

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14184

APPLICATION OF GMT EXPLORATION
COMPANY, LLC, FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

September 18, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, September 18, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
ATTORNEY AT LAW
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Santa Fe, New Mexico 87504

FOR HARVEY E. YATES COMPANY:

Michael H. Feldewert, Esq.
HOLLAND & HART LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

1 MR. EZEANYIM: At this point, we call Case No. 14184,
2 and this is the Application of GMT Exploration Company, LLC,
3 for Compulsory Pooling, Lea County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
6 representing the applicant. I have one witness. Any other
7 appearances, please?

8 MR. FELDEWERT: Mr. Examiner, Michael Feldewert of
9 the Santa Fe office of the law firm of Holland and Hart,
10 appearing on behalf of Harvey E. Yates Company. I have no
11 witnesses.

12 MR. EZEANYIM: Any other appearances, please?

13 May the witness stand and be sworn. State your name
14 for the record.

15 MS. ALBRECHT: My name is Megan Albrecht.

16 MR. EZEANYIM: Mr. Bruce, you may proceed.

17 MEGAN ALBRECHT

18 after having been first duly sworn under oath,

19 was questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of
23 residence for the record.

24 A. My name is Megan Albrecht, and I live in
25 Lakewood, Colorado.

1 Q. Who do you work for and in what capacity?

2 A. GMT Exploration as a landman.

3 Q. Have you previously testified before the
4 Division?

5 A. No.

6 Q. Would you please summarize your educational and
7 employment background for the Examiner?

8 A. I graduated from the University of Denver with a
9 BS/BA in business management, and after that I worked for a
10 real estate title company for about a year. And then I worked
11 for two independent oil and gas companies. Since then, I
12 worked at Bear Mountain Resources, LLC, for a little over a
13 year until they sold. And now I'm with GMT Exploration since
14 the beginning of this year.

15 Q. And at both Bear Mountain and GMT, did you work
16 in the land department as a landman?

17 A. I did.

18 Q. And does your area of responsibility at GMT
19 include this area of southeast New Mexico?

20 A. Yes.

21 Q. And are you familiar with the land matters
22 involved in this case?

23 A. Yes.

24 MR. BRUCE: Mr. Examiner, I tender Ms. Albrecht as an
25 expert petroleum landman.

1 MR. EZEANYIM: How many years in total have you been
2 a landman?

3 THE WITNESS: For two.

4 MR. EZEANYIM: For two years? Okay. Are you
5 registered as a certified public landman?

6 THE WITNESS: No, I'm not.

7 MR. EZEANYIM: Okay. You're qualified to give
8 testimony in this case.

9 Q. (By Mr. Bruce): Ms. Albrecht, would you identify
10 Exhibit 1 and describe what GMT seeks in this case?

11 A. Exhibits 1 is a well location and acreage
12 dedication plat, and it was prepared for us by Basin Surveys.
13 It highlights the E/2 of Section 28, 18 South, 34 East, and it
14 shows our well location. We seek to pool the E/2 of Section 28
15 from the surface to the base of Morrow formation to form a
16 standard 320-acre gas well unit for any formations developed on
17 320-acre spacing.

18 Q. And what is the name of the proposed well?

19 A. The unit will be dedicated to the proposed
20 NW Raptor 43-28 well, and it's going to be drilled at an
21 orthodox location in the NE/4 of the SE/4 of Section 28.

22 Q. What is the working interest ownership of the
23 320-acre well unit? And I refer you to Exhibit 2.

24 A. Exhibit 2 lists the working interest owners in
25 the well and their percentage interests, and the well is

1 covered by two State leases as I showed on Exhibit 2. GMT and
2 its partner own the working interest in the SE/4 of Section 28,
3 and the parties we are pooling are in the NE/4 of Section 28.

4 Q. Okay. And you seek to force-pool ConocoPhillips,
5 Marathon, and Harvey E. Yates Company at this time?

6 A. We do.

7 Q. And is all of the land in the E/2 of Section 28
8 State of New Mexico lands?

9 A. Yes.

10 Q. Okay. Let's discuss your efforts to obtain the
11 voluntary joinder of the interest owners in the well unit.
12 Would you identify Exhibits 3-A and discuss Exhibits 3-A and
13 3-B for the Examiner?

14 A. Okay. If you go to 3-A, that summarizes our
15 correspondence with the parties. And then Exhibit 3-B contains
16 our proposal letters and e-mails and telephone notes.

17 About three-and-a-half months ago, we began to
18 contact the parties after we obtained an ownership report
19 covering the NE/4. In July, we mailed the formal well
20 proposals to the parties.

