleum Corp**

**OWNER**

**OPERATOR**

\_\_\_\_\_

\_\_\_\_\_

By \_\_\_\_\_

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

Richard Roach  
K Ranch, LLC

(Printed) \_\_\_\_\_

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

Address: 1334 Stuart St  
Chattanooga, TN 37406

Address: PO BOX 47  
Amarillo, TX 79105

Telephone: (423) 698 - 2416

Telephone: (806) 358 - 3648

Fax: (423) 698 - 2430

Fax: ( ) - \_\_\_\_\_

**PARADIGM CONSULTING, INC  
PO BOX 790203  
VERNAL, UT 84079  
435-789-4162**

**November 8, 2007**

**To Whom It May Concern:**

**In regards to negotiations with Mr. Roach, owner of the Kay Ranch, the following has occurred:**

**In January of 2006 I contacted Mr. Lynn Siddoway for permission to enter his property to stake a core test well for Parallel Petroleum. Permission was granted.**

**Subsequently the property was sold to Mr. Richard Roach shortly after the staking of the location Trail Creek Anticline 1-2-6-25.**

**I sent an initial surface agreement, via e-mail, to Mr. Roach for review and signature on December 1, 2006. I called Mr. Roach several times to see if he was in agreement to the surface agreement. He informed me that he would have to send it to his attorney in Grand Junction, Colorado. He sent the agreement to Mr. Nate Keever on January 23, 2007.**

**I spoke with Mr. Roaches' attorney in regards to the surface agreement. Several minor changes were made and agreed to in the agreement. Mr. Roaches' attorney (Nate Keever) then forwarded the agreement to Mr. Roach for signature on or about February 1, 2007.**

**I called Mr. Roach several times to see when he would be signing the agreement. He said he had to review it again. On July 31, 2007 I spoke with Mr. Roach again and he said he would not sign the agreement until we had a firm date for drilling. I informed him we could not provide a firm date for drilling, as we must have a surface agreement prior to receiving an approved permit to drill.**

**As of this date, the agreement has not been signed.**

**Ginger Bowden, Agent**

PARADIGM CONSULTING, INC  
PO BOX 790203  
VERNAL, UT 84079  
435-789-4162

January 14, 2008

Parallel Petroleum Corporation  
Status Report

Trail Creek Anticline 1-2-6-25

This location is state minerals with fee surface owned by Richard Roach of Chattanooga Properties. The original surface use agreement was sent to Mr. Lynn Siddoway in November of 2006. Mr. Siddoway sold the property to Mr. Roach and a new surface agreement was sent to Mr. Roach and his attorney Nate Keiver in December of 2006. Mr. Roach has been stalling for over a year now and has requested unreasonable amounts of money for the surface damages to his property. This location is split estate and the State of Utah says the landowner must allow entry to develop minerals at a reasonable price. Mr. Roach has not yet signed the agreement. I have suggested to Mr. Wulfman to bond around Mr. Roach thru the State of Utah.

This location also requires a county right of way-applied for in December of 2006 and a new construction right of way filed by Parallel in December of 2006. To this date neither proposal has been approved. Paul Rodriguez with the BLM, Vernal Field Office is in charge of issuing both rights of ways. A maintenance agreement will need to be signed with the County prior to the use of the access road. This is a simple agreement prepared by myself in conjunction with Uintah County Commission. The access road has been on-sited several times with Mr. Rodriguez. In a meeting on 11/23/07 with Jerry Kenczka and Paul Rodriguez I was informed the right of way for new construction would have to go out for a 30 day public comment period due to a wilderness proposal in the area. I spoke with Mr. Rodriguez on January 2, 2008 in regards to the public comment and he said the proposal has not been sent out for public comment yet. Please see attached e-mail from Mr. Rodriguez.

