

CONFIDENTIAL

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

FORM 3

AMENDED REPORT []
(highlight changes)

APPLICATION FOR PERMIT TO DRILL

5. MINERAL LEASE NO: ML-48769
6. SURFACE: State
1A. TYPE OF WORK: DRILL [x] REENTER [] DEEPEN []
B. TYPE OF WELL: OIL [] GAS [x] OTHER [] SINGLE ZONE [] MULTIPLE ZONE [x]
2. NAME OF OPERATOR: Parallel Petroleum Corp.
3. ADDRESS OF OPERATOR: 600 17th st. Suite 900N CITY Denver STATE CO ZIP 80202 PHONE NUMBER: (303) 868-6612
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1,156' FSL & 1,400' FEL AT PROPOSED PRODUCING ZONE: Same as above
10. FIELD AND POOL, OR WILDCAT: Undesignated
11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 13 5S 22E
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 8.894 miles southeast of Naples UT.
12. COUNTY: Uintah 13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET): 1,156'
16. NUMBER OF ACRES IN LEASE: 720
17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40 Acres
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET): NA
19. PROPOSED DEPTH: 2,700
20. BOND DESCRIPTION: UTB-000-167
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4,888.1 GR
22. APPROXIMATE DATE WORK WILL START: 7/1/2007
23. ESTIMATED DURATION: 30 Days

PROPOSED CASING AND CEMENTING PROGRAM

Table with 4 columns: SIZE OF HOLE, CASING SIZE, GRADE, AND WEIGHT PER FOOT, SETTING DEPTH, CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT. Rows include 12 1/4 inch holes with J-55 casing and 7 7/8 inch holes with J-55 casing.

ATTACHMENTS

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

- [x] WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER
[x] COMPLETE DRILLING PLAN
[x] EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER
[] FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Ginger Stringham TITLE Agent

SIGNATURE [Signature] DATE 5/16/2007

(This space for State use only)

Approved by the Utah Division of Oil, Gas and Mining

RECEIVED MAY 18 2007

API NUMBER ASSIGNED: 43-047-39310

APPROVAL:

Date: 5-24-07 By: [Signature]

DIV. OF OIL, GAS & MINING

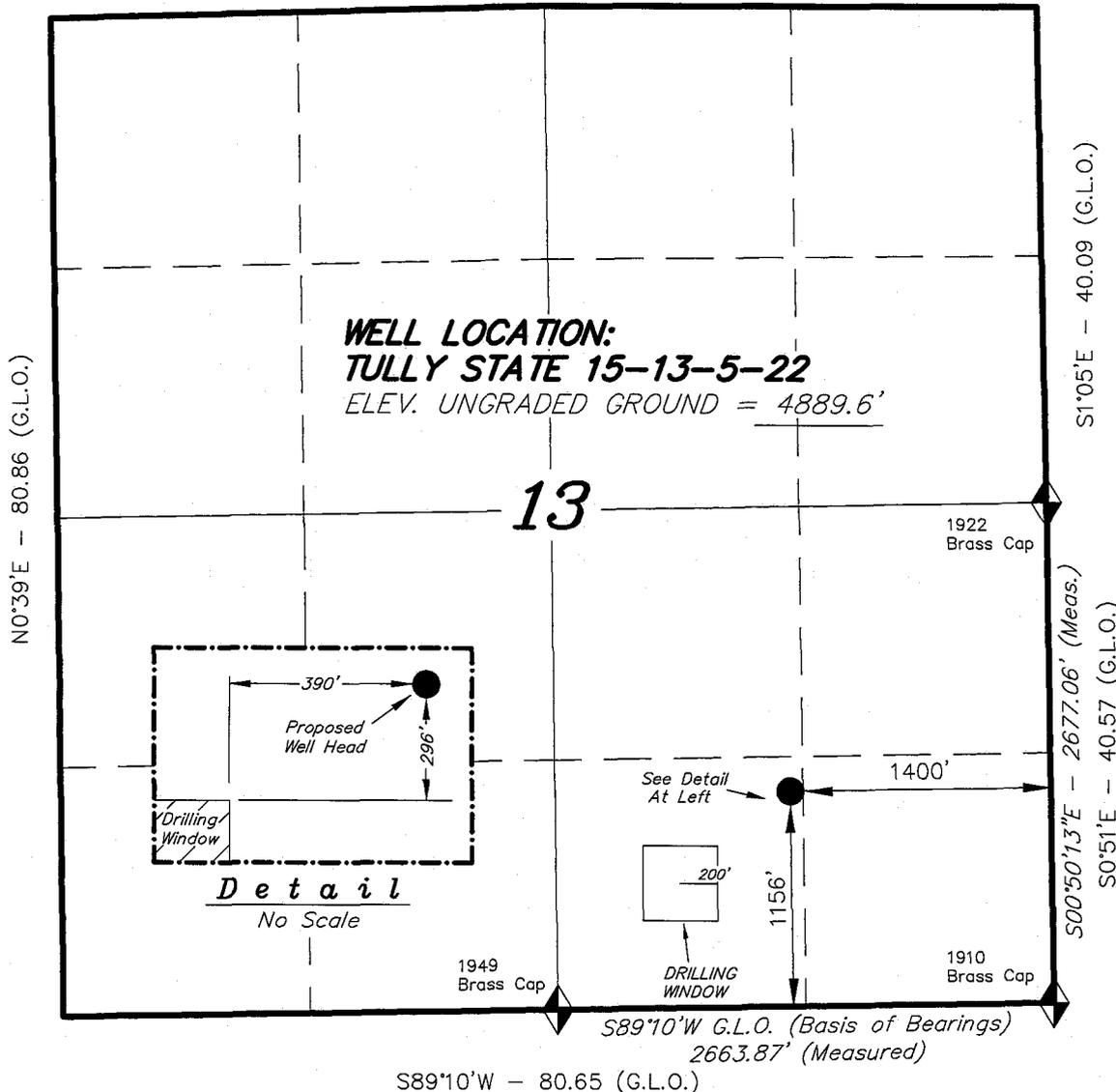
T5S, R22E, S.L.B.&M.

PARALLEL PETROLEUM CORP.

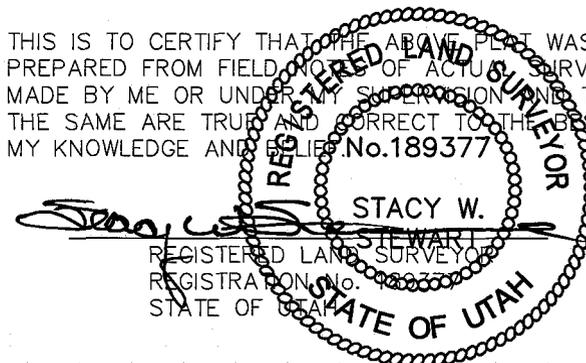
S88°30'W - 40.24 (G.L.O.)

N89°57'W - 40.02 (G.L.O.)

WELL LOCATION, TULLY STATE
15-13-5-22, LOCATED AS SHOWN IN THE
SW 1/4 SE 1/4 OF SECTION 13, T5S,
R22E, S.L.B.&M. UTAH COUNTY, UTAH.



THIS IS TO CERTIFY THAT THE ABOVE PLAT 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 (NAPLES)

TULLY STATE 15-13-5-22
(Surface Location) NAD 83
LATITUDE = 40° 22' 47.14"
LONGITUDE = 109° 23' 20.66"

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

DATE SURVEYED: 02-01-07	SURVEYED BY: T.P.
DATE DRAWN: 02-13-07	DRAWN BY: T.C.J.
REVISED: 05-14-07 F.T.M.	SCALE: 1" = 1000'

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

May 16, 2006

Utah Division of Oil, Gas and Mining
1549 West North Temple, Suite 1210
Salt Lake City, UT 84114

RE: Parallel Petroleum Corp
Tully State 15-13-5-22
Sec. 13, T5S, R22E
ML-48769

Dear Sir or Madam,

Parallel Petroleum Corp. respectfully requests a spacing exception for the subject well. The well has been moved from the center of the forty acre spacing.

The well is located at 1,156' FSL & 1,400' FEL, which has changed from the proposed location at 660' FSL & 1,980' FEL. The location was moved due topographic considerations and close proximity to a hay field. Parallel Petroleum is the only lease owner within a 460' radius.

If you have any further questions, please feel free to contact me at the above address.

