

Hearing Testimony

October 21, 2002

James E. Brown
Royalty Owner
Grama Ridge E. "34" State #1

My name is James E. Brown. My home address is 1603 Stanolind Avenue Midland, Texas. I am the owner of a .3% overriding royalty interest in the State of New Mexico Oil and Gas Lease No. V-5683, which covers the N/2 of Section 34, Township 21 South, Range 34 East, Lea County New Mexico.

I am an independent petroleum geologist by profession, having B.A. and M.S. degrees in geology and over 33 years of professional experience in the oil and gas industry. My current income is primarily derived from oil and gas royalty payments. I speak to you today as one of the five royalty owners that were involved in generating an oil and gas prospect in the N/2 of Section 34. As a result of that prospect, Great Western Drilling Company acquired an oil and gas lease on the N/2 of Section 34 in the December 1999 lease sale conducted by the New Mexico State Land Office. Nearburg subsequently acquired an interest in that lease and drilled the Grama Ridge "34" State #1 during the year 2000. It was my understanding that the Oil Conservation Division approved a N/2 unit for this well. During the approximately 13 months that the well was on production, I received approximately \$18,700 in royalty income and paid the State of New Mexico approximately \$2,500 in production and income taxes.

Ladies and gentlemen, I generate prospects in the Permian Basin of Texas and SE New Mexico for a living. Royalty payments, such as those from the State "34" well are extremely important to me as a source of income. I cannot express to you how distraught all five royalty owners are that we spent time and money generating and selling a prospect only to have the state apparently change its mind on what our clients had leased and had invested over \$1million drilling and completing. Not only has our income been stopped for 14 months, but also I am told that our interest could be diluted by a party that owns a nearby well that, according to public records, has not produced economic volumes of gas in over 10 years. I really do not understand how you can let this happen. However my greatest concern is that the act of shutting-in our well over a year ago has reduced the ultimate reserves that we will recover. My experience tells me that the "34" #1 has likely been damaged by this long impasse.

Commissioners, I respectfully ask that you allow the subject well to resume production immediately so that no further reservoir damage will occur. I also ask that the State of New Mexico honor the lease and unit that you granted in the December 1999 Lease Sale. I and the other royalty owners feel that the State of New Mexico should not dilute our interest and should not continue to prevent us from receiving our income.