

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF TRILOGY OPERATING, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 14,105

VERIFIED STATEMENT OF KENNETH C. DICKESON

Kenneth C. Dickeson, being duly sworn upon his oath, deposes and states:

1. I am a contract landman for Trilogy Operating, Inc., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1210.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, and have simply failed to respond.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Yates/Seven Rivers formation underlying the NE/NW/4 of Section 25, Township 19 South, Range 38 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated South Nadine Yates-Seven Rivers Pool.

The unit will be dedicated to the Topaz Well No. 1 (API No. 30-025-35906), to be re-entered at a location 400 feet from the north line and 2050 feet from the west line of Section 25. The well is expected to be an oil well.

(c) The parties being pooled, their working interests in the well unit, and their last known addresses, are as follows:

Anderson Carter, II,
individually and as Trustee
P.O. Box 7190
Ruidoso, New Mexico 88355

30.5555%

Oil Conservation Division
Case No. _____
Exhibit No. 1

Stuart Carter
5299 Arzberger
Wilcox, Arizona 85643

5.5555%

(d) Copies of the proposal letters sent to the uncommitted working interest owners are attached hereto as Exhibit B. Applicant has made a good faith effort to obtain the voluntary joinder of the interest owners in the well unit.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

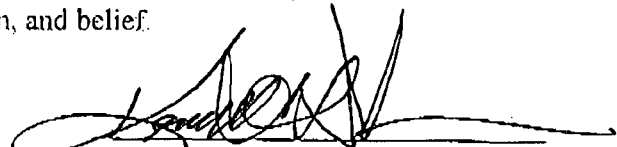
(g) Overhead charges of \$4500/month for a drilling well, and \$500/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

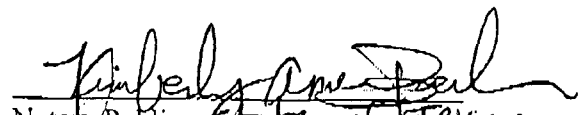
Kenneth C. Dickeson, being duly sworn upon his oath, deposes and states that: He is a contract landman for Trilogy Operating, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


Kenneth C. Dickeson

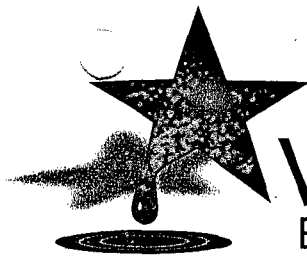
SUBSCRIBED AND SWORN TO before me this 3rd day of April, 2008 by Kenneth C. Dickeson.



My Commission Expires: 7/2/08


Notary Public, State of Texas

[illegible]



VERITAS 321

ENERGY PARTNERS, LP

December 14, 2007

Mr. Anderson Carter II
P.O. Box 998
Las Cruces, NM 88004

Mr. Anderson Carter II
P.O. Box 7190
Ruidoso, NM 88355

RE: Well Proposal -
Trilogy Operating Inc. - Topaz #1
NE/4NW/4 Section 25, T-19-S, R-38-E, N.M.P.M.
Lea County, New Mexico

Dear Mr. Carter:

The county records of Lea County, New Mexico indicate that you are the owner of a 30.555% mineral interest (12.2222 net acres) in the captioned property. Trilogy Operating, Inc. is presently leasing in this tract and desires to lease your interest for the following terms:

1. \$250.00 per net acre bonus consideration.
2. Three (3) year paid-up primary term.
3. 1/4th royalty rate.

The Topaz #1 well located on this tract will be re-entered and your interest will be included in the spacing unit for this well.

If this offer is acceptable to you, please advise and we will forward an Oil and Gas Lease for your execution.

In the alternative, you may participate in the drilling of this well. You will be expected to pay your proportionate share of the total well cost. Your interest in the well will cost an estimated \$45,000.00. Attached is an AFE detailing the proposed operations and potential pay zones. Should you desire to participate, we will send you a Joint Operating Agreement for your execution.

Thank you for your attention to this proposal. Your prompt response to this proposal will be appreciated. Inasmuch as we have been unable to contact you by telephone, we would appreciate a telephone call from you, should you have any questions.

Yours very truly,

Kenneth C. Dickeson
Consulting Landman

OLAC

EXHIBIT

B

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Anderson Carter II
P.O. Box 7190
Ruidoso, NM 88355

2. Article Number

(Transfer from service label)

7005 0390 0002 9917 8187

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Anderson Carter II
P.O. Box 998
Las Cruces, NM 88004

2. Article Number

(Transfer from service label)

7005 0390 0002 9917 8170

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*☐ Agent☐ Addressee

B. Received by (Printed Name)

Ludy Carter

C. Date of Delivery

12/20/07

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$.58

Certified Fee 2.15

Return Receipt Fee (Endorsement Required) 2.15

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees \$5.38

Postmark
Here

Sent To

Mr. Anderson Carter II
Street, Apt. No., or PO Box No. P.O. Box 998
City, State, ZIP+4 Las Cruces, NM 88004