Best regards,



Ginger Stringham, Agent

RECEIVED
MAY 18 2007
DIV. OF OIL, GAS & MINING

Ten Point Plan
Tully State 15-13-5-22
SW/4 of SE/4, Section 13, T5S, R22E, S.L.B. & M. Uintah County

1. Surface Formation – Mancos Shale

2. Estimated Formation Tops and Datum:

	Formation	Depth	
Cretaceous	Mancos Shale	Surface (spud)	
	1 st Tully Mkr	550'	
	2 nd Tully Mkr	690'	
	Frontier SS	780' Freshwater	
	Coal Bed Zone	830'	
	2 nd Frontier SS	845' Freshwater	
	Mowry Shale	1,040'	
	Base of Cretaceous	Dakota SS	1,130' Freshwater
	Top of Jurassic	Morrison Shale	1,200'
		Saltwash Sands	1,640' Possible Gas
Curtis		2,000' Possible Gas	
Entrada		2,120' Possible Gas	
Carmel		2,320' Possible Gas	
Navajo / Nuggett		2,480' Possible Gas	
TD		2,700'	

3. Producing Formation Depth:

Formation objective includes Saltwash Sands, Curtis, Entrada, Carmel, and Navajo / Nuggett.

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	1,200'	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 - 1200'	12 1/4"	8 5/8"	Lead: 400 sx Light Premium Plus 'V' + 2 % CaCl ₂ + .125 pps Cello Flake <i>Wt: 12.8 ppg Yld: 1.79 ft³ / sx</i> Tail: 200 sx Premium Plus 'V' + 2 % CaCl ₂ + .125 pps Cello Flake <i>Wt: 15.6 ppg Yld: 1.20 ft³ / sx</i> Volume calculated on 100% excess
Production	0-TD	7 7/8"	5 1/2"	Tail: 350 sx Premium AG (or equivalent) + 10% Cal-Seal 60 (or equivalent) + 1% CaCl ₂ + .125 pps Cello Flake <i>Wt: 14.20 ppg Yld: 1.61 ft³ / sx</i> Volume calculated on 25% excess in open hole

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> lbs./gal.	<u>VISCOSITY</u> Sec / Qt	<u>FLUID LOSS</u> ml / 30 mins.	<u>MUD TYPE</u>
0-1200	Air/Mist	No control	No control	
1200-2600	Air/ Mist	No control	No control	
2600-TD*	8.8-9.2	34	8-10	Water / Gel

* Mud-up at 2600' for logs

7. Auxiliary Equipment:

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

8. Testing, Coring, Sampling and Logging:

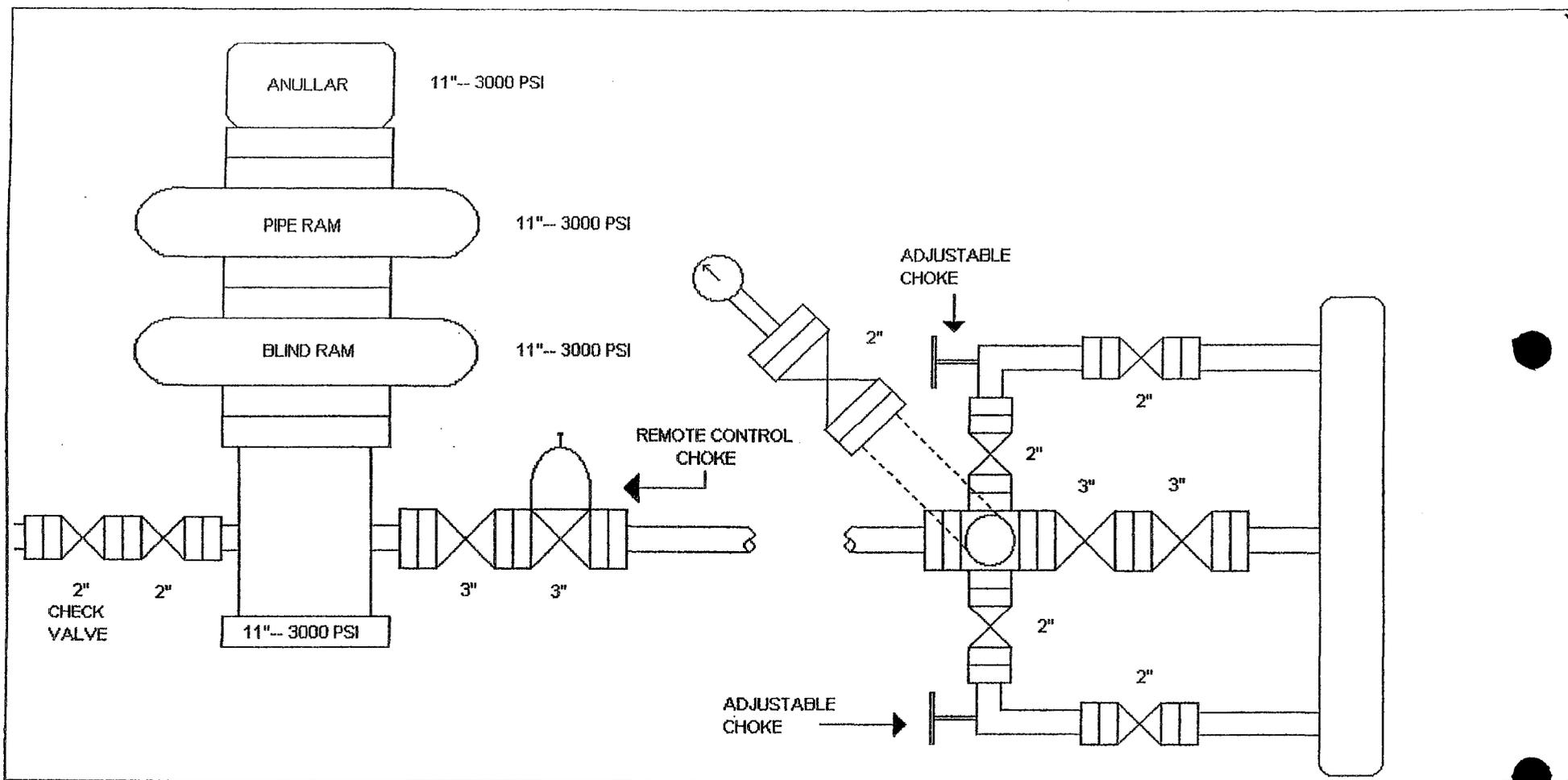
- a) Test: Jurassic sand targets from 1,640' to estimated TD of 2700'
- b) Mudlog: Onsite from 2nd Tully marker to TD.
- c) Coring: Not Planned
- d) Sampling: Every 10' from 750' to T.D.
- e) Logging: Type Interval
Triple Combo, Sonic T.D. to Surf. Csg

9. Abnormalities (including sour gas):

Gas shows are expected from 1,640' to 2,700'.

10. Drilling Schedule:

The anticipated starting date is August 6, 2007. Duration of operations is expected to be 30 days.



PARALLEL PETROLEUM CORP.

13 POINT SURFACE USE PLAN

FOR WELL

TULLY STATE 13-5-22

LOCATED IN SW ¼ OF THE SE ¼

SECTION 13, T.5S, R22E, S.L.B.&M

UINTAH COUNTY, UTAH

LEASE NUMBER: ML-48769

SURFACE OWNERSHIP: STATE

1. Existing Roads:

Parallel Petroleum Corp
Tully State 15-13-5-22
Section 13, T5S, R22E

Proceed in an southeasterly then easterly direction from Naples, UT along US Highway 40 approximately 8.0 miles to the proposed access road. Turn left and follow road flags in a northwesterly direction 4,722 feet to the proposed location.

Total distance from Naples, Utah to the proposed well location is approximately 8.894 miles in a southeasterly direction.

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 4,722' of new construction. The road will be graded once per year minimum and maintained.

- A) Approximate length 4,722 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

State

- L) All new construction on lease Yes
- M) Pipe line crossing None

Please see the attached location plat for additional details.

An off lease right-of-way will not be required.

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

3. Location of existing wells

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

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

Please see the attached map for additional details.

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

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

All permanent (on site for more than six months or longer) structures constructed or installed will be painted a color determined by the AO. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

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

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

If the well is capable of economic production a surface gas line will be required.

The gas meter run will be located within 500' of the wellhead. The gas line will be buried or anchored down from the wellhead to the meter. Meter runs will be housed and/or fenced.

The gas meter will be calibrated and the tank strapped in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three months on new meter installations and at least quarterly thereafter. The authorized officer will be provided with a date and time for the initial meter calibration and all future meter-proving schedules. A copy of the meter calibration report will be submitted to the State of Utah, Division of Oil, Gas, and Mining. All measurement facilities will

conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing will come from a municipal source at Dalbo/A-1 Tanks in Vernal, UT at 355 South 1000 East.

6. Source of construction materials

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

7. Methods for handling waste disposal
A) Pit construction and liners:

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

The reserve pit will be lined.

The reserve pit will be used to store water for drilling. A semi-closed system will be used to drill the well. All fresh water for drilling will come from a frac tank placed on location and from the rig tank. The pit will be used

to hold non-flammable materials such as cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids:

Produced water will be confined to the reserve pit or, if deemed necessary, a storage tank for a period not to exceed 90 days after initial production. During the 90-day period an application for approval for permanent disposal method and location will be submitted to the authorized officer. **Onsite evaporation may be used instead of trucking to facilitate closing and reclamation of the reserve pit. A pumping system would be used for evaporation.**

C) Garbage:

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

D) Sewage:

A portable chemical toilet will be supplied for human waste.

