



**Diamond M Project**  
Conference Call & Webcast

Friday, June 27, 2008  
9:00 a.m. CST





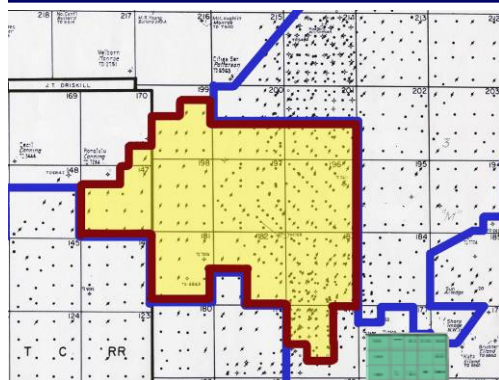
Some statements contained in this presentation are "forward-looking statements". All statements other than statements of historical facts included in this report, including, without limitation, statements regarding planned capital expenditures, the availability of capital resources to fund capital expenditures, estimates of proved reserves, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology like "initial daily test rates," "may," "will," "expect," "intend," "plan," "subject to," "anticipate," "estimate," "continue," "present value," "future," "reserves," "appears," "prospective," or other variations thereof or comparable terminology. We believe the assumptions and expectations reflected in these forward-looking statements are reasonable. However, we cannot give any assurance that our expectations will prove to be correct or that we will be able to take any actions that are presently planned. All of these statements involve assumptions of future events and risks and uncertainties. Risks and uncertainties associated with forward-looking statements include, but are not limited to: the inherent variability in early production tests; uncertainties inherent in estimating production rates; the availability and capacity of natural gas gathering and transportation facilities; the period of time that our oil and natural gas wells have been producing; weaknesses in our internal controls; fluctuations in prices of oil and gas; future capital requirements and availability of financing; geological concentration of our reserves; risks associated with the drilling of wells; competition; general economic conditions; governmental regulations; potential defaults in the payment of amounts owed to us by purchasers of our production and counterparties to our hedging contracts; and risks of hedging activities.

For these and other reasons, actual results may differ materially from those projected or implied. We caution you against putting undue reliance on forward-looking statements or projecting any future results based on such statements.



# Diamond M – Exercise of Preferential Rights

## Overview After Acquisition



Scurry County, Texas

- **PLLL – 88% WI, 76% NRI**
- **Primary Project**
  - Canyon Reef formation at ~ 6,500'
  - 30 MMBOE gross potential target based on analogous offset properties
  - Infill drilling, waterflood enhancement and CO<sub>2</sub> implementation
  - 2008 Expected Operations
    - CAPEX budget to be revised
      - » 12 gross (10.6 net) wells to be drilled
      - » 18 gross (15.8 net) workovers and deepenings
- **Secondary Project**
  - Glorieta, Clearfork and Wichita Albany – 2,600' – 4,000'
  - Infill drilling & waterflood enhancement
- **Estimated Current Producing Rate**  
(Combined Canyon Reef and Diamond M Shallow projects)
  - May actual production 662 gross (503 net) BOEPD
  - June 24<sup>th</sup> snapshot 845 gross (640 net) BOEPD

# Diamond M – Exercise of Preferential Rights

## Transaction Components



	<u>May 2008 Average Net BOEPD</u>	<u>WI Before Acquisition</u>	<u>WI After Acquisition</u>
<b>Canyon Reef Project</b>			
Base	81	0%	89%
Development	86	66%	88%
<b>Shallow Project</b>			
Base	71	0%	89%
Development	19	66%	88%
	<u>257</u>		

