

P.O. Box 11005
Midland, Texas 79702

TRILOGY OPERATING, INC.

915/699-1410
FAX 915/699-1113

The Operating Agreement and COPAS that will be used for the Howser #1 is the same as was previously submitted and approved for the Compulsory Pooling Order No. R-11302 for Trilogy Operating, Inc.'s Dreessen #1 well drilled and completed in the SW/4 NE/4 of Section 1, T-20-S, R-38-E, Lea County, New Mexico. As testified to in Case No 12305, we propose to use a Drilling Overhead Rate of \$4,500.00 and a Producing Overhead Rate of \$450.00. The attached page reflects a summary overhead rates compiled and printed in the annual American Association of Professional Landman's Directory.

ILLEGIBLE

Region: Colorado Plateau, Basin and Range — 3

Oil Wells	Monthly Drilling Well Fixed Overhead Rates			Monthly Producing Well Fixed Overhead Rates		
	NUMBER OF RESPONSES	AVERAGE	MEDIAN	NUMBER OF RESPONSES	AVERAGE	MEDIAN
Depth in Feet						
0 - 5,000						
5,001 - 10,000						
10,001 - 15,000						
15,001 - 20,000						
20,001 +						
No Depth Limit						
Gas Wells						
Depth in Feet						
0 - 5,000						
5,001 - 10,000						
10,001 - 15,000						
15,001 - 20,000						
20,001 +						
No Depth Limit						

Region: Rocky Mountains and Northern Great Plains — 4

Oil Wells	Monthly Drilling Well Fixed Overhead Rates			Monthly Producing Well Fixed Overhead Rates		
	NUMBER OF RESPONSES	AVERAGE	MEDIAN	NUMBER OF RESPONSES	AVERAGE	MEDIAN
Depth in Feet						
0 - 5,000						
5,001 - 10,000						
10,001 - 15,000						
15,001 - 20,000						
20,001 +						
No Depth Limit						
Gas Wells						
Depth in Feet						
0 - 5,000						
5,001 - 10,000						
10,001 - 15,000						
15,001 - 20,000						
20,001 +						
No Depth Limit						

Region: West Texas and Eastern New Mexico — 5

Oil Wells	Monthly Drilling Well Fixed Overhead Rates			Monthly Producing Well Fixed Overhead Rates		
	NUMBER OF RESPONSES	AVERAGE	MEDIAN	NUMBER OF RESPONSES	AVERAGE	MEDIAN
Depth in Feet						
0 - 5,000	48	\$3,367	\$3,000	98	\$402	\$450
5,001 - 10,000	14	2,476	4,500	87	458	450
10,001 - 15,000		5,000	5,000	25	607	600
15,001 - 20,000		5,128	5,128	3	475	450
20,001 +		8,000	8,000	1	950	950
No Depth Limit	6	5,000	5,373	6	511	576
Gas Wells						
Depth in Feet						
0 - 5,000	27	\$3,261	\$3,000	51	\$481	\$350
5,001 - 10,000	26	4,168	4,000	42	421	400
10,001 - 15,000	12	5,485	6,000	32	710	749
15,001 - 20,000		5,000	5,000	2	245	245
20,001 +		5,000	5,000	1	500	500
No Depth Limit		5,000	5,000	1	567	493