E) Site clean-up:

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

8. Ancillary facilities

There are no ancillary facilities

planned at this time and none are foreseen for the future.

9. Well-site layout

Location dimensions are as follows:

A) Pad length	290 ft.
B) Pad width	189 ft.
C) Pit depth	8 ft.
D) Pit length	140 ft.
E) Pit width	40 ft.
F) Max cut	4.7 ft.
G) Max fill	3.8 ft.
H) Total cut yds.	3,020
I) Pit location	North end
J) Top soil location	South end
K) Access road location	East end
L) Flare Pit	Corner C

Please see the attached location diagram for additional details.

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

- A) Thirty nine inch net wire shall be used with at least one strand of wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.

- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.
- D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 ft.
- E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. The topsoil removed and piled will amount to approximately **970** 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) Interim Seed Mix

To be determined by the AO.

11. Surface ownership:

Access road State
Location State

Pipe line
Not applicable at this time

12. 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 and Sagebrush were also found on the location.

B) Dwellings:

There are eight dwellings or other facilities within a one-mile radius of the location.

C) Archeology:

The location has not been surveyed, however, has been ordered. The survey will be forwarded to your office as soon as it has been completed.

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 an unnamed pond located 4,200' +/- to the Southeast.

E) Chemicals:

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

F) Notification:

- a) Location Construction
At least forty eight (48) hours prior to construction of location and access roads.
- b) Location completion
prior to moving on the drilling rig.
- c) Spud notice
At least twenty-four (24) hours prior to spudding the well.
- d) Casing string and cementing
At least twenty-four (24) hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests

At least twenty-four (24) hours prior to initial pressure tests.

- f) First production notice
Within five (5) business days after the new well begins, or production resumes after well has been off production for more than 90 days.
- g) Local fire authorities will be notified.

G) Flare pit:

The flare pit will be located in **corner C** of the reserve pit outside the pit fences and 100 feet from the bore hole on the east side of the location. All fluids will be removed from the pit within 48 hours of occurrence.

13. Lessees or Operator's representative and certification

A) Representative

Ginger Stringham
Paradigm Consulting
PO BOX 790203
Vernal, UT 84079

Office 435-789-4162
Fax 435-789-8188
Cellular 435-790-4163

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 terms and conditions with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for filing of a false statement.

Onsite Dates:

Self Certification Statement

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

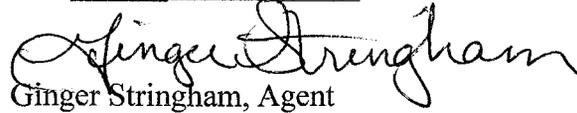
Please be advised that Parallel Petroleum Corp is considered to be the operator of the following well:

**Tully State 15-13-5-22
Section 13, T. 5S, R. 22E
SW ¼ of the SE ¼
Lease ML-48769
Uintah County, Utah**

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

Bond UTB-000167 provides state-wide bond coverage.

Date 5/16/07


Ginger Stringham, Agent
Paradigm Consulting, INC

Statement of use of Hazardous Materials

No chemical (s) from the EPA's consolidated list of Chemicals subject to Reporting under Title III of the Superfund Amendments and Reauthorization Act (SARA) of 1986 will be used, produced, transported, stored, disposed, or associated with the proposed action. No extremely hazardous substances, as defined in 40 CFR355, will be used, produced, stored, transported, disposed, or associated with the proposed action.

If you require additional information please contact:

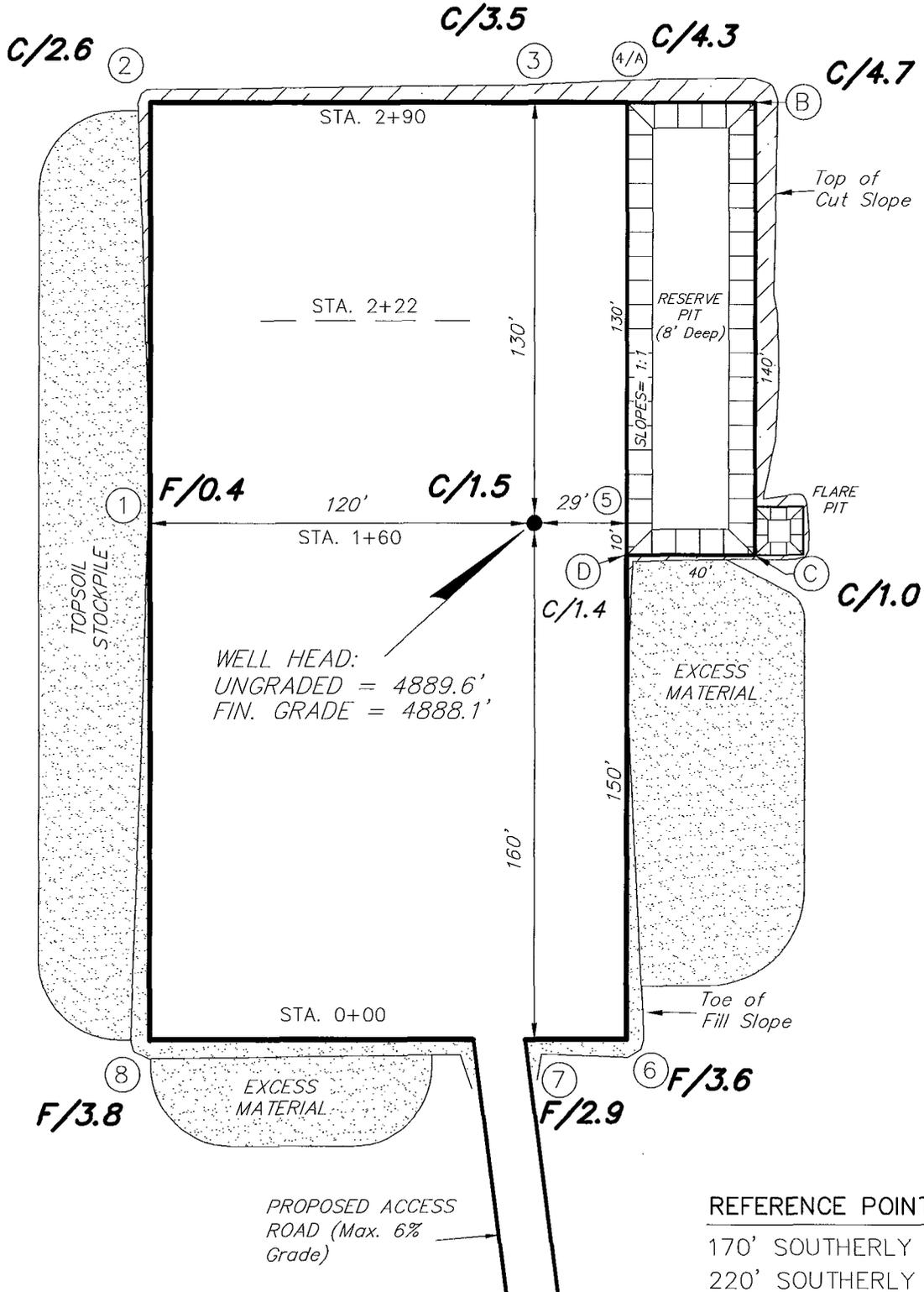
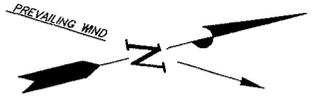
Ginger Stringham
Agent for Parallel Petroleum Corp
Paradigm Consulting
PO BOX 790203
Vernal, UT 84079

435-789-4162 Office
435-790-4163 Cell
435-789-8188 Fax

PANALLEL PETROLEUM CORP.

TULLY STATE 15-13-5-22

Section 13, T5S, R22E, S.L.B.&M.



REFERENCE POINTS

170' SOUTHERLY = 4887.5'
 220' SOUTHERLY = 4887.2'

SURVEYED BY: T.P.

SCALE: 1" = 50'

DRAWN BY: T.C.J.

DATE: 02-13-07

Tri State
 Land Surveying, Inc.

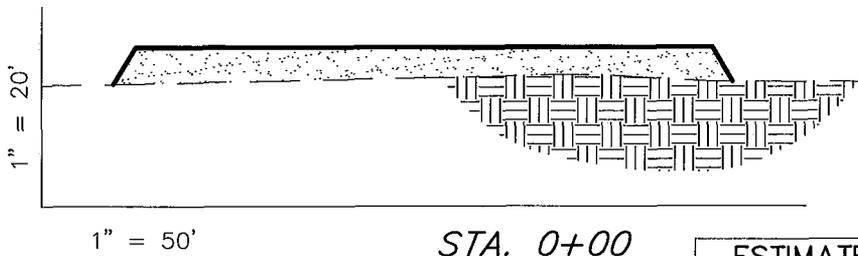
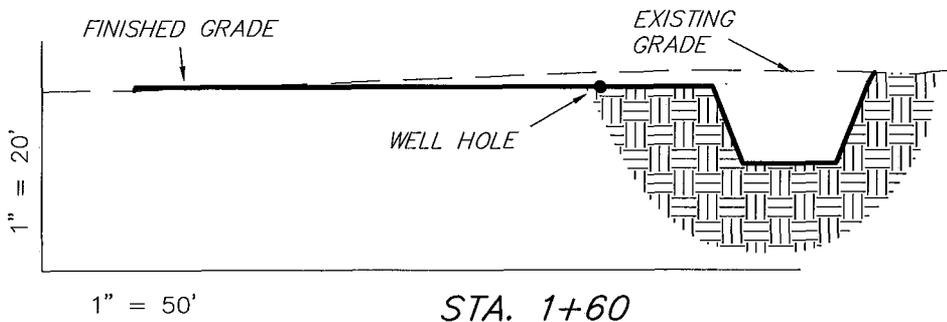
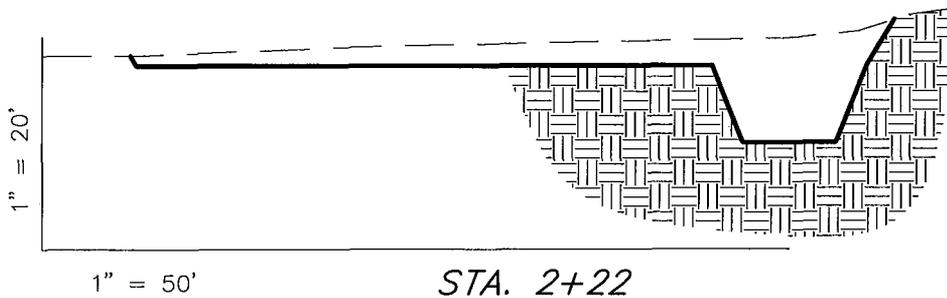
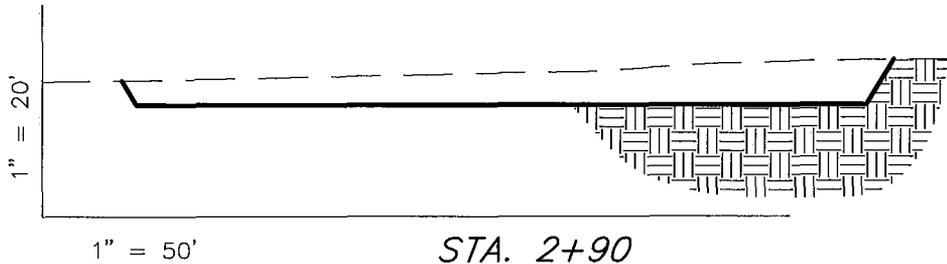
(435) 781-2501

180 NORTH VERNAL AVE. VERNAL, UTAH 84078

PARALLEL PETROLEUM CORP.

CROSS SECTIONS

TULLY STATE 15-13-5-22



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	1,770	1,760	Topsoil is not included in Pad Cut	10
PIT	1,250	0		1,250
TOTALS	3,020	1,760	970	1,260

SURVEYED BY: T.P.

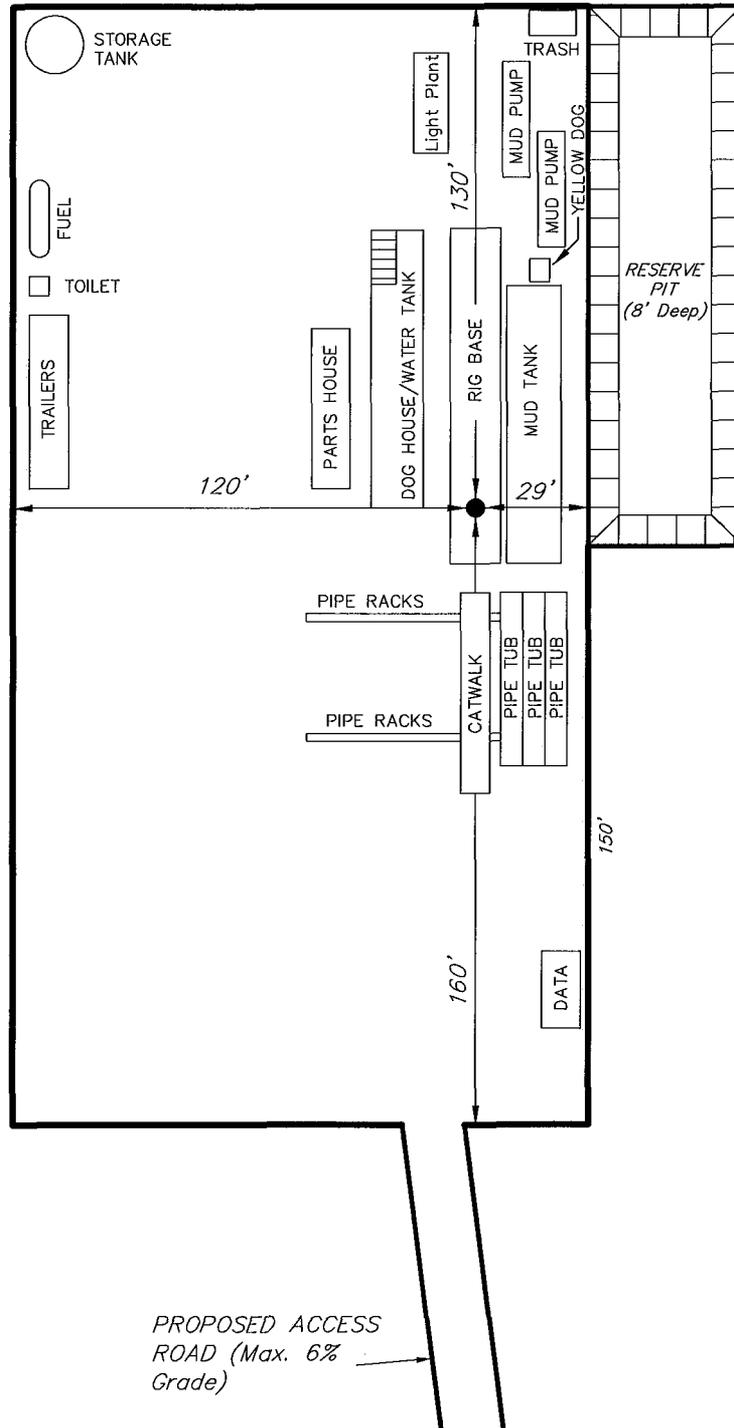
SCALE: 1" = 50'

DRAWN BY: T.C.J.