# Diamond M – Exercise of Preferential Rights

Net Acquisition Metrics as of May 1, 2008



- **Purchase Price \$35.5 MM**

- **Proved Reserves:**

- Oil - 3.2 MMBO
- Gas - 1.7 BCF

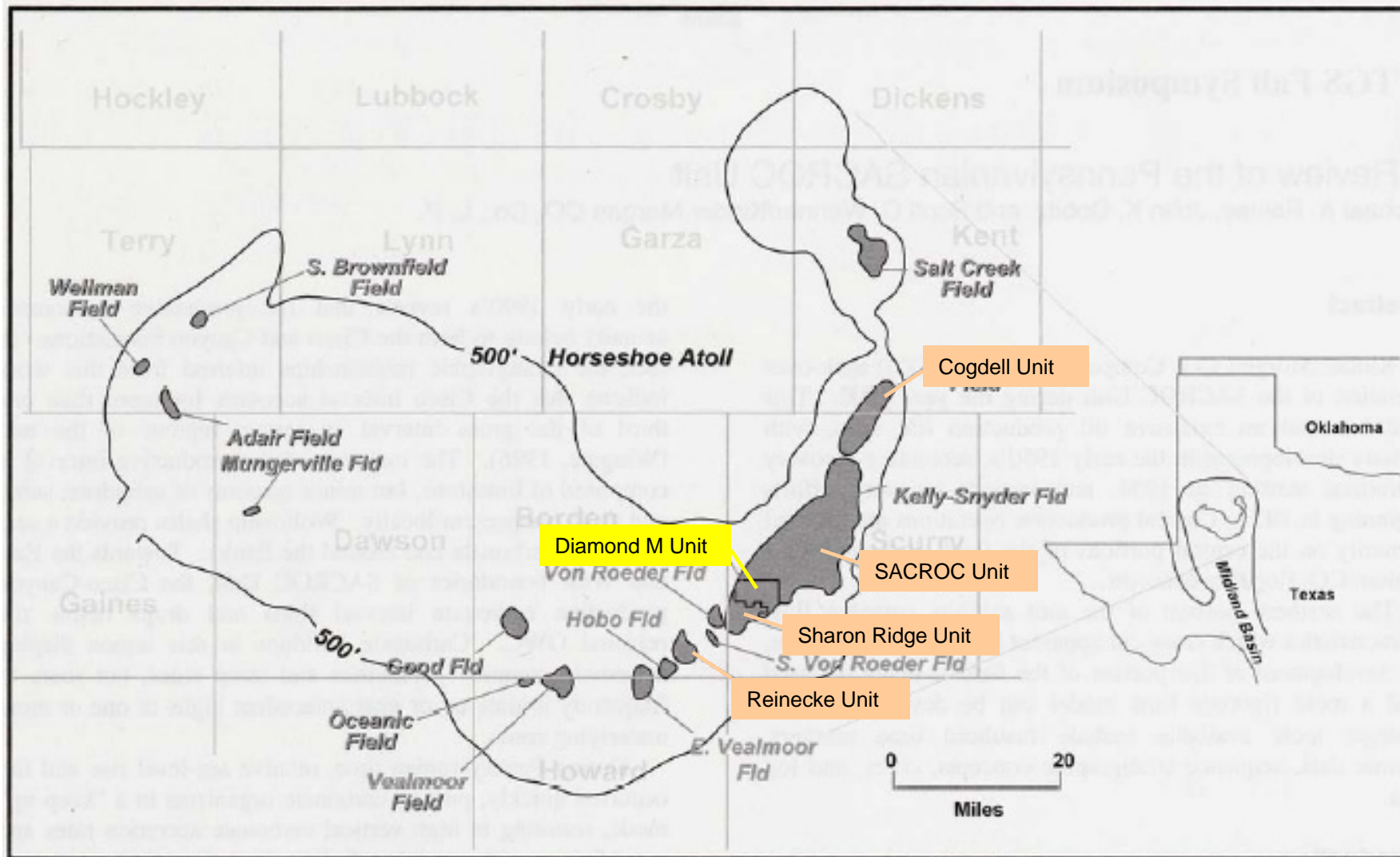
- **SEC Reserve Categories**

	<u>MMBOE</u>
– PDP	1.6
– PDNP	0.1
– PUD	1.8
– Total Proven	<u>3.5</u>

- **Producing Rate**

- May Average - 257 net BOEPD
- June 24th Snapshot - 298 net BOEPD

## Trend Map - Analogies



## Unit History

- **Primary development on 40 acre spacing from 1948-1950**
  - Consistent with Canyon Reef units (SACROC, Sharon Ridge, Cogdell, Reinecke)
- **Initiated water injection in early 1950's**
  - Consistent with Canyon Reef units (SACROC, Sharon Ridge, Cogdell)
  - Flood was a poorly executed, lease-line peripheral flood
    - Converted wells to water injection without producing the flood front
    - Operated as if they were flooding a homogeneous reservoir
- **Limited development 1960's – 2001**
  - Unlike analogous assets (infill drilling, secondary and tertiary recovery)
  - Multiple operators
    - Failure to address reservoir complexity



