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*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

September 30, 1999

12305

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Dreessen Well No. 1
Application of Trilogy Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico**

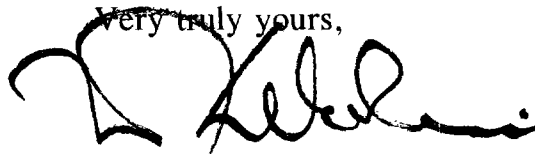
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OIL CONSERVATION DIV

Dear Ms. Wrotenbery:

On behalf of Trilogy Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for December 16, 1999. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Trilogy Operating, Inc.
Attn: Jerry Weant

CASE 17: Application of Trilogy Operating, 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 SW/4NE/4 of Section 1, T20S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the House Yates-Seven Rivers Pool, House San Andres Pool, House Blinebry Pool, East House Tubb Pool, North House Tubb Pool, House Tubb Gas Pool and the House Drinkard Pool. This unit is to be dedicated to its Dreessen Well No. 1 to be drilled and completed at a standard well location in Unit G of Section 1. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in said well.

The proposed well is located approximately 2-1/2 miles southeast from Nadine, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF TRILOGY OPERATING, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 1229

A P P L I C A T I O N

TRILOGY OPERATING, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying the SW/4NE/4 of Section 1, T20S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the House Yates-Seven Rivers Pool, House San Andres Pool, House Blinebry Pool, East House Tubb Pool, North House Tubb Pool, House Tubb Gas Pool and the House Drinkard Pool. This unit is to be dedicated to its Dreessen Well No. 1 to be drilled and completed at a standard well location in Unit G of Section 1. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, Trilogy Operating, Inc. states:

1. Trilogy Operating, Inc. has a working interest ownership in the oil and gas minerals from the surface to the base of the Drinkard formation underlying the SW/4NE/4 of Section 1, T20S, R38E, NMPM, Lea County, New Mexico.

2. The subject tract is located within the House Yates-Seven Rivers Pool, House San Andres Pool, House Blinebry Pool, East House Tubb Pool, North House Tubb Pool, House Tubb Gas Pool and the House Drinkard Pool.

3. The well is to be drilled at a standard oil well location in the SW/4NE/4 (Unit G) of Section 1 to test any and all formations in the pooled interval from the surface to the base of the Drinkard formation.

4. Trilogy Operating, Inc. has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Drinkard formation underlying the SW/4NE/4 of Section 1.

5. Trilogy Operating, Inc., despite its good faith effort, has been unable to locate the remaining unleased mineral interest owners in the spacing unit as identified on Exhibit "A."

6. 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, Trilogy Operating, Inc. needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

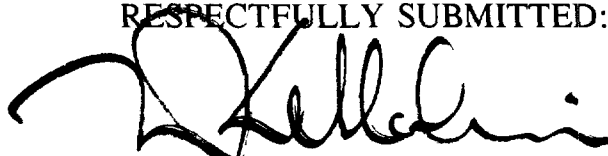
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for December 16, 1999.

WHEREFORE, Trilogy Operating, Inc., as applicant, requests that this application be set for hearing on December 16, 1999 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 the drilling of this well at a standard well location upon terms and conditions which include:

- (1) Trilogy Operating, 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 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

<u>Mineral Interest Owner</u>	<u>Mineral Interest</u>
Descendents of John W. Waldrep Addresses Unknown	3/224
Shari Candice Campbell 2929 East 85th Tulsa, OK 74137	9.38/320
Heirs of A.J. Ballerstedt c/o Carl L. Lohman Rt. #3, Box 25-A Seymour, TX 76380	3/320
Marry Littleton Address Unknown	1/640
Lurlene Hall Address Unknown	1/640
Heirs or Devisees of Dorothy Jean LeMoine - presumably Parkland Christian Church 12305 Spanaway Loop Road South Tacoma, WA 98444-1205 Attn: Mr. Scott Wallace	1.125/32
Robert N. Stafford and John T. Stafford, Trustees of the Carmon J. Stafford Trust B under Agreement dated 3/31/87 c/o Pat White 251 Ridgewood Drive Spring, TX 77386	5/640
Beakon Oil and Gas, Inc. c/o Mr. Brent Beakley 4101 JB Shepperd Parkway Odessa, TX 79762	9.37/320
J. Cleo Thompson and James Cleo Thompson, a partnership 325 N. St. Paul, Suite 4500 Dallas, TX 75201-3993	1/32