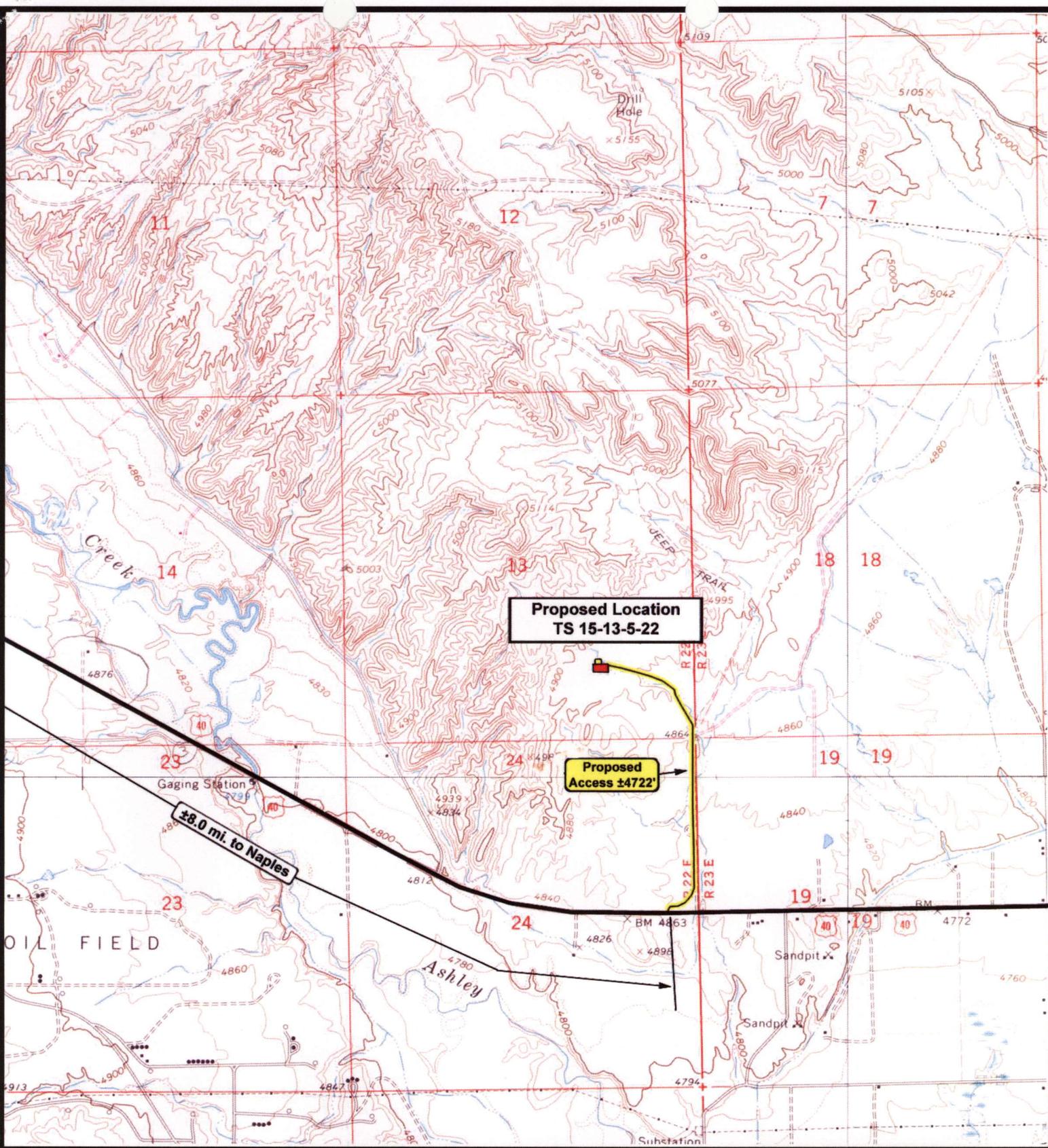
DATE: 02-13-07

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

PARALLEL PETROLEUM CORP.
 TYPICAL RIG LAYOUT
 TULLY STATE 15-13-5-22



SURVEYED BY: T.P.	SCALE: 1" = 50'	Tri State Land Surveying, Inc. 180 NORTH VERNAL AVE. VERNAL, UTAH 84078 (435) 781-2501
DRAWN BY: T.C.J.	DATE: 02-13-07	



**Proposed Location
TS 15-13-5-22**

**Proposed
Access ±4722'**

±8.0 mi. to Naples

PARALLEL PETROLEUM CORP.

**Tully State 15-13-5-22
SEC. 13, T5S, R22E, S.L.B.&M.**



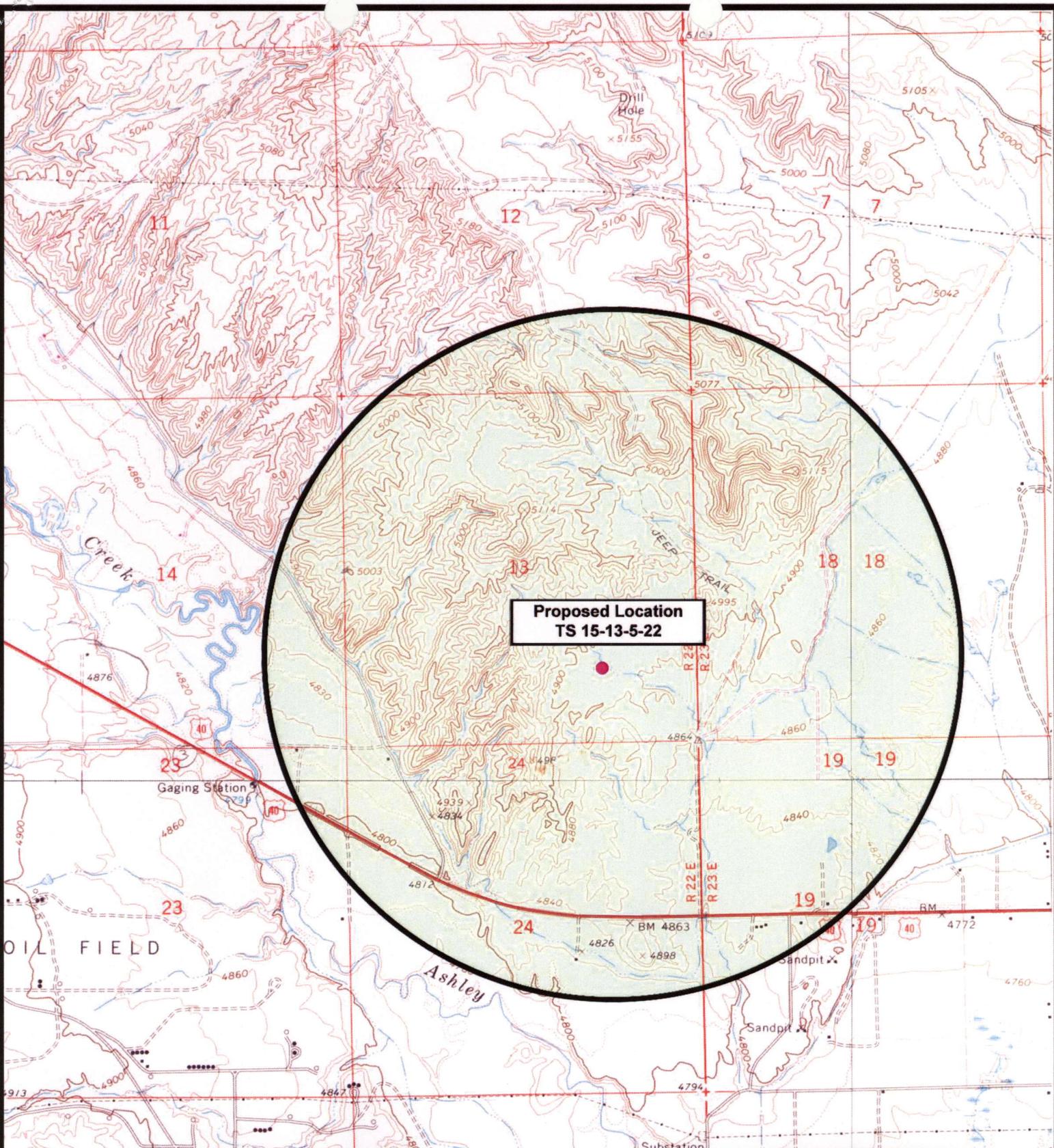
**Tri-State
Land Surveying Inc.**
(435) 781-2501
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2000'
DRAWN BY: L.C.S.
DATE: 05-15-2007

Legend

- Existing Road
- Proposed Access

**TOPOGRAPHIC MAP
"B"**



**Proposed Location
TS 15-13-5-22**

PARALLEL PETROLEUM CORP.

**Tully State 15-13-5-22
SEC. 13, T5S, R22E, S.L.B.&M.**



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(435) 781-2501
180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2000'
DRAWN BY: L.C.S.
DATE: 05-15-2007

Legend

- Location
- One-Mile Radius

TOPOGRAPHIC MAP

"C"

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 05/18/2007

API NO. ASSIGNED: 43-047-39310

WELL NAME: TULLY ST 15-13-5-22
 OPERATOR: PARALLEL PETROLEUM CORP (N2720)
 CONTACT: GINGER STRINGHAM

PHONE NUMBER: 303-868-6612

PROPOSED LOCATION:

SWSE 13 050S 220E
 SURFACE: 1156 FSL 1400 FEL
 BOTTOM: 1156 FSL 1400 FEL
 COUNTY: UINTAH
 LATITUDE: 40.37977 LONGITUDE: -109.3884
 UTM SURF EASTINGS: 636808 NORTHINGS: 4470946
 FIELD NAME: UNDESIGNATED (2)

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DWD	6/25/07
Geology		
Surface		

LEASE TYPE: 3 - State
 LEASE NUMBER: ML-48769
 SURFACE OWNER: 3 - State

PROPOSED FORMATION: NAVA
 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: _____)
- 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 Permit (05-29-07)

STIPULATIONS:

- 1- Spacing Strip
- 2- STATEMENT OF BASIS

T5S R22E

T5S R23E

B

TULLY ST
15-13-5-22

CAT CREEK
18-1A (WSW)

VINCENT 1-19

CORE HOLE 1

ASHLEY VALLEY FIELD

OPERATOR: PARALLEL PETRO CO (N2720)

SEC: 13 T.5S R. 22E

FIELD: UNDESIGNATED (002)

COUNTY: UINTAH

SPACING: R649-3-3 / EXCEPTION LOCATION

Wells Status

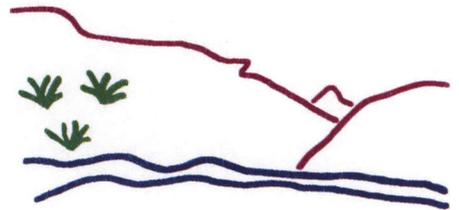
- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING

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



Utah Oil Gas and Mining



PREPARED BY: DIANA MASON
DATE: 18-MAY-2007

Application for Permit to Drill

Statement of Basis

6/4/2007

Utah Division of Oil, Gas and Mining

Page 1

APD No	API WellNo	Status	Well Type	Surf Ownr	CBM
433	43-047-39310-00-00		GW	S	No
Operator	PARALLEL PETROLEUM CORP	Surface Owner-APD			
Well Name	TULLY ST 15-13-5-22	Unit			
Field	UNDESIGNATED	Type of Work			
Location	SWSE 13 5S 22E S 1156 FSL 1400 FEL GPS Coord (UTM) 636808E 4470946N				

Geologic Statement of Basis

Parallel proposes to set 1,200' of surface casing at this location. The depth to the base of the moderately saline water at this location is estimated to be at a depth of 7,500'. A search of Division of Water Rights records shows 19 water wells within a 10,000 foot radius of the proposed location. They are owned by various individuals and the BLM. Depths range from 12 feet to 4,290 feet. Uses listed are domestic, sanitation, stock watering, wildlife and irrigation. The surface formation at this site is the Mancos Shale. The Mancos is made up of shale and thin sandstone stringers and is not expected to produce prolific aquifers. Shallow wells probably produce from alluvial aquifers. The deeper wells are converted oil & gas wells. The proposed casing and cement program should adequately protect usable ground water in the area.

