OIL AND GAS DOCKET NO. 06-0247344

THE APPLICATION OF GMT EXPLORATION CO. TEXAS LLC FOR NEW FIELD DESIGNATION AND TWO-FACTOR ALLOCATION FORMULA FOR THE (PROPOSED) BUCKNER CREEK (TRAVIS PEAK) FIELD, RUSK COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history
Application received: May 1, 2006
Hearing held: June 8, 2006

Appearances

	Representing
Dale Miller	GMT Exploration Co. Texas LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

GMT Exploration Co. Texas LLC ("GMT") is requesting a new field designation to be known as the Buckner Creek (Travis Peak) Field. The applicant requested the following rules for the new field:

1. Designated interval between 8290' and 10,392' MD as shown on the log of the GMT Rowe Lease Well No. 1;

2. Allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The Rowe No. 1 was drilled in August, 2005. The well is selectively perforated between 9758' and 10,222', near the base of the requested designated interval of 8290'-10,392'. GMT expects to perforated more sandstones within this proposed interval The discovery well was tested at a maximum rate of 803 MCFD and is now being completed. The bottomhole pressure is 4200 psi.

There are only two other wells that penetrated this depth within 2-1/2 miles. One is a dry hole about 2000' to the southwest.. The other well was a producing well in the Laura Grace (Travis Peak) Field but its perforations are slightly shallower stratigraphically than the proposed interval.

GMT modeled the expected production from the Rowe No. 1 after the wells in the nearby Stockman (Travis Peak) Field. If only a single sandstone is completed in the Rowe No. 1 the well will have a negative rate of return unless gas prices are above $11/MMBtu. If the expected four producing sandstones are completed sequentially, it will take 44 years to deplete the Travis Peak. Even if all four productive sandstones are completed at the same time, the Rowe No. 1 will be economic only if gas prices stay above $6/MMBtu. Downhole commingling thus will improve the recovery economics and encouraging further drilling. It will also result prevent waste as it will lead to the recovery of an

incremental 250 MMCF by reducing the economic limit.

The proposed designated interval includes multiple sandstones that are not in natural communication. State statutes require two factor allocation in such cases, and the proposed allocation formula, based 5% per well and 95% on deliverability, will satisfy this requirement.

FINDINGS OF FACT

1. Notice of this hearing was mailed to all operators within 2-1/2 miles of the discovery tract on May 19, 2006.

2. The GMT Exploration Co. Texas LLC Rowe No. 1 was selectively perforated between 9758' and 10,222', and tested at a maximum rate of 803 MCFD.

3. The designated interval, between 8290' and 10,392' as shown on the log of the Rowe Lease Well No. 1, includes all of the productive Travis Peak formation in this new field.

4. The only other well within 2-1/2 miles that produced from the Travis Peak was completed in a stratigraphically shallower sandstone.

5. Because the discovery well produces from multiple, lenticular stratigraphic accumulations, a two-factor allocation formula is required by statute.

6. An allocation formula based 5% per well and 95% on deliverability will satisfy state statutes.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.

2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.

3. The requested new field designation and designated interval will prevent waste and promote conservation.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the request for a new field designation and field rules for the Buckner Creek (Travis Peak) Field.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner