

## Davidson, Florene, EMNRD

---

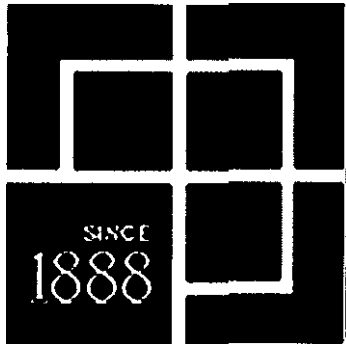
**From:** Gary Larson <glarson@hinklelawfirm.com>  
**Sent:** Friday, October 21, 2016 4:59 PM  
**To:** Davidson, Florene, EMNRD  
**Cc:** Salvidrez, Marlene, EMNRD  
**Subject:** Proposed Notice/GMT Exploration Company LLC Amended Application.  
**Attachments:** Proposed Notice.docx

Florene,

On behalf of GMT Exploration Company LLC, I filed an amended application this afternoon for approval of a non-standard spacing and proration unit and compulsory pooling for GMT's Grenache "32" State Com #1H horizontal well, and also submitted a hard copy of a proposed public notice.

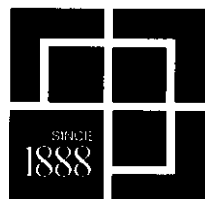
Attached is the proposed public notice in Word format. It supersedes the proposed public notice that I submitted with GMT's initial application.

Gary



Gary W. Larson,  
Partner  
Hinkle Shanor LLP  
218 Montezuma  
Santa Fe, New Mexico 87501  
(505) 982-4554 telephone  
(505) 982-8623 facsimile  
[glarson@hinklelawfirm.com](mailto:glarson@hinklelawfirm.com)

This message (including attachments) constitutes a confidential attorney-client or is otherwise a confidential communication from the law firm, Hinkle Shanor LLP, that is covered by the Electronic Communications Privacy Act, 18 U.S.C. Sections 2510-2521, and is intended solely for the use of the individual(s) or entity to whom it is addressed. It is not intended for transmission to, or receipt by, any unauthorized person. If you are not the intended recipient or received these documents by mistake or error, please do not read it and immediately notify us by collect telephone call to (505) 982-4554 for instructions on its destruction or return. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, action or reliance upon the contents of the documents is strictly prohibited.



hinklelawfirm.com

## HINKLE SHANOR LLP

ATTORNEYS AT LAW

PO BOX 2068

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

WRITER:

Gary W. Larson,  
Partner

glarson@hinklelawfirm.com

October 21, 2016

### VIA HAND DELIVERY

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

Re: GMT Exploration Company LLC Amended Application

Dear Florene:

On behalf of GMT Exploration Company LLC ("GMT"), I am enclosing: (i) for filing, the original and one (1) copy of an amended application by 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.

GMT's initial application requested that the application be placed on the Division's November 17, 2016 hearing docket. The amended application similarly requests that the case be heard on November 17.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:jwl  
Enclosures

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

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

Case No. 15586

**AMENDED APPLICATION**

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 E/2 W/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 E/2 W/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 amended 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 E/2 W/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;

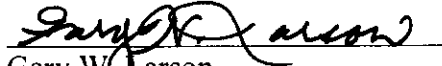
D. Authorizing GMT to recover its costs of drilling, equipping, and completing the well;

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.

HINKLE SHANOR LLP

A handwritten signature in dark ink, appearing to read "Gary W. Larson", is written over a horizontal line.

Gary W. Larson  
P.O. Box 2068  
Santa Fe, NM 87504-2068  
Phone: (505) 982-4554  
Facsimile: (505) 982-8623  
glarson@hinklelawfirm.com

*Counsel for GMT Exploration Company LLC*

**PROPOSED NOTICE**

**Case No. \_\_\_\_\_: 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 E/2 W/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.

2008 APR 21 10:40 AM  
NEW MEXICO  
DIVISION OF OIL & GAS

### **PROPOSED NOTICE**

Case No. 15586 : 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 E/2 W/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.