Brad Hill
APD Evaluator

6/4/2007
Date / Time

Surface Statement of Basis

The proposed Tully State 15-13-5-22 gas well is located approximately 11 miles southeast of Vernal, UT in an area locally named as the Jensen Honda Hills. The terrain is rolling hills. Side slopes become moderately steep in the north part of the area. Much of the area is barren exposed and eroded clay hills heavily used by uncontrolled ATV traffic. Water in the area is mostly ephemeral resulting from springtime snowmelt or runoff from intense summer rainstorms. A few signs of near surface water occur on the east edge of the area probably as a result of irrigation of the private fields in that area. Numerous ATV trails and low standards roads are present. Many roads are severely rutted from use during wet periods.

The location is proposed in clay flat with a slight slope to the east. Surrounding area is dominated by rolling hills. No drainage concerns exist at the site.

Access from Vernal will be following US Highway 40 east about 10 miles, then along 4722 feet of existing 2-track road which will be up-graded. Up-grading may require 1-2 culverts as well as imported rock or gravel to facilitate access during wet periods.

Both the surface and minerals are owned by SITLA. Jim Davis and Ed Bonner of SITLA and Ben Williams and Dan Emmett of Utah Division of Wildlife Resources were invited to attend the site review. Mr. Emmett attended. Ginger Stringham of Paradime Consulting represented Parallel Petroleum. Mr. Emmett identified no wildlife concerns for the area. He gave Ms. Stringham a copy of his evaluation.

The selected location appears to be a good site for drilling and operating a well. Significant uncontrolled use occurs in the area by ATV's. It is suggested that the operator fence the location to reduce or preclude public access when the well is completed.

Floyd Bartlett
Onsite Evaluator

5/29/2007
Date / Time

Application for Permit to Drill

Statement of Basis

6/4/2007

Utah Division of Oil, Gas and Mining

Page 2

Conditions of Approval / Application for Permit to Drill

Category	Condition
Pits	A synthetic liner with a minimum thickness of 12 mils with a felt subliner shall be properly installed and maintained in the reserve pit is planned by the operator.

ON-SITE PREDRILL EVALUATION

Utah Division of Oil, Gas and Mining

Operator PARALLEL PETROLEUM CORP
Well Name TULLY ST 15-13-5-22
API Number 43-047-39310-0 **APD No** 433 **Field/Unit** UNDESIGNATED
Location: 1/4,1/4 SWSE **Sec** 13 **Tw** 5S **Rng** 22E 1156 FSL 1400 FEL
GPS Coord (UTM) 636810 4470951 **Surface Owner**

Participants

Floyd Bartlett (DOGM), Ginger Stringham (Paradime Consulting-Agent for Parallel), and Daniel Emmet (Utah Division of Wildlife Resources)

Regional/Local Setting & Topography

The proposed Tully State 15-13-5-22 gas well is located approximately 11 miles southeast of Vernal, UT in an area locally named as the Jensen Honda Hills. The terrain is rolling hills. Side slopes become moderately steep in the north part of the area. Much of the area is barren exposed and eroded clay hills heavily used by uncontrolled ATV traffic. Water in the area is mostly ephemeral resulting from springtime snowmelt or runoff from intense summer rainstorms. A few signs of near surface water occur on the east edge of the area probably as a result of irrigation of the private fields in that area. Numerous ATV trails and low standards roads are present. Many roads are severely rutted from use during wet periods.

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Both the surface and minerals are owned by SITLA.

Surface Use Plan

Current Surface Use

Grazing
Recreational
Wildlife Habitat

New Road

Miles	Well Pad	Src Const Material	Surface Formation
0.8	Width 189 Length 290	Onsite	UNTA

Ancillary Facilities N

Waste Management Plan Adequate? Y

Environmental Parameters

Affected Floodplains and/or Wetland N

Flora / Fauna

Poorly vegetated deseret shrub type. Russian thistle, halogeton and spring annuals are present. Pronghorn, rodents, rabbits, songbirds, raptors, , bobcat, coyote.

Soil Type and Characteristics

Deep laomy clay. No surface rock.

Erosion Issues N

Sedimentation Issues N

Site Stability Issues N

Drainage Diverson Required N

Berm Required? N

Erosion Sedimentation Control Required? N

Paleo Survey Run? N **Paleo Potential Observed?** N **Cultural Survey Run?** Y **Cultural Resources?** N

Reserve Pit

Site-Specific Factors

Site Ranking

Distance to Groundwater (feet)	100 to 200	5
Distance to Surface Water (feet)	300 to 1000	2
Dist. Nearest Municipal Well (ft)	>5280	0
Distance to Other Wells (feet)	>1320	0
Native Soil Type	Low permeability	0
Fluid Type	Fresh Water	5
Drill Cuttings	Normal Rock	0
Annual Precipitation (inches)	<10	0
Affected Populations	<10	0
Presence Nearby Utility Conduits	Not Present	0

Final Score 12 3 **Sensitivity Level**

Characteristics / Requirements

CHARACTERISTICS: 140' by 40' and 8' deep. The reserve pit is planned within an area of cut on the northwest corner of the location

LINER REQUIREMENTS : 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 12 and a rating Level III.

Closed Loop Mud Required? N **Liner Required?** N **Liner Thickness** **Pit Underlayment Required?** N

Other Observations / Comments

No pipeline is currently planned. Operator plans to drill approximately 10 wells in the area before constructing a distribution pipeline.

Floyd Bartlett
Evaluator

5/29/2007
Date / Time

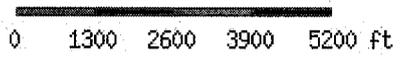
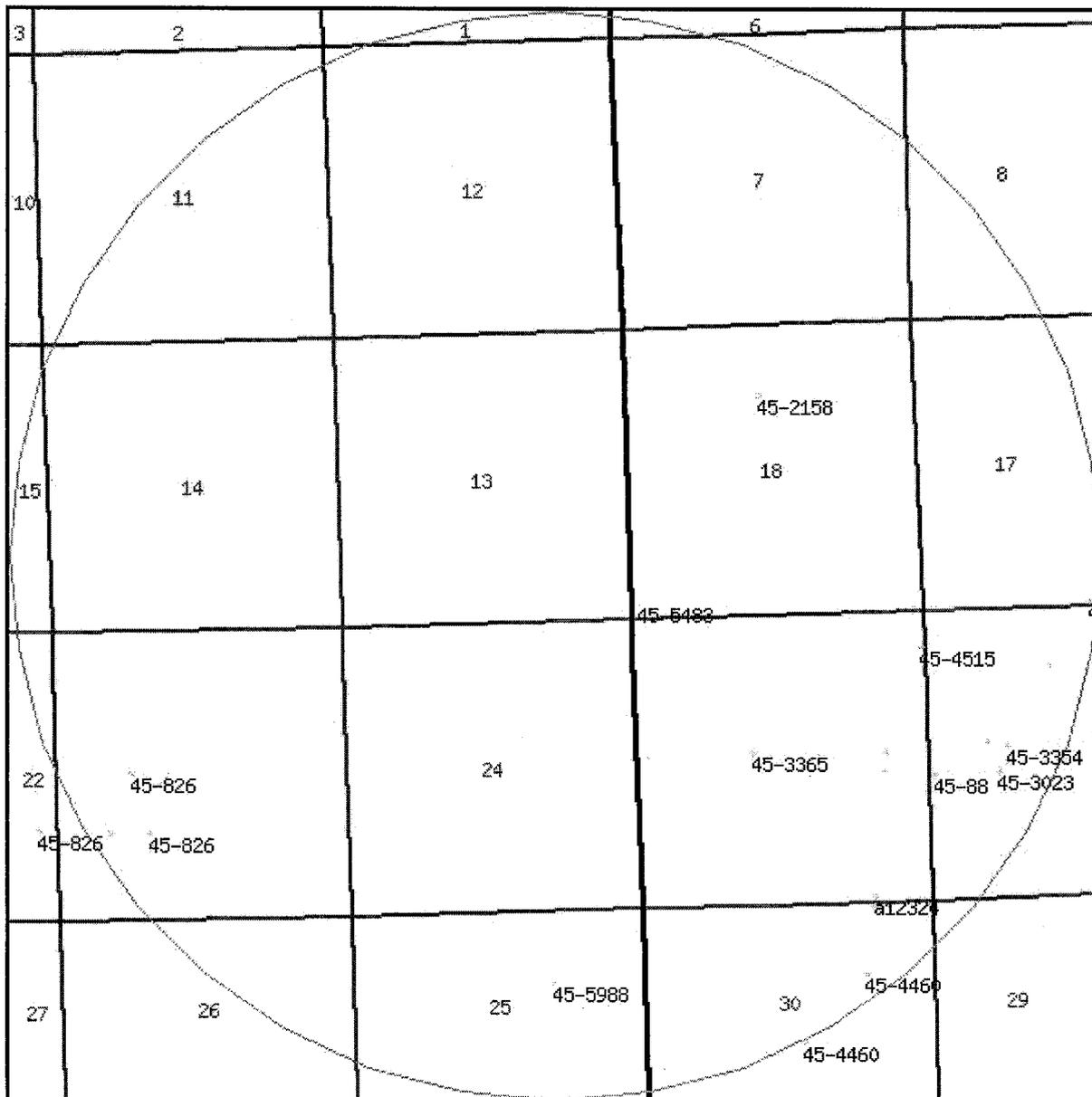
[utah gov](#)
[Online Services](#)
[Agency List](#)
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Utah Division of Water Rights

