



PARALLEL

PETROLEUM CORPORATION



PARALLEL
PETROLEUM CORPORATION
JACK LEASE
WELL NO. 39

CAUTION
THIS UNIT STARTS
AUTOMATICALLY
AT ANY TIME.



Tom Cambridge

Chairman of the Board

Board of Directors



Seated left to right:

Larry Oldham, Tom Cambridge, Ray Poage

Standing left to right:

Marty Oring, Jeff Shrader, Dewayne Chitwood, Charlie Pannill

Items of Business

- **Election of six Directors**
- **Approval of 2004 Non-Employee Director Stock Grant Plan**
- **Ratification of the reappointment of BDO Seidman, LLP as independent auditors for 2004**
- **Other Business**



Larry Oldham
President & CEO

Special Thanks



Charlie Pannill
Founding Director - 1980

Forward-Looking Statements

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 "may," "will," "expect," "intend," "anticipate," "estimate," "continue," "present value," "future" or "reserves" or other variations or comparable terminology. We believe the assumptions and expectations reflected in these forward-looking statements are reasonable. However, we can't 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: 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.

Parallel at a Glance

- **Stock Symbol** - PLLL (NASDAQ National Market)
- **Market Cap** - \$126 MM (25.2 MM @ \$5.00±/share)
- **Management & Directors Ownership** - 17%
- **2003 Net Cash Provided** - \$19.5 MM from operating activities
- **2004 Capex Budget**
 - \$25.3 MM
 - ± 180 well operations
 - 110 gross workovers (88 net)
 - 70 gross new drills (38 net)

Parallel at a Glance

As of December 31, 2003:

- **Proved Reserves** - 14.8 MMBOE, 74% proved developed
- **Reserve Mix** - 92% long-life oil assets
- **SEC PV-10%** - \$147.8 MM; 83% long-life oil assets
- **R/P Ratio** - 12.5 years proved and 9.3 years proved developed
- **Active Oil and Gas Wells** - 575 gross (305 net)

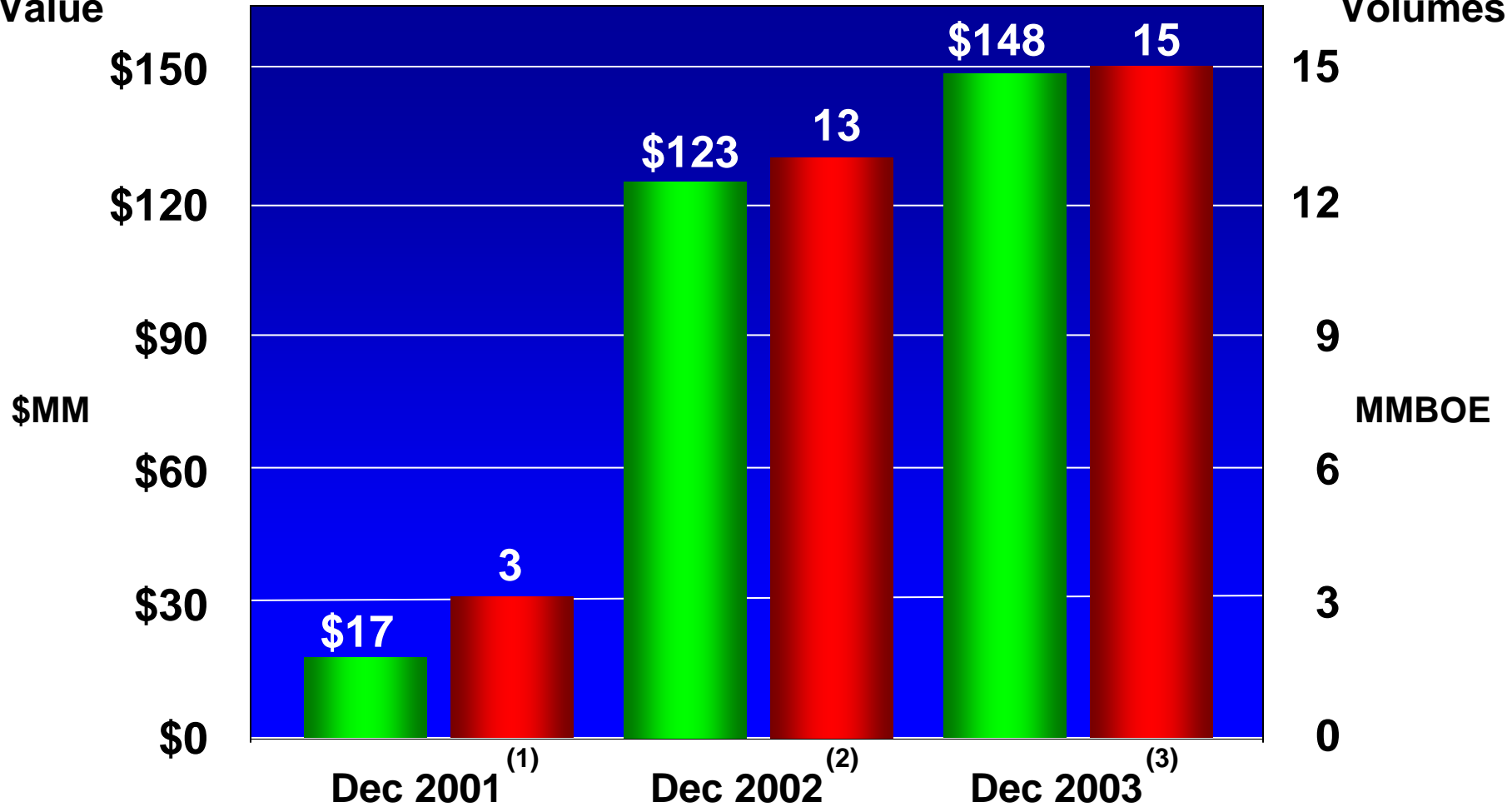
2003 Reserve Growth

- **Invested** \$15 MM in drilling, land and seismic
- **Added** 3 MMBOE of new reserves
- **Produced** 1.2 MMBOE
- **Netted** 1.8 MMBOE of proved reserve additions
- **Generated** \$4.5 MM of excess Cash Flow over CAPEX

SEC Reserves

Reserve Value

Reserve Volumes

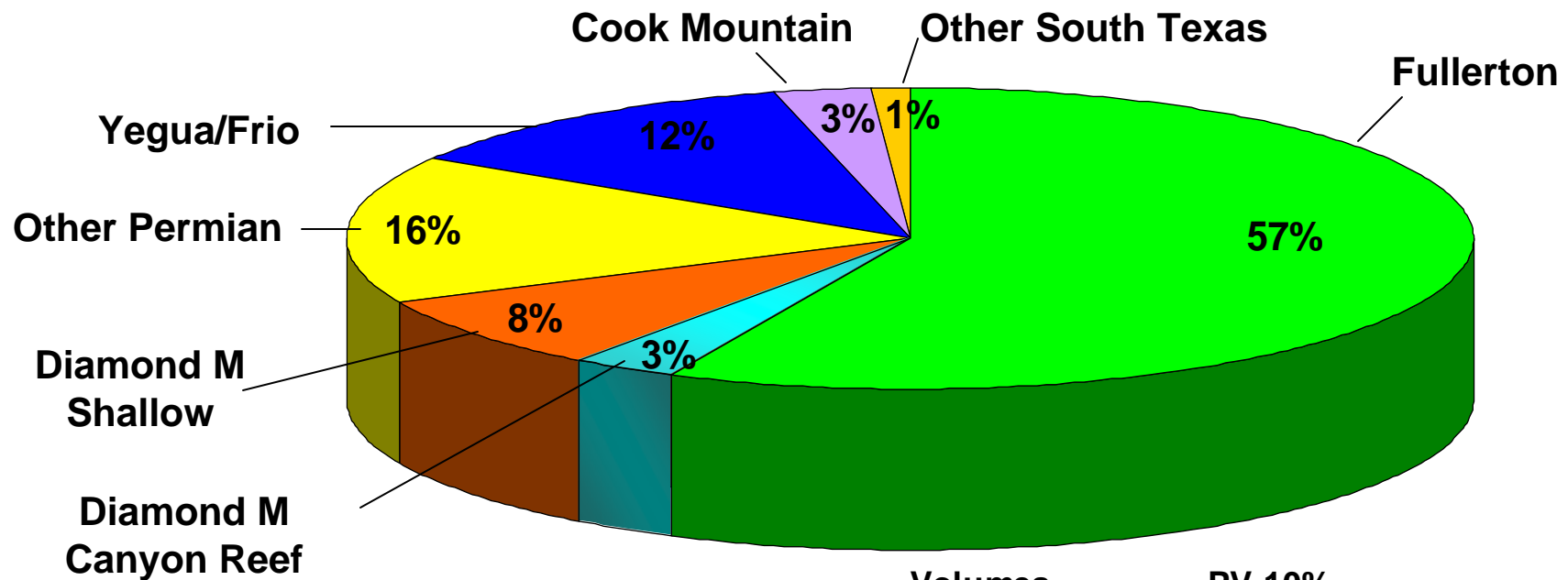


⁽¹⁾ \$18.98 oil and \$2.72 gas

⁽²⁾ \$29.21 oil and \$4.40 gas

⁽³⁾ \$30.63 oil and \$5.45 gas

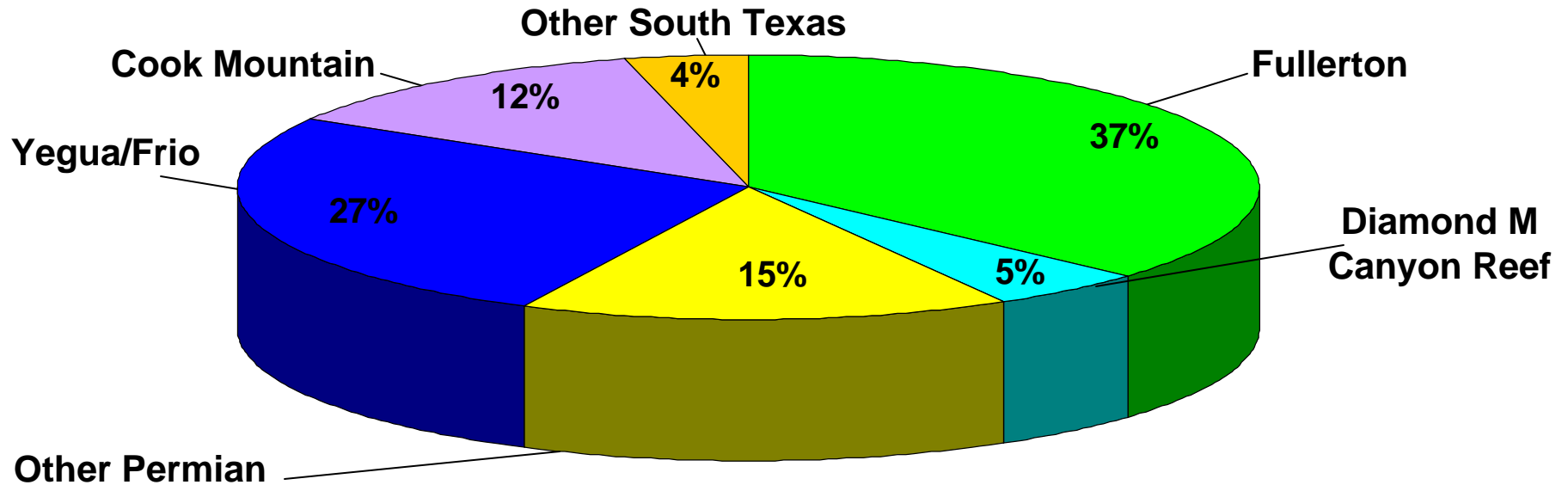
2003 Reserve Value



Area	Volumes		PV-10%	
	MBOE ⁽¹⁾	%	\$MM	%
Fullerton	9.4	64%	85	57%
Diamond M - Shallow	1.4	9%	11	8%
Diamond M - Canyon Reef	0.4	3%	5	3%
Other Permian	2.4	16%	23	16%
Yegua/Frio	0.8	5%	18	12%
Cook Mountain	0.2	1%	4	3%
Other South Texas	0.2	1%	2	1%
Total	14.8	100%	148	100%

