

**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. _____

A P P L I C A T I O N

TRILOGY OPERATING, INC. ("Trilogy") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) and Division Rule 1207.A(1)(b) seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NW/4SE/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 Undesignated House-San Andres Pool, House-Blinbry Pool, East Warren Tubb Oil and Gas Pool and Undesignated D-K-Abo Pool. This unit is to be dedicated to its Howser Well No. 1 has been drilled but not completed at a standard well location in Unit J of this section. 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 this well.

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

1. Trilogy has a working interest ownership in the oil and gas minerals from the surface to the base of the Abo formation underlying the NW/4SE/4 of Section 1, T20S, R38E, NMPM, Lea County, New Mexico.
2. The subject tract is located within one mile of the Undesignated House-San Andres Pool, House-Blinbry Pool, East Warren Tubb Oil and Gas Pool and Undesignated D-K-Abo Pool.

3. This well was drilled at a standard oil well location in the NW/4SE/4 (Unit J) of Section 1 to test any and all formations in the pooled interval from the surface to the base of the Abo formation.

4. Trilogy has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Abo formation underlying the NW/4SE/4 of this section.

5. Trilogy, Inc., despite its good faith effort, has been unable to obtain the voluntary agreement the remaining 10 percent of the mineral and working interest owner(s) 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 needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. Trilogy requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit the data required by this rule.

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 May 4, 2000

WHEREFORE, Trilogy, as applicant, requests that this application be set for hearing on May 4, 2000 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) 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 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. THOMAS KELLAHIN
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