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WRITER

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October 7, 2016

VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: GMT Exploration Company LLC Application

Dear Florene:

See Amended

RECEIVED
OCT 11 2016

Enclosed please find: (i) for filing, the original and one (1) copy of an application by GMT Exploration Company LLC ("GMT") for approval of a 160-acre, non-standard oil spacing and proration unit to be dedicated to GMT's Grenache "32" State Com #1H well; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, GMT requests that the application be placed on the Division's November 17, 2016 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:sm
Enclosures

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

2015 OCT -7 11:03 AM

APPLICATION OF GMT EXPLORATION
COMPANY LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO

See attached
APPLICATION

Case No. 15588⁶2

Pursuant to NMSA § 70-2-17, GMT Exploration Company LLC (“GMT”) applies for an order (i) approving a 160-acre, non-standard spacing and proration unit in the W/2 E/2 of Section 32, Township 21 South, Range 32 East, Lea County, New Mexico, and (ii) pooling all uncommitted mineral interests in the Bone Spring formation. In support of its Application, GMT states:

1. GMT (OGRID No. 260511) is a working interest owner in the ~~W/2 E/2~~ of Section 32 and has the right to drill a well thereon.
2. GMT proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its Grenache “32” State Com #1H well, which will be horizontally drilled from a surface location in Unit N of Section 32, Township 21 South, Range 32 East to a bottom hole location in Unit C of Section 32, Township 21 South, Range 32 East.
3. The completed interval for the Grenache “32” State Com #1H well will remain within the 330-foot standard offset required by 19.15.15.9(A) NMAC.
4. GMT has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners in the proposed project area to participate in the drilling of the well, but has been unable to obtain voluntary agreements from all of the mineral interest owners.

5. The pooling of those uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow GMT to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the non-standard spacing and proration unit should be pooled and GMT should be designated the operator of the proposed horizontal well and project area.

WHEREFORE, GMT requests that this application be set for hearing on November 17, 2016 and that, after notice and hearing, the Division enter an order:

A. Approving a 160-acre, non-standard spacing and proration unit (project area) in the Bone Spring formation in the ~~W/2 E/2~~ of Section 32, Township 21 South, Range 32 East, in Lea County;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating GMT as the operator of the project area and the Grenache "32" State Com #1H well;

D. Authorizing GMT to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Grenache "32" State Com #1H well and allocating the cost among the uncommitted mineral interest owners;

F. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

G. Imposing a 200% penalty for the risk assumed by GMT in drilling and completing the Grenache "32" State Com #1H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

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Counsel for GMT Exploration Company LLC

PROPOSED NOTICE

See Amended

Case No. 15526: Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.

Applicant seeks an order (i) creating a 160-acre, non-standard oil spacing and proration unit (project area) comprised of the ~~W/2 E/2~~ of Section 32, Township 21 South, Range 32 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's Grenache "32" State Com #1H well, which will be horizontally drilled from a surface location in Unit N of Section 32, Township 21 South, Range 32 East to a bottom hole location in Unit C of Section 32, Township 21 South, Range 32 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of applicant as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately twenty-five (25) miles southwest of Loving, New Mexico.

2015 OCT 17 10:10 AM
OFFICE OF THE
STATE ENGINEER