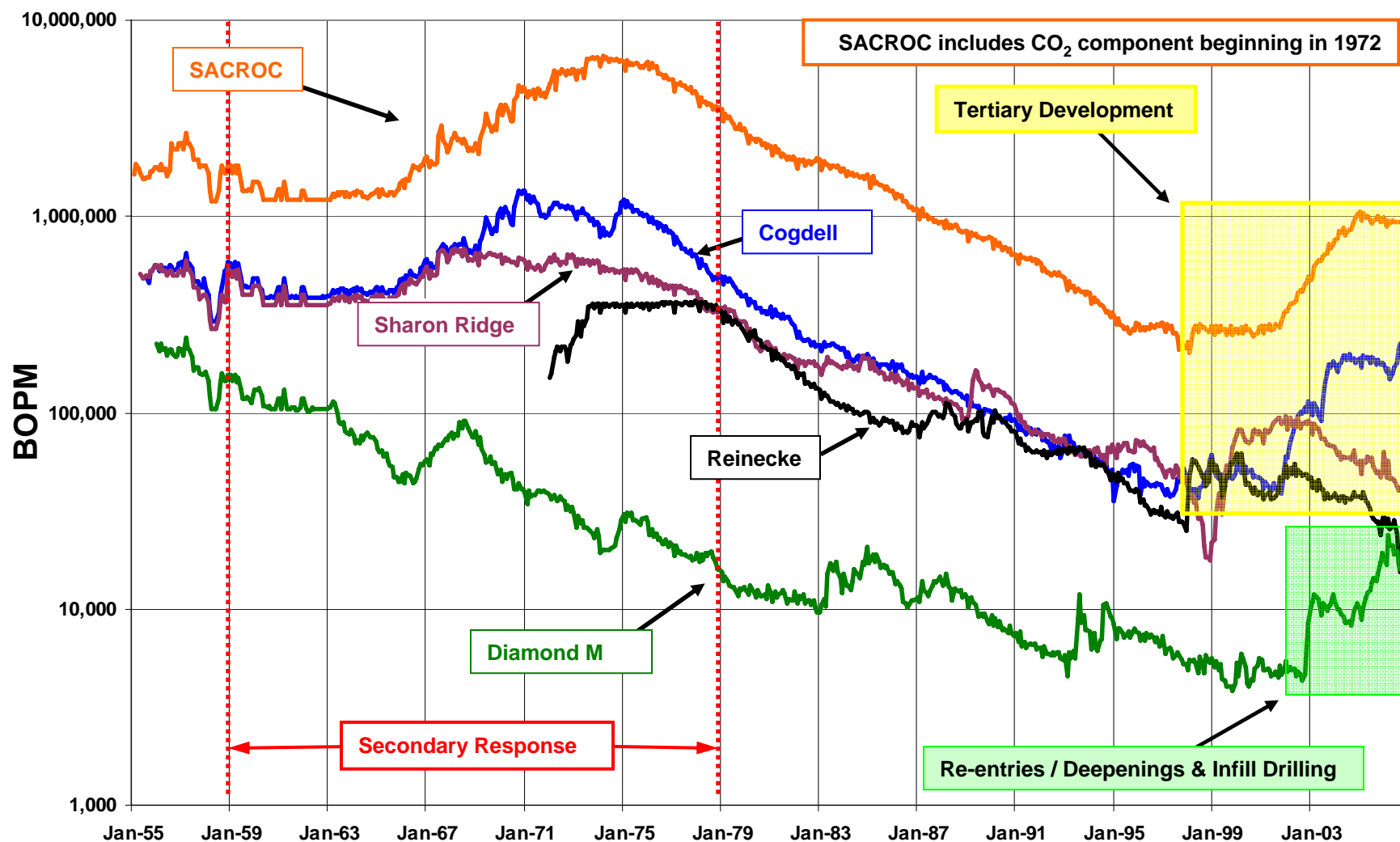
## Parallel History

- **2001 - Entered into “Trade Agreement with Southwestern Energy”**
  - Significant remaining potential reserves
  - Provide financial and human capital
  - Guarantee SWN’s “Base” production
  - Split development production
- **2002 – Drilled 4 wells**
  - Validated ideas and potential
- **2003 to 2007**
  - Parallel took over full field operations in March 2003 as the 6<sup>th</sup> operator
  - Drilled 6 infill wells
  - Performed 20+ re-entries/re-activations and well deepening
  - Implemented extensive surface facility modifications
  - Acquired state-of-the-art 3-D survey
  - Further validated field view and potential