I have also attended an onsite with the Army Corp of Engineers (Sue Nall) in regards to water crossings. When road construction/upgrade is about to commence, a notice of intent under Nation Wide Permit # 18 will need to be filed. This is a courtesy notice to the Corp. Sue Nall requested before and after pictures from the dirt contractor. This is also a courtesy. No fees are related to the Corp.

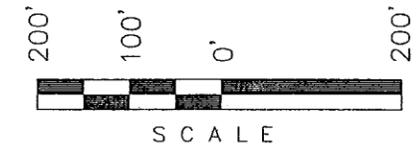
APD is waiting on approval. APD could be approved without access to the location.

**PARALLEL PETROLEUM CORP.**

**PROPOSED ROAD RIGHT-OF-WAY "A" & DAMAGE AREA**

**For Trail Creek Anticline 1-2-6-25**

Located in the NE 1/4 of Section 2, T6S, R25E, S.L.B.&M. Uintah County, Utah



**DAMAGE AREA DESCRIPTION**

BEGINNING AT A POINT IN THE SE 1/4 NE 1/4 OF SECTION 2, T6S, R25E, S.L.B.&M. WHICH BEARS N32°05'33"W 893.76' FROM THE EAST 1/4 CORNER OF SAID SECTION, THENCE N85°24'22"W 185.00'; THENCE N04°32'36"E 155.00'; THENCE S85°24'22"E 185.00'; THENCE S04°32'36"W 155.00' TO THE POINT OF BEGINNING. BASIS OF BEARINGS IS THE EAST LINE OF THE NE 1/4 OF SAID SECTION WHICH IS TAKEN FROM G.L.O. INFORMATION TO BEAR N00°36'E. CONTAINS 0.66 ACRES MORE OR LESS.

**ROAD RIGHT-OF-WAY "A" DESCRIPTION**

A 30' WIDE ROAD RIGHT-OF-WAY LOCATED IN THE NE 1/4 OF SECTION 2, T6S, R25E, S.L.B.&M. THE WIDTH OF SAID RIGHT-OF-WAY BEING 15' ON EACH SIDE OF THE CENTERLINE. THE CENTERLINE OF SAID RIGHT-OF-WAY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF SECTION 2, T6S, R25E, S.L.B.&M. WHICH BEARS S89°14'00"W 511.13' FROM THE NORTHEAST CORNER OF SAID SECTION, THENCE S04°39'49"W 591.89' TO A POINT IN THE SE 1/4 NE 1/4 OF SAID SECTION 2 WHICH BEARS S43°08'19"W 817.83' FROM THE SAID NORTHEAST CORNER OF SECTION 2. BASIS OF BEARINGS IS THE EAST LINE OF THE NE 1/4 OF SAID SECTION WHICH IS TAKEN FROM G.L.O. INFORMATION TO BEAR N00°36'E. CONTAINS 0.41 ACRES MORE OR LESS.

