

PARALLEL PETROLEUM CORP

Form S-3/A

November 05, 2004

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As filed with the Securities and Exchange Commission on November 5, 2004

Registration No. **333-119725**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Amendment No. 1

to

**FORM S-3
REGISTRATION STATEMENT**

Under

THE SECURITIES ACT OF 1933

PARALLEL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

75-1971716

(I.R.S. Employer Identification No.)

For Co-Registrants, see Table of Co-Registrants

**1004 N. Big Spring, Suite 400
Midland, Texas 79701
(432) 684-3727**

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive
offices)

**Larry C. Oldham
Chief Executive Officer
Parallel Petroleum Corporation
1004 N. Big Spring, Suite 400
Midland, Texas 79701
(432) 684-3727**

(Name, address, including zip code, and telephone
number, including area code, of agent for service)

Copies to:

Thomas W. Ortloff
Lynch, Chappell & Alsup, P.C.
300 N. Marienfeld, Suite 700
Midland, Texas 79701
(432) 683-3351

W. Scott Wallace
Haynes and Boone, LLP
901 Main Street, Suite 3100
Dallas, Texas 75202
(214) 651-5000

Approximate date of commencement of proposed sale to the public:

From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box:

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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF CO-REGISTRANTS

Each of the following subsidiaries, and each other subsidiary of Parallel Petroleum Corporation that becomes a guarantor of certain of the securities registered hereby, is hereby deemed to be a registrant:

Exact Name as Specified in Charter	Jurisdiction of Organization	IRS Employer Identification Number
Parallel, L.P.	Texas	43-1954502
Parallel, L.L.C.	Delaware	73-1632757

The address, including zip code, of co-registrant Parallel, L.P. is 1004 N. Big Spring, Suite 400, Midland, Texas 79701, and the telephone number, including area code, of this co-registrant is (432) 684-3727. The address, including zip code, of co-registrant Parallel, L.L.C. is 2215-B Renaissance Drive, Suite 5, Las Vegas, Nevada 89119, and the telephone number, including area code, of this co-registrant is (702) 968-5209. The name and address, including zip code, of the agent for service of process for each of the co-registrants is the same as for Parallel Petroleum Corporation.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 5, 2004

PROSPECTUS

\$100,000,000

**SENIOR DEBT SECURITIES
SUBORDINATED DEBT SECURITIES
COMMON STOCK
PREFERRED STOCK
WARRANTS**

We will provide the specific terms of the securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. Parallel common stock is quoted on the Nasdaq National Market under the symbol PLLL.

*You should carefully consider each of the risk factors described under **Risk Factors** beginning on page 4 of this prospectus.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2004 .

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Consent of BDO Seidman, LLP

Consent of KPMG LLP

Consent of Cawley, Gillespie and Associates, Inc.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the U.S. Securities and Exchange Commission using a shelf registration process. Using this process, we may offer any combination of the securities described in this prospectus in one or more offerings with a total initial offering price of up to \$100,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement and, if applicable, a pricing supplement that will describe the specific terms of the offering. The prospectus supplement and any pricing supplement may also add to, update or change the information contained in this prospectus. Please carefully read this prospectus, the prospectus supplement and any pricing supplement, in addition to the information contained in the documents we refer to under the heading Where You Can Find More Information.

ABOUT PARALLEL PETROLEUM CORPORATION

We are an independent oil and natural gas exploration and production company. Our focus is on the acquisition, development and exploitation of long-lived oil and natural gas reserves and, to a lesser extent, exploring for new oil and natural gas reserves. Our current producing properties are in the Permian Basin of west Texas and New Mexico, Liberty County in east Texas and the onshore Gulf Coast area of south Texas. In addition, we are actively evaluating, leasing, drilling and preparing to drill on new projects located in the Abo gas trend of New Mexico, the Barnett Shale gas trend of the Fort Worth Basin, the Cotton Valley Reef trend of east Texas and the Uinta Basin of Utah. Our principal executive offices are located at 1004 N. Big Spring, Suite 400, Midland, Texas 79701 and our phone number is (432) 684-3727.

As of December 31, 2003, our proved reserves were approximately 14.8 MMBoe, of which 82% were oil and 74% were proved developed. The related PV-10 value of our proved reserves was \$147.8 million as of December 31, 2003. For the twelve months ended December 31, 2003, we produced 1,188 MBoe of oil and natural gas, which translates to a reserve life index of approximately 12.5 years. For the twelve month period ended December 31, 2003, we generated \$33.9 million of revenues.

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RISK FACTORS

The following should be considered carefully with the information provided elsewhere in this prospectus, the accompanying prospectus supplement and the documents we incorporate by reference in reaching a decision regarding an investment in the securities.

Risks Related to Our Business

The volatility of the oil and natural gas industry may have an adverse impact on our operations.

Our revenues, cash flows and profitability are substantially dependent upon prevailing prices for oil and natural gas. In recent years, oil and natural gas prices and, therefore, the level of drilling, exploration, development and production, have been extremely volatile. Any significant or extended decline in oil or natural gas prices will have a material adverse effect on our business, financial condition and results of operations and could impair access to future sources of capital. Volatility in the oil and natural gas industry results from numerous factors over which we have no control, including:

the level of oil and natural gas prices, expectations about future oil and natural gas prices and the ability of international cartels to set and maintain production levels and prices;

the cost of exploring for, producing and transporting oil and natural gas;

the level and price of foreign oil and natural gas transportation;

available pipeline and other oil and natural gas transportation capacity;

weather conditions;

international political, military, regulatory and economic conditions;

the level of consumer demand;

the price and the availability of alternative fuels;

the effect of worldwide energy conservation measures; and

the ability of oil and natural gas companies to raise capital.

Significant declines in oil and natural gas prices for an extended period may:

impair our financial condition, liquidity, ability to finance planned capital expenditures and results of operations;

reduce the amount of oil and natural gas that we can produce economically;

cause us to delay or postpone some of our capital projects;

reduce our revenues, operating income and cash flow; and

reduce the carrying value of our oil and natural gas properties.

No assurance can be given that current levels of oil and natural gas prices will continue. We expect oil and natural gas prices, as well as the oil and natural gas industry generally, to continue to be volatile.

We must replace oil and natural gas reserves that we produce. Failure to replace reserves may negatively affect our business.

Our future performance depends in part upon our ability to find, develop and acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves decline as they are depleted and we must locate and develop or acquire new oil and natural gas reserves to replace reserves being depleted by production. No assurance can be given that we will be able to find and develop or acquire additional reserves on an economical basis. If we cannot economically replace our reserves, our results of operations may be materially adversely affected.

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We are subject to uncertainties in reserve estimates and future net cash flows.

There is substantial uncertainty in estimating quantities of proved reserves and projecting future production rates and the timing of development expenditures. No one can measure underground accumulations of oil and natural gas in an exact way. Accordingly, oil and natural gas reserve engineering requires subjective estimations of those accumulations. Estimates of other engineers might differ widely from those of our independent petroleum engineers, and our independent engineers may make material changes to reserve estimates based on the results of actual drilling, testing, and production. As a result, our reserve estimates often differ from the quantities of oil and natural gas we ultimately recover. Also, we make certain assumptions regarding future oil and natural gas prices, production levels, and operating and development costs that may prove incorrect. Any significant variance from these assumptions could greatly affect our estimates of reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of the future net cash flows. Some of our reserve estimates are made without the benefit of a lengthy production history and are calculated using volumetric analysis. Those estimates are less reliable than estimates based on a lengthy production history. Volumetric analysis involves estimating the volume of a reservoir based on the net feet of pay and an estimation of the productive area.

The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated oil and natural gas reserves. We base the estimated discounted future net cash flows from our proved reserves on prices and costs in effect on the day of estimate. However, actual future net cash flows from our oil and natural gas properties also will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- the amount and timing of actual production;
- supply and demand of oil and natural gas;
- limits of increases in consumption by natural gas purchasers; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial, technological and other resources than we do.

We operate in the highly competitive areas of oil and natural gas acquisition, development, exploitation, exploration and production. The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. We face intense competition from independent, technology-driven companies as well as from both major and other independent oil and natural gas companies in each of the following areas:

- seeking to acquire desirable producing properties or new leases for future exploration;
- marketing our oil and natural gas production;

integrating new technologies; and

seeking to acquire the equipment and expertise necessary to develop and operate our properties.

Many of our competitors have financial, technological and other resources substantially greater than ours, and some of them are fully integrated oil and natural gas companies. These companies may be able to pay more for development prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than we can. Our ability to develop and exploit our oil and natural gas properties and to acquire additional properties in

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the future will depend upon our ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

We do not control all of our operations and development projects.

Substantially all of our business activities are conducted through joint operating agreements under which we own partial interests in oil and natural gas wells.

At September 1, 2004, we owned interests in 271 gross (196.12 net) oil and natural gas wells for which we were the operator and 782 gross (210.36 net) oil and natural gas wells where we were not the operator. These wells include 103 gross (72.74 net) wells for which we were the operator and 172 gross (19.8 net) wells where we were not the operator which are shut-in pending evaluation for workover, remediation and exploitation.

If we do not operate wells in which we own an interest, we do not have control over normal operating procedures, expenditures or future development of underlying properties. The failure of an operator of our wells to adequately perform operations, or an operator's breach of the applicable agreements, could reduce our production and revenues. The success and timing of our drilling and development activities on properties operated by others therefore depends upon a number of factors outside of our control, including the operator's:

timing and amount of capital expenditures;

expertise and financial resources;

inclusion of other participants in drilling wells; and

use of technology.

Since we do not have a majority interest in most wells we do not operate, we may not be in a position to remove the operator in the event of poor performance.

Our business involves many operating risks, which may result in substantial losses, and insurance may be unavailable or inadequate to protect us against these risks.

Our operations are subject to hazards and risks inherent in drilling for, producing and transporting oil and natural gas, such as:

fires;

natural disasters;

explosions;

pressure forcing oil or natural gas out of the wellbore at a dangerous velocity coupled with the potential for fire or explosion;

weather;

failure of oilfield drilling and service tools;

changes in underground pressure in a formation that causes the surface to collapse or crater;

pipeline ruptures or cement failures;

environmental hazards such as natural gas leaks, oil spills and discharges of toxic gases; and

availability of needed equipment at acceptable prices, including steel tubular products.

Any of these risks can cause substantial losses resulting from:

injury or loss of life;

damage to and destruction of property, natural resources and equipment;

pollution and other environmental damage;

regulatory investigations and penalties;

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suspension of our operations; and

repair and remediation costs.

We do not insure against the loss of oil or natural gas reserves as a result of operating hazards or insure against business interruption. Losses could occur for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could harm our financial condition and results of operations.

The oil and natural gas industry is capital intensive.

The oil and natural gas industry is capital intensive. We make substantial capital expenditures for the acquisition, exploration for and development of oil and natural gas reserves.

Historically, we have financed capital expenditures primarily with cash generated by operations, proceeds from bank borrowings and sales of our equity securities. In addition, we have sold and may consider selling additional non-core assets to raise additional operating capital. From time to time, we may also reduce our ownership interests in 3-D seismic and other projects in order to reduce our capital expenditure requirements, depending on our working capital needs.

Our cash flow from operations and access to capital are subject to a number of variables, including:

our proved reserves;

the level of oil and natural gas we are able to produce from existing wells;

the prices at which oil and natural gas are sold; and

our ability to acquire, locate and produce new reserves.

Any one of these variables can materially affect our ability to borrow under our revolving credit facility.

If our revenues or the borrowing base under our revolving credit facility decreases as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to undertake or complete future drilling projects. We may, from time to time, seek additional financing, either in the form of increased bank borrowings, sales of debt or equity securities or other forms of financing, and there can be no assurance as to the availability of any additional financing upon terms acceptable to us.

There are risks in acquiring producing properties, including difficulties in integrating acquired properties into our business, additional liabilities and expenses associated with acquired properties, diversion of management attention, increasing the scope, geographic diversity and complexity of our operations and incurrence of additional debt.

Our business strategy includes growing our reserve base through acquisitions. Our failure to integrate acquired businesses successfully into our existing business, or the expense incurred in consummating future acquisitions, could result in unanticipated expenses and losses. In addition, we may assume cleanup or reclamation obligations or other unanticipated liabilities in connection with these acquisitions. The scope and cost of these obligations may ultimately be materially greater than estimated at the time of the acquisition.

We are continually investigating opportunities for acquisitions. In connection with future acquisitions, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Our ability to make future acquisitions may be constrained by our ability to obtain additional financing.

Possible future acquisitions could result in our incurring additional debt, contingent liabilities and expense, all of which could have a material adverse effect on our financial condition and operating results.

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The marketability of our natural gas production depends on facilities that we typically do not own or control.

The marketability of our natural gas production depends in part upon the availability, proximity and capacity of natural gas gathering systems, pipelines and processing facilities. We generally deliver natural gas through natural gas gathering systems and natural gas pipelines that we do not own. Our ability to produce and market natural gas on a commercial basis could be harmed by any significant change in the cost or availability of such systems and pipelines.

We are subject to many restrictions under our revolving credit facility.

We may depend on our revolving credit facility for future capital needs. As required by our revolving credit facility with our bank lenders, we have pledged substantially all of our oil and natural gas properties as collateral to secure the payment of our indebtedness. The revolving credit facility restricts our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations. We are also required to comply with certain financial covenants and ratios. Although we were in compliance with these covenants as of September 30, 2004, in the past we have had to request waivers from our banks because of our non-compliance with certain of these financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under the revolving credit facility could result in a default under the revolving credit facility, which could cause all of our existing indebtedness to be immediately due and payable.

The revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lenders in their sole discretion, based upon projected revenues from the oil and natural gas properties securing our loan. The lenders can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under the revolving credit facility. Any increase in the borrowing base requires the consent of all lenders. If all lenders do not agree on an increase, then the borrowing base will be the lowest borrowing base determined by each lender. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other oil and natural gas properties as additional collateral. Currently, we do not have any substantial properties that are not pledged and no assurance can be given that we would be able to make any mandatory principal prepayments required under the revolving credit facility.

If we default under our revolving credit facility, the lenders could foreclose on, and acquire control of, substantially all of our assets.

The lenders under our revolving credit facility have liens on substantially all of our assets. As a result of the liens held by our revolving credit facility lenders, if we fail to meet our payment or other obligations under the revolving credit facility, those lenders would be entitled to foreclose on substantially all of our assets and liquidate those assets.

Our producing properties are geographically concentrated.

A substantial portion of our proved oil and natural gas reserves are located in the Permian Basin of west Texas. Specifically, at December 31, 2003, approximately 84% of the discounted present value of our proved reserves were located in the Permian Basin. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells from mechanical problems, damages to the current producing reservoirs, significant governmental regulation, including any curtailment of production, or interruption of transportation of oil or natural gas produced from the wells.

Hedging activities create a risk of financial loss.

In order to manage our exposure to price risks in the marketing of our oil and natural gas, we have in the past and expect to continue to enter into oil and natural gas price risk management arrangements with respect to a portion of our expected production. We use swap, floor, and collar hedging arrangements that generally result in a fixed price or a range of minimum and maximum price limits over a specified time period. Hedging contracts limit the

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benefits we will realize if actual prices rise above the contract price. Our hedging arrangements may expose us to the risk of financial loss in certain circumstances. In a typical hedge transaction, the hedging party will have the right to receive from the counterparty to the hedge, the excess of the fixed price specified in the hedge over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, the hedging party is required to pay the counterparty this difference multiplied by the quantity hedged. In this case, if we are the hedging party we would be required to pay the difference regardless of whether we had sufficient production to cover the quantities specified in the hedge. Significant reductions in production at times when the floating price exceeds the fixed price could require us to make payments under the hedge agreements even though the payments are not offset by sales of production. Hedging will also prevent us from receiving the full advantage of increases in oil or natural gas prices above the fixed amount specified in the hedge. In addition, these transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

production is less than expected;

there is a widening of price differentials between delivery points for our production and the delivery point assumed in the arrangement;

the counterparties to our future contracts fail to perform under the contract; or

a sudden, unexpected event materially impacts oil or natural gas prices.

In the past, some of our hedging contracts required us to deliver cash collateral or other assurances of performance to the counterparties in the event that our payment obligations exceeded certain levels. Future collateral requirements are uncertain but will depend on arrangements with our counterparties and highly volatile natural gas and oil prices.

We are subject to complex federal, state and local laws and regulations that could adversely affect our business.

Extensive federal, state and local regulation of the oil and gas industry significantly affects our operations. In particular, our oil and natural gas exploration, development and production, are subject to stringent environmental regulations. These regulations have increased the costs of planning, designing, drilling, installing, operating and abandoning our oil and natural gas wells and other related facilities. These regulations may become more demanding in the future. Matters subject to regulation include:

discharge permits for drilling operations;

drilling bonds;

spacing of wells;

unitization and pooling of properties;

environmental protection;

reports concerning operations; and

taxation.

Under these laws and regulations, we could be liable for:

personal injuries;

property damage;

oil spills;

discharge of hazardous materials;

reclamation costs;

remediation and clean-up costs; and

other environmental damages.

Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Further, these laws and regulations could

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change in ways that substantially increase our costs. Any of these liabilities, penalties, suspensions, terminations or regulatory changes could make it more expensive for us to conduct our business or cause us to limit or curtail some of our operations.

Declining oil and natural gas prices may cause us to record ceiling test write-downs.

We use the full cost method of accounting to account for our oil and natural gas operations. This means that we capitalize the costs to acquire, explore for and develop oil and natural gas properties. Under full cost accounting rules, the capitalized costs of oil and natural gas properties may not exceed a ceiling limit, which is based on the present value of estimated future net revenues, net of income tax effects, from proved reserves, discounted at 10%, plus the lower of cost or fair market value of unproved properties. These rules generally require pricing future oil and natural gas production at unescalated oil and natural gas prices in effect at the end of each fiscal quarter. If capitalized costs of oil and natural gas properties exceed the ceiling limit, we must charge the amount of the excess against earnings. This is called a ceiling test write-down. This non-cash impairment charge does not affect cash flow from operating activities, but it does reduce stockholders' equity. Impairment charges cannot be restored by subsequent increases in the prices of oil and natural gas.

The risk that we will be required to write down the carrying value of our oil and natural gas properties increases when oil and natural gas prices decline. In addition, write-downs may occur if we experience substantial downward adjustments to our estimated proved reserves.

We did not recognize impairment of our oil and natural gas properties in 2003. We cannot assure you that we will not experience ceiling test write-downs in the future.

Terrorist activities may adversely affect our business.

Terrorist activities, including events similar to those of September 11, 2001 or armed conflict involving the United States may adversely affect our business activities and financial condition. If events of this nature occur and persist, the resulting political and social instability could adversely affect prevailing oil and natural gas prices and cause a reduction in our revenues. In addition, oil and natural gas production facilities, transportation systems and storage facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our operations is destroyed or damaged. Costs associated with insurance and other security measures may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

We are highly dependent upon key personnel.

