

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       )  
 PURPOSE OF CONSIDERING:                       ) CASE NO. 12,834  
   )  
 APPLICATION OF TRILOGY OPERATING, INC.,       )  
 FOR COMPULSORY POOLING, LEA COUNTY, NEW       )  
 MEXICO    )  
 \_\_\_\_\_)

OFFICIAL EXHIBIT FILE

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

March 21st, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, March 21st, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

TRILOGY OPERATING, INC.'S

RUBY #2  
NE/4 SW/4 SECTION 24,  
T-19-S, R-38-E, NMPM,  
LEA COUNTY, NEW MEXICO

COMPULSORY POOLING  
REQUEST

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 20 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 22 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 22 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 NE/4 SW/4 of Section 24, T-19-S, R-38-E, NMPM, Lea County, New Mexico.
2. Trilogy proposes to drill and complete its Ruby Well No. 2 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. Trilogy has submitted a written well proposal and AFE to the unleased mineral owners, and we have had the following additional contact:

Gena Gilmer 0.0003662 MI (Address unknown based on prior attempts)

Mike Gilmer 0.0003662 MI  
Letter submitted December 17, 2001. Letter returned with no forwarding address.

Barbara Christman Farrell 0.0041503 MI  
Title in Lea County reflects that Ms. Farrell is the record owner; however, our research reflects that Timothy C. Williams may own this interest. Letter submitted December 17, 2001. No response. We are unsure if we have a workable address. Prior attempts to reach Mr. Williams at the address we have have failed. Also, all attempts to find Ms. Farrell were unsuccessful.

W. Tom Jones 0.0078125 MI  
Unable to locate.

John Flood 0.0019531 MI  
Unable to locate.

Betty B. Martin 0.0019531 MI  
Letter submitted December 17, 2001. No Response.

Snyder-Flood Trust and Estate of Anne Snyder 0.0019531 MI  
Letter submitted December 17, 2001. No Response.

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 NE/4 SW/4 of Section 24, T-19-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:  
Nadine Seven-Rivers/Yates South; Nadine Blinebry; Nadine Tubb; Nadine Drinkard-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 and Tubb formations to be tested which forms the basis for the opinion that the maximum 200% risk factor penalty is justified.
  - (viii) Overhead rates of \$4,500.00/month drilling and \$450.00/month producing well rates which we request be authorized for this case have already been approved for our Ruby #1 Compulsory Pooling Ordre No R-11604.
  - (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 \$663,300.00 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

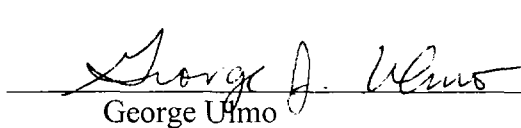
- (d) Provision for overhead rates of \$4,500.00 per month drilling and \$450.00 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS;

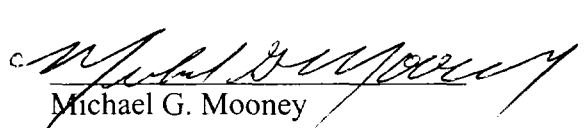
D. We have formed the following opinions based upon our respective expertise and upon the foregoing chronology of events:

- (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 NE/4 SW/4 Section 24, T-19-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 Nadine Drinkard-Abo Pool, to dedicate this pooled unit to its Ruby Well No. 2, 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

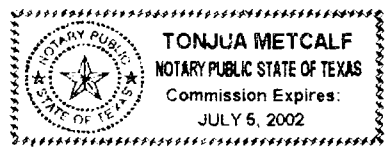
  
George Ulmo

  
Michael G. Mooney

STATE OF TEXAS            )  
                                      )  
COUNTY OF MIDLAND    )

SUBSCRIBED AND SWORN TO before me this 11<sup>th</sup> day of February, 2002, by Jerry A. Weant, George  
Ulmo and Michael G. Mooney.

My Commission Expires:



*Tonjua Metcalf*  
\_\_\_\_\_  
Notary Public

EXHIBIT "A"

NE/4 SW/4 SECTION 24, T-19-S, R-38-E, NMPM, LEA COUNTY, NEW MEXICO

<u>UNLEASED MINERAL OWNERS:</u>	<u>MINERAL INTEREST</u>
Gena Gilmer (No response) 5850 S. Jardin Place Memphis, TN 38141	0.0003662
Mike Gilmer (No response) P.O. Box 384 Columbia, TN 38402	0.0003662
Timothy C. Williams (Barbara Christman Farrell) 3931 Tall Birch Cove Memphis, TN 38115	0.0041503
Betty B. Martin (Lease not returned, ill) 12770 South Main Street Somerville, TN 38068	0.0019531
John Flood Address Unknown	0.0019531
W. Tom Jones Address Unknown	0.0078125
Snyder-Flood Trust and Estate of Anne Snyder c/o Wells Fargo Bank, Trustee Attn: Trust Department P.O. Box 1959 Midland, Texas 79702	0.0019531

Compulsory Pooling: Ruby #2 MI