**LEGEND**

- ◆ = SECTION CORNERS FOUND
- P.I. = POINT OF INTERSECTION

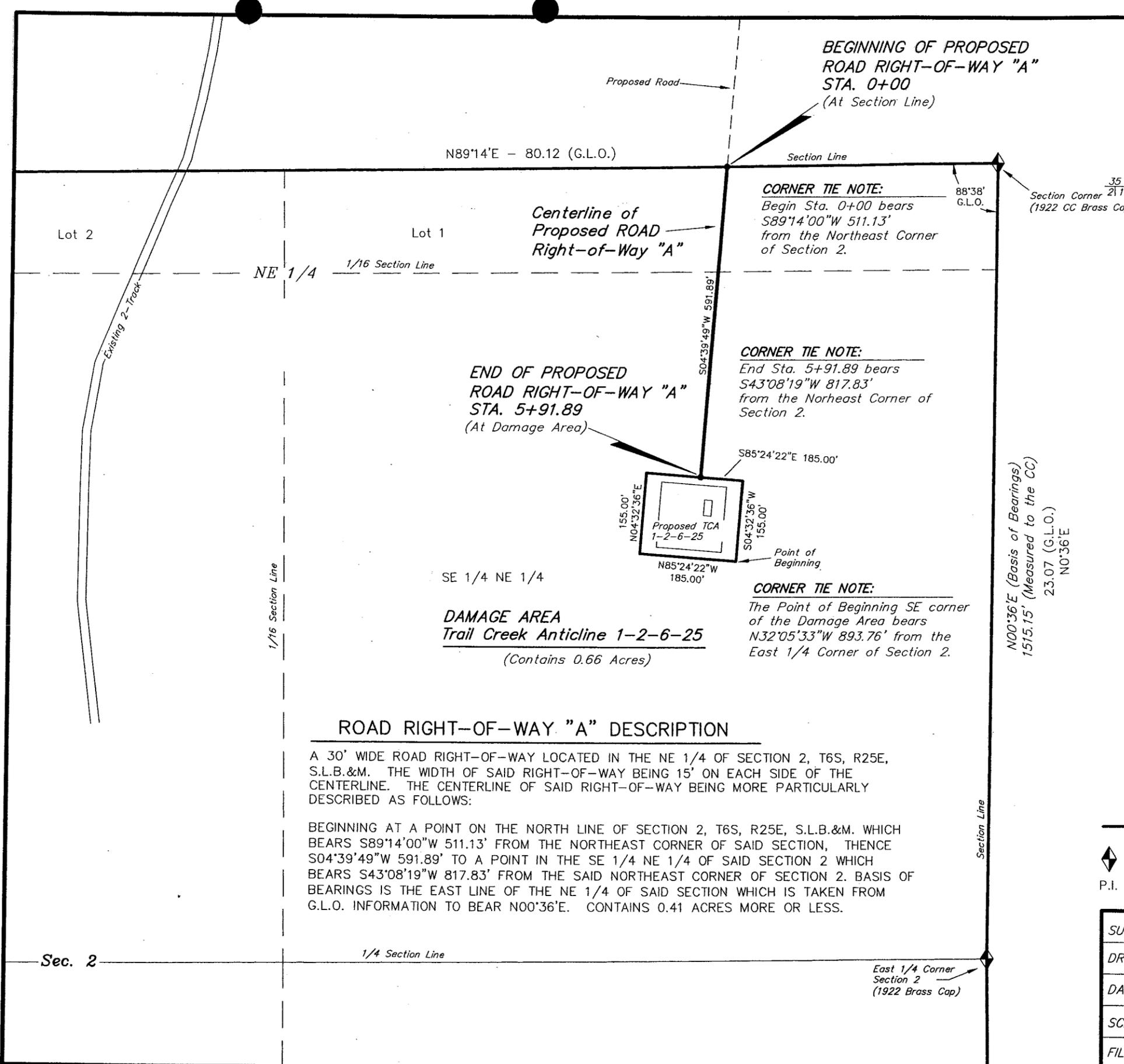
SURVEYED BY: K.G.S.
DRAWN BY: L.C.S.
DATE: 02-21-08
SCALE: 1" = 200'
FILE: 08-0014a

CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PART WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME UNDER MY DIRECT SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

STACY W. STEWART  
REGISTERED LAND SURVEYOR  
REGISTRATION No. 189377  
STATE OF UTAH

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



**PARALLEL PETROLEUM CORP.**

**PROPOSED ROAD RIGHT-OF-WAY "B" & DAMAGE AREA**

**For Trail Creek Anticline 1-2-6-25**

Located in the NE 1/4 of Section 2, T6S, R25E, S.L.B.&M. Uintah County, Utah



**CORNER TIE NOTE:**

Begin Sta. 0+00 bears S88°07'25"W 1549.21' from the Northeast Corner of Section 2.

N89°14'E - 80.12 (G.L.O.)

N89°14'00"E 1034.93'

Section Line

P.I. 10+34.93

88°38' G.L.O.