Our success is highly dependent upon the services, efforts and abilities of key members of our management team. Our operations could be materially and adversely affected if one or more of these individuals becomes unavailable for any reason.

We do not have employment agreements or long term contractual arrangements with any of our officers or other key employees. In periods of improving market conditions, our ability to obtain and retain qualified consultants on a timely basis may be adversely affected. Our future growth and profitability will also be dependent upon our ability to attract and retain other qualified management personnel and to effectively manage our growth. There can be no assurance that we will be successful in doing so.

Part of our business is seasonal in nature.

Weather conditions affect the demand for and price of oil and natural gas and can also delay drilling activities, temporarily disrupting our overall business plans. Demand for oil and natural gas is typically higher during winter months than summer months. However, warm winters can also lead to downward price trends. As a result, our results of operations may be adversely affected by seasonal conditions.

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Risks Related to this Offering

There is no public market for some of the securities offered by this prospectus.

There is no existing trading market for the securities, except for our common stock, offered by this prospectus. We can provide no assurance regarding the development of a market for these securities, the ability of the holders to sell the securities or the price at which the holders may be able to sell the securities.

We will have broad discretion in how we use the net proceeds from this offering.

We intend to use the net proceeds from this offering primarily for general corporate purposes, including repayment or refinancing of debt, acquisitions, working capital, capital expenditures and repurchases and redemptions of securities. However, our management has not designated a specific use for any of the net proceeds and will have broad discretion over their use. Our management may allocate the net proceeds differently than investors in this offering would have preferred, or we may not maximize our return on the net proceeds.

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WHERE YOU CAN FIND MORE INFORMATION

Parallel files annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy these materials at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains information Parallel has filed electronically with the SEC, which you can access over the Internet at <http://www.sec.gov>. You can also obtain information about Parallel at the offices of The Nasdaq Stock Market which is located at 1735 K Street N.W., Washington, D.C. 20006.

Our homepage on the Internet's World Wide Web is located at <http://www.plll.com>. Our annual reports on Form 10-K and our quarterly reports on Form 10-Q, current reports on Form 8-K and other filings with the SEC are available, free of charge, through our website, as soon as reasonably practicable after those reports or filings are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference in this prospectus and does not constitute a part of this prospectus.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities we may offer. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, exhibits and schedules for more information about us and the securities. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its Internet site.

The SEC allows us to incorporate by reference the information Parallel has filed with it, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus, and later information that Parallel files with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings Parallel makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of the offering:

Parallel's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 22, 2004;

Parallel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 13, 2004;

Parallel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, as filed with the SEC on August 12, 2004;

Parallel's Current Reports on Form 8-K filed with the SEC on January 22, 2004, January 30, 2004, June 28, 2004, September 22, 2004, September 29, 2004, October 1, 2004, October 14, 2004, and October 20, 2004; and

Description of Parallel's share capital contained in its Current Report on Form 8-K dated January 29, 2004, as filed with the SEC on January 30, 2004.

All filings filed by us pursuant to the Exchange Act after the date of the initial registration statement and prior to the effectiveness of the registration statement shall also be deemed to be incorporated by reference into this prospectus.

You may request a copy of these filings, other than an exhibit to these filings unless we have specifically incorporated that exhibit by reference into the filing, at no cost, by writing or calling:

Parallel Petroleum Corporation
1004 N. Big Spring, Suite 400
Midland, Texas 79701
Attention: Manager of Investor Relations
(432) 684-3727

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You should rely only on the information contained or incorporated by reference in this prospectus, the prospectus supplement and any pricing supplement. We have not authorized any person, including any salesman or broker, to provide information other than that provided in this prospectus, the prospectus supplement or any pricing supplement. We have not authorized anyone to provide you with different information. We are not making an offer of the securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus, the prospectus supplement and any pricing supplement is accurate only as of the date on its cover page and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference.

FORWARD-LOOKING INFORMATION

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements, as defined in Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act.

These forward-looking statements relate to, among others, the following:

- our future financial and operating performance and results;
- our business strategy;
- market prices;
- our future commodity price risk management activities; and
- our plans and forecasts.

We have based these forward-looking statements on our current assumptions, expectations and projections about future events.

We use the words may, will, expect, anticipate, estimate, believe, continue, intend, plan, budget, words to identify forward-looking statements. You should read statements that contain these words carefully because they discuss future expectations, contain projections of results of operations or of our financial condition and/or state other forward-looking information. We do not undertake any obligation to update or revise publicly any forward-looking statements. These statements also involve risks and uncertainties that could cause our actual results or financial condition to materially differ from our expectations in this prospectus, including, but not limited to:

- fluctuations in prices of oil and natural gas;
- future capital requirements and availability of financing;
- geological concentration of our reserves;
- risks associated with drilling and operating wells;
- competition;
- general economic conditions;

governmental regulations;

receipt of amounts owed to us by purchasers of our production and counterparties to our hedging contracts;

hedging decisions, including whether or not to hedge;

events similar to September 11, 2001;

actions of third party co-owners of interests in properties in which we also own an interest; and

fluctuations in interest rates.

We believe that it is important to communicate our expectations of future performance to our investors. However, events may occur in the future that we are unable to accurately predict, or over which we have no control. When considering our forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus.

Table of Contents**USE OF PROCEEDS**

Unless we inform you otherwise in the prospectus supplement, the net proceeds from the sale of the securities will be used for general corporate purposes, including the following:

repayment or refinancing of debt;

acquisitions;

working capital;

capital expenditures; and

repurchases and redemptions of securities.

Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to the reduction of other short-term indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

The following table contains our consolidated ratio of earnings to fixed charges for the periods indicated. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements, incorporated by reference in this prospectus.

	Six Months Ended June 30, 2004	2003	2002	2001	2000	1999
Ratio of Earnings to Fixed Charges	4.91	5.85	42.67	n/a(1)	5.43	n/a(1)
Ratio of Earnings to Fixed Charges and Preferred Dividends	3.85	4.63	22.96	n/a(2)	3.81	n/a(2)

(1) Earnings were insufficient to cover fixed charges by \$2.5 million for 1999 and \$10.8 million for 2001.

(2) Earnings were insufficient to cover fixed charges and dividends by \$3.1 million for 1999 and \$11.4 million for 2001.

For purposes of this table, earnings consist of income before income taxes, extraordinary items and cumulative effect of accounting changes, plus fixed charges (excluding capitalized interest, but including amortization of amounts previously capitalized). Fixed charges consist of interest (including capitalized interest) on all debt, amortization of debt discounts and expenses incurred on issuance, and an estimate of the interest within rental expense.

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DESCRIPTION OF THE DEBT SECURITIES

The debt securities of Parallel covered by this prospectus will be Parallel's general unsecured obligations. Parallel will issue senior debt securities on a senior unsecured basis under one or more separate indentures between us and a trustee that we will name in the prospectus supplement. We refer to any such indenture as a senior indenture. Parallel will issue subordinated debt securities under one or more separate indentures between us and a trustee that we will name in the prospectus supplement. We refer to any such indenture as a subordinated indenture. We refer to the senior indentures and the subordinated indentures collectively as the indentures. The indentures will be substantially identical, except for provisions relating to subordination. The senior debt securities will constitute senior debt and will rank equally with all of Parallel's unsecured and unsubordinated debt. The subordinated debt securities will be subordinated to, and thus have a junior position to, the senior debt of Parallel (as defined with respect to the series of subordinated debt securities) and may rank equally with or senior or junior to Parallel's other subordinated debt that may be outstanding from time to time.

We have summarized material provisions of the indentures and the debt securities below. This summary is not complete. We have filed the form of senior indenture and the form of subordinated indenture with the SEC as exhibits to the registration statement, and you should read the indentures for provisions that may be important to you.

In this summary description of the debt securities, unless we state otherwise or the context clearly indicates otherwise, all references to Parallel mean Parallel Petroleum Corporation only.

Provisions Applicable to Each Indenture

General. The indentures do not limit the amount of debt securities that may be issued under that indenture, and do not limit the amount of other unsecured debt or securities that Parallel may issue. Parallel may issue debt securities under the indentures from time to time in one or more series, each in an amount authorized prior to issuance.

Parallel conducts substantial operations through subsidiaries, and those subsidiaries generate substantial operating income and cash flow. As a result, distributions or advances from those subsidiaries are a significant source of funds needed to meet the debt service obligations of Parallel. Contractual provisions or laws, as well as the subsidiaries' financial condition and operating requirements, may limit the ability of Parallel to obtain cash from its subsidiaries that it requires to pay its debt service obligations, including any payments required to be made under the debt securities. In addition, unless the subsidiaries provide a subsidiary guarantee, holders of the debt securities will have a junior position to the claims of creditors of the subsidiaries of Parallel on their assets and earnings.

If specified in the prospectus supplement, the debt securities will be general obligations of Parallel's subsidiaries that execute subsidiary guarantees. Unless otherwise specified in the prospectus supplement, such subsidiary guarantees will be unsecured obligations. See [Subsidiary Guarantees](#).

The indentures do not contain any covenants or other provisions designed to protect holders of the debt securities in the event Parallel participates in a highly leveraged transaction or upon a change of control. The indentures also do not contain provisions that give holders the right to require Parallel to repurchase their securities in the event of a decline in Parallel's credit ratings for any reason, including as a result of a takeover, recapitalization or similar restructuring or otherwise.

Terms. The prospectus supplement relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

whether the debt securities will be senior or subordinated debt securities;

the title of the debt securities;

the total principal amount of the debt securities;

whether the debt securities will be issued in individual certificates to each holder or in the form of temporary or permanent global securities held by a depository on behalf of holders;

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the date or dates on which the principal of and any premium on the debt securities will be payable;

any interest rate, the date from which interest will accrue, interest payment dates and record dates for interest payments;

any right to extend or defer the interest payment periods and the duration of the extension;

whether and under what circumstances any additional amounts with respect to the debt securities will be payable;

whether our subsidiaries will provide guarantees of the debt securities, and the terms of any subordination of such guarantee;

the place or places where payments on the debt securities will be payable;

any provisions for optional redemption or early repayment;

any sinking fund or other provisions that would require the redemption, purchase or repayment of debt securities;

the denominations in which the debt securities will be issued, if other than denominations of \$1,000 and integral multiples thereof;

whether payments on the debt securities will be payable in foreign currency or currency units or another form and whether payments will be payable by reference to any index or formula;

the portion of the principal amount of debt securities that will be payable if the maturity is accelerated, if other than the entire principal amount;

any additional means of defeasance of the debt securities, any additional conditions or limitations to defeasance of the debt securities or any changes to those conditions or limitations;

any changes or additions to the events of default or covenants described in this prospectus;

any restrictions or other provisions relating to the transfer or exchange of debt securities;

any terms for the conversion or exchange of the debt securities for other securities of Parallel or any other entity;

with respect to any subordinated indenture, any changes to the subordination provisions for the subordinated debt securities; and

any other terms of the debt securities not prohibited by the applicable indenture.

Parallel may sell the debt securities at a discount, which may be substantial, below their stated principal amount. These debt securities may bear no interest or interest at a rate that at the time of issuance is below market rates. If Parallel sells these debt securities, we will describe in the prospectus supplement any material United States federal income tax consequences and other special considerations.

If Parallel sells any of the debt securities for any foreign currency or currency unit or if payments on the debt securities are payable in any foreign currency or currency unit, we will describe in the prospectus supplement the

restrictions, elections, tax consequences, specific terms and other information relating to those debt securities and the foreign currency or currency unit.

Subsidiary Guarantees. Our payment obligations under any series of the debt securities may be jointly and severally guaranteed by one or more of Parallel's subsidiaries. Such guarantees will be full and unconditional. If a series of debt securities is so guaranteed by any of Parallel's subsidiaries, the applicable subsidiaries will execute a supplemental indenture or notation of guarantee as further evidence of their guarantee. The applicable prospectus supplement will describe the terms of any guarantee by Parallel's subsidiaries.

The obligations of each subsidiary under its subsidiary guarantee may be limited to the maximum amount that will not result in such guarantee obligations constituting a fraudulent conveyance or fraudulent transfer under federal or state law, after giving effect to all other contingent and fixed liabilities of that subsidiary and any collections from or payments made by or on behalf of any other subsidiary guarantor in respect to its obligations under its subsidiary guarantee.

Each indenture may restrict consolidations or mergers with or into a subsidiary guarantor or provide for the release of a subsidiary from a subsidiary guarantee, as set forth in a related prospectus supplement, the applicable indenture, and any applicable related supplemental indenture.

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If a series of debt securities is guaranteed by Parallel's subsidiaries and is designated as subordinate to Parallel's senior debt, then the guarantee by those subsidiaries will be subordinated to their senior debt and will be subordinated to any guarantees by those subsidiaries of Parallel's senior debt. See Provisions Applicable Solely to Subordinated Debt Securities Subordination.

Consolidation, Merger and Sale of Assets. The indentures generally permit a consolidation or merger between Parallel and another entity. They also permit Parallel to sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets. Parallel has agreed, however, that it will not consolidate with or merge into any entity or sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets to any entity unless:

immediately after giving effect to the transaction, no default or event of default would occur and be continuing or would result from the transaction; and

if it is not the continuing entity, the resulting entity or transferee is organized and existing under the laws of any United States jurisdiction and assumes the due and punctual payments on the debt securities and the performance of its covenants and obligations under the indenture and the debt securities.

Upon any such consolidation or merger in which Parallel is not the continuing entity or any such asset sale, lease, conveyance, transfer or disposition involving Parallel, the resulting entity or transferee will be substituted for Parallel under the applicable indenture and debt securities. In the case of an asset sale, conveyance, transfer or disposition other than a lease, Parallel will be released from the applicable indenture.

Events of Default. Unless we inform you otherwise in the applicable prospectus supplement, the following are events of default with respect to a series of debt securities:

failure to pay interest when due on that series of debt securities for 30 days;

failure to pay principal of or any premium on that series of debt securities when due;

failure to make any sinking fund payment when required for that series for 30 days;

failure to comply with any covenant or agreement in that series of debt securities or the applicable indenture (other than an agreement or covenant that has been included in the indenture solely for the benefit of one or more other series of debt securities) for 90 days after written notice by the trustee or by the holders of at least 25% in principal amount of the outstanding debt securities issued under that indenture that are affected by that failure;

specified events involving bankruptcy, insolvency or reorganization of Parallel; and

any other event of default provided for that series of debt securities.

A default under one series of debt securities will not necessarily be a default under another series. The indentures provide that the trustee generally must mail notice of a default or event of default of which it has actual knowledge to the registered holders of the applicable debt securities within 90 days of occurrence. However, the trustee may withhold notice to the holders of the debt securities of any default or event of default (except in any payment on the debt securities) if the trustee considers it in the interest of the holders of the debt securities to do so.

If an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs, the principal of and interest on all the debt securities issued under the applicable indenture will become immediately due and payable without any action on the part of the trustee or any holder. If any other event of default for any series of debt securities occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding debt

securities of the series affected by the default (or, in some cases, 25% in principal amount of all debt securities issued under the applicable indenture that are affected, voting as one class) may declare the principal of and all accrued and unpaid interest on those debt securities immediately due and payable. The holders of a majority in principal amount of the outstanding debt securities of the series affected by the event of default (or, in some cases, of all debt securities issued under the applicable indenture that are affected, voting as one class) may in some cases rescind this accelerated payment requirement.

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A holder of a debt security of any series issued under an indenture may pursue any remedy under that indenture only if:

the holder gives the trustee written notice of a continuing event of default for that series;

the holders of at least 25% in principal amount of the outstanding debt securities of that series make a written request to the trustee to pursue the remedy;

the holders offer to the trustee indemnity satisfactory to the trustee;

the trustee fails to act for a period of 60 days after receipt of the request and offer of indemnity; and

during that 60-day period, the holders of a majority in principal amount of the debt securities of that series do not give the trustee a direction inconsistent with the request.

This provision does not, however, affect the right of a holder of a debt security to sue for enforcement of any overdue payment.

In most cases, holders of a majority in principal amount of the outstanding debt securities of a series (or of all debt securities issued under the applicable indenture that are affected, voting as one class) may direct the time, method and place of:

with respect to debt securities of a series, conducting any proceeding for any remedy available to the trustee and exercising any trust or power conferred on the trustee relating to or arising as a result of specified events of default; or

with respect to all debt securities issued under the applicable indenture that are affected, conducting any proceeding for any remedy available to the trustee and exercising any trust or power conferred on the trustee relating to or arising other than as a result of such specified events of default.

The trustee, however, may refuse to follow any such direction that conflicts with law or the indentures, is unduly prejudicial to the rights of other holders of the debt securities, or would involve the trustee in personal liability. In addition, prior to acting at the direction of holders, the trustee will be entitled to be indemnified by those holders against any loss and expenses caused thereby.

The indentures require Parallel to file each year with the trustee a written statement as to its compliance with the covenants contained in the applicable indenture.

Modification and Waiver. Each indenture may be amended or supplemented if the holders of a majority in principal amount of the outstanding debt securities of all series issued under that indenture that are affected by the amendment or supplement (acting as one class) consent to it. Without the consent of the holder of each debt security issued under the indenture and affected, however, no modification to that indenture may:

reduce the amount of debt securities whose holders must consent to an amendment, supplement or waiver;

reduce the rate of or change the time for payment of interest on the debt security;

reduce the principal of the debt security or change its stated maturity;

reduce any premium payable on the redemption of the debt security or change the time at which the debt security may or must be redeemed;

change any obligation to pay additional amounts on the debt security;

make payments on the debt security payable in currency other than as originally stated in the debt security;

impair the holder's right to institute suit for the enforcement of any payment on the debt security;

make any change in the percentage of principal amount of debt securities necessary to waive compliance with certain provisions of the indenture or to make any change in the provision related to modification;

with respect to the subordinated indenture, modify the provisions relating to the subordination of any subordinated debt security in a manner adverse to the holder of that security; or

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waive a continuing default or event of default regarding any payment on the debt securities.

Each indenture may be amended or supplemented or any provision of that indenture may be waived without the consent of any holders of debt securities issued under that indenture in certain circumstances, including:

to cure any ambiguity, omission, defect or inconsistency;

to provide for the assumption of the obligations under the indenture of Parallel by a successor upon any merger or consolidation or asset sale, lease, conveyance, transfer or other disposition of all or substantially all of our assets, in each case as permitted under the indenture;

to provide for uncertificated debt securities in addition to or in place of certificated debt securities or to provide for bearer debt securities;

to provide any security for, any guarantees of or any additional obligors on any series of debt securities;

to comply with any requirement to effect or maintain the qualification of that indenture under the Trust Indenture Act of 1939;

to add covenants that would benefit the holders of any debt securities or to surrender any rights Parallel has under the indenture;

to add events of default with respect to any debt securities;

to make any change that does not adversely affect any outstanding debt securities of any series issued under that indenture in any material respect; and

to supplement the provisions of an indenture to permit or facilitate defeasance or discharge of securities that does not adversely affect any outstanding debt securities of any series issued under that indenture in any material respect.

The holders of a majority in principal amount of the outstanding debt securities of any series (or, in some cases, of all debt securities issued under the applicable indenture that are affected, voting as one class) may waive any existing or past default or event of default with respect to those debt securities. Those holders may not, however, waive any default or event of default in any payment on any debt security or compliance with a provision that cannot be amended or supplemented without the consent of each holder affected.

Defeasance. When we use the term defeasance, we mean discharge from some or all of our obligations under an indenture. If any combination of funds or government securities are deposited with the trustee under an indenture sufficient to make payments on the debt securities of a series issued under that indenture on the dates those payments are due and payable, then, at Parallel's option, either of the following will occur:

Parallel will be discharged from its obligations with respect to the debt securities of that series (legal defeasance); or

Parallel will no longer have any obligation to comply with the consolidation, merger and sale of assets covenant and other specified covenants relating to the debt securities of that series, and the related events of default will no longer apply (covenant defeasance).

If a series of debt securities is defeased, the holders of the debt securities of the series affected will not be entitled to the benefits of the applicable indenture, except for obligations to register the transfer or exchange of debt securities, replace stolen, lost or mutilated debt securities or maintain paying agencies and hold moneys for payment in trust. In

the case of covenant defeasance, the obligation of Parallel to pay principal, premium and interest on the debt securities will also survive.

Unless we inform you otherwise in the prospectus supplement, we will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for U.S. federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

Governing Law. New York law will govern the indentures and the debt securities.

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Trustee. If an event of default occurs under an indenture and is continuing, the trustee under that indenture will be required to use the degree of care and skill of a prudent person in the conduct of that person's own affairs. The trustee will become obligated to exercise any of its powers under that indenture at the request of any of the holders of any debt securities issued under that indenture only after those holders have offered the trustee indemnity satisfactory to it.

Form, Exchange, Registration and Transfer. The debt securities will be issued in registered form, without interest coupons. There will be no service charge for any registration of transfer or exchange of the debt securities. However, payment of any transfer tax or similar governmental charge payable for that registration may be required.

Debt securities of any series will be exchangeable for other debt securities of the same series, the same total principal amount and the same terms but in different authorized denominations in accordance with the applicable indenture. Holders may present debt securities for registration of transfer at the office of the security registrar or any transfer agent Parallel designates. The security registrar or transfer agent will effect the transfer or exchange if its requirements and the requirements of the applicable indenture are met.

The trustee will be appointed as security registrar for the debt securities. If a prospectus supplement refers to any transfer agents Parallel initially designates, Parallel may at any time rescind that designation or approve a change in the location through which any transfer agent acts. Parallel is required to maintain an office or agency for transfers and exchanges in each place of payment. Parallel may at any time designate additional transfer agents for any series of debt securities.

In the case of any redemption, Parallel will not be required to register the transfer or exchange of:

any debt security during a period beginning 15 business days prior to the mailing of any notice of redemption or mandatory offer to repurchase and ending on the close of business on the day of mailing of such notice; or

any debt security that has been called for redemption in whole or in part, except the unredeemed portion of any debt security being redeemed in part.

Payment and Paying Agent. Unless we inform you otherwise in a prospectus supplement, payments on the debt securities will be made in U.S. dollars at the office of the trustee and any paying agent. At Parallel's option, however, payments may be made by wire transfer for global debt securities or by check mailed to the address of the person entitled to the payment as it appears in the security register. Unless we inform you otherwise in a prospectus supplement, interest payments will be made to the person in whose name the debt security is registered at the close of business on the record date for the interest payment.

Unless we inform you otherwise in a prospectus supplement, the trustee under the applicable indenture will be designated as the paying agent for payments on debt securities issued under that indenture. Parallel may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts.

If the principal of or any premium or interest on debt securities of a series is payable on a day that is not a business day, the payment will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for the period from and after the due date to the date of that payment on the next succeeding business date. For these purposes, unless we inform you otherwise in a prospectus supplement, a business day is any day that is not a Saturday, a Sunday or a day on which banking institutions in any of New York, New York; Midland, Texas or a place of payment on the debt securities of that series is authorized or obligated by law, regulation or executive order to remain closed.

Subject to the requirements of any applicable abandoned property laws, the trustee and paying agent will pay to us upon written request any money held by them for payments on the debt securities that remains unclaimed for two years after the date upon which that payment has become due. After payment to us, holders entitled to the money must look to us for payment. In that case, all liability of the trustee or paying agent with respect to that money will cease.

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Notices. Any notice required by the indentures to be provided to holders of the debt securities will be given by mail to the registered holders at the addresses as they appear in the security register.

Replacement of Debt Securities. Parallel will replace any debt securities that become mutilated, destroyed, stolen or lost at the expense of the holder upon delivery to the trustee of the mutilated debt securities or evidence of the loss, theft or destruction satisfactory to Parallel and the trustee. In the case of a lost, stolen or destroyed debt security, indemnity satisfactory to the trustee and Parallel may be required at the expense of the holder of the debt securities before a replacement debt security will be issued.

Book-Entry Debt Securities. The debt securities of a series may be issued in the form of one or more global debt securities that would be deposited with a depository or its nominee identified in the prospectus supplement. Global debt securities may be issued in either temporary or permanent form. We will describe in the prospectus supplement the terms of any depository arrangement and the rights and limitations of owners of beneficial interests in any global debt security.

Provisions Applicable Solely to Subordinated Debt Securities

Subordination. Under the subordinated indenture, payment of the principal of and any premium and interest on the subordinated debt securities will generally be subordinated and junior in right of payment to the prior payment in full of all Senior Debt, as described below. Unless we inform you otherwise in the prospectus supplement, Parallel may not make any payment of principal or any premium or interest on the subordinated debt securities if it fails to pay the principal, interest, premium or any other amounts on any Senior Debt when due.

The subordination does not affect Parallel's obligation, which is absolute and unconditional, to pay, when due, the principal of and any premium and interest on the subordinated debt securities. In addition, the subordination does not prevent the occurrence of any default under the subordinated indenture.

The subordinated indenture does not limit the amount of Senior Debt that Parallel may incur. As a result of the subordination of the subordinated debt securities, if Parallel becomes insolvent, holders of subordinated debt securities may receive less on a proportionate basis than other creditors.

Unless we inform you otherwise in a prospectus supplement, Senior Debt will mean all debt, including guarantees, of Parallel, unless the debt states that it is not senior to the subordinated debt securities or other junior debt of Parallel. Senior Debt with respect to a series of subordinated debt securities could include other series of debt securities issued under a subordinated indenture.

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DESCRIPTION OF CAPITAL STOCK

The following description of Parallel's common stock, preferred stock, certificate of incorporation and bylaws is a summary only and is subject to the complete text of Parallel's certificate of incorporation and bylaws, which we have filed as exhibits to the registration statement. You should read those documents for provisions that may be important to you.

General

Our authorized capital stock consists of 60,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.10 per share, issuable in one or more series, with such dividend rates, liquidation preferences, redemption, conversion and voting rights and such further designations, powers, preferences, rights, limitations and restrictions as may be fixed and determined by our board of directors, all without action of our stockholders.

As of October 1, 2004, 25,439,293 shares of common stock and 950,000 shares of 6% convertible preferred stock were outstanding.

Common Stock

Subject to the preferential rights of any outstanding series of preferred stock, the holders of our common stock are entitled to one vote for each share held of record on all matters submitted to our stockholders. Since the common stock does not have cumulative voting rights, the holders of more than 50% of the shares may, if they choose to do so, elect all the directors of Parallel and, in that event, the holders of the remaining shares will not be able to elect any directors. The holders of our common stock are entitled to participate fully in dividends, if any are declared by the board of directors out of legally available funds, and in the distribution of assets in the event of liquidation. However, the payment of any dividends and the distribution of assets to holders of our common stock are and will be subject to any prior rights of outstanding shares of our preferred stock. We have never paid cash dividends on our common stock. The holders of our common stock have no preemptive or conversion rights, redemption rights, or sinking fund provisions. Our common stock is not assessable.

Preferred Stock

Our board of directors may establish, in addition to the 6% convertible preferred stock described below, without stockholder approval, one or more classes or series of our preferred stock having the number of shares, designations, relative voting rights, dividend rates, liquidation and other rights, preferences, and limitations that our board of directors may designate. The purpose of authorizing the board of directors to determine these rights, preferences, privileges and restrictions is to eliminate delays associated with a stockholder vote on specific issuances.

The prospectus supplement relating to any series of preferred stock Parallel is offering will include specific terms relating to the offering and the name of any transfer agent for that series. We will file the form of the preferred stock designation with the SEC before we issue any of it, and you should read it for provisions that may be important to you. The prospectus supplement will include some or all of the following terms:

the title of the preferred stock;

the maximum number of shares of the series;

the dividend rate or the method of calculating the dividend, the date from which dividends will accrue and whether dividends will be cumulative;

any liquidation preference;

any optional redemption provisions;

any sinking fund or other provisions that would obligate us to redeem or purchase the preferred stock;

any terms for the conversion or exchange of the preferred stock for other securities of us or any other entity;

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any voting rights; and

any other preferences and relative, participating, optional or other special rights or any qualifications, limitations or restrictions on the rights of the shares.

The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could be used by an incumbent board of directors to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable the holders to block such a transaction. Alternatively, such an issuance might facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. The issuance of preferred stock could adversely affect the voting power of the common stockholders. It could also affect the likelihood that holders of the common stock will receive dividend payments and payments upon liquidation. Although the board of directors is required to make any determination to issue preferred stock based on its judgment as to the best interests of the stockholders, the board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some or a majority of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of such stock. The board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or the rules of any market on which Parallel securities are traded.

6% Convertible Preferred Stock

The following statements are brief summaries of certain provisions relating to our outstanding shares of 6% convertible preferred stock:

Dividend Rights. Holders of our outstanding 6% convertible preferred stock are entitled to receive, when and as declared by our board of directors out of funds legally available therefor, cumulative cash dividends at the annual rate of \$.60 per share, payable semi-annually on the fifteenth day of June and December in each year. Dividends are cumulative and are payable to holders of record on such record dates as are fixed by Parallel's board of directors. Except as provided below with respect to parity stock, no dividend may be declared on any other series or class of stock ranking on a parity with or junior to the preferred stock with respect to payment of dividends, unless dividends on the preferred stock since the date of issue thereof to the date of such distribution, whether accumulated or not, shall have been paid or declared and set aside for payment. When dividends are not paid in full upon the 6% convertible preferred stock and any parity stock, any dividends which are paid will be paid pro rata among all shares of such stock. If full cumulative dividends on the 6% convertible preferred stock have not been declared and paid or set apart for payment, we may not declare or pay or set apart for payment any dividends or make any other distributions of, or make any payment on account of the purchase, redemption or retirement of, the common stock or any other stock of Parallel ranking as to dividends or distributions of assets on liquidations, dissolution or winding up of the company junior to the preferred stock (other than, in the case of dividends or distributions, dividends or distributions paid in shares of common stock or such other junior ranking stock), until full cumulative dividends on the 6% convertible preferred stock are declared and paid or set apart for payment.

Conversion Rights. The shares of 6% convertible preferred stock are convertible, prior to redemption, into common stock at the initial conversion price of \$3.50 per share, each share of preferred stock being valued at \$10.00 for the purpose of such conversion. The conversion price is subject to adjustment of certain events, including (i) dividends and other distributions payable in common stock on any class of capital stock of Parallel, unless such payment increases the number of shares of outstanding common stock by less than 1%, (ii) the issuance to all holders of common stock of rights or warrants entitling them to subscribe for or purchase common stock at less than the current market price, (iii) subdivisions, combinations and reclassifications of common stock, and (iv) distributions to all holders of common stock of evidences of indebtedness or assets of Parallel (including securities, but excluding those rights, warrants, dividends and distributions referred to above and dividends and distributions paid in cash out of

earned surplus).

Liquidation Preference. Upon any liquidation, dissolution or winding up of Parallel, whether voluntary or involuntary, the holders of preferred stock have preference and priority over the common stock and any other class or series of stock ranking junior to the preferred stock upon liquidation, dissolution or winding up, for payment out of the assets of Parallel or proceeds thereof available for distribution to stockholders of \$10.00 per share plus all

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dividends accrued and unpaid thereon, and after such payment the holders of preferred stock shall be entitled to no other payments. If, in the case of any such liquidation, dissolution or winding up of Parallel, the assets of the company or proceeds thereof are insufficient to make the full liquidation payment of \$10.00 per share plus all accrued and unpaid dividends on the preferred stock and full liquidation payments on any other preferred stock ranking as to liquidation on a parity with the preferred stock, then such assets and proceeds shall be distributed among the holders of the preferred stock and any such other preferred stock ratably in accordance with the respective amounts which would be payable upon liquidation, dissolution or winding up on such shares of preferred stock and any such other preferred stock if all amounts payable thereon were paid in full. A consolidation or merger of Parallel with or into one or more corporations shall not be deemed to be a liquidation, dissolution or winding up of the company.

Optional Cash Redemption. We may, at our option, redeem shares of preferred stock for cash in whole at any time, or from time to time in part, at a redemption price of \$10.00 per share together with accrued and unpaid dividends, upon written notice mailed to each holder of record of shares to be redeemed not more than 60 days and not less than 30 days prior to the redemption date.

Voting Rights. The preferred stock has no voting rights, except as set forth below or as otherwise from time to time may be required by law.

So long as any shares of preferred stock remain outstanding, the affirmative vote or consent of the holders of a majority of the shares of the preferred stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting as a class with the holders of all other series of preferred stock ranking on a parity with the preferred stock as to dividends or upon liquidation, dissolution or winding up of Parallel and upon which like voting rights have been conferred and are then exercisable), will be necessary to permit, effect or validate the repeal, amendment or other change of any of the provisions of the certificate of incorporation which would materially and adversely affect any right, preference or privilege of the preferred stock or of the holders thereof.

Rights to Purchase Series A Preferred Stock

On October 5, 2000, our board of directors declared a dividend distribution of one right for each outstanding share of our common stock to stockholders of record at the close of business on October 16, 2000. Each right entitles the registered holder to purchase from Parallel one one-thousandth (1/1,000) of a share of Series A Preferred Stock, par value \$0.10 per share at a purchase price of \$26.00 per one one-thousandth (1/1,000) of a share, subject to adjustment. The description and terms of the rights are set forth in a Rights Agreement between Parallel and Computershare Trust Company, Inc., as Rights Agent. A copy of the Rights Agreement is included as an exhibit to the registration statement of which this prospectus is a part.

Initially, the rights will be attached to all common stock certificates representing shares then outstanding, and no separate rights certificates will be distributed. The rights will separate from the common stock upon the earlier of (i) ten (10) business days following a public announcement that a person or group of affiliated or associated persons (an *Acquiring Person*) has acquired, or obtained the right to acquire, beneficial ownership of fifteen percent (15%) or more of the outstanding shares of common stock (the *Stock Acquisition Date*), or (ii) ten (10) business days (or such later date as the board of directors shall determine) following the commencement of a tender or exchange offer that would result in a person or group beneficially owning fifteen percent (15%) or more of such outstanding shares of common stock. The date the rights separate is referred to as the *Distribution Date*.

Until the Distribution Date, (i) the rights will be evidenced by the common stock certificates and will be transferred with and only with such common stock certificates, (ii) new common stock certificates issued after October 16, 2000 will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for common stock outstanding will also constitute the transfer of the rights associated with the common

stock represented by such certificates. Under the Rights Agreement, we reserve the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of rights, a number of rights be exercised so that only whole shares of Preferred Stock will be issued.

The rights are not exercisable until the Distribution Date and will expire at the close of business on October 5, 2010, unless earlier redeemed by Parallel as described below.

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As soon as practicable after the Distribution Date, rights certificates will be mailed to holders of record of the common stock as of the close of business on the Distribution Date and, thereafter, the separate rights certificates will represent the rights. Except in connection with shares of common stock issued or sold upon the exercise of stock options under any employee plan or arrangements, or upon the exercise, conversion or exchange of securities issued by Parallel after the adoption of the Rights Agreement, or as otherwise determined by the board of directors, only shares of common stock issued prior to the Distribution Date will be issued with rights.

If (i) Parallel is the surviving corporation in a merger or other business combination with an Acquiring Person (or any associate or affiliate thereof) and its common stock remains outstanding and unchanged, (ii) any person shall acquire beneficial ownership of more than fifteen percent (15%) of the outstanding shares of common stock (except pursuant to (A) certain consolidations or mergers involving Parallel or sales or transfers of the combined assets, cash flow or earning power of Parallel and its subsidiaries or (B) an offer for all outstanding shares of common stock at a price and upon terms and conditions which the board of directors determines to be in the best interests of Parallel and its stockholders), or (iii) there occurs a reclassification of securities, a recapitalization of Parallel or any of certain business combinations or other transactions (other than certain consolidations and mergers involving Parallel and sales or transfers of the combined assets, cash flow or earning power of Parallel and its subsidiaries) involving Parallel or any of its subsidiaries which has the effect of increasing by more than one percent (1%) the proportionate share of any class of the outstanding equity securities of Parallel or any of its subsidiaries beneficially owned by an Acquiring Person (or any associate or affiliate thereof), each holder of a right (other than the Acquiring Person and certain related parties) will thereafter have the right to receive, upon exercise, common stock (or, in certain circumstances, cash, property or other securities of Parallel) having a value equal to two times the Purchase Price of the right. Notwithstanding any of the foregoing, following the occurrence of any of the events described in this paragraph, all rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. The events described in this paragraph are referred to as Flip-in Events .

For example, at a Purchase Price of \$26.00 per right, each right not owned by an Acquiring Person (or by certain related parties or transferees) following an event set forth in the preceding paragraph would entitle its holder to purchase \$52.00 worth of common stock (or other consideration, as noted above) for \$26.00. Assuming that the common stock had a per share market price of \$5.20 at such time, the holder of each valid right would be entitled to purchase 10 shares of common stock for \$26.00.

If, at any time following the Stock Acquisition Date, (i) Parallel enters into a merger or other business combination transaction in which Parallel is not the surviving corporation, (ii) Parallel is the surviving corporation in a consolidation, merger or similar transaction pursuant to which all or part of the outstanding shares of common stock are changed into or exchanged for stock or other securities of any other person or cash or any other property or (iii) more than 50% of the combined assets, cash flow or earning power of Parallel and its subsidiaries is sold or transferred (in each case other than certain consolidations with, mergers with and into, or sales of assets, cash flow or earning power by or to subsidiaries of Parallel as specified in the Rights Agreement), each holder of a right (except rights which previously have been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the Purchase Price of the right. The events described in this paragraph are referred to as Flip-over Events . Flip-in Events and Flip-over Events are referred to collectively as Triggering Events .