# Lion Diamond M Canyon Reef Unit

## Analogous Horseshoe Atoll Canyon Reef Units



# Lion Diamond M Canyon Reef Unit

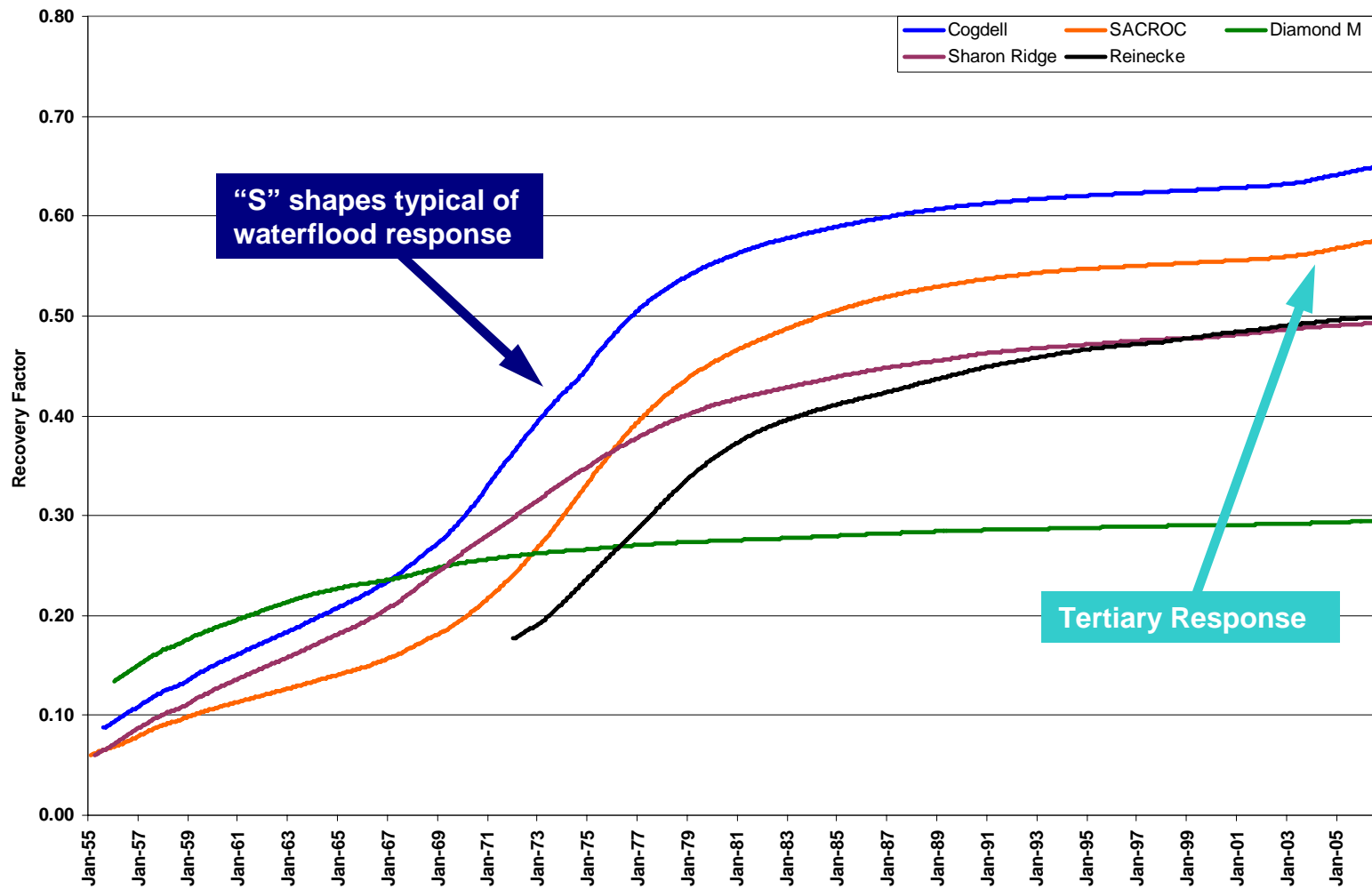
## Analogous Recovery Factors

### Estimated Current Recoveries

	Cum Oil (MMBO)	OOIP (from H-1's) (MMBO)	Current Recovery Factor
Cogdell Canyon Reef Unit	276	420	66%
SACROC Unit	1,309	2,250	58%
Lion Diamond M Unit	44	147	30%
Sharon Ridge Unit	198	400	50%
Reinecke Unit	85	171	50%