⁽¹⁾ BOE - 6 MCF = 1 BOE

2003 Production



Area	Combined		Oil		Gas	
	MBOE ⁽¹⁾	%	MBbl	%	MCFG	%
Fullerton	436	37%	419	67%	99	3%
Diamond M - Shallow	7	-	6	1%	4	-
Diamond M - Canyon Reef	50	5%	45	7%	27	1%
Other Permian	183	15%	89	14%	568	17%
Yegua/Frio	316	27%	45	7%	1,628	48%
Cook Mountain	150	12%	14	2%	812	24%
Other South TX	47	4%	10	2%	220	7%
Total	1,188	100%	628	100%	3,356	100%

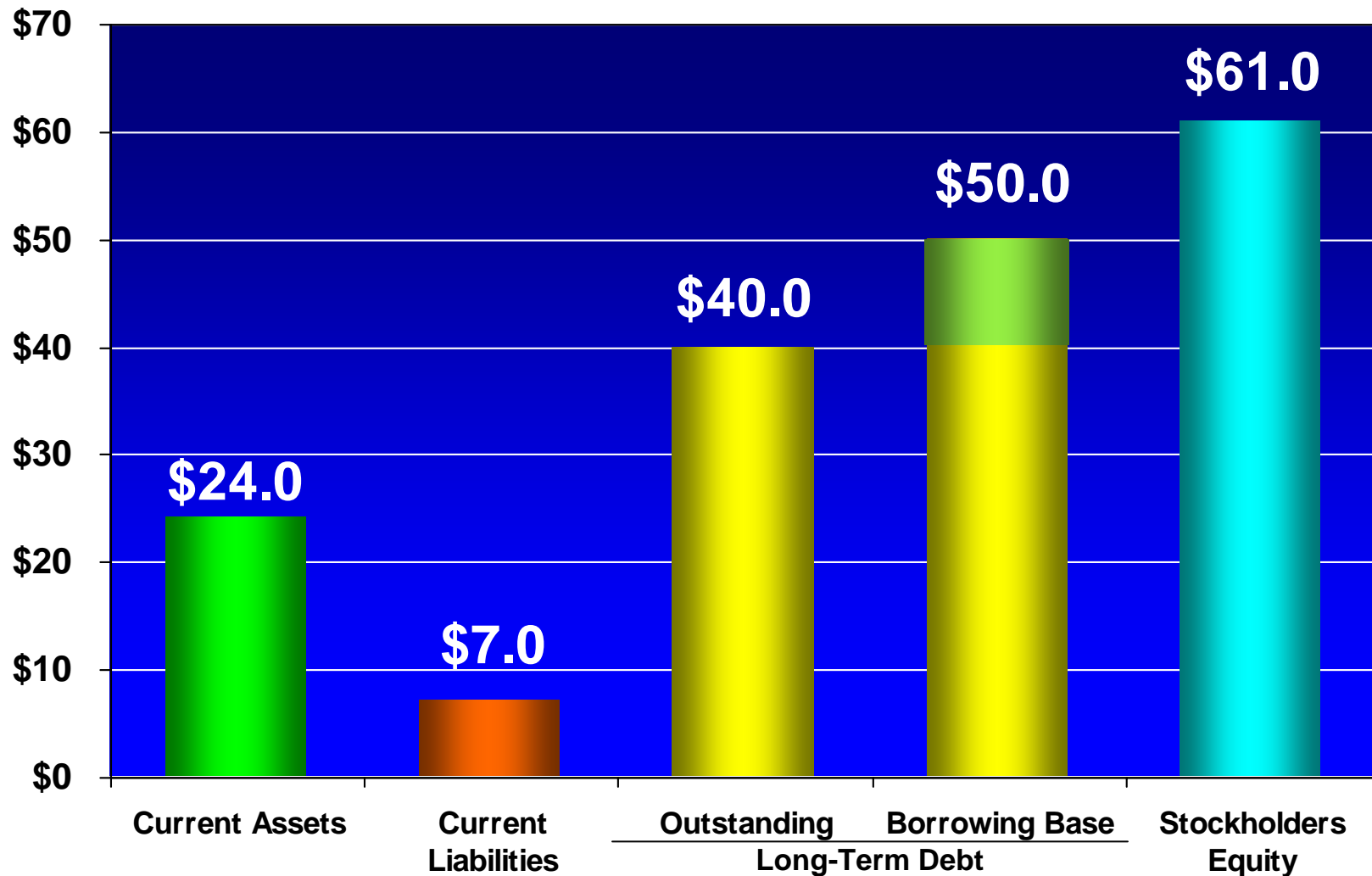
2003 Financial Results

In 2003, on \$45.5 million of stockholders' equity @ 12/02, PLLL generated:

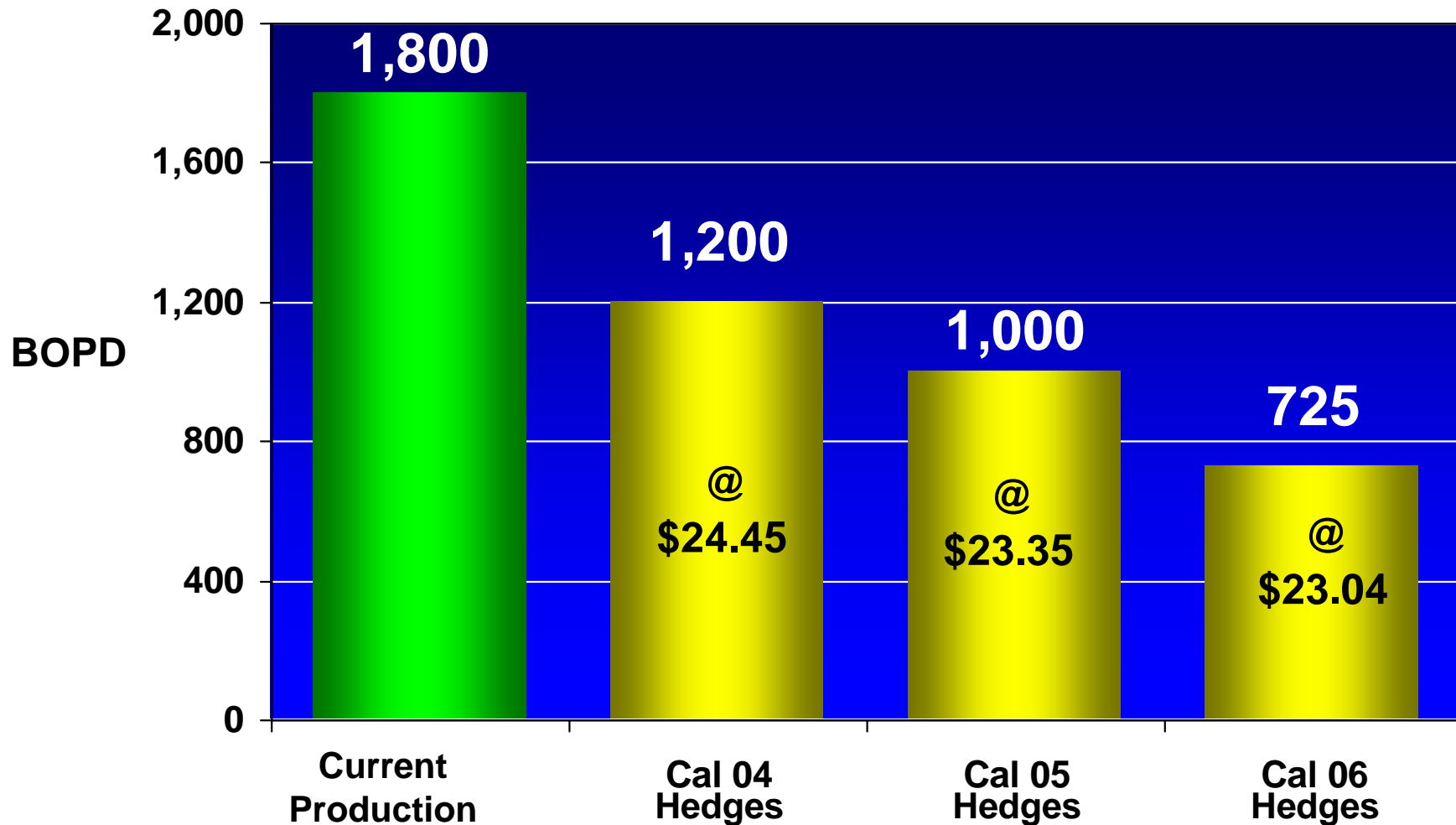
- **\$33.9 million** **oil and gas revenues, net of \$2.6 MM hedges**
- **\$19.5 million** **net cash provided by operating activities**
- **\$10.7 million** **pretax income**
- **\$7.6 million** **net income, after tax**

Balance Sheet 12/31/03

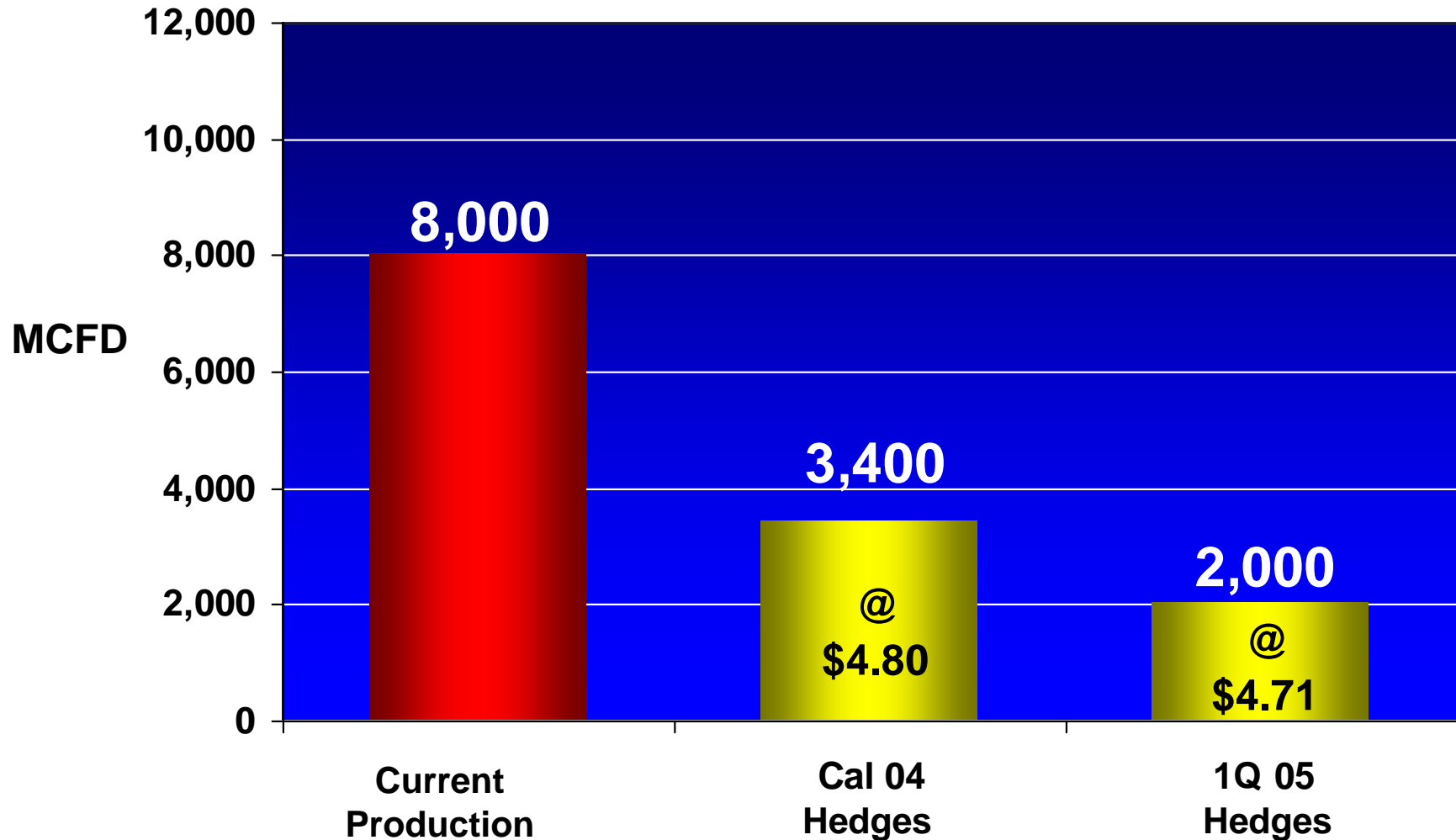
Selected Information (\$MM)



Oil Hedges and Prices

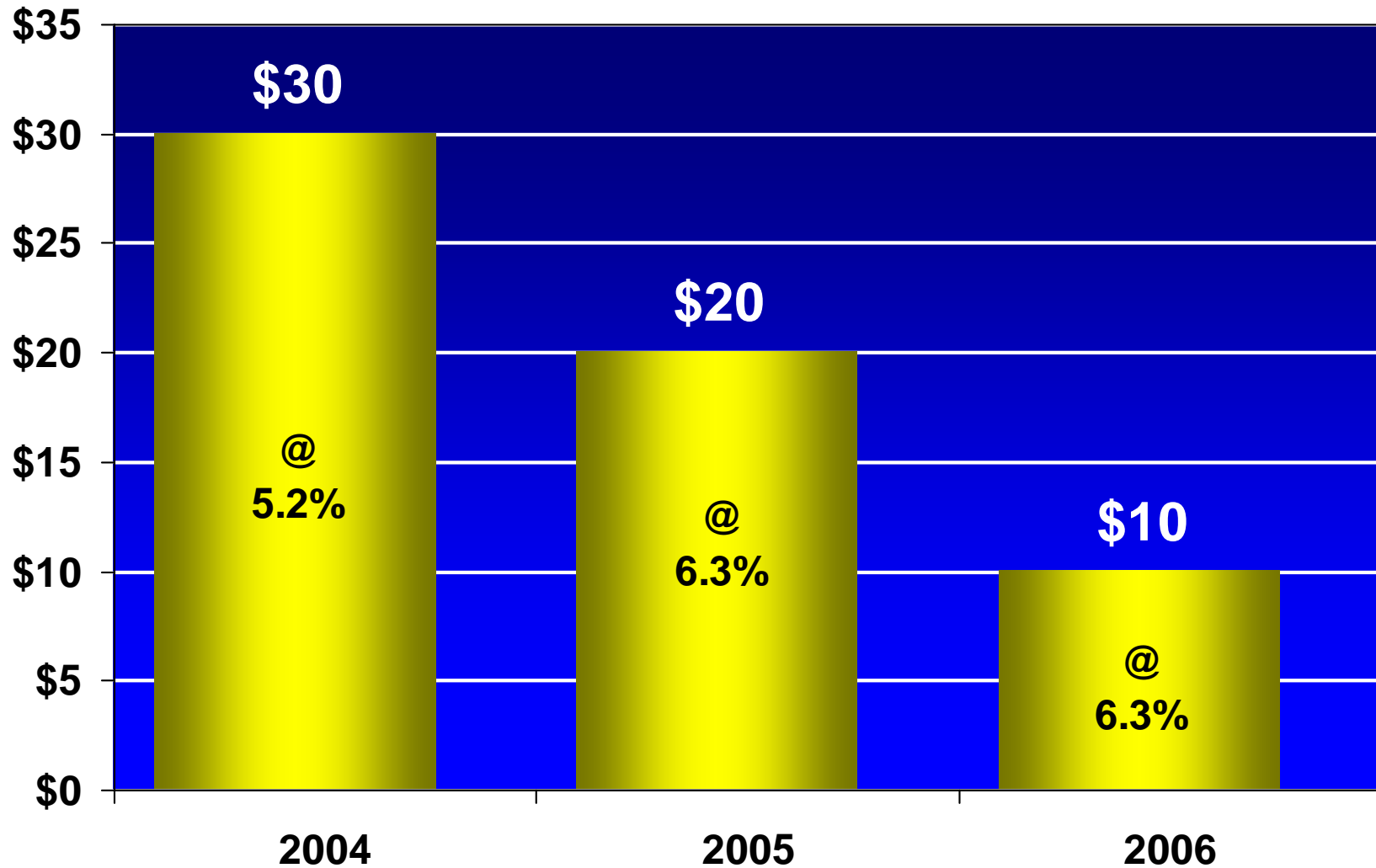


Gas Hedges and Prices



Interest Rate Hedges

Amount (\$MM)



Review of 1st Quarter 2004

1Q 2004 Financial Results

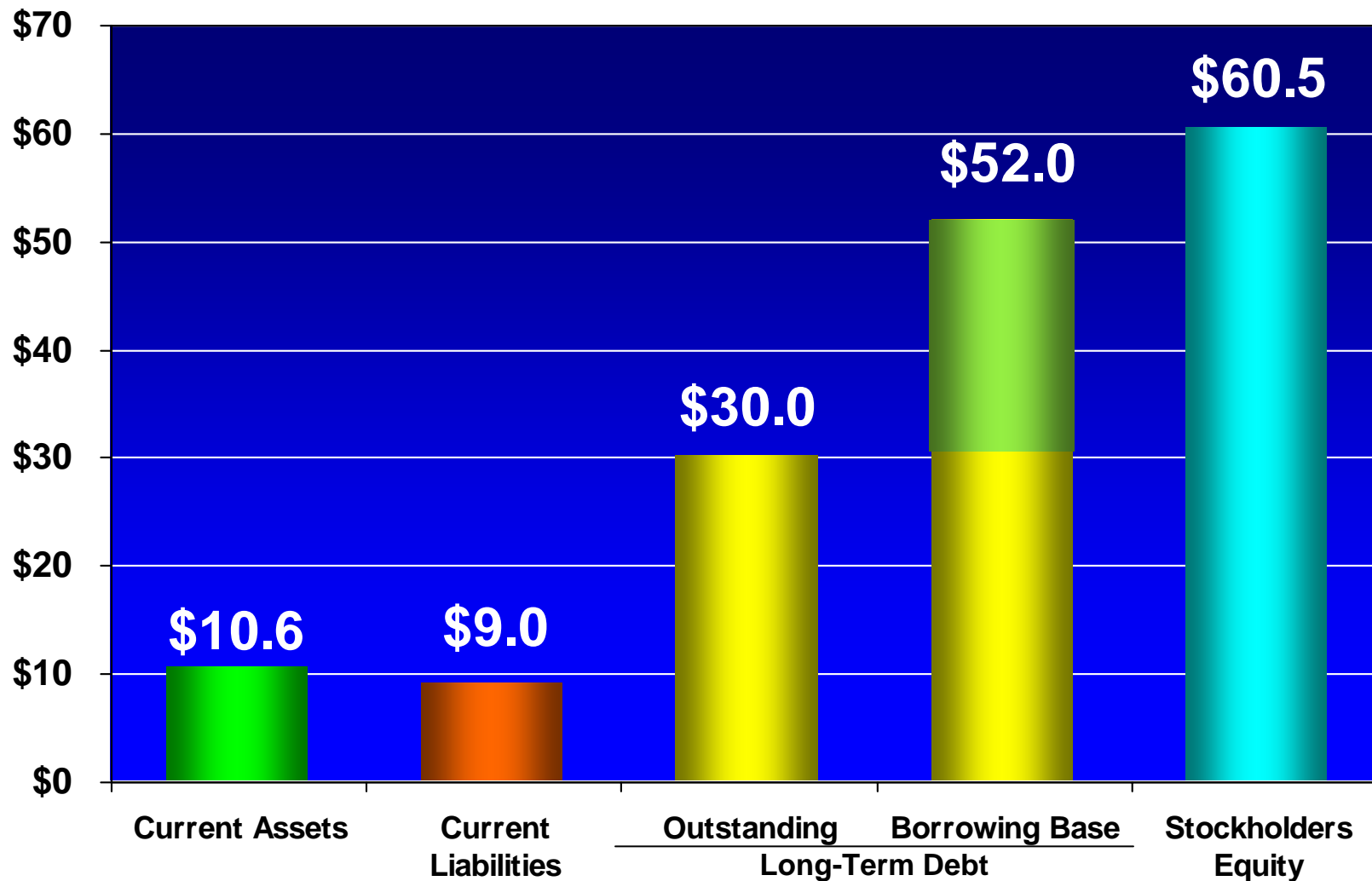
- **\$8.0 million** oil and gas revenues, net of \$1.1 MM hedges
- **\$4.0 million** net cash provided by operating activities
- **\$1.5 million** net income, after tax
- **\$8.0 million** capital expenditures

1Q 04 Compared to 1Q 03

	<u>1Q 04</u>	<u>1Q 03</u>
Production (MBOE)	283	284
Net realized price per BOE	\$28.30	\$29.92
Oil & Gas revenues, net of hedges (MM)	\$8.0	\$8.5
Operating income (MM)	\$2.7	\$4.2
Net income after tax (MM)	\$1.5	\$2.3
Net cash provided by operating activities (MM)	\$4.0	\$3.6
Weighted average outstanding shares fully diluted (MM)	28.3	24.0
Earnings per share	\$0.05	\$0.09

Balance Sheet 3/31/04

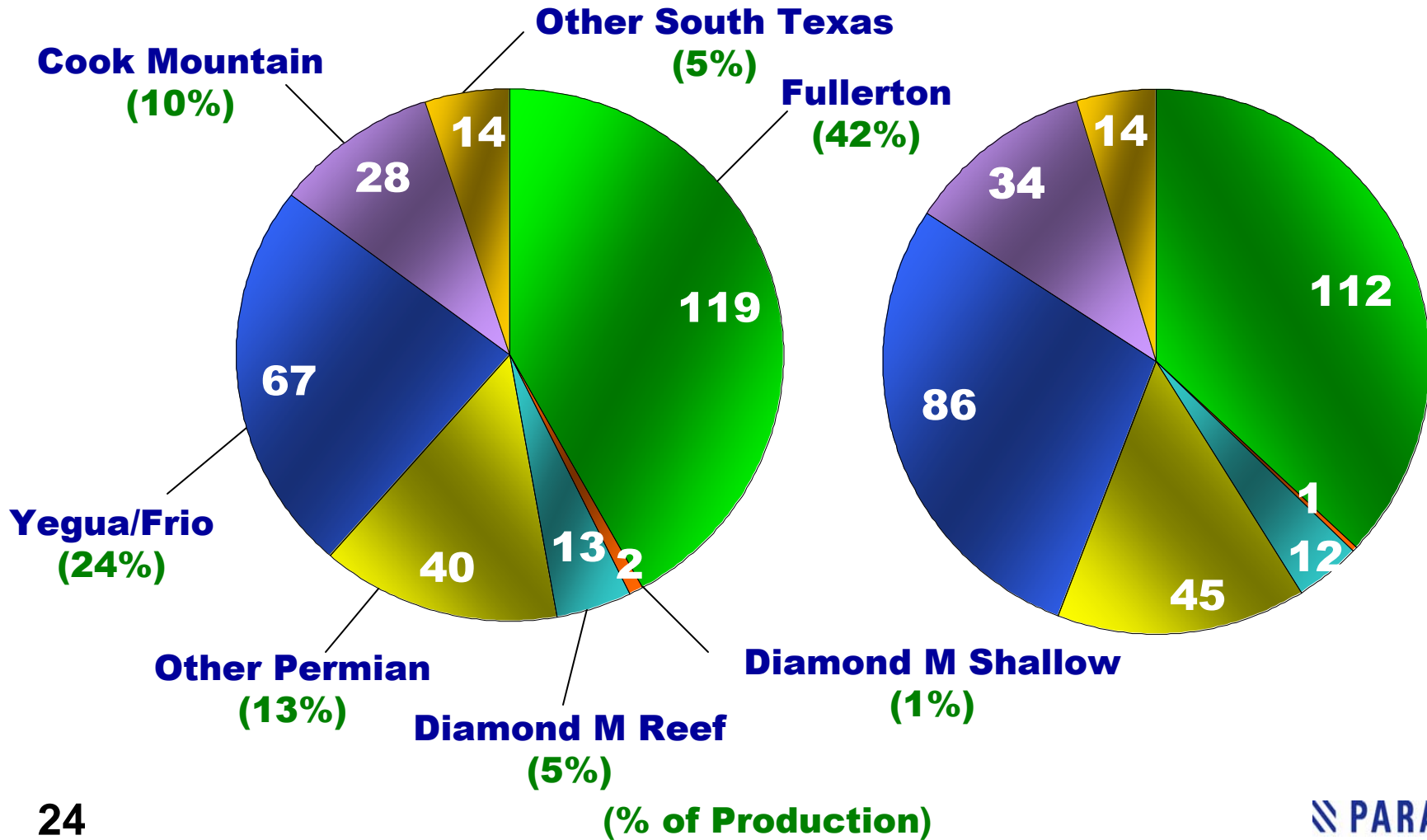
Selected Information (\$MM)



Production Comparison 1Q 04 vs 4Q 03

1Q 04
283 MBOE

4Q 03
303 MBOE

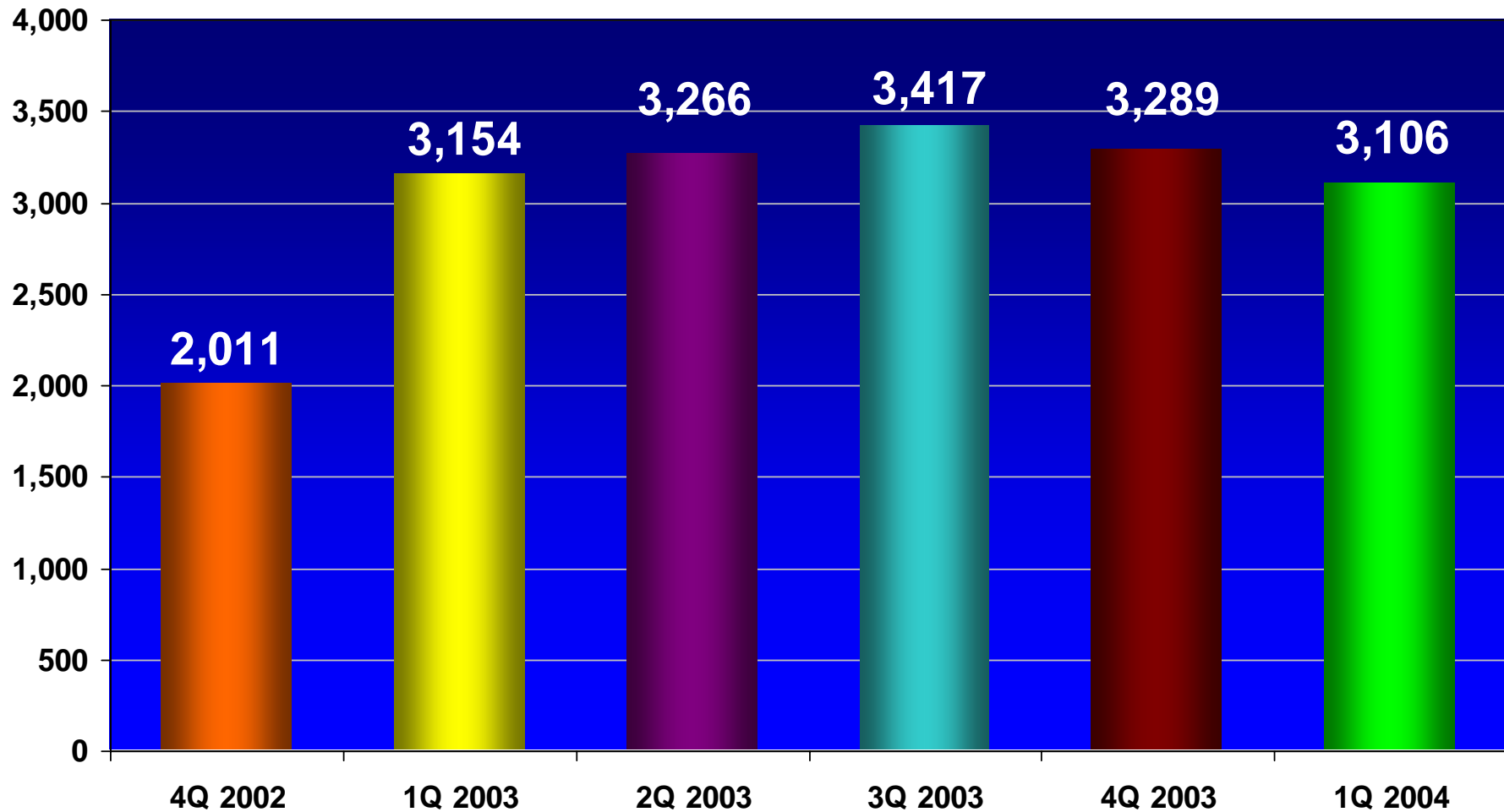


Production Comparison

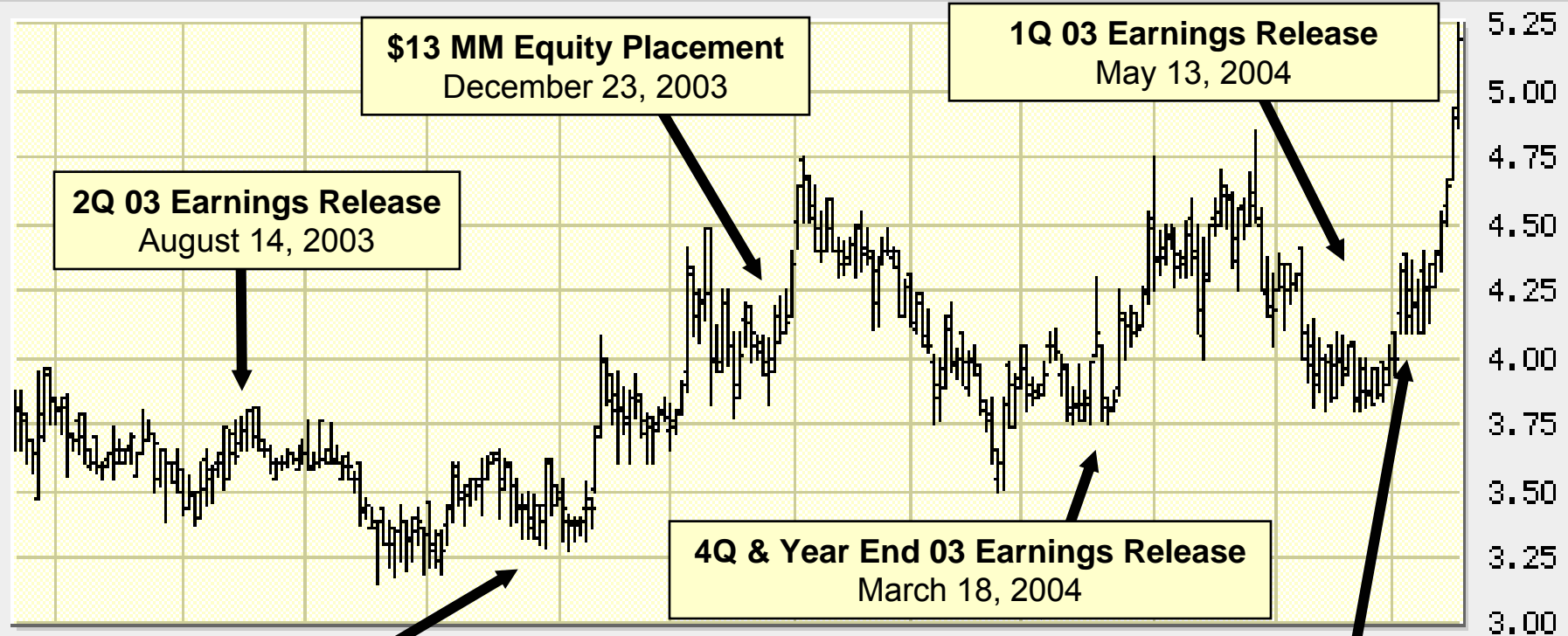
1Q 04 vs 4Q 03

Area	1Q 04			4Q 03			4Q 03 vs 1Q 04	
	MBO	MMCFE	MBOE	MBO	MMCFE	MBOE	MBOE	% Change
Fullerton	115	23	119	107	27	112	7	6.3%
Diamond M Shallow	2	1	2	1	1	1	1	100.0%
Diamond M Canyon Reef	11	11	13	10	9	12	1	8.3%
Other Permian Basin	19	127	40	22	140	45	-5	-11.1%
Total Permian Basin	147	162	174	140	177	170	4	2.4%
Yegua/Frio	8	355	67	11	449	86	-19	-22.1%
Cook Mountain	3	149	28	3	183	34	-6	-17.6%
Other South Texas	3	66	14	3	65	14	0	0.0%
Total Gulf Coast	14	570	109	17	697	134	-25	-18.7%
Total	161	732	283	157	874	304	-21	-6.9%

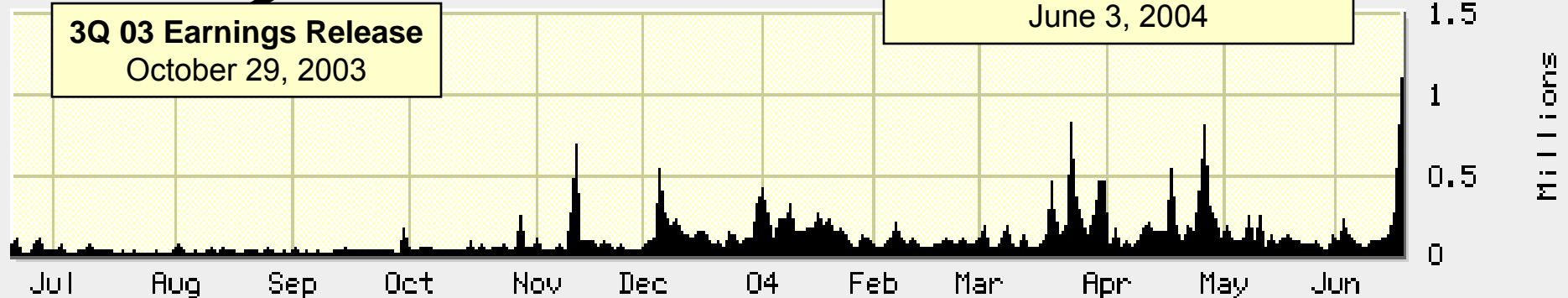
Net Daily Production Volumes (BOEPD)