Section Corner  $\frac{35}{211}$  (1922 CC Brass Cap)

Lot 2

Lot 1

Centerline of Proposed ROAD Right-of-Way "B"

NE 1/4

1/16 Section Line

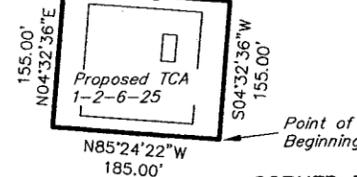
BEGINNING OF PROPOSED ROAD RIGHT-OF-WAY "B" STA. 0+00 (At Existing 2-track)

END OF PROPOSED ROAD RIGHT-OF-WAY "B" STA. 15+96.69 (At Damage Area)

**CORNER TIE NOTE:**

End Sta. 15+96.69 bears S43°08'19"W 817.83' from the Northeast Corner of Section 2.

S85°24'22"E 185.00'



Point of Beginning

SE 1/4 NE 1/4

**DAMAGE AREA**  
Trail Creek Anticline 1-2-6-25  
(Contains 0.66 Acres)

**CORNER TIE NOTE:**

The Point of Beginning SE corner of the Damage Area bears N32°05'33"W 893.76' from the East 1/4 Corner of Section 2.

N00°36'E (Basis of Bearings) 1515.15' (Measured to the CC) N0°36'E 23.07 (G.L.O.)

**DAMAGE AREA DESCRIPTION**

BEGINNING AT A POINT IN THE SE 1/4 NE 1/4 OF SECTION 2, T6S, R25E, S.L.B.&M. WHICH BEARS N32°05'33"W 893.76' FROM THE EAST 1/4 CORNER OF SAID SECTION, THENCE N85°24'22"W 185.00'; THENCE N04°32'36"E 155.00'; THENCE S85°24'22"E 185.00'; THENCE S04°32'36"W 155.00' TO THE POINT OF BEGINNING. BASIS OF BEARINGS IS THE EAST LINE OF THE NE 1/4 OF SAID SECTION WHICH IS TAKEN FROM G.L.O. INFORMATION TO BEAR N00°36'E. CONTAINS 0.66 ACRES MORE OR LESS.

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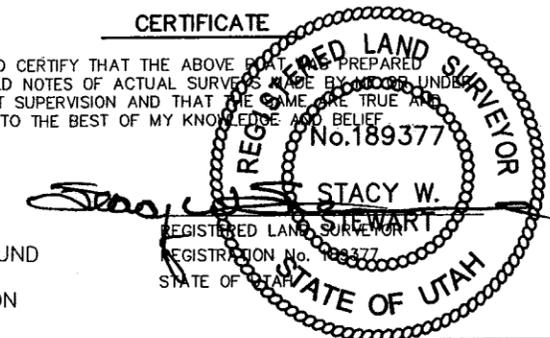
Sec. 2

1/4 Section Line

East 1/4 Corner Section 2 (1922 Brass Cap)

**CERTIFICATE**

THIS IS TO CERTIFY THAT THE ABOVE PLAN WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY DIRECT SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.



**LEGEND**

- ◆ = SECTION CORNERS FOUND
- P.I. = POINT OF INTERSECTION

SURVEYED BY: K.G.S.
DRAWN BY: L.C.S.
DATE: 02-18-08
SCALE: 1" = 200'
FILE: 08-0014b

**Tri State**  
Land Surveying, Inc.

(435) 781-2501

180 NORTH VERNAL AVE. - VERNAL, UTAH 84078



**PONDEROSA OIL FIELD SERVICE, INC.**

OIL FIELD & GENERAL

P.O. Box 1111

VERNAL, UTAH 84078

PHONE 759-9238

March 12, 2008

Paradel Petroleum Corp.  
1004 North Big Spring, Ste 400  
Midland, TX 79701  
ATTN: Gus Wollman

Dear Mr. Wollman

We would like to submit our estimate to rehab a section of access road on the Trail Creek  
Acreline # 1-2-6-25

The first cost of \$3,400.00 would be as originally surveyed.