WRPLAT Program Output Listing

Version: 2007.04.13.01 Rundate: 06/04/2007 01:21 PM

Radius search of 10000 feet from a point N1156 W1400 from the SE corner, section 13, Township 5S, Range 22E, SL b&m Criteria:wrtypes=W,C,E podtypes=U status=U,A,P usetypes=all



Water Rights

WR Number	Diversion Type/Location	Well Log	Status	Priority	Uses	CFS	ACFT	Owner
<u>45-2071</u>	Underground S1000 E2280 NW 20 5S 23E SL		P	19470814	S	0.015	0.000	ERVIN L. WILKIN JENSEN UT 84035
<u>45-2089</u>	Underground N250 E1084 W4 20 5S 23E SL		P	19530325	O	0.033	0.000	UINTAH SCHOOL VERNAL UT 8407
<u>45-2158</u>	Underground S1300 W150 N4 18 5S 23E SL		P	19601015	DS	0.050	0.000	N. J. SR. MEAGHE VERNAL UT 8407
<u>45-2332</u>	Underground N60 W800 E4 19 5S 23E SL		P	19660125	S	0.020	0.000	GEORGE E. YEAC JENSEN UT 84035
<u>45-3023</u>	Underground S280 E1280 W4 20 5S 23E SL		P	19150000	IS	0.100	0.000	NILE AND ELLA PO BOX 54
<u>45-3024</u>	Underground S90 E1440 W4 20 5S 23E SL		P	19150000	IS	0.022	0.000	ETHEL AUMILLE PO BOX 83
<u>45-3027</u>	Underground N125 E370 S4 17 5S 23E SL		P	19010000	IS	0.022	0.000	RICHARD PETER PO BOX 61
<u>45-3028</u>	Underground S260 W830 E4 19 5S 23E SL		P	19290000	DIS	0.110	0.000	GRANT AND MA JENSEN UT 84035
<u>45-3335</u>	Underground N1040 W2200 E4 20 5S 23E SL		P	19300000	S	0.022	0.000	A. DEMAR DUDL JENSEN UT 84035
<u>45-3354</u>	Underground N190 E1450 W4 20 5S 23E SL		P	19670726	DI	0.100	0.000	CORPORATION C PRESIDING BISH ATTN: NATURAL SERVICES
<u>45-3365</u>	Underground N210 E2150 W4 19 5S 23E SL		P	19671201	DIS	0.007	0.000	N.J. MEAGHER C/O BANK OF VE
<u>45-4460</u>	Underground S2533 E316 N4 30 5S 23E SL		P	19790608	DIMOSX	9.060	0.000	USA BUREAU OF ATTN: JONATHA
<u>45-4460</u>	Underground S1253 E1423 N4 30 5S 23E SL		P	19790608	DIMOSX	9.060	0.000	USA BUREAU OF ATTN: JONATHA

<u>45-4460</u>	Underground N90 W1058 SE 19 5S 23E SL	P	19790608 DIMOSX	9.060 0.000	USA BUREAU OF ATTN: JONATHAN
<u>45-4515</u>	Underground S676 W85 NE 19 5S 23E SL	A	19800421 IS	0.015 0.000	EARL G. AND BU P.O.BOX 89
<u>45-5483</u>	Underground N300 E150 SW 18 5S 23E SL	A	19950223 IS	2.000 0.000	LEWIS G. VINCEI P.O. BOX 283
<u>45-5988</u>	Underground S1270 E1030 N4 2S 5S 22E SL	A	20020819 IS	0.000 4.056	KELLY F. LIEBHAF P.O.BOX 1611
<u>45-826</u>	Underground S965 W330 E4 22 5S 22E SL	P	19720901 IS	1.200 0.000	LYNN I. SIDDOWN 319 NORTH 850 W
<u>45-826</u>	Underground S1020 E970 W4 23 5S 22E SL	P	19720901 IS	1.200 0.000	LYNN I. SIDDOWN 319 NORTH 850 W
<u>45-826</u>	Underground N100 E1385 W4 23 5S 22E SL	P	19720901 IS	1.200 0.000	LYNN I. SIDDOWN 319 NORTH 850 W
<u>45-826</u>	Underground S1005 E1695 W4 23 5S 22E SL	P	19720901 IS	1.200 0.000	LYNN I. SIDDOWN 319 NORTH 850 W
<u>45-88</u>	Underground S350 E110 W4 20 5S 23E SL	P	19150000 S	0.015 0.000	AMASA CALDWELL JENSEN UT 84035
<u>45-899</u>	Underground N250 W2232 E4 20 5S 23E SL	P	19040000 S	0.002 0.000	A. DEMARR DUD JENSEN UT 84035
<u>a12324</u>	Underground S90 W1062 SE 19 5S 23E SL	A	19820611 IS	0.830 0.000	HOWARD AND V P.O. BOX 123
<u>a12324</u>	Underground N85 W1062 SE 19 5S 23E SL	A	19820611 IS	0.830 0.000	HOWARD AND V P.O. BOX 123

2007-06 Parallel Tully ST 15-19-5-22

Casing Schematic

BHP $0.052(2700)9.2 = 1292 \text{ psi}$
anticipate < 2000'

Gas $.12(2700) = 324$
 $1292 - 324 = 968 \text{ psi, MASP}$

BOPE 3M ✓

Burst 2950
70% 2065

Max P @ surf. shoe

$.22(1500) = 330$
 $1292 - 330 = 962 \text{ psi}$

test to 962 psi ✓

8-5/8"
MW 8.4
Frac 19.3

5-1/2"
MW 9.2

✓ Adequate DAD
6/25/07

Surface

12'

18'

TOC @ Mancos Shale

TOC @ 527.

to surf w/ 5% w/o
- 550' 1st Tully Mkr.

- 690' 2nd Tully Mkr.

- 780' Frontier SS

- 830' Coal Bed Zone

- 845' 2nd Frontier SS.

- 1040' Mowry Shale

- 1130' Dakota SS.

- 1200' Morrison Shale

Surface
1200. MD

- 1640' Salt Wash Sands

- 2000' Curtis

- 2120' Entrada

- 2320' Carmel

- 2480' Navajo/Nugget

Production
2700. MD

7500' ± BMSW

Well name:

2007-06 Parallel Tully ST 15-13-5-22

Operator: **Parallel Petroleum Corp**

String type: **Surface**

Project ID:

43-047-39310

Location: **Uintah**

Design parameters:

Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 82 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 150 ft

Cement top: Surface

Burst

Max anticipated surface pressure: 966 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 1,110 psi

No backup mud specified.