21 We're currently in the process of obtaining a term
22 assignment from ConocoPhillips and Marathon. We've transmitted
23 a JOA to Harvey E. Yates, per their request, to help them
24 decide if they want to participate in the well or not. We have
25 yet to hear back on that. But we are pretty long in the

1 process.

2 We've reviewed the form assignments from Conoco and
3 Marathon, so hopefully we have something signed here soon.

4 Q. If any of the interest owners who are being
5 pooled voluntarily join in the well or execute a farmout or
6 term assignment, will you notify the Division so that they're
7 not subject to a pooling order?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, before I get to my next
10 question, the matter does have to be continued for two weeks.
11 In the original application, the name of the well was wrong.
12 Everything else was correct, but the name of the well was
13 wrong, and I'm continuing it for two weeks to cure that defect.

14 Q. (By Mr. Bruce): Ms. Albrecht, the matter does
15 have to be continued for two weeks. Why are you proceeding
16 with the hearing at this time?

17 A. As I mentioned, we are in negotiations, but we
18 don't have anything executed yet. And, as you are probably all
19 aware, this area is really active as far as drilling, and
20 getting a rig is difficult. We were just notified recently of
21 rig availability as soon as the beginning of October.

22 So we've submitted our application to drill, and
23 we're going to have that permit walked through, and we'd just
24 like to go ahead and get this matter before you as soon as
25 possible so we can hopefully get an order issued and be cleared

1 to drill.

2 Q. And Exhibit 3-B contains the backup
3 correspondence with the interest owners; does it not?

4 A. It does.

5 Q. In your opinion, has GMT made a good-faith effort
6 to obtain the voluntary joinder of the interest owners in the
7 well?

8 A. Yes.

9 Q. And getting back to a question from the last
10 hearing, the interest owners in this well are all locatable,
11 correct?

12 A. Correct.

13 Q. And so there would be no need to establish an
14 escrow account because the interest owners are locatable and
15 can be paid?

16 A. Correct.

17 Q. Would you identify Exhibit 4 for the Examiner and
18 discuss the cost of the proposed well?

19 A. Exhibit 4 is our authorization for expenditure,
20 and it has an estimated dry hole cost of \$2,634,225 and a
21 completed well cost of \$4,651,156. And you can see that at the
22 bottom there.

23 MR. EZEANYIM: What's the depth of this one?

24 THE WITNESS: It's 14,000 feet, approximately.
25 13,800 TD.

1 Q. (By Mr. Bruce): Is this cost in line with the
2 cost of other wells drilled to this depth in this area of
3 New Mexico?

4 A. Yes.

5 Q. And do you request that GMT Exploration Company
6 be appointed operator of the well?

7 A. Yes.

8 Q. Do you have a recommendation for the amounts
9 which GMT should be paid for supervision and administrative
10 expenses?

11 A. 8,000 a month for a drilling well and 800 a month
12 for a producing well.

13 Q. And are these amount equivalent to those charged
14 by GMT and other operators in this area for wells at this
15 depth?

16 A. Yes, especially given the depth.

17 Q. Do you request that the overhead rates be
18 adjusted periodically as provided by the COPUS accounting
19 procedure?

20 A. Yes.

21 Q. And does GMT request the maximum cost plus
22 200 percent risk charge against any interest owner who
23 non-consents the well?

24 A. Yes, we do.

25 Q. And finally, were the parties being pooled

1 notified of this hearing?

2 A. Yes, by that letter that you mailed on
3 August 26, 2008.

4 MR. BRUCE: I've handed you Exhibit 5 and 6,
5 Mr. Examiner. Exhibit 5 is the notice of this hearing, and
6 Exhibit 6 is giving notice to the same interest owners of the
7 October 2nd hearing, which this matter has to be continued to.
8 And the parties did receive actual notice.

9 Q. (By Mr. Bruce): Were Exhibits 1 through 6
10 prepared by you or under your supervision or compiled from
11 company business records?

12 A. Yes.

13 Q. And in your opinion, is the granting of this
14 application in the interests of conservation and the prevention
15 of waste?

16 A. Yes.

17 MR. BRUCE: Mr. Examiner, I move the admission of GMT
18 Exhibits 1 through 5.

19 MR. EZEANYIM: Exhibits 1 through 5 will be admitted.

20 [Applicant's Exhibits 1 through 5 admitted into
21 evidence.]