Recent Stock Performance



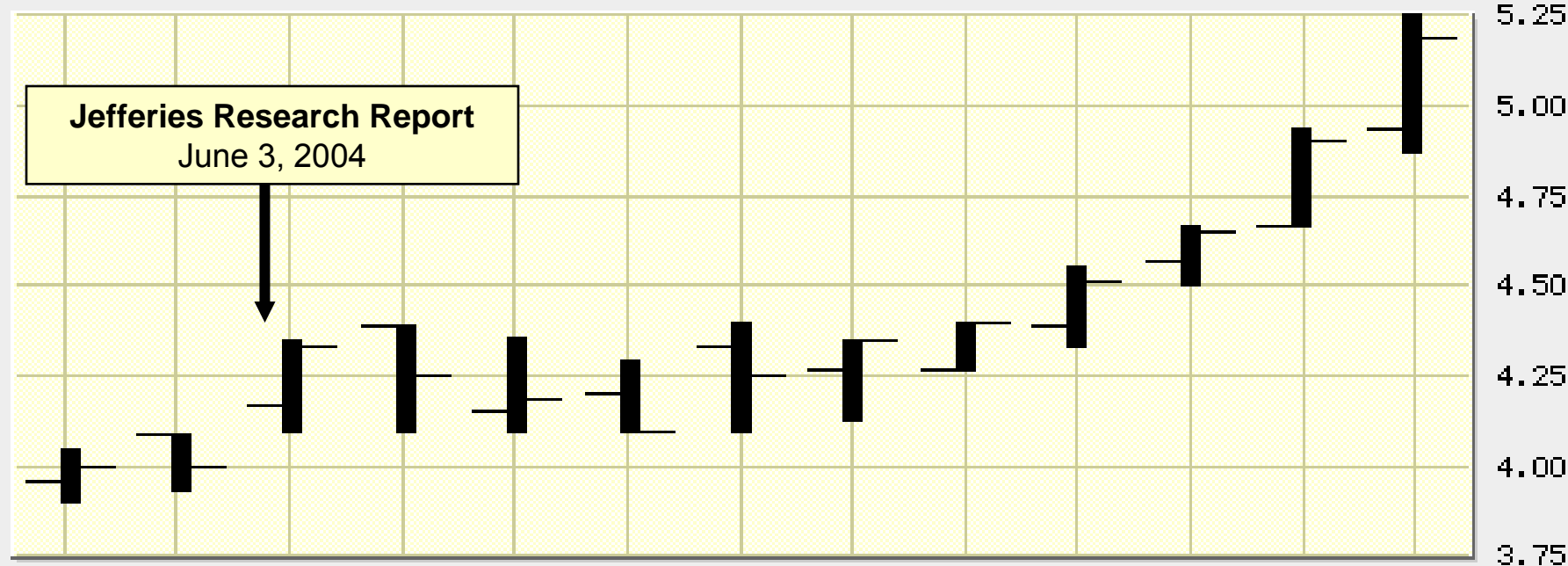
Volume —



Stock Performance After Jefferies Report 6-3-04

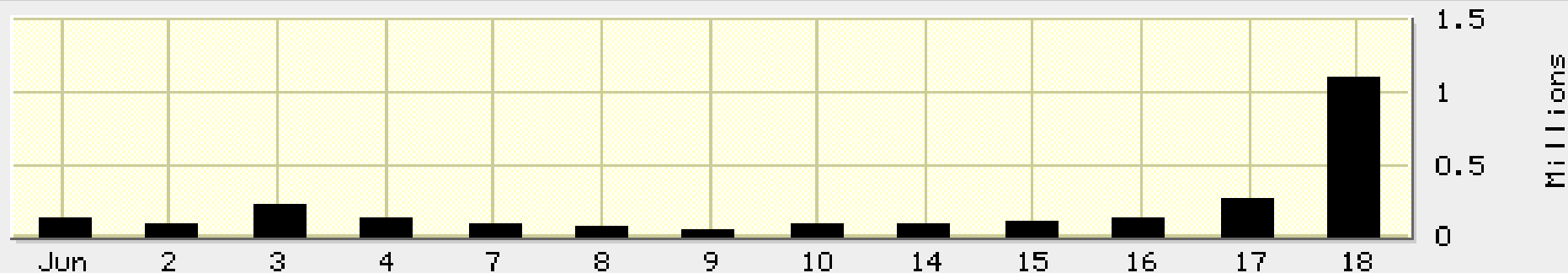
PLLL Daily —

6/18/04



Volume —

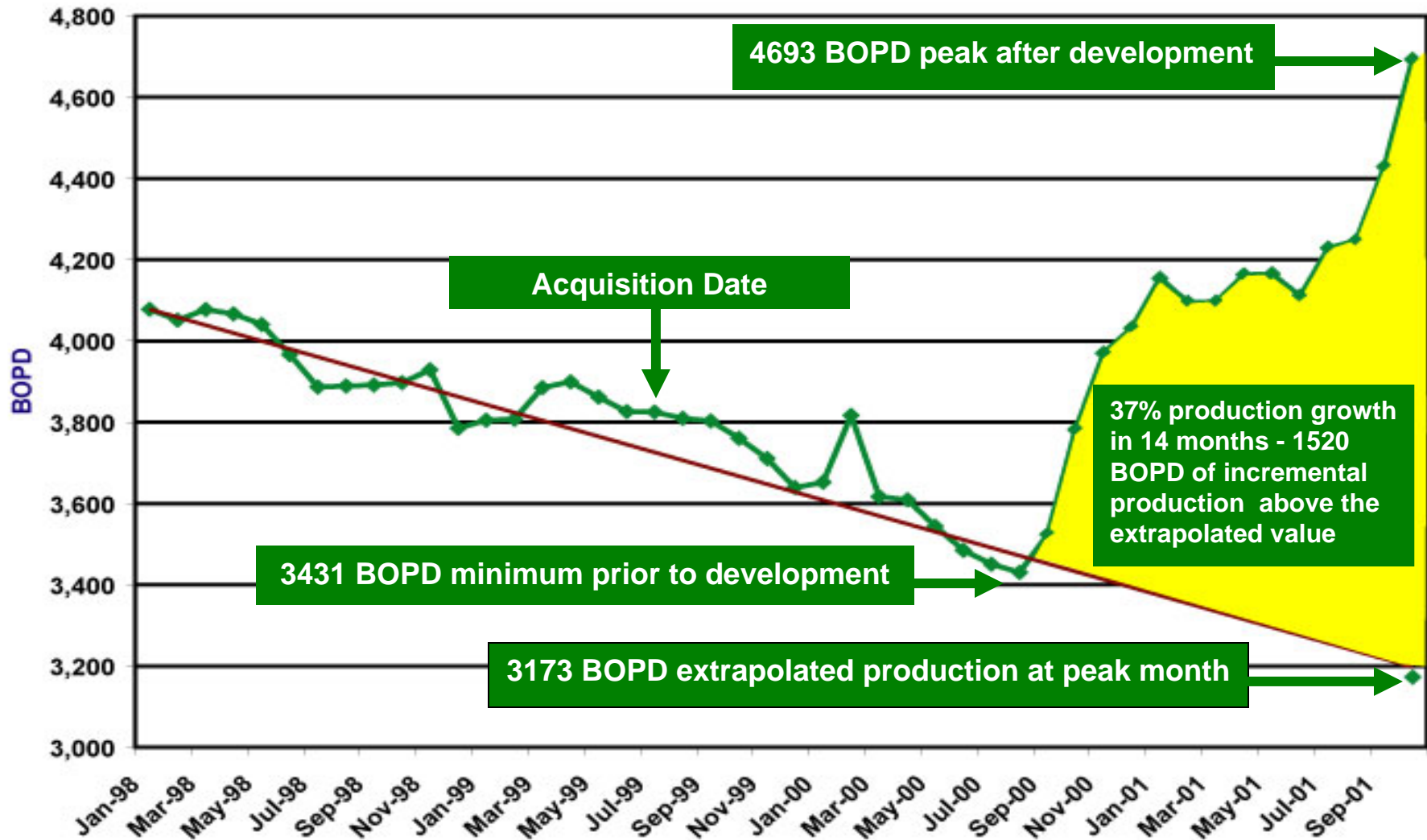
©BigCharts.com



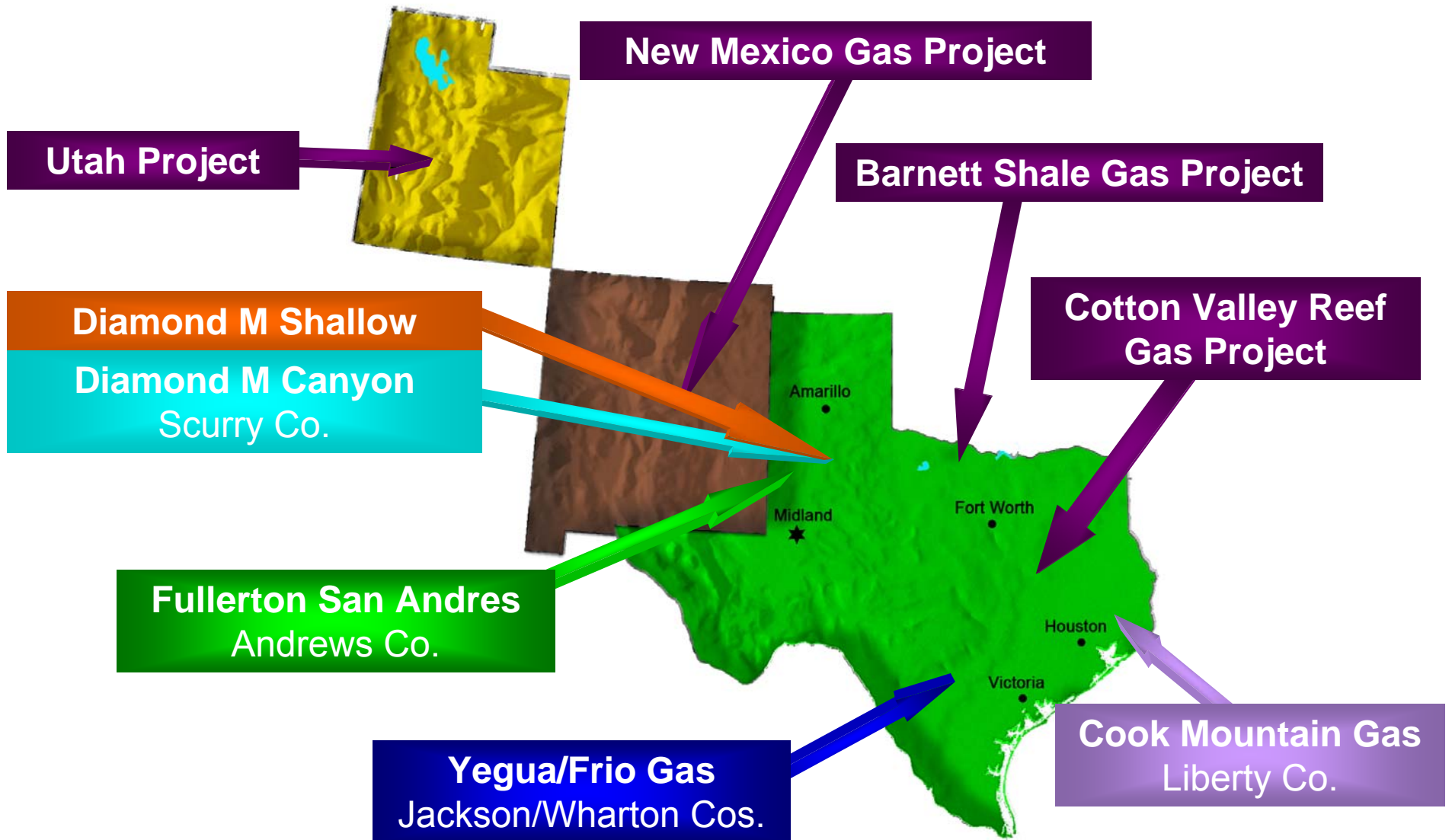


Don Tiffin
Chief Operating Officer

First Permian, LLC Exploitation Performance

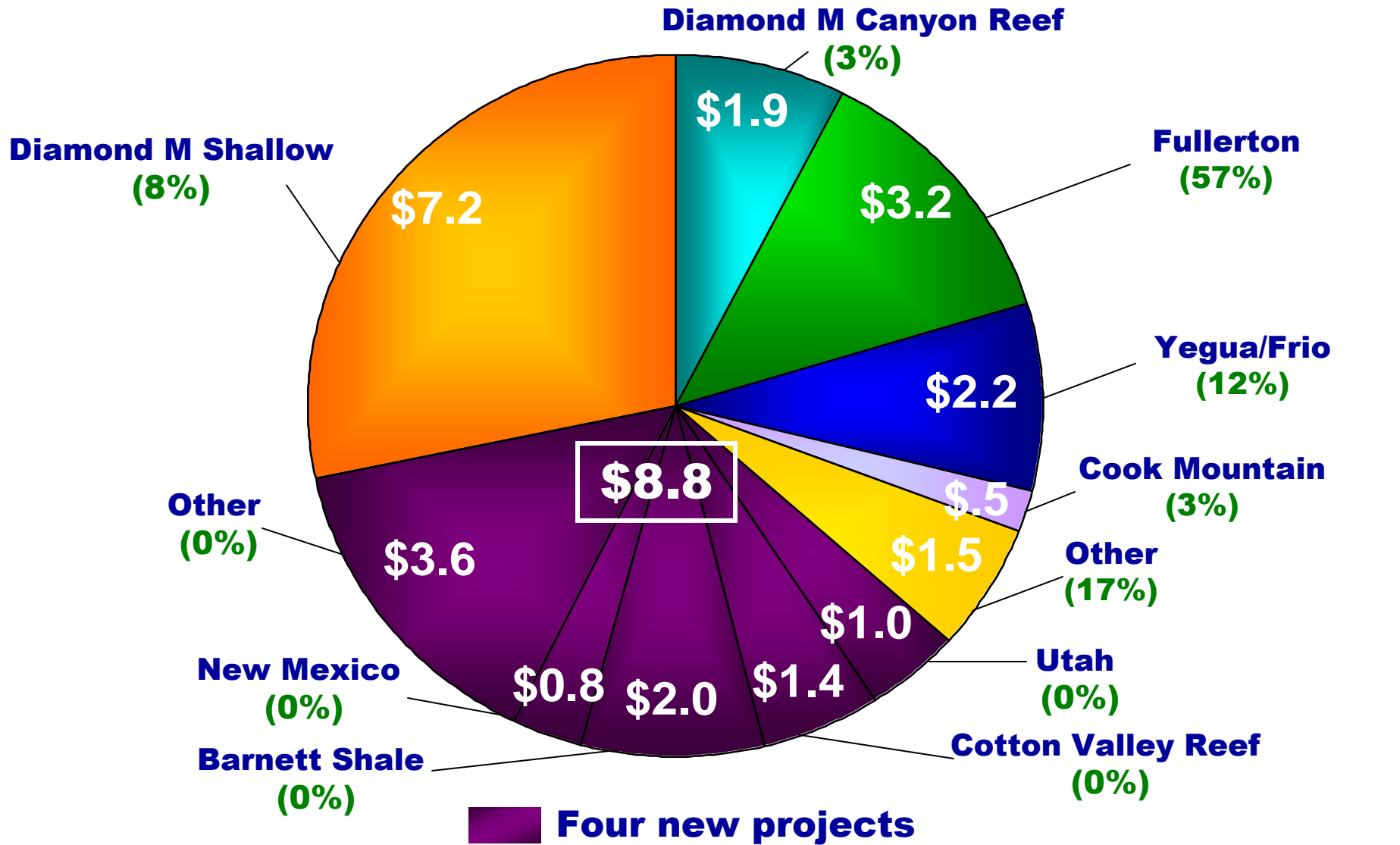


Current Areas of Operation



2004 Capital Investment Plan

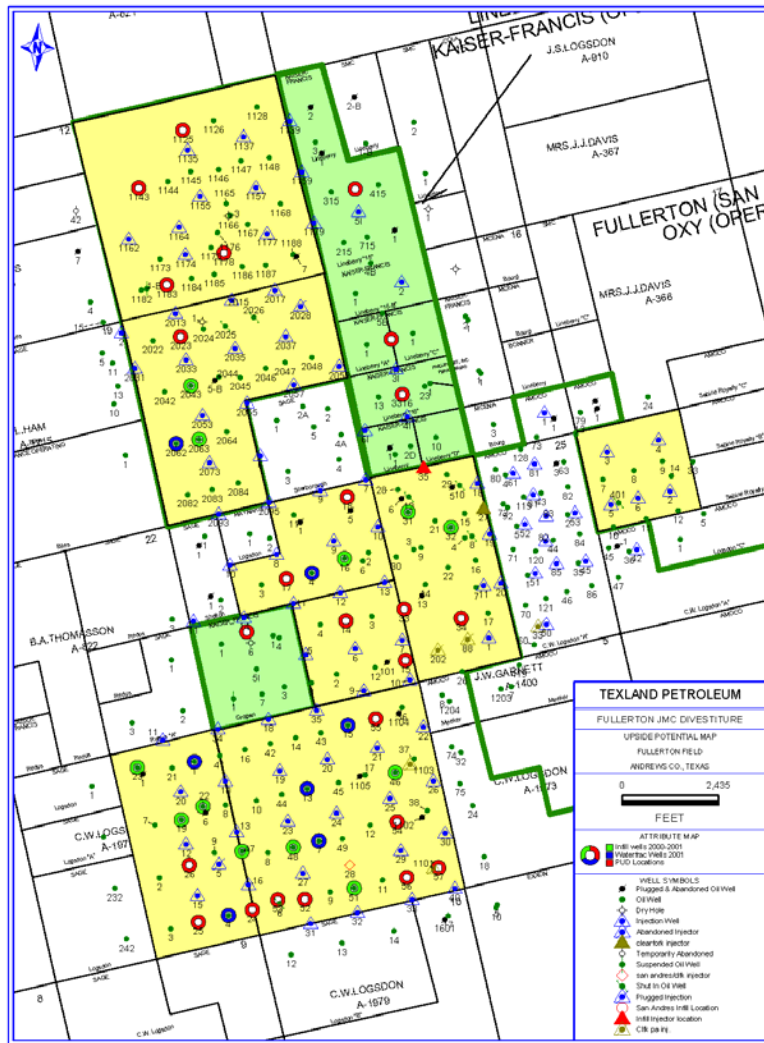
\$25.3 MM



CAPEX, Production and Reserve Value by Area

Area	2004 CAPEX		Production	Reserve Value
	\$MM	%	1Q 04	12/03
Fullerton	\$ 3.2	13%	42%	57%
Diamond M Shallow	7.2	28%	1%	8%
Diamond M Canyon Reef	1.9	8%	5%	3%
Other Permian Basin	1.5	6%	13%	16%
Total Permian Basin	\$13.8	55%	61%	84%
Yegua/Frio	\$ 2.2	9%	24%	12%
Cook Mountain	0.5	2%	10%	3%
Other South Texas	-	0%	5%	1%
Total Gulf Coast	\$ 2.7	11%	39%	16%
New Projects				
Barnett Shale	\$ 2.0	8%	0%	0%
New Mexico	0.8	3%	0%	0%
Cotton Valley Reef	1.4	6%	0%	0%
Utah	1.0	4%	0%	0%
Other	3.6	13%	0%	0%
Total New Projects	\$ 8.8	34%	0%	0%
Total	\$25.3	100%	100%	100%

Fullerton Project



Project Attributes

- **Immature San Andres waterflood**
 - High oil:water ratio
 - High per well oil rates
 - High profit margin