The Purchase Price payable, the number and kinds of shares covered by each right and the number of rights outstanding are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) if holders of the Preferred Stock are granted certain rights, options or warrants to subscribe for Preferred Stock or securities convertible into Preferred Stock at less than the current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness, cash (excluding regular quarterly cash dividends), assets (other than dividends payable in

Preferred Stock) or subscription rights or warrants (other than those referred to in (ii) immediately above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least one percent (1%) of the Purchase Price. No fractional shares of Preferred Stock are required to be

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issued (other than fractions which are integral multiples of one one-thousandth (1/1,000) of a share of Preferred Stock) and, in lieu thereof, Parallel may make an adjustment in cash based on the market price of the Preferred Stock on the trading date immediately prior to the date of exercise.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of fifty percent (50%) or more of the outstanding shares of common stock, our board of directors may, without payment of the Purchase Price by the holder, exchange the rights (other than rights owned by such person or group, which will become void), in whole or in part, for shares of common stock at an exchange ratio of one-half (1/2) the number of shares of common stock (or in certain circumstances Preferred Stock) for which a right is exercisable immediately prior to the time of Parallel's decision to exchange the rights (subject to adjustment).

At any time until the Stock Acquisition Date, Parallel may redeem the rights in whole, but not in part, at a price of \$0.001 per right (payable in cash, shares of common stock or other consideration deemed appropriate by the board of directors). Immediately upon the action of the board of directors ordering redemption of the rights, the rights will terminate and the only entitlement right of the holders of rights will be to receive the \$0.001 redemption price.

Until a right is exercised, the holder thereof, as such, will have no rights as a stockholder of Parallel, including, without limitation, the right to vote or to receive dividends. While the distribution of the rights will not be taxable to stockholders or to Parallel, stockholders may, depending upon the circumstances, recognize taxable income if the Rights become exercisable for common stock (or other consideration) of Parallel or for common stock of an acquiring company as set forth above or if the Rights are redeemed.

Other than those provisions relating to the principal economic terms of the rights, any of the provisions of the Rights Agreement may be amended by the board of directors at any time during the period in which the rights are redeemable. At any time when the rights are no longer redeemable, the provisions of the Rights Agreement may be amended by the Board only if such amendment does not adversely affect the interest of holders of rights (excluding the interest of any acquiring Person); provided, however, that no amendment may cause the rights again to become redeemable.

The foregoing description of the rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, a copy of which is being filed as an exhibit to the registration statement of which this prospectus is a part.

Business Combinations under Delaware Law

We are a Delaware corporation and are governed by Section 203 of the Delaware General Corporation Law. Section 203 prevents an interested stockholder, which is a person who owns 15% or more of our outstanding voting stock, from engaging in business combinations with us for three years following the time the person becomes an interested stockholder. These restrictions do not apply if:

before the person becomes an interested stockholder, our board of directors approves the transaction in which the person becomes an interested stockholder or the business combination;

upon completion of the transaction that results in the person becoming an interested stockholder, the interested stockholder owns at least 85% of our outstanding voting stock at the time the transaction began, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

following the transaction in which the person became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of our stockholders, and not by written consent, by the affirmative vote of a least two-thirds of our outstanding voting stock not owned by the interested stockholder.

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Delaware law defines the term *business combination* to encompass a wide variety of transactions with, or caused by, an interested stockholder, including mergers, asset sales and other transactions in which the interested stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders. This law could have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of the common stock.

Anti-takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws

Our certificate of incorporation, as amended, and our bylaws contain provisions that might be characterized as anti-takeover provisions. These provisions may deter or render more difficult proposals to acquire control of our company, including proposals a stockholder might consider to be in his or her best interest, impede or lengthen a change in membership of the board of directors and make removal of our management more difficult.

Removal of Directors; Advance Notice Provisions for Stockholder Nominations; Stockholder Nomination Procedure

Any director may be removed from office, with or without cause, only by the affirmative vote of a majority of the then outstanding shares entitled to vote for an election of directors at any special meeting of stockholders duly called and held for such purpose. Any stockholder wishing to submit a nomination to the board of directors must follow the procedures outlined in our bylaws and our most recent proxy statement.

Unanimous Consent of Stockholders Required for Action by Written Consent

Under our certificate of incorporation, as amended, stockholder action may be taken without a meeting only by unanimous written consent of all of our stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, Inc., 350 Indiana Street, Suite 800, Golden, Colorado 80401, (303) 262-0600.

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DESCRIPTION OF WARRANTS

Parallel may issue warrants to purchase any combination of debt securities, common stock, preferred stock, rights or other securities of Parallel or any other entity. Parallel may issue warrants independently or together with other securities. Warrants sold with other securities may be attached to or separate from the other securities. Parallel will issue warrants under one or more warrant agreements between it and a warrant agent that we will name in the prospectus supplement.

The prospectus supplement relating to any warrants Parallel is offering will include specific terms relating to the offering. We will file the form of any warrant agreement with the SEC, and you should read the warrant agreement for provisions that may be important to you. The prospectus supplement will include some or all of the following terms:

the title of the warrants;

the aggregate number of warrants offered;

the designation, number and terms of the debt securities, common stock, preferred stock, rights or other securities purchasable upon exercise of the warrants, and procedures by which the number of securities purchasable may be adjusted;

the exercise price of the warrants;

the dates or periods during which the warrants are exercisable;

the designation and terms of any securities with which the warrants are issued;

if the warrants are issued as a unit with another security, the date, if any, on and after which the warrants and the other security will be separately transferable;

if the exercise price is not payable in U.S. dollars, the foreign currency, currency unit or composite currency in which the exercise price is denominated;

any minimum or maximum amount of warrants that may be exercised at any one time; and

any terms, procedures and limitations relating to the transferability, exchange or exercise of the warrants.

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PLAN OF DISTRIBUTION

We may sell the securities in and outside the United States through underwriters or dealers, directly to purchasers or through agents. The prospectus supplement will include the following information:

the terms of the offering;

the names of any underwriters or agents;

the purchase price of the securities from us and, if the purchase price is not payable in U.S. dollars, the currency or composite currency in which the purchase price is payable;

the net proceeds to us from the sale of the securities;

any delayed delivery arrangements;

any underwriting discounts, commissions and other items constituting underwriters' compensation;

the initial public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any commissions paid to agents.

Sale Through Underwriters or Dealers

If we use underwriters in the sale of securities, the underwriters will acquire the securities for their own account. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to conditions, and the underwriters will be obligated to purchase all the securities if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include over allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if such offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, these activities may be discontinued at any time.

If we use dealers in the sale of securities, we will sell the securities to them as principals. They may then resell those securities to the public at varying prices determined by the dealers at the time of resale. The dealers participating in any sale of the securities may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

Direct Sales and Sales Through Agents

We may sell the securities directly. In that event, no underwriters or agents would be involved. We may also sell the securities through agents we designate from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the securities, and we will describe any commissions payable by us to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

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Delayed Delivery Contracts

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

We may have agreements with the agents, dealers and underwriters to indemnify them against civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments that the agents, dealers or underwriters may be required to make. Agents, dealers and underwriters may engage in transactions with us or perform services for us in the ordinary course of their businesses.

The securities may or may not be listed on a national securities exchange. We cannot assure you that there will be a market for the securities.

LEGAL MATTERS

The validity of the offered securities and other matters in connection with any offering of the securities, other than with respect to the debt securities covered by this prospectus, will be passed upon for us by Lynch, Chappell & Alsup, P.C., Midland, Texas, our outside counsel. The validity of the debt securities covered by this prospectus and other matters in connection with any offering of the debt securities will be passed upon for us by Haynes and Boone, LLP, Dallas, Texas, our special outside counsel. Any underwriters will be advised about legal matters relating to any offering by their own legal counsel.

EXPERTS

The consolidated financial statements incorporated by reference in this prospectus have been audited by BDO Seidman, LLP, independent registered public accounting firm, to the extent and for the periods set forth in their report incorporated herein by reference, and are incorporated herein in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Parallel Petroleum Corporation as of December 31, 2002 and for the years ended December 31, 2002 and 2001 have been incorporated by reference into this prospectus in reliance upon the report of KPMG LLP, an independent registered public accounting firm, incorporated by reference into this prospectus, and upon the authority of said firm as experts in accounting and auditing.

Certain information with respect to the oil and gas reserves of Parallel derived from the reports of Cawley, Gillespie and Associates, Inc., independent petroleum engineers, has been included and incorporated by reference in this prospectus upon the authority of said firm as experts with respect to the matters covered in such report and in giving such report.

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INTERESTS OF NAMED EXPERTS AND COUNSEL

We have agreed to indemnify and hold KPMG LLP harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG's consent to the incorporation by reference of its audit report on our past financial statements incorporated by reference in this prospectus.

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\$100,000,000

**SENIOR DEBT SECURITIES
SUBORDINATED DEBT SECURITIES
COMMON STOCK
PREFERRED STOCK
WARRANTS**

PROSPECTUS

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. *Other Expenses of Issuance and Distribution*

The following table sets forth expenses payable by Parallel in connection with the issuance and distribution of the securities being registered. All the amounts shown are estimates, except for the SEC registration fee.

