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\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 26, 2002

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: Sapphire Well No. 2  
NW/4NE/4 Section 24, T19S, R38E  
Application of Trilogy Operating, Inc.  
for Compulsory Pooling  
Lea County, New Mexico**

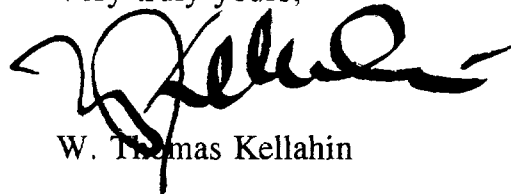
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*Case 12925*

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 September 19, 2002. 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  
Fax: (915) 686-2040

**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. 12925

**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-Bliebry 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-Bliebry 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', is written over the typed name and address below.

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	0.0008333
Address Unknown	

Pamela Sue Reynolds Ortega	0.0005555
Address Unknown	

Patricia Ann Reynolds	0.0005555
Address Unknown	

Larry Gene Reynolds	0.0005555
Address Unknown	

Compulsory Pooling: Sapphire #2 MI

**CASE/2922** 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 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-Blinbry 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. This unit is located approximately 7 miles east from Angell, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT**