

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 PURPOSES OF CONSIDERING:

CASE NO. \_\_\_\_\_

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

AFFIDAVITS OF JERRY A. WEANT, GEORGE ULMO AND MICHAEL G. MOONEY

STATE OF TEXAS            }}  
                                  }} ss.  
COUNTY OF MIDLAND    }}

Before me, the undersigned authority, personally appeared Jerry A. Weant, George Ulmo and Michael G. Mooney, who being fully sworn, stated:

A. Our names and our qualifications as experts are as follows:

Jerry A. Weant

Education:    BBA/PLM from the University of Texas at Austin - 1980.  
Experience:   Practicing Landman for 19 years in Texas and Southeast New Mexico.  
                  President of Trilogy Operating, Inc.

George Ulmo

Education:    Masters in Geology from University of Missouri – 1979.  
                  BS in Geology from University of New Orleans – 1976.  
Experience:   Practicing Geologist for 21 years in Permian Basin.  
                  Consulting Geologist for Stevens & Tull Development, LLC.

Michael G. Mooney

Education:    BS in Chemical Engineering from University of New Mexico – 1979.  
Experience:   Practicing Petroleum Engineer for 21 years in Permian Basin.  
                  Vice President – Engineering of Trilogy Operating, Inc.

B.    We are over the age of majority and are competent to make this Affidavit.

We have been responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

We are each personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

This affidavit has been prepared in accordance with New Mexico Oil Conservation Division Rule 1207.A(1)(b).

C. Our expert opinions are based on the following facts and events:

#### CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

1. Trilogy Operating, Inc. ("Trilogy") has a working interest ownership in the oil and gas minerals underlying the SE/4 of Section 1, T-20-S, R-38-E, NMPM, Lea County, New Mexico.
2. Trilogy proposes to drill and complete its Howser Well No. 1 at a standard oil/gas well location to test any and all formations in the pooled interval from the surface to the base of the Abo formation.
3. Base upon an oil & gas title opinion, Trilogy believes that the individuals and entities listed on the attached Exhibit "A" are owners of an unleased mineral interest in the subject spacing unit.
4. On March 7, 2000, Trilogy submitted a written well proposal and AFE to the unleased mineral owners, and we have had the following additional contact:
 

Evans Oil and Gas, LLC.  
Sent letters dated 4/21/97, 10/18/99 and 2/18/00, attached as Exhibit "B". Telephone conversation on 2/17/00.

John F. Corvino and Rita M. Corvino  
Sent letter dated February 18, 2000, attached as Exhibit "C".

Harry L. Jones  
Sent letters dated 5/5/97, 7/8/97 and 2/18/00, attached as Exhibit "D". Telephone conversation on 2/17/00.

Max R. Chudy  
Sent letters dated 5/97, 7/8/97 and 2/18/00, attached as Exhibit "E".

Jack Reid  
Sent letters dated 4/15/97, 8/7/97, 3/25/98, 9/10/99 and 2/18/00, attached as Exhibit "F". Telephone conversations on 9/9/99 and 3/21/00. Verbally agreed to lease.
5. Despite its good faith efforts, Trilogy has been unable to obtain a voluntary agreement with the parties referenced herein.
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. In accordance with Division Rule 1207.A(1)(b) attached are the following statements and exhibits in support of this case:
  - (i) no opposition for hearing is expected because several of the parties cannot be contacted and the balance have failed to respond to our repeated attempts to contact and negotiate agreements.
  - (ii) map: (a) outlining the spacing unit to be pooled which is the NW/4 SE/4 of Section 1, T-20-S, R-38-E, NMPM, Lea County, New Mexico and showing (b) the well location, and (c) percentage ownership interest.
  - (iii) a list of the names and last known addresses of all parties to be pooled with the nature and percent of their interest; I attest that a diligent search has been conducted of all public records in the county where the well is to be located and of phone directories, including the following computer searches: 88 million households CD, Yahoo People Search and World Pages People Search.
  - (iv) the names of the formations and pools to be pooled are as follows:  
House Seven-Rivers; House San Andres; House Blinebry Oil and Gas Pool; House Drinkard; East Warren Tubb Oil and Gas Pool and D-K Abo.
  - (v) the pooled unit is for oil.
  - (vi) written evidence of attempts to reach voluntary agreement including letters and summary of telephone calls are attached.
  - (vii) geologic displays of the Abo, Drinkard and Blinebry formations to be tested which forms the basis for the opinion that the maximum 200% risk factor penalty is justified.
  - (viii) a copy of Ernest & Young average well costs overhead rates of \$4,500.00/month drilling and \$450.00/month producing well rates which we request be authorized for this case.
  - (ix) copy of APD and Division form C-102 showing the well location and the proposed depth of the well.
  - (x) copy of the AFE in the amount of \$494,010.00 completed well costs for this well which we conclude is fair, reasonable and current for wells of this type in this area.
8. We recommend that a compulsory pooling order be entered which provides that:
  - (a) Trilogy Operating, Inc. be named Operator;
  - (b) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
  - (c) 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,

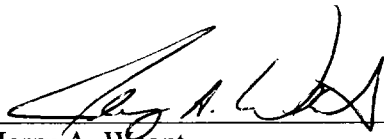
equipping and operating the well, including a risk factor penalty of 200%; and

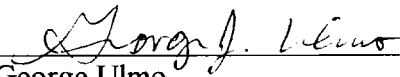
- (d) Provision for overhead rates of \$4,500.00 per month drilling and \$450.00 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS;

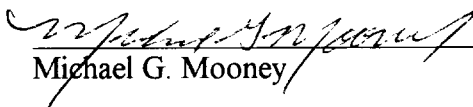
D. We have formed the following opinions based upon our respective expertise and upon the foregoing chronology of events:

- (1) That Trilogy is unable to locate all of the owners of interest to be pooled and the application is unopposed by those whom Trilogy has located.
- (2) That approval of Trilogy's application in this case is necessary in order to consolidate the interest ownership within this spacing unit for the drilling, completing and producing the subject well, will not violate correlative rights and will help prevent waste and promote the conservation of natural resources.
- (3) That the New Mexico Oil Conservation Division should enter an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NW/4 SE/4 Section 1, T-20-S, R-38-E, NMPM, Lea County, New Mexico, forming a standard 40 acre spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within said vertical extent, which presently includes but is not necessarily limited to the D-K Abo Pool, to dedicate this pooled unit to its Howser Well No. 1, to be drilled and completed at a standard oil well location within said spacing unit including 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 200% charge for risk involved in drilling and completing said well.

FURTHER AFFIANTS SAYETH NOT:

  
Jerry A. Weant

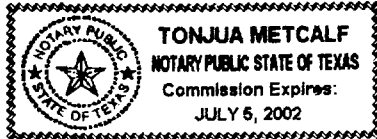
  
George Ulmo

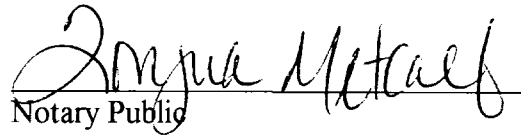
  
Michael G. Mooney

STATE OF TEXAS       )  
                                  )  
COUNTY OF MIDLAND   )

SUBSCRIBED AND SWORN TO before me this 18<sup>th</sup> day of April, 2000, by Jerry A. Weant,  
George Ulmo and Michael G. Mooney.

My Commission Expires:



  
Notary Public

N.M.O.C.D.: Compulsory Pooling Affidavit