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: 1,049 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 2,700 ft
Next mud weight: 9.200 ppg
Next setting BHP: 1,290 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 1,200 ft
Injection pressure: 1,200 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	1200	8.625	24.00	J-55	ST&C	1200	1200	7.972	429.1
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	524	1370	2.616 ✓	1110	2950	2.66 ✓	29	244	8.47 J ✓

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

Phone: 801-538-5357

Date: June 8, 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 1200 ft, a mud weight of 8.4 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:

2007-06 Parallel Tully ST 15-13-5-22

Operator: **Parallel Petroleum Corp**

String type: **Production**

Project ID:

43-047-39310

Location: **Uintah**

Design parameters:

Collapse

Mud weight: 9.200 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 103 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 368 ft

Cement top: 527 ft

Burst

Max anticipated surface pressure: 696 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 1,290 psi

No backup mud specified.

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)

Non-directional string.

Tension is based on air weight.
Neutral point: 2,324 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	2700	5.5	15.50	J-55	LT&C	2700	2700	4.825	360.8

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	1290	4040	3.131 ✓	1290	4810	3.73 ✓	42	217	5.19 J ✓

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

Phone: 801-538-5357

Date: June 8, 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 2700 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.

William P. Harris
Oil & Gas Properties
Certified Professional Landman

December 12, 2007

Mr. Dustin Doucet
Utah Department of Oil Gas & Mining
1594 West North Temple
Salt Lake City, Utah 84116

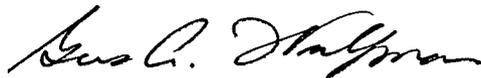
RE: ML48769 Oil, Gas & Hydrocarbon lease

Dear Dustin:

Please find enclosed a copy of the Designation of Operator for the referenced lease. I have also provided the original to Ed Bonner with the Utah Trust Lands Administration.

I appreciate all of the help you have given me during the past few years.

Sincerely,



Gus A. Wulfman

RECEIVED

DEC 13 2007

DIV. OF OIL, GAS & MINING

DESIGNATION OF OPERATOR

The undersigned is, on the records of the School and Institutional Trust Lands Administration, holder of lease ML 48769

And hereby designates:

NAME: Parallel Petroleum Corporation

ADDRESS: 1004 North Big Spring Street
Suite 400
Midland, Texas 79701

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Director of the Administration or his representative may serve written or oral instructions in securing compliance with the Rules and Regulations Governing the Issuance of Mineral Leases with respect to (describe acreage to which this designation is applicable):

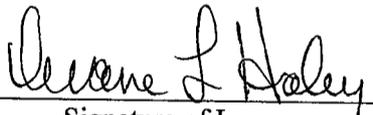
Township 5 South, Range 22 East, SLM
Sec. 13: South one half (S/2)
Uintah County, Utah

Operator agrees to comply with all lease provisions, statutes, rules, and regulations, whether federal, state, or local, in its operations on the subject lease.

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Rules and Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Director, Trust Lands Administration or his representative.

The lessee agrees promptly to notify the Trust Lands Administration of any change in the designated operator.


Signature of Lessee

**SIGN
HERE
and Return**


Anadarko Petroleum Corporation
1999 Broadway, Suite 700
Denver, Colorado 80202
Address

12/10/07
Date

12/03/07
Date


Signature of Operator

From: Ed Bonner
To: Mason, Diana
Date: 4/17/2008 2:55 PM
Subject: Well Clearance

CC: Davis, Jim; Garrison, LaVonne; Hill, Brad; Jarvis, Dan; Sweet, Jean
The following wells have been given cultural resources clearance by the Trust Lands Administration:

Elk Resources, Inc
Ouray Valley State 36-11-5-19 (API 43 047 39641)

Gasco Production Company
State 42-32-9-19 (API 43 047 39795)
Wilkin Ridge State 43-36-10-17 (API 43 047 39796) _

National Fuel Corporation
NFC Lindisfarne State 13-35 (API 43 047 39853) _

Newfield Production Company
Monument Butte State F-36-8-16 (API 43 013 33862) _
Gilsomite State L-32-8-17 (API 43 013 33864) _
Beluga State 5-16T-9-17 (API 43 043 33865) _

Parallel Petroleum Corporation
Tully State 15-13-5-22 (API 43 047 39310) _

If you have any questions regarding this matter please give me a call.



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

April 24, 2008

Parallel Petroleum Corporation
600 17th St., Ste. 900N
Denver, CO 80202

Re: Tully State 15-13-5-22 Well, 1156' FSL, 1400' FEL, SW SE, Sec. 13, T. 5 South,
R. 22 East, Uintah County, Utah

Gentlemen:

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

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby 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 43-047-39310.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Uintah County Assessor
SITLA

Operator: Parallel Petroleum Corporation
Well Name & Number Tully State 15-13-5-22
API Number: 43-047-39310
Lease: ML-48769

Location: SW SE Sec. 13 T. 5 South R. 22 East

Conditions of Approval

1. General

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

2. Notification Requirements

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.

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

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.

			5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48769
			6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA
			7. UNIT or CA AGREEMENT NAME: NA
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____			8. WELL NAME and NUMBER: Tully State 15-13-5-22
2. NAME OF OPERATOR: Parallel Petroleum Corp			9. API NUMBER: 4304739310
3. ADDRESS OF OPERATOR: 1004 N Big Springs ST		CITY Midland STATE TX ZIP 79701	10. FIELD AND POOL, OR WILDCAT: WILDCAT
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1156' FSL & 1400' FEL			COUNTY: Uintah
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 13 5S 22E			STATE: UTAH

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"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<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. Please find the attached validation form.

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

Date: 04-28-09

By: [Signature]

COPY SENT TO OPERATOR

Date: 5.4.2009

Initials: KS

NAME (PLEASE PRINT) <u>Ginger Bowden</u>	TITLE <u>Agent</u>
SIGNATURE <u>[Signature]</u>	DATE <u>4/22/2009</u>

(This space for State use only)

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APR 27 2009
DIV. OF OIL, GAS & MINING

RESET

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

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

API: 4304739310
Well Name: Tully State 15-13-5-22
Location: Sec. 13, T5S, R22E SWSE
Company Permit Issued to: Parallel Petroleum
Date Original Permit Issued: 4/24/2008

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

Finger Bowden
Signature

4/22/2009

Date

Title: Agent

Representing: Parallel Petroleum

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APR 27 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

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

CA No.

Unit:

WELL NAME	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.

Parallel Petroleum, LLC

P.O. Box 10587 • Midland, TX 79702 • 432-684-3727 •

January 1, 2010

Field Manager
Vernal Field Office Manager
Bureau of Land Management
170 S. 500 E
Vernal, UT 84078

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

Dear Sirs:

Parallel Petroleum LLC is hereby authorizing Ginger Bowden of Paradigm Consulting, Inc. to act on behalf of Parallel Petroleum LLC 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 LLC 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.

If you have questions regarding this designation of an agent on our behalf, please call 432-685-6577.

Sincerely,



Donald E. Tiffin
Chief Operations Officer
Parallel Petroleum

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JAN 26 2010

DIV. OF OIL, GAS & MINING

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

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML-48769

SUNDRY NOTICES AND REPORTS ON WELLS

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

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.

7. UNIT or CO-AGREEMENT NAME:

1. TYPE OF WELL: OIL WELL GAS WELL OTHER _____

8. WELL NAME and NUMBER:
Tully State 15-13-5-22

2. NAME OF OPERATOR:
Parallel Petroleum, LLC N3625

9. API NUMBER:
4304739310

3. ADDRESS OF OPERATOR:
1004 Big Springs ST Suite 400 Midland TX 79701 PHONE NUMBER: **(432) 685-6568**

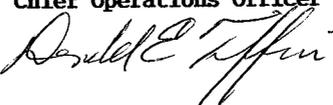
10. FIELD AND POOL, OR WILDCAT:
Wildcat

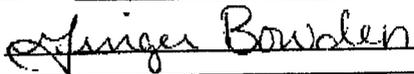
4. LOCATION OF WELL
FOOTAGES AT SURFACE: **1,156' FSL & 1,400 FEL** COUNTY: **Uintah**
QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **SWSE 13 5S 22E** STATE: **UTAH**

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

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	<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 change of operator approval. The subject location will transfer operators from Parallel Petroleum Corporation to Parallel Petroleum, LLC.
Effective as of January 1, 2010, Parallel Petroleum, LLC assumes all responsibility and liability for the subject location.

Parallel Petroleum Corporation
Name **Donald E. Tiffin**
Title **Chief Operations Officer**
Signature 

NAME (PLEASE PRINT) Ginger Bowden TITLE Agent
SIGNATURE  DATE 1/18/2009

(This space for State use only)

(See Instructions on Reverse Side)

APPROVED 1/28/2010

Earlene Russell
Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

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JAN 26 2010
DIV. OF OIL, GAS & MINING



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

July 8, 2010

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

Re: APD Rescinded – Tully State 15-13-5-22, Sec. 13 T. 5S, R. 22E
Uintah County, Utah API No. 43-047-39310

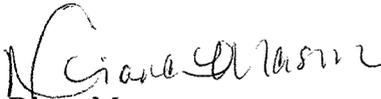
Dear Ms. Bowden:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on April 24, 2008. On April 28, 2009, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective July 8, 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