SEC registration fee	\$ 12,670
Printing expenses	\$ 15,000
Legal fees and expenses	\$100,000
Accounting fees and expenses	\$ 31,300
Fees and expenses of trustee and counsel	\$ 15,000
Miscellaneous	\$ 10,000
Total	\$183,970

Item 15. *Indemnification of Directors and Officers*

(a) Parallel Petroleum Corporation

Parallel's Certificate of Incorporation, as amended (the "Certificate of Incorporation"), in accordance with Section 102(b)(7) of the General Corporation Law of the State of Delaware ("Delaware Code"), provides that no director of Parallel will be personally liable to Parallel or any of its stockholders for monetary damages arising from the director's breach of fiduciary duty as a director. However, this does not apply with respect to any action in which the director would be liable under Section 174 of the Delaware Code nor does it apply with respect to any liability in which the director (i) breached his duty of loyalty to Parallel or its stockholders; (ii) did not act in good faith or, in failing to act, did not act in good faith; (iii) acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, acted in a manner involving intentional misconduct or a knowing violation of law; or (iv) derived an improper personal benefit.

The Bylaws of Parallel ("Bylaws") provide that Parallel shall indemnify its directors and officers and former directors and officers to the fullest extent permitted by law. Pursuant to the provisions of Section 145 of the Delaware Code, Parallel has the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Parallel) by reason of the fact that he is or was a director, officer, employee, or agent of Parallel, or is or was serving at the request of Parallel as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding. The power to indemnify applies only if such person acted in good faith and in a manner he reasonably believed to be in the best interest, or not opposed to the best interest, of Parallel and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

The power to indemnify applies to actions brought by or in the right of Parallel to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against such expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if he acted under similar standards, except that in such actions no indemnification shall be made in the event of any adjudication of liability unless and only to the extent that the Court of Chancery or court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the

case, such person is fairly and reasonably entitled to indemnification.

To the extent a present or former director or officer of Parallel has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, such

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person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

The statute further specifically provides that the indemnification authorized thereby shall not be deemed exclusive of any other rights to which any such officer or director may be entitled under any bylaws, agreements, vote of stockholders or disinterested directors, or otherwise.

Article X, Section 10.2 of Parallel's Bylaws provides that Parallel has the power to purchase and maintain insurance on behalf of any person who is or was a director, trustee, officer, employee or agent of Parallel or is or was serving at the request of Parallel as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not Parallel would have the power to indemnify such person against such liability. Even though Parallel maintains directors and officers liability insurance, the indemnification provisions contained in the Certificate of Incorporation of Parallel would remain in place and such provisions will affect not only Parallel, but its stockholders as well.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Parallel pursuant to the foregoing provisions, Parallel has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

(b) Parallel, L.P.

Section 5.7(a) of the Agreement of Limited Partnership (the "LP Agreement") of Parallel, L.P. (the "Partnership") provides that the Partnership shall indemnify to the maximum extent permitted under the Texas Revised Limited Partnership Act ("TRLPA") and save harmless (i) Parallel, as its sole general partner, (ii) Parallel, L.L.C., as its sole limited partner, (iii) their respective affiliates, and (iv) each of their partners, officers, directors, employees and agents from all liabilities for which indemnification is permitted under the TRLPA.

Section 11.02 of the TRLPA provides that a limited partnership may indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a general partner only if a determination is made that such indemnification is permissible under the TRLPA (i) by a majority vote of a quorum consisting of general partners who at the time of the vote are not named defendants or respondents in the proceeding; (ii) by special legal counsel selected by the general partners by vote as provided under (i) above or, if such a quorum cannot be obtained, by a majority vote of all general partners; or (iii) by a majority in interest of the limited partners in a vote that excludes the interests held by general partners who are named defendants or respondents in the proceeding. The power to indemnify applies only if such person acted in good faith and, in the case of conduct in the person's official capacity as a general partner, in a manner he reasonably believed to be in the best interest of the partnership, and, in all other cases, that the person's conduct was not opposed to the best interest of the partnership, and with respect to any criminal action or proceeding, that such person had no reasonable cause to believe his conduct was unlawful.

Section 11.11 of the TRLPA provides that the limited partnership may pay or reimburse, in advance of the final disposition of the proceeding, reasonable expenses incurred by the general partner who was, is, or is threatened to be made a named defendant or respondent in a proceeding after the limited partnership receives a written affirmation by the general partner of the general partner's good faith belief that the general partner has met the applicable standard of conduct discussed above, and a written undertaking to repay the amount paid or reimbursed if it is ultimately determined that such standard of conduct was not met or that indemnification is not otherwise permitted under the TRLPA.

Section 11.15 of the TRLPA provides that a limited partnership may indemnify and advance expenses to a limited partner, employee, or agent of the limited partnership to the same extent that it may indemnify and advance expenses to a general partner.

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(c) Parallel, L.L.C.

Section 6.11(a) of the Limited Liability Company Agreement (the "LLC Agreement") of Parallel, L.L.C. (the "LLC") provides that the LLC shall indemnify, and shall advance and reimburse expenses to Parallel, as its sole member, and to the LLC's managers, officers, employees, agents and representatives to the maximum extent permitted by the Delaware Limited Liability Company Act (the "DLLCA"). Section 6.11(c) of the LLC Agreement provides that indemnification shall not be denied because such person had an interest in the transaction with respect to which the indemnification applies if such indemnification is otherwise permitted under the LLC Agreement. Such indemnification shall include, without limitation, payment of reasonable attorney's fees and other expenses incurred in connection with the defense of any claim or proceeding based on any such action or decision. Section 6.11(d) of the LLC Agreement provides that the LLC may purchase and maintain insurance, on behalf of such persons as the board of managers shall determine, against any liability that may be asserted against or expense that may be incurred by such person in connection with the LLC's activities.

Section 18-108 of the DLLCA provides that a limited liability company may, and shall have the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever.

Table of Contents**Item 16. Exhibits.****

Exhibit No.	Description
3.1	Certificate of Incorporation of Parallel (Incorporated by reference to Exhibit 3.1 of Parallel's Form 10-Q for the fiscal quarter ended June 30, 2004).
3.2	Bylaws of Parallel (Incorporated by reference to Exhibit 3 of Parallel's Form 8-K, dated October 9, 2000, as filed with the Securities and Exchange Commission on October 10, 2000).
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24.1	Power of Attorney (Incorporated by reference to Exhibit 24.1 of Parallel's Form S-3, as filed with the Securities and Exchange Commission on October 13, 2004)

* Filed herewith.

**Parallel will file as an exhibit to a Current Report on Form 8-K (i) any underwriting, remarketing or agency agreement relating to the securities offered hereby, (ii) the instruments setting forth the terms of any debt securities, preferred stock or warrants, (iii) any additional required opinions of counsel with respect to legality of the securities offered hereby, (iv) any required opinion of counsel to Parallel as to certain tax matters relative to the securities offered hereby or (v) any Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the applicable trustee.

Item 17. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that the undertakings set forth in paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the

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Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee under an Indenture to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939 (the Act) in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, State of Texas, on November 5, 2004.

PARALLEL PETROLEUM CORPORATION

By: /s/ Larry C. Oldham
Larry C. Oldham
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned co-registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, State of Texas, on November 5, 2004.

PARALLEL, L.P.

By: Parallel Petroleum Corporation, its sole general partner

By: /s/ Larry C. Oldham
Larry C. Oldham
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned co-registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Wilmington, State of Delaware, on November 5, 2004.

PARALLEL, L.L.C.

By: /s/ Andrew T. Panaccione
Andrew T. Panaccione
President

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Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

PARALLEL PETROLEUM CORPORATION

Signature	Title	Date
<u>/s/ Thomas R. Cambridge*</u>	Chairman of the Board, Director	November 5, 2004
Thomas R. Cambridge <u>/s/ Larry C. Oldham</u>	Director, President and Chief Executive Officer	November 5, 2004
Larry C. Oldham <u>/s/ Steven D. Foster</u>	(Principal Executive Officer) Chief Financial Officer	November 5, 2004
Steven D. Foster <u>/s/ Dewayne E. Chitwood*</u>	(Principal Accounting and Principal Financial Officer) Director	November 5, 2004
Dewayne E. Chitwood <u>/s/ Martin B. Oring*</u>	Director	November 5, 2004
Martin B. Oring <u>/s/ Ray M. Poage*</u>	Director	November 5, 2004
Ray M. Poage <u>/s/ Jeffrey G. Shrader*</u>	Director	November 5, 2004
Jeffrey G. Shrader <u>/s/ Larry C. Oldham</u>		November 5, 2004
Larry C. Oldham*		
*Pursuant to power of attorney previously filed with the Securities and Exchange Commission		

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PARALLEL, L.P. (Parallel Petroleum Corporation serves as the sole general partner of Parallel, L.P.)

Signature	Title	Date
_____ /s/ Larry C. Oldham	President and Chief Executive Officer	November 5, 2004
_____ Larry C. Oldham	(Principal Executive Officer)	
_____ /s/ Steven D. Foster	Chief Financial Officer	November 5, 2004
_____ Steven D. Foster	(Principal Accounting and Principal Financial Officer)	

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PARALLEL, L.L.C. (Parallel Petroleum Corporation is the sole member of Parallel, L.L.C.)

Signature	Title	Date
<u>/s/ Andrew T. Panaccione</u>	Manager, President, Secretary and Treasurer (Principal Executive Officer)	November 5, 2004
Andrew T. Panaccione <u>/s/ Larry C. Oldham</u>	Manager	November 5, 2004
Larry C. Oldham <u>/s/ John S. Rutherford</u>	Manager	November 5, 2004
John S. Rutherford <u>/s/ Steven D. Foster</u>	Chief Financial Officer (Principal Accounting and Principal Financial Officer)	November 5, 2004
Steven D. Foster		

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