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JASON KELLAHIN (RETIRED 1991)

July 3, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12697

01 JUL -3 PM 3:29

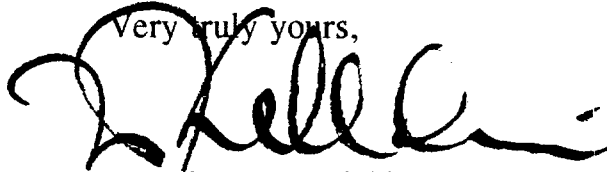
OL CONSERVATION DIV

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

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 July 26, 2001. 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 12697: Application of Trilogy Operating, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in accordance with 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 SW/4NE/4 of Section 24, T19S, 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 South Nadine-Seven Rivers-Yates Pool, Nadine-Blinebry Pool, Nadine Tubb Pool, Nadine Drinkard-Abo Pool. This unit is to be dedicated to its Sapphire Well No. 1 has been drilled but not completed at a standard well location in Unit G 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. This unit is located approximately 2 miles northeast from Nadine, New Mexico. **IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT**

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. 12697

01 JUL - 3 PM 3:29
OIL CONSERVATION DIV.

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 SW/4NE/4 of Section 24, T19S, 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 South Nadine-Seven Rivers-Yates Pool, Nadine-Blinebry Pool, Nadine Tubb Pool, Nadine Drinkard-Abo Pool. This unit is to be dedicated to its Sapphire Well No. 1 has been drilled but not completed at a standard well location in Unit G 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 SW/4NE/4 of Section 24, T19S, R38E, NMPM, Lea County, New Mexico.
2. The subject tract is located within one mile of the South Nadine-Seven Rivers-Yates Pool, Nadine-Blinebry Pool, Nadine Tubb Pool, Nadine Drinkard-Abo Pool.
3. This well was drilled at a standard oil well location in the SW/4NE/4 (Unit G) of Section 21 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 SW/4NE/4 of this section.

5. Trilogy, Inc., despite its good faith effort, has been unable to obtain the voluntary agreement the remaining 20.083322 percent of the mineral interest owners in the spacing unit as identified on Exhibit "A."

6. Pursuant to Section 70-2-17.C NMSA (1978), Division Rule 1207.A(1)(b) 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.

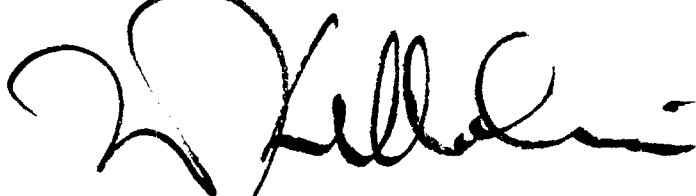
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for July 26, 2001

WHEREFORE, Trilogy, as applicant, requests that this application be set for hearing on July 26, 2001 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', written over a horizontal line.

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

EXHIBIT "A"

SW/4 NE/4 SECTION 24, T-19-S, R-38-E, NMPM, LEA COUNTY, NEW MEXICOUNLEASED MINERAL OWNERS:MINERAL INTEREST

Heirs or Devisees of W. E, McWilliams Address Unknown	0.025
Thomas Cone (No Response) Box 778 Jay, OK 74346	0.020
Kenneth Cone (No Response) P.O. Box 11310 Midland, TX 79702	0.020
Bobby G. Bales (Refused to Discuss) R.R. 1, Box 308 Sperry, OK 74073	0.0208333
John W. Coyle, III (No Response) 119 N. Robinson, Suite 320 Oklahoma City, OK 73102	0.00208333
John W. Coyle, III, Personal Rep of Est of Patrick Coyle (No Response) 119 N. Robinson, Suite 320 Oklahoma City, OK 73102	0.00208333
Shannon Coyle Manning (No Response) 119 N. Robinson, Suite 320 Oklahoma City, OK 73102	0.00208333
Michael Coyle (No Response) 119 N. Robinson, Suite 320 Oklahoma City, OK 73102	0.00208333
Mid First Bank, S.A, Trustee for the Carolyn B. Berry Trust B-1 (No Response) 501 N.W. Grand Blvd., Suite 300 Oklahoma City, OK 73118	0.0083333
The Long Trusts P.O. Box 3096 Kilgore, TX 75663	0.04000
J.H. Free Address Unknown	0.0208333
Heirs or Devisees of G. W. McWilliams Address Unknown	0.0375

Compulsory Pooling: Sapphire #1 MI