

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/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, Nadine-Drinkard/Abo Pool. This unit is to be dedicated to its Sapphire Well No. 2 to be drilled at a standard well location in Unit B 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/4NE/4 of Section 24, T19S, R38E, NMPM, Lea County, New Mexico.

2. The subject tract is located within one mile of the including but not limited to the South Nadine-Seven Rivers/Yates Pool, Nadine-Blinebry Pool, Nadine-Tubb, Nadine-Drinkard/Abo Pool.

3. This well was drilled at a standard oil well location in the NW/4NE/4 (Unit B) of Section 24 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/4NE/4 of this section.

5. Trilogy, Inc., despite its good faith effort, has been unable to obtain the voluntary agreement the remaining 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 September 19, 2002

WHEREFORE, Trilogy, as applicant, requests that this application be set for hearing on August 26, 200 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 in a cursive style.

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

EXHIBIT "A"

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

<u>UNLEASED MINERAL OWNERS:</u>	<u>MINERAL INTEREST</u>
Heirs or Devisees of W. E, McWilliams Address Unknown	0.025
Kenneth Cone (No Response) P.O. Box 11310 Midland, TX 79702	0.020
Bobby G. Bales (No Response) 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
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
Lana Carol Smith Shepherd Address Unknown	0.0008333

Jo Ann Smith Parker Address Unknown	0.0008333
Pamela Sue Reynolds Ortega Address Unknown	0.0005555
Patricia Ann Reynolds Address Unknown	0.0005555
Larry Gene Reynolds Address Unknown	0.0005555

Compulsory Pooling: Sapphire #2 MI

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 NW/4 NE/4 of Section 24, T-19-S, R-38-E, NMPM, Lea County, New Mexico.
2. Trilogy proposes to drill and complete its Sapphire 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:

Heirs or Devisees of W. E. McWilliams 0.025 MI  
Unable to locate.

Kenneth Cone 0.020 MI  
Letter submitted July 5, 2002. Certified receipt dated July 17, 2002.

Bobby G. Bales 0.0208333 MI  
Letter submitted July 5, 2002. Certified receipt dated July 10, 2002.  
Telephone conversation on June 6, 2001.

John W. Coyle, III 0.00208333 MI  
Letter submitted July 5, 2002. Certified receipt dated July 8, 2002.  
Mr. Coyle represents himself as well as Estate of Patrick Coyle, Shannon Coyle Manning and Michael Coyle.

John W. Coyle, III, Personal Rep. of Estate of Patrick Coyle 0.00208333 MI  
Letter submitted July 5, 2002. Certified receipt dated July 8, 2002.

Shannon Coyle Manning 0.00208333 MI  
Letter submitted July 5, 2002. Certified receipt dated July 8, 2002.

Michael Coyle 0.00208333 MI  
Letter submitted July 5, 2002. Certified receipt dated July 8, 2002.

J.H. Free 0.0208333 MI  
Unable to locate.

Heirs or Devisees of G. W. McWilliams 0.0375 MI  
Unable to locate.

The Long Trusts 0.0400 MI  
Letter submitted July 5, 2002. Certified receipt dated July 9, 2002.  
As per verbal conversation, advised to seek pooling order.

Lana Carol Smith Shepherd 0.0008333 MI  
Unable to locate.

Jo Ann Smith Parker 0.0008333 MI  
Unable to locate.

Pamela Sue Reynolds Ortega 0.0005555 MI  
Unable to locate.

Patricia Ann Reynolds 0.0005555 MI  
Unable to locate.

Larry Gene Reynolds 0.0005555 MI  
Unable to locate.

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 NE/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. Additionally, we have contacted any known family members for assistance.
- (iv) the names of the formations and pools to be pooled are as follows:  
Nadine Seven-Rivers/Yates South; Nadine Blinbry; 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) 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 \$587,011.00 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:

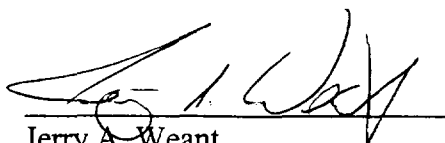
- (a) Trilogy Operating, Inc. be named Operator;

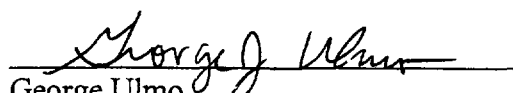
- (b) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (c) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production the costs of the drilling, 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 NE/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 Sapphire 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 AFFILIANTS SAYETH NOT:

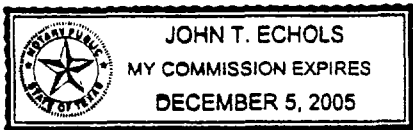
  
Jerry A. Weant

  
George Ulmo

  
Michael G. Mooney

STATE OF TEXAS       )  
                                  )  
COUNTY OF MIDLAND   )

SUBSCRIBED AND SWORN TO before me this 16<sup>th</sup> day of August, 2002, by Jerry A. Weant, George Ulmo and Michael G. Mooney.



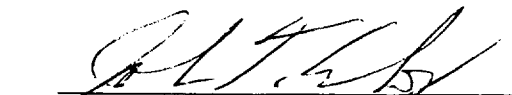
  
\_\_\_\_\_  
Notary Public

EXHIBIT "A"

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

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