PS Form 3800, June 2002

See Reverse for Instructions

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$.58

Certified Fee 2.15

Return Receipt Fee (Endorsement Required) 2.15

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees \$5.38

Postmark
Here

Sent To

Mr. Anderson Carter II
Street, Apt. No., or PO Box No. P.O. Box 7190
City, State, ZIP+4 Ruidoso, NM 88355

PS Form 3800, June 2002

See Reverse for Instructions



September 12, 2007

Mr. Stuart Carter
5299 Arzberger Road
Willcox, AZ 85643

RE: ***Request for Oil, Gas & Mineral Lease***
NE/4NW/4 of Section 25, T-19-S, R-38-E, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Dear Mr. Carter:

The records of Lea County, New Mexico indicate that you are a mineral owner of a 1/18 mineral interest (2.2222 net acres) in the above captioned property. *Please be advised that Trilogy Operating, Inc. has a shut-in well on this 40 acre tract that they intend on re-entering in an attempt to re-establish production.* VERITAS 321 ENERGY PARTNERS, LP is presently leasing on behalf of Trilogy in the area and would like to lease your interest under the following terms:

- **\$250.00 per net acre bonus consideration**
- **3 year term**
- **1/4th royalty rate**

If these terms are acceptable to you, please sign in the space provided below and return one copy of this letter to the undersigned. Additionally, please provide us with your [REDACTED] for payment purposes. Upon your acceptance we will forward an Oil & Gas Lease to you for your review as well as payment for the bonus consideration.

Thank you for your cooperation in this matter. Should you have any questions, please contact us at the below number.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly Barker". The signature is fluid and cursive.

Kimberly Barker

Yes, please send lease.

Stuart Carter

Phone Number: _____

RLqtrmo

March 14, 2008

Mr. Stuart Carter
5299 Arzberger
Wilcox, AZ 85643

RE: Well Proposal -
Trilogy Operating Inc. - Topaz #1
NE/4NW/4 Section 25, T-19-S, R-38-E, N.M.P.M.
Lea County, New Mexico

Dear Mr. Carter:

The county records of Lea County, New Mexico indicate that you are the owner of a 5.0% mineral interest (2.2222 net acres) in the captioned property. Trilogy Operating, Inc. is presently leasing in this tract and desires to lease your interest for the following terms:

1. \$250.00 per net acre bonus consideration.
2. Three (3) year paid-up primary term.
3. 1/4th royalty rate.

The Topaz #1 well located on this tract will be re-entered and your interest will be included in the spacing unit for this well.

If this offer is acceptable to you, please advise and we will forward an Oil and Gas Lease for your execution.

In the alternative, you may participate in the drilling of this well. You will be expected to pay your proportionate share of the total well cost. Attached is an AFE detailing the proposed operations and potential pay zones. Should you desire to participate, we will send you a Joint Operating Agreement for your execution.

Thank you for your attention to this proposal. Your prompt response to this proposal will be appreciated. Inasmuch as we have been unable to contact you by telephone, we would appreciate a telephone call from you, should you have any questions.

Yours very truly,

Janessa Hale
Consulting Landman

OLSC

Date: 12/11/07

AFE No.:

Category: Recompletion

Type: gas

Well: Topaz # 1

Depth: 4000

Operator: Trilogy Operating, Inc

Fm.: All

Location: Nadine Field

County: Lea

Prospect: Emerald

State: New Mexico

Description	DH	Producer	Total
Permit, Surveying			0
Surf. Damage, ROW			0
Roads, Location, Pits			0
Drilling: Footage			0
Daywork			0
Turnkey			0
Rig Mobilization			0
Fuel, Boiler			0
Completion Rig 10 days @ \$ 4000/day		40,000	40,000
Mud & Chemicals			0
Water, Water Hauling		2,500	2,500
Transportation, Hauling			0
Bits, Reamers, Stab.			0
Coring			0
Drill Stem Testing			0
Equipment Rental		3,000	3,000
Special Services			0
Directional Drlg.			0
Contract Labor		2,500	2,500
Mud Logging, Geological			0
Cementing			0
Logging			0
Perforating		5,000	5,000
Stimulation		70,000	70,000
Wellsite Supervision			0
Abandonment Expense			0
Legal Exp., Insurance			0
COPAS Overhead		1,500	1,500
			0
Contingency 10%	0	12,450	12,450
Total Intangible	0	136,950	136,950
TUBULARS			
Conductor ft.			0
Surface ft.			0
Intermediate ft.			0
Liner ft.			0
Production ft.			0
Tubing		6,000	6,000
PRODUCTION FACILITIES			
Tanks			0
Separator			0
Heater/Treater			0
Dehydrator			0
Buildings			0
Flowline/Pipeline			0
Valves/Fittings			0
ARTIFICIAL LIFT EQUIP			
Pumping Unit Low Profile			0
Fndn./Base			0
Prime Mover			0
Sucker Rods		2,500	2,500
Bottom Hole Pump			0
Wellhead Equip.			0
Packer/Anchor			0
Other Equip.			0
Non-Controllable Equip.			0
Contingency 10%	0	850	850
Total Tangibles	0	9,350	9,350
TOTAL WELL COST	0	146,300	146,300

EXHIBIT