

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
Recognized Specialist in the Area of  
Natural Resources-oil and gas law-  
New Mexico Board of Legal Specialization

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

August 30, 2005

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 13556*

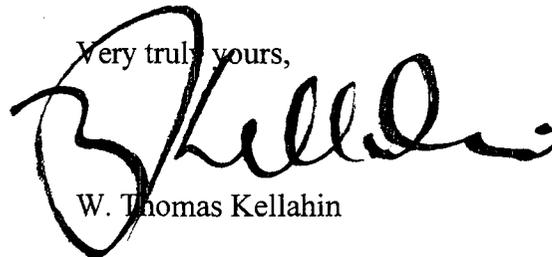
2005 AUG 30 PM 12:11

Re: Stephenson Well No. 1 (API# 30-025-37317)  
NE/4SW/4 Unit K of Section 30, T16S, R39E  
Application of Trek Resources, Inc.  
for compulsory pooling,  
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Trek Resources, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for September 22, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Trek Resources, Inc.  
Attn: Frank McColloch

CASE 13556. Application of Trek Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying the NE/4SW/4 of Section 30, T16S, R39E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including but not limited to the Lower Clearfork-Drinkard Pool. This unit is to be dedicated to its Stephenson Well No. 1 that is to be drilled at a standard well location in Unit K of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Trek Resources, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. Applicant proposes to submit its evidence by affidavit in accordance with Division Rule 1207.A This unit is located approximately 16 miles East Southeast from Lovington, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF TREK RESOURCES, INC.  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

CASE NO. *13556*

**APPLICATION**

Trek Resources, Inc. ("Trek") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying the NE/4SW/4 of Section 30, T16S, R39E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including but not limited to the Lower Clearfork-Drinkard Pool. This unit is to be dedicated to its Stephenson Well No. 1 that is to be drilled at a standard well location in Unit K of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Trek Resources, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. Applicant proposes to submit its evidence by affidavit in accordance with Division Rule 1207.A.

In support of its application Trek states:

(1) Trek has obtained a "farmout" from Emerald Energy, LLC, who has a working interest ownership in the oil and gas minerals underlying the NE/4SW/4 of Section 30, T16S, R39E, NMPM, Lea County, New Mexico, to be dedicated as a standard 40-acre oil proration and spacing unit for its Stephenson Well No. 1 located in Unit K of this section.

NMOCD Application

Trek Resources, Inc.

-Page 2-

(2) On July 7, 2005, Emerald Energy, LLC sent to Kenneth Cone, the only uncommitted mineral interest owner in this spacing unit with a 9/320<sup>th</sup> interest, a written well proposal, including an AFE, for the Stephenson Well No. 1 to be drilled at a standard well location in Unit K of this section.

(3) On August 2, 2005, Trek sent to Kenneth Cone a letter advising that Trek had obtained a "farmout" from Emerald Energy, LLC and again proposed this same well to Mr. Cone, sending an AFE, for the Stephenson Well No. 1 to be drilled at a standard well location in Unit K of this section.

(4) Despite reasonable efforts, Trek was unable to conclude a voluntary agreement with Mr. Cone as listed on Exhibit "A"

(5) Pursuant to Commission Order R-11992, effective August 15, 2003, Trek requests that the 200% risk charge be applied.

(6) This spacing unit is within the Lower Clearfork-Drinkard Pool and subject, among other things, to Division Rule 104 providing for standard 40-acre spacing unit and locations not closer than 330 feet to an outer boundary.

(7) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Trek needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

(8) Applicant proposes to submit its evidence by affidavit in accordance with Division Rule 1207.A.

(9) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 22, 2005.

WHEREFORE, Trek Resources, Inc., as applicant, requests that this application be set for hearing on September 22, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Trek Resources, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047

**EXHIBIT "A"**

**Mr. Kenneth Cone  
P. O. Box 11310  
Midland, Texas 79702**