22 EXAMINATION

23 BY MR.. BROOKS:

24 Q. ConocoPhillips, Marathon, and Heyco are the only
25 people you're pooling, right?

1 A. Correct.

2 Q. And are you asking for 320 acres from the surface
3 to the basin of the Morrow? Is that --

4 MR. BRUCE: That's correct, Mr. Brooks. Obviously,
5 in effect, top of the Wolfcamp down.

6 MR. BROOKS: Okay. That's all.

7 MR. EZEANYIM: Do you have cross-examination?

8 MR. FELDEWERT: I just have a couple of questions.

9 CROSS-EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Ms. Albrecht, your overhead rates that you quoted
12 here, 8,000 a month and \$800 a month, are those the rates that
13 are set forth in the JOA?

14 A. Yes. That's what we transmitted to your client.

15 Q. And the term assignments that were executed by
16 Conoco and Marathon, are they -- are the terms of those term
17 assignments set forth in this July 29th letter as part of your
18 Exhibit 3-B to --

19 A. No, they don't match that exactly. They were
20 according to what Conoco and Marathon negotiated with us later.

21 Q. Is that reflected in this September 8, 2008,
22 letter to Marathon as part of 3-B?

23 A. Yes. I think most of the terms are in there.
24 But we didn't include the actual assignment itself, since
25 that's confidential.

1 Q. Okay. That's all the questions I have. Thanks.

2 MR. EZEANYIM: Mr. Bruce, do you have any?

3 MR. BRUCE: I have nothing further in this matter,
4 Mr. Examiner.

5 EXAMINATION

6 BY MR. EZEANYIM:

7 Q. Okay. I'm going to -- first of all, where is the
8 location of the well, the physical location of the well? What
9 is the physical location of the well?

10 A. It's 860 feet from the east line and 1,980 feet
11 from the south line.

12 Q. What is it again, 900?

13 A. What's that? It's 1,980 feet from the south
14 line, and if you want to visualize that, that's Exhibit 1.

15 MR. EZEANYIM: Since you located everybody, there's
16 no need for a newspaper advertisement, right? You didn't do
17 any newspaper advertisement because you located everybody?

18 MR. BRUCE: Yes.

19 Q. (By Mr. Ezeanyim): Did you say that -- during
20 your testimony, you said that you've got the APD and the API
21 numbers for this one?

22 A. We don't have an API number because we just
23 submitted the application. And we're going to walk it through,
24 so we should have it soon, hopefully.

25 Q. Why don't you request for this case to be

1 continued for two weeks, and you say you still want to see --
 2 if you get your APD, are you going to start drilling?

3 A. I mean, it's dependent upon the rig availability
 4 right now, so we're going to drill when we can drill.

5 Q. What is the correct number of this well? Because
 6 right here, I see Raptor NW-something. What is going to be the
 7 correct name of this well?

8 MR. BRUCE: It is 43-28, and you can ask the
 9 witnesses why it has that number, but that is the number.

10 Q. (By Mr. Ezeanyim): Okay. The NW Raptor 43-28
 11 Federal Com well is not the correct well?

12 A. Right. Because it's not a federal well.

13 Q. Oh, it's not a federal well?

14 A. Right.

15 Q. Is it --

16 MR. BRUCE: It will be. It's a State.

17 Q. (By Mr. Ezeanyim): It's going to be NW Raptor
 18 43-28 No. 1 with fed com taken off? Is that what you are going
 19 to call it --

20 A. Yes.

21 Q. -- within the next two weeks?

22 A. Yes, we're going to take the fed out.

23 MR. EZEANYIM: Well, at this point, I have no further
 24 questions. Case No. 14184 will be continued for two weeks to
 25 correct the well name for this case. a complete record of the proceedings in
 the Examiner hearing of Case No. _____
 heard by me on _____

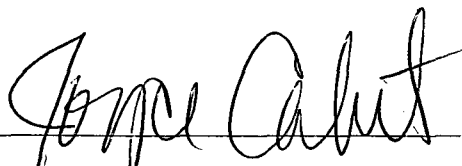
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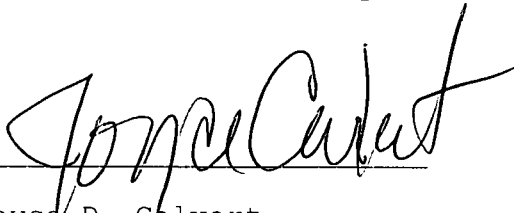


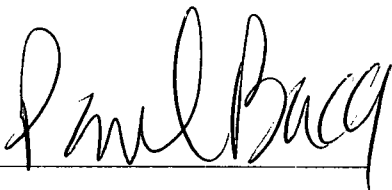
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