The second cost of \$7,800.00 is based on whether the road is changed to stay in Section 2.  
This price would also include removing the culvert that would be used.

Please contact me at your earliest convenience with any questions you have regarding this  
matter

Sincerely,

Larry Rowell,  
Ponderosa Oilfield Service, Inc

**PARADIGM CONSULTING, INC  
PO BOX 790203  
VERNAL, UT 84079  
435-789-4162**

**November 8, 2007**

**To Whom It May Concern:**

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**Ginger Bowden, Agent**

PARADIGM CONSULTING, INC  
PO BOX 790203  
VERNAL, UT 84079  
435-789-4162

January 14, 2008

Parallel Petroleum Corporation  
Status Report

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JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

**State of Utah**  
DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

**Division of Oil, Gas and Mining**

JOHN R. BAZA  
Division Director

May 29, 2008

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

Re: Trail Creek Anticline 1-2-6-25 Well, 667' FNL, 552' FEL, SE NE, Sec. 2, T. 6 South, R. 25 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 43-047-38324.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Uintah County Assessor  
SITLA

Operator: Parallel Petroleum Corporation  
Well Name & Number Trail Creek Anticline 1-2-6-25  
API Number: 43-047-38324  
Lease: ML-49049

Location: SE NE                      Sec. 2                      T. 6 South                      R. 25 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

The operator is required to notify the Division of Oil, Gas and Mining of the following action during drilling of this well:

- 24 hours prior to cementing or testing casing – contact Dan Jarvis
- 24 hours prior to testing blowout prevention equipment – contact Dan Jarvis
- 24 hours prior to spudding the well – contact Carol Daniels
- Within 24 hours of any emergency changes made to the approved drilling program – contact Dustin Doucet
- Prior to commencing operations to plug and abandon the well – contact Dan Jarvis

The operator is required to get approval from the Division of Oil, Gas and Mining before performing any of the following actions during the drilling of this well:

- Plugging and abandonment or significant plug back of this well – contact Dustin Doucet
- Any changes to the approved drilling plan – contact Dustin Doucet

The following are Division of Oil, Gas and Mining contacts and their telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at:           (801) 538-5338 office           (801) 942-0871 home
- Carol Daniels at:       (801) 538-5284 office
- Dustin Doucet at:      (801) 538-5281 office           (801) 733-0983 home

#### 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.

Page 2

43-047-38324

May 29, 2008

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.
5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)
6. The Application for Permit to Drill has been forwarded to the Resource Development Coordinating Committee for review of this action. The operator will be required to comply with any applicable recommendations resulting from this review.
7. In accordance with Rule R649-3-34(9), the Division of Oil, Gas and Mining shall establish minimum wellsite restoration requirements for this well. Prior to plugging and abandonment of this well, the operator shall notify the Division and allow the Division to establish such minimum wellsite restoration requirements in advance of the operator commencing plugging and abandonment operations.

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-49049
2. NAME OF OPERATOR: Parallel Petroleum Corp.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: 1004 N Big Springs ST CITY Midland STATE TX ZIP 79701		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 667' FNL & 552' FEL COUNTY: Uintah		8. WELL NAME and NUMBER: Trail Creek Anticline 1-2-6-25
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SENE 2 6S 25E STATE: UTAH		9. API NUMBER: 4304738324
		10. FIELD AND POOL, OR WILDCAT:

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Extension</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The operator respectfully requests a one year extension for the subject location.