 - Low decline rate
 - Long reserve life
- **Minimal Capital Demands**

Type of Future Work

- **San Andres waterflood enhancement**
 - Extensive well stimulation program
 - Infill drilling
 - Performance optimization
- **Exploitation of the Clearfok Formation**



Fullerton Project

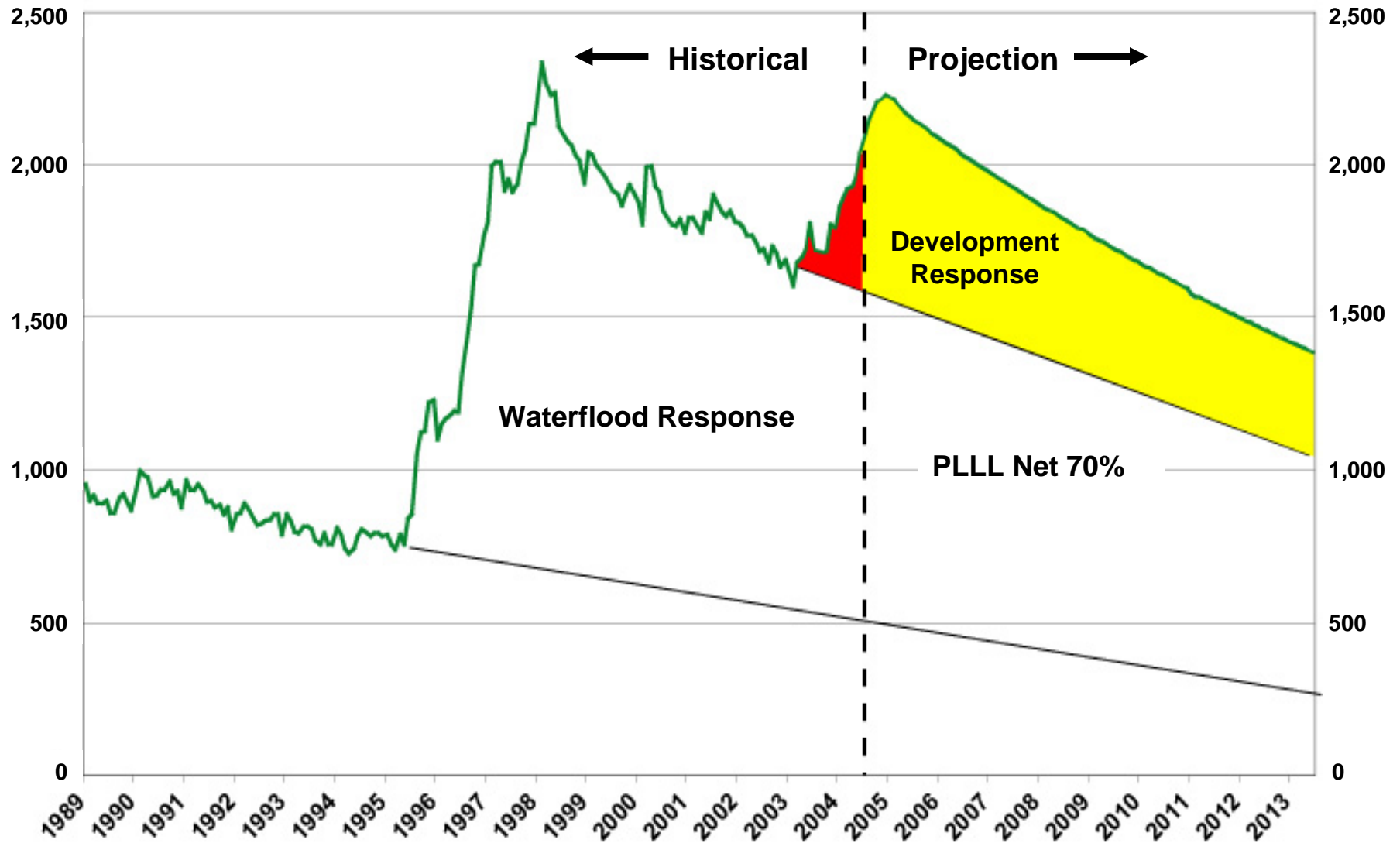
- **2003 Activity**

- **Waterfrac stimulations of 41 San Andres wells**
- **Net Total Cost to Parallel was \$1.2 MM**
- **300 BOPD current net incremental production above the base decline**

- **2004 Planned Activity**

- **Double waterfrac pace to treat all viable candidates before year-end with anticipated results similar to those experienced to date**
- **Drill 6 San Andres infill wells**
- **Begin to emphasize exploitation of the Clearfork formation**
- **\$3.2 MM CAPEX**

Fullerton Project Gross Daily Oil Production (BOPD)



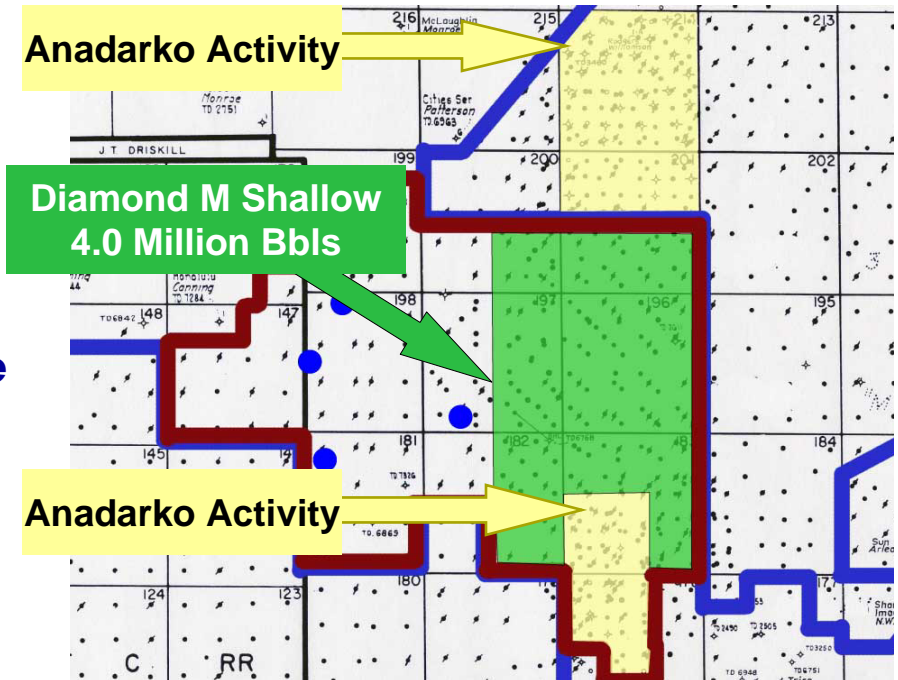
Diamond M Shallow Map

- **Project Attributes**

- **Shallow depth**
- **Proven primary well performance**
- **Inefficient waterflood on 20-acre spacing**
- **Demonstrated successful 10-acre waterflood to north and south**
- **Development cost low**

- **Type of Future Work**

- **Well reactivations**
- **Well deepenings and recompletions**
- **Infill drilling**
- **Waterflood enhancement**



● Phase I - Deep Wells



Diamond M Shallow Project

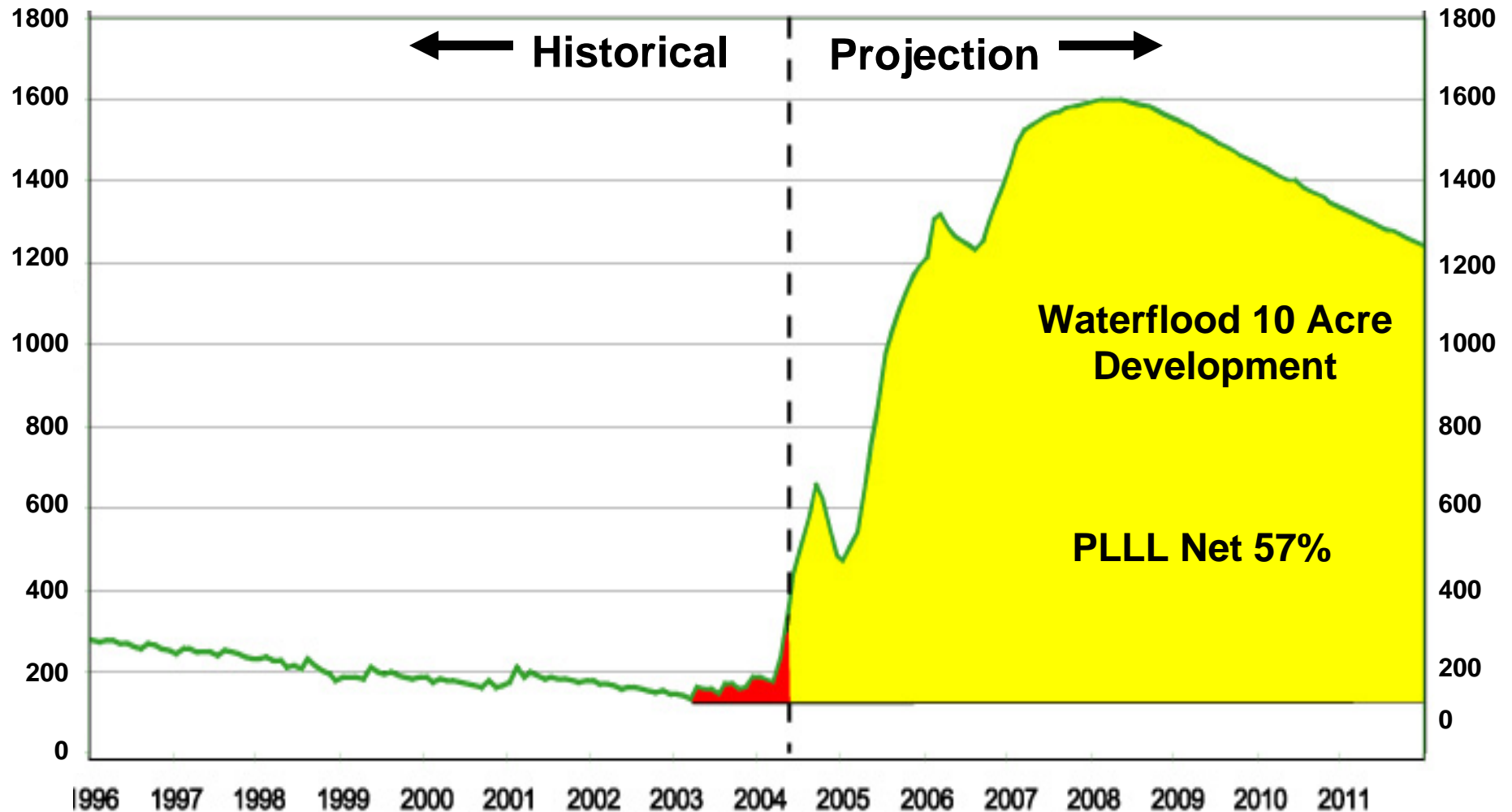
- **2003 Activity**

- **Performed five workover/recompletions in pilot area**
- **Drilled three injection wells in pilot area**

- **2004 Planned Activity**

- **Drill 30 well infill program (12 producers, 18 injectors)**
- **Perform 16 workover/recompletions in the infill area**
- **Build necessary infrastructure to support new production and injection**
- **\$7.2 MM CAPEX**

Diamond M Shallow Gross Production Curve (BOPD)



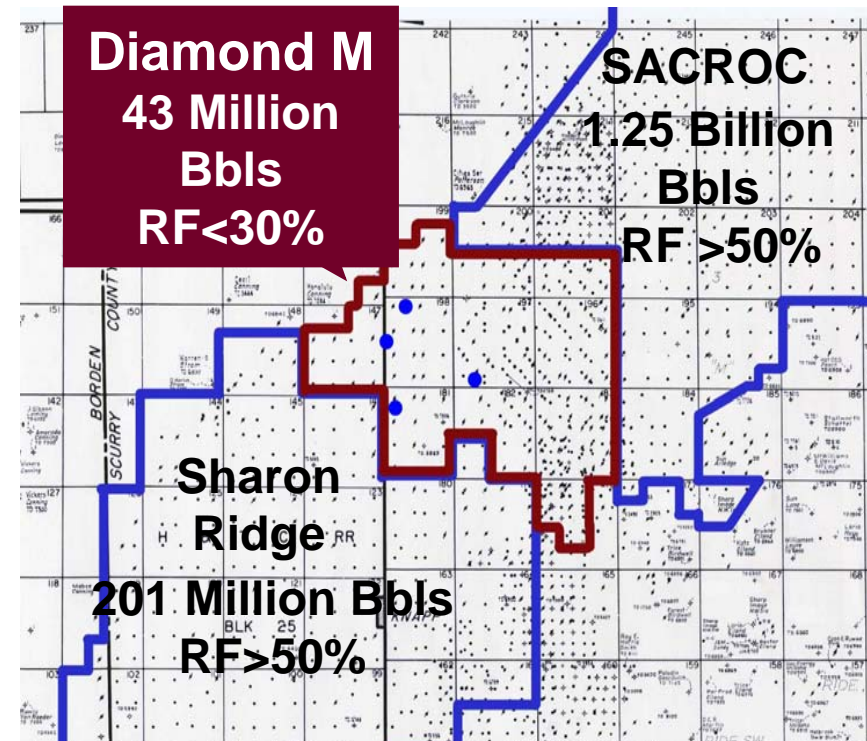
Diamond M Canyon Reef Project

Project Attributes

- **Substantial reserve potential**
 - Significant original oil in place
 - Low recovery factor relative to offsets
- **Prolific production capacity**

Type of Future Work

- **Primary and secondary development**
 - Deepenings
 - Reactivations and recompletions
 - Infill drilling
 - Waterflood enhancement
- **CO₂ potential**



Diamond M Canyon Reef Project

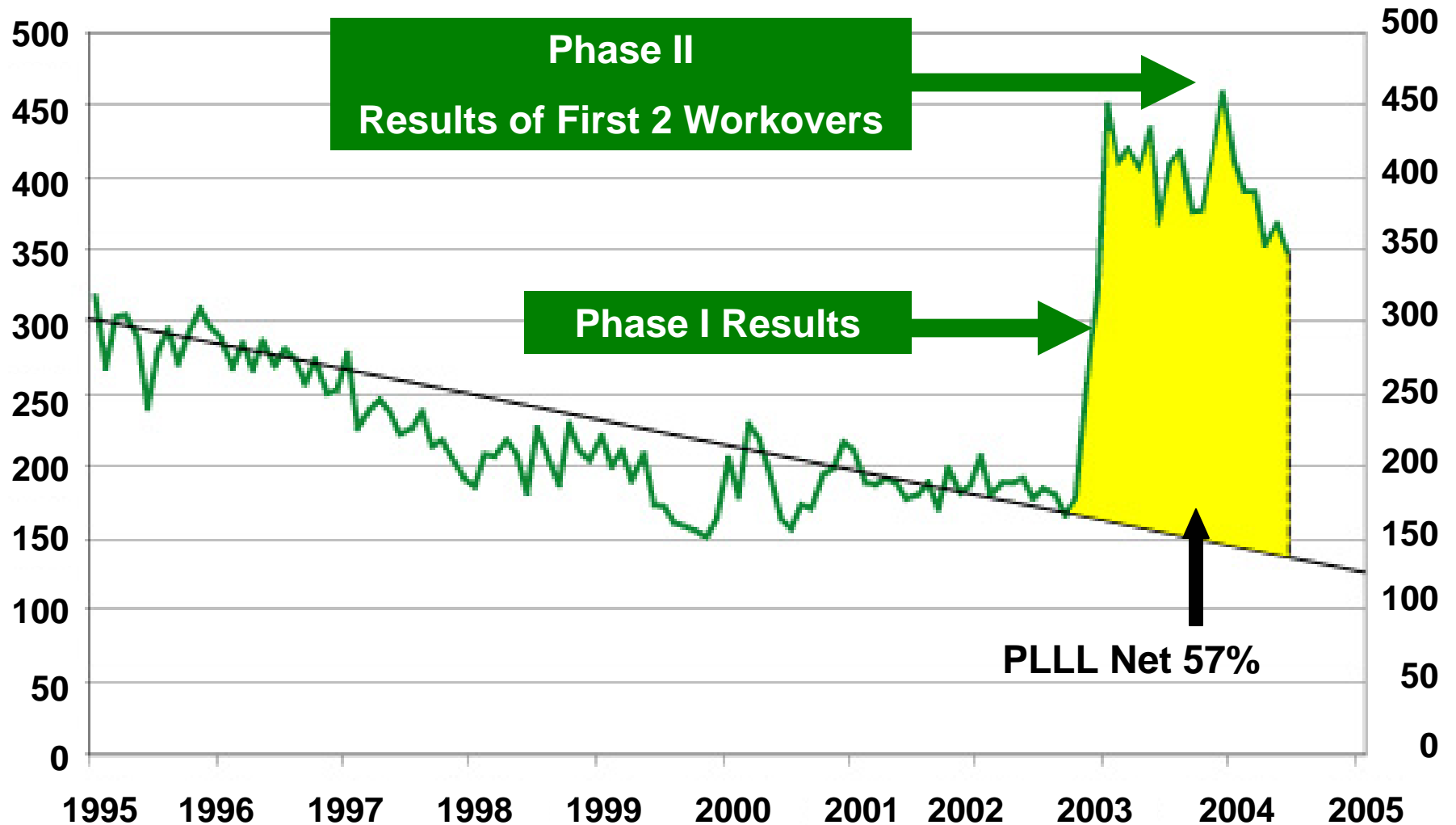
- **2003 Activity**

- **Geologic, geophysical, reservoir and infrastructure studies**
- **Central tank battery modification**
- **Reactivated and deepened 2 wells**
- **Current increment gross production response is approximately 100 BOEPD**

- **2004 Planned Activity**

- **Shoot new 3-D seismic survey**
- **Install new injection plant and distribution system**
- **Initiate reactivation/deepening/recompletion program**
- **High grade initial drilling locations based on 3-D survey and areal recovery factors**
- **\$1.9 MM CAPEX**

Diamond M Canyon Reef Project Gross Daily Oil Production (BOEPD)



New Projects

Developmental

- North Texas Barnett Shale Gas Project
 - 8,000 gross acres; 14% non-operated working interest
 - 8,000' gas project
 - Drilling activity expected to start in second half of 2004
 - \$2.0 MM CAPEX in 2004
- New Mexico Gas Project
 - 50,000 gross acres; 8.5% non-operated working interest
 - 5,000' gas project
 - 3 wells completed
 - 1 well in process of being completed
 - \$.8 MM CAPEX in 2004

New Projects

Exploratory

- **Cotton Valley Reef Gas Project**
 - **5,000 gross acres; 13.125% non-operated working interest**
 - **16,000' - 18,000' gas prospect**
 - **First exploratory well drilling**
 - **\$1.4 MM CAPEX in 2004**
- **Utah Oil & Gas Project**
 - **125,000 gross acres; 100% operated working interest**
 - **6,000' oil and gas project**
 - **First exploratory well expected to spud in second half of 2004**
 - **\$1.0 MM CAPEX in 2004**

Why Own PLLL?

Financial Strength

+ Excellent Project Inventory

+ Proven Track Record

= Outstanding Growth Potential

Corporate Information

Parallel Headquarters

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Common Stock

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Larry Oldham
President & CEO
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