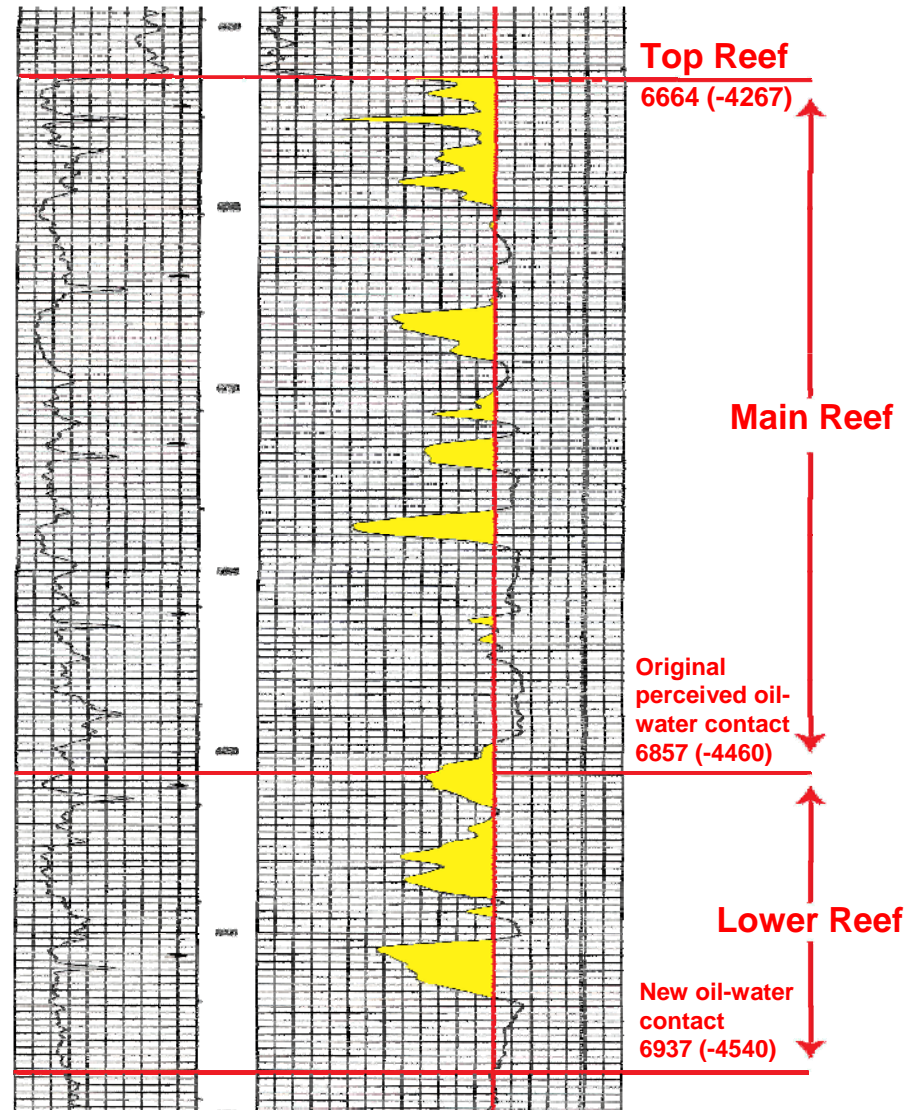
## Trend Recovery Factor Plot

RF -vs- Time



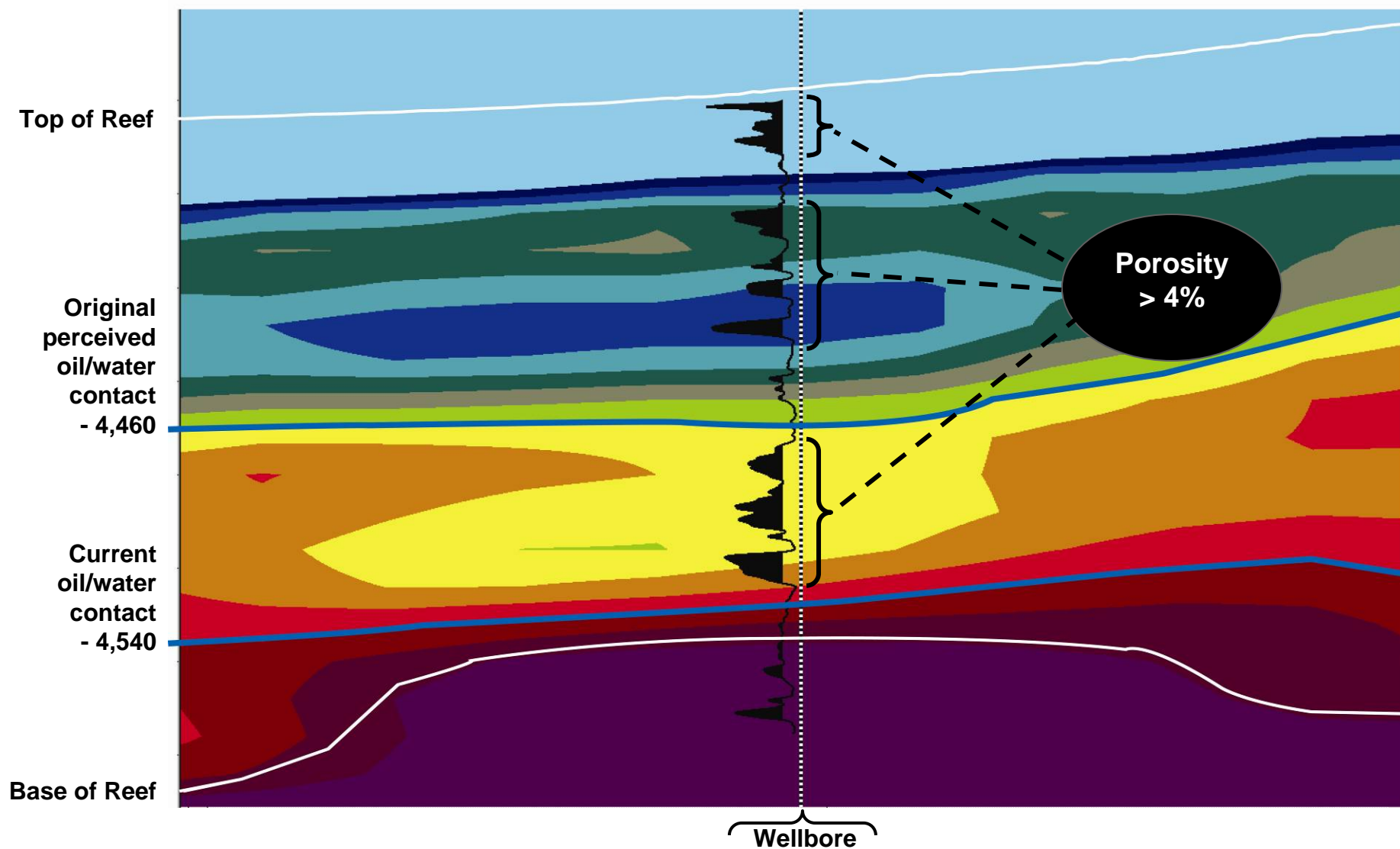
# Lion Diamond M Canyon Reef Unit

## Canyon Reef Porosity Log



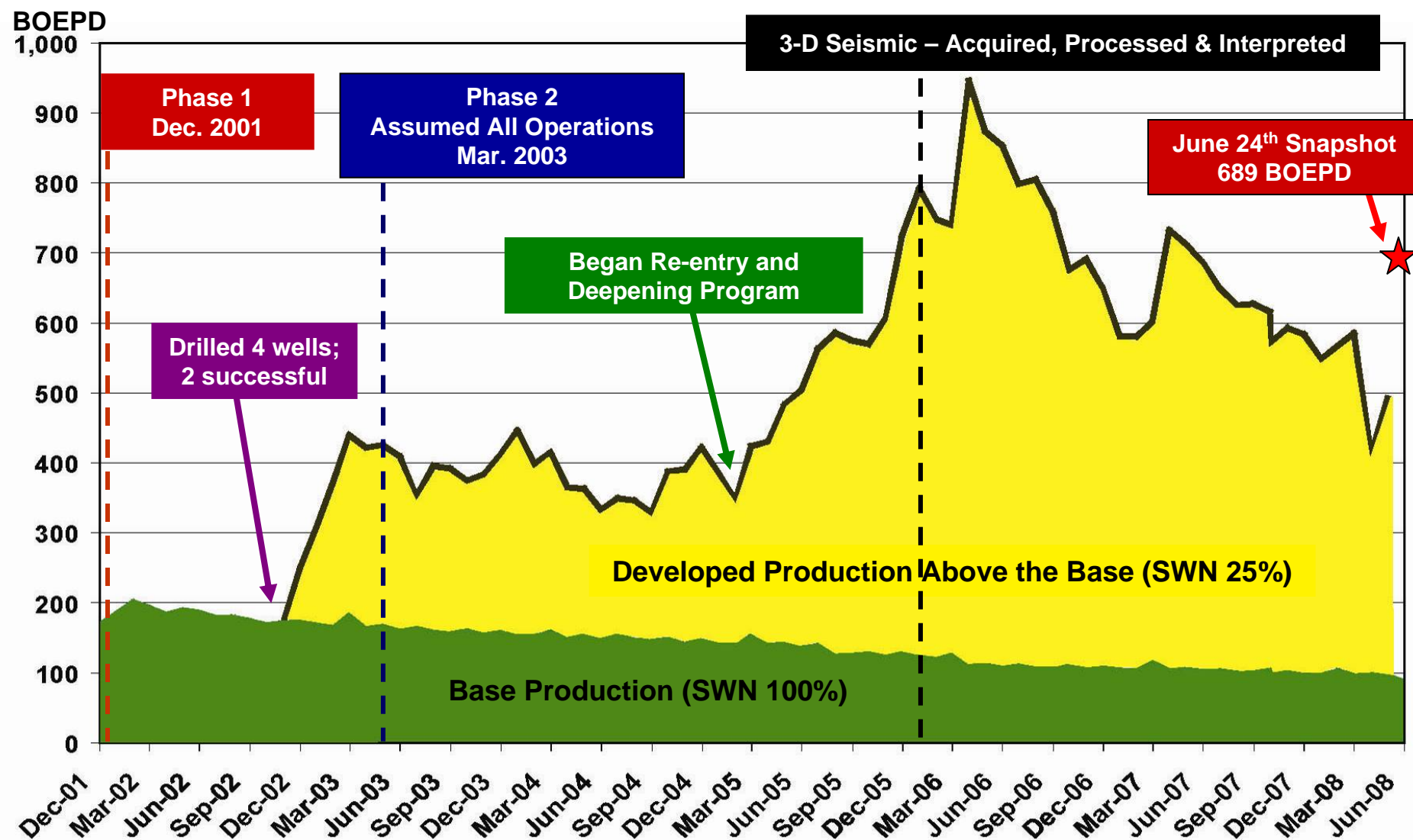


## Porosity Log Tied to 3-D Seismic



# Lion Diamond M Canyon Reef Unit

## Historical Performance – Gross BOEPD



## Project Summary and Exploitation Attributes

- **30 MMBO gross Main Reef target based on other Canyon Reef unit recoveries**
  - Poorly executed and managed secondary development project
  - Inconsistent development and failure to address reservoir complexity
  - Multiple operators
- **Infill drilling and well reactivation opportunities**
  - 75+ infill locations
  - 15+ re-entries and deepenings
- **Waterflood enhancement opportunities**
  - Highly compartmentalized (as are analogous properties along the trend )
- **CO<sub>2</sub> flood implementation opportunities**
- **Deeper Reef Intervals**
  - Established commercial production below the original oil/water contact
  - Good initial production rates and oil cuts
  - These reserves are not included in the 30 MMBO gross Main Reef target
  - Waterflood enhancement opportunities
  - CO<sub>2</sub> flood implementation opportunities

# Lion Diamond M Canyon Reef Unit

## Single Well Economics



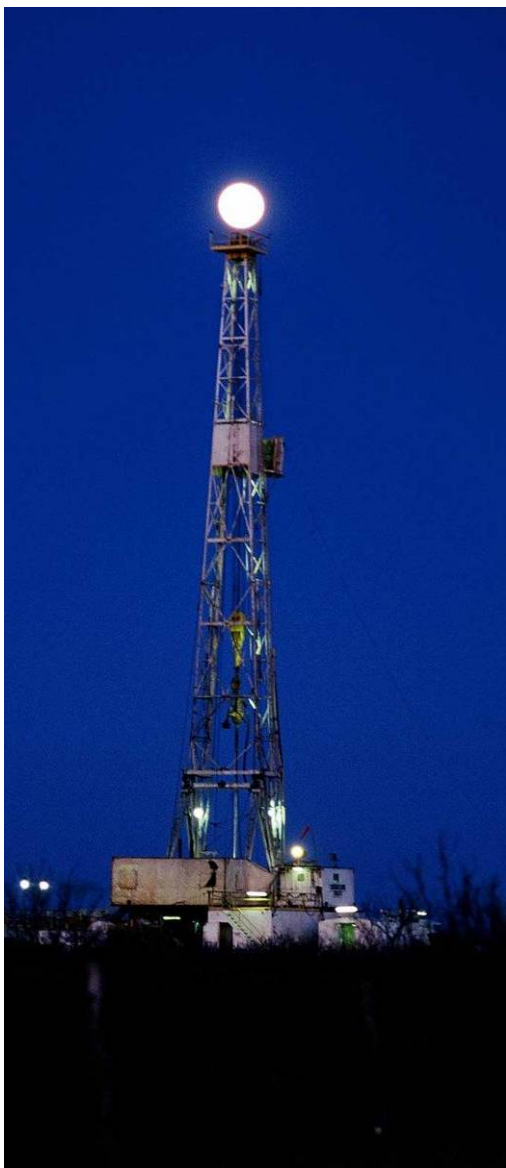
### Input

<b>Qi</b>	<b>75 BOPD</b>
<b>GOR</b>	<b>1.1 MCF/BO</b>
<b>Decline</b>	<b>Exp 40%, 20%, 10%</b>
<b>D&amp;C</b>	<b>\$850,000 gross</b>
<b>LOE</b>	<b>\$5,000 per month</b>
<b>WI</b>	<b>88%</b>
<b>NRI</b>	<b>76%</b>
<b>Pricing</b>	<b>Flat \$130 oil &amp; \$12 gas</b>

### Output

<b>Oil Reserves</b>	<b>93 MBO gross (71 net)</b>
<b>Gas Reserves</b>	<b>103 MMCF gross (78 net)</b>
<b>Equivalent Reserves</b>	<b>111 MBOE gross (84 net)</b>
<b>Undiscounted Payout</b>	<b>.66 years</b>
<b>Rate of Return</b>	<b>100%</b>
<b>Discounted</b>	
<b>Net / Investment</b>	<b>7.17</b>
<b>Future Net Revenue</b>	<b>\$6.69 MM</b>
<b>PV 10</b>	<b>\$4.45 MM</b>





## Parallel Headquarters

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## Web site

<http://www.plll.com>

## Common Stock

Nasdaq: PLLL

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