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: 05-26-09

By: [Signature]

COPY SENT TO OPERATOR

Date: 10.3.2009

Initials: KS

NAME (PLEASE PRINT) <u>Ginger Bowden</u>	TITLE <u>Agent</u>
SIGNATURE <u>[Signature]</u>	DATE <u>5/20/2009</u>

(This space for State use only)

RECEIVED

MAY 21 2009

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill  
Request for Permit Extension  
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

**API:** 4304738324  
**Well Name:** Trail Creek Anticline 1-2-6-25  
**Location:** Sec. 2, T6S, R25E Uintah County  
**Company Permit Issued to:** Parallel Petroleum Corp.  
**Date Original Permit Issued:** 5/29/2008

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes  No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes  No

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes  No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes  No

Has the approved source of water for drilling changed? Yes  No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes  No

Is bonding still in place, which covers this proposed well? Yes  No

Spinger Bowden  
Signature

5/20/2009

Date

Title: Agent

Representing: Parallel Petroleum Corp

**RECEIVED**

**MAY 21 2009**

**DIV. OF OIL, GAS & MINING**

Division of Oil, Gas and Mining  
**OPERATOR CHANGE WORKSHEET**

**ROUTING**

1. DJJ
2. CDW

Change of Operator (Well Sold)

**X - Operator Name Change/Merger**

The operator of the well(s) listed below has changed, effective:

**1/1/2010**

<b>FROM: (Old Operator):</b> N2720-Parallel Petroleum, Corporation 1004 Big Springs St, Suite 400 Midland, TX 79701 Phone: 1 (432) 685-6568	<b>TO: (New Operator):</b> N3625-Parallel Petroleum, LLC 1004 Big Springs St, Suite 400 Midland, TX 79701 Phone: 1 (432) 682-6568
---	---

WELL NAME	CA No.			Unit:				
	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
SUNSHINE BENCH #1	34	040S	220E	4304736732		Fee	OW	LA
TRAIL CREEK ANTICLINE 1-2-6-25	02	060S	250E	4304738324		State	TW	APD
BUCKSKIN HILLS 13-32-3-22	32	030S	220E	4304738325		State	TW	RET
TULLY ST 15-13-5-22	13	050S	220E	4304739310		State	GW	APD C
FEDERAL PIPELINE 13-17-4-23	17	040S	230E	4304739910		Federal	GW	APD C

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 1/26/2010
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 1/26/2010
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 2/4/2010
- Is the new operator registered in the State of Utah: Business Number: 5956493-0161
- (R649-9-2) Waste Management Plan has been received on: IN PLACE
- Inspections of LA PA state/fee well sites complete on: ok DJJ
- Reports current for Production/Disposition & Sundries on: ok
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA n/a
- Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: n/a
- Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on: 1/28/2010
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 1/28/2010
- Bond information entered in RBDMS on: 1/28/2010
- Fee/State wells attached to bond in RBDMS on: 1/28/2010
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: n/a

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number: 61648852
- Indian well(s) covered by Bond Number:
- (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 61645284
- The **FORMER** operator has requested a release of liability from their bond on: n/a

**LEASE INTEREST OWNER NOTIFICATION:**

- (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

**COMMENTS: Parallel Petroleum changed their business from a Corporation to an LLC. Since their bond remains the same, state and fee wells with LA needed to go to the new operator number.**



GARY R. HERBERT  
Governor

GREGORY S. BELL  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

April 21, 2010

Ginger Bowden  
Parallel Petroleum Corporation  
1004 Big Springs St., Ste. 400  
Midland, TX 79701

Re: APD Rescinded – Trail Creek Anticline 1-2-6-25, Sec. 2 T. 6S, R. 25E  
Uintah County, Utah API No. 43-047-38324

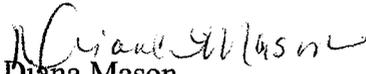
Dear Ms. Bowden:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on May 29, 2008. On May 26, 2009, the Division granted a one-year APD extension. On April 21, 2010, you requested that the division rescind the state approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective April 21, 2010.

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 Mason  
Environmental Scientist

cc: Well File  
SITLA, Ed Bonner