

HOLLAND & HART LLP



Ocean Munds-Dry
omundsdry@hollandhart.com

December 5, 2007

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14025

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Re: Amended Application of Marbob Energy Corporation for an order authorizing the drilling of a well in the potash area, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the amended application of Marbob Energy Corporation in the above-referenced case as well as a copy of a legal advertisement. Marbob requests that this matter be placed on the docket for the January 10, 2008 Examiner hearings.

Sincerely yours,

Ocean Munds-Dry

Ocean Munds-Dry
**ATTORNEYS FOR
MARBOB ENERGY CORPORATION**

cc: Mr. Raye Miller

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

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

**APPLICATION OF MARBOB ENERGY CORPORATION FOR AN ORDER
AUTHORIZING THE DRILLING OF A WELL IN THE POTASH AREA, LEA
COUNTY, NEW MEXICO.**

CASE NO. 14025

AMENDED APPLICATION

MARBOB ENERGY CORPORATION ("Marbob"), pursuant to the provisions of Oil Conservation Division Order No. R-111-P ("The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known to Contain Potash Reserves"), applies to the New Mexico Oil Conservation Division for an order approving the drilling of its Snyder 2K Fee Well No. 1 to test the Morrow formation, Undesignated Gem-Morrow Gas Pool within the Potash Area at a location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 1, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico, and in support of this application, states:

1. Marbob Energy Corporation is the lessee of certain oil and gas rights under Section 1, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. Marbob has the right to develop the oil and gas reserves underlying this property.
2. Marbob proposes to drill its Snyder 2K Fee Well No. 1 to a total depth of approximately 13,900 feet to test the Morrow formation on a standard 320-acre spacing unit comprised of the E/2 of Section 1.
3. The E/2 of Section 1, the tract upon which Marbob proposes to drill, is fee land that is located within the Known Potash Leasing Area.

4. Marbob submitted an Application for Permit to Drill (Form C- 101) and a Well Location and Acreage Dedication Plat (Form C- 102) showing the location of the Snyder 2K Fee Well No. 1 on August 9, 2007.

5. Pursuant to Order R-111-P, the New Mexico Oil Conservation Division notified the Bureau of Land Management and the New Mexico State Land Office of the application and to determine whether the proposed well location is within a Life-of-Mine Reserve (“LMR”) or its buffer zone. See Rule G(3).

6. On October 16, 2007, the Division rejected this application because the Bureau of Land Management and the State Land Office stated that the proposed location was within the established LMR.

7. The Division acted improperly in rejecting Marbob’s Application for Permit to Drill the Snyder 2K Fee Well No. 1.

8. The subject acreage cannot be within a LMR because Order No. R-111-P makes no provision for an LMR determination when the proposed well location is on fee lands, nor does Order No. R-111-P authorize a potash lessee to designate an LMR over lands not leased to that potash lessee. Order No. R-9990. Finding 11, October 18, 1993.

9. Since there are no potash leases covering the E/2 of Section 1, the fee tract upon which Marbob seeks to drill, this acreage cannot be within a LMR.

10. Order R-111-P states that “any application to drill in the LMR area, including buffer zones, may be approved only by mutual agreement of the lessor and lessees of both potash and oil and gas interests.” Rule G(3).

11. Even if the acreage is included in an LMR, the fee owner of the unleased potash underlying the E/2 of Section 1 has consented to Marbob drilling its proposed Snyder 2K Fee

Well No. 1 on its acreage and desires to have its oil and gas minerals developed first and in preference to any potash reserves underlying its fee property. See, Order No. R-9990, Finding 14, October 18, 1993.

12. Further, all parties owning potash and oil and gas interests underlying the E/2 of Section 1 have reached agreement on the extraction of their minerals.

13. By rejecting this APD, the Division has denied Marbob and its lessors, the owners of the underlying oil and gas rights in this property, the opportunity to produce the recoverable oil and gas under their property and unless reversed, will cause the waste of hydrocarbons. Marbob therefore requests that this matter be set for hearing before an examiner of the Oil Conservation Division.

14. Marbob has sent notice of this application to interested parties listed on **Exhibit A** to this application.

15. Approval of this application will protect correlative rights for it will afford Marbob and the other owners of the oil and gas rights the opportunity to produce their just and equitable share of the reserves under their property. Also, it will honor the mutual agreement between the owners of both the potash and oil and gas interests for the development of these fee lands. Approval of this application will otherwise be in the best interest of conservation and the prevention of waste.

WHEREFORE, Marbob Energy Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2008, and that, after notice and hearing, the Division enter its order authorizing Marbob Energy Corporation to drill its proposed Snyder 2K Fee Well No. 1 at the proposed standard well location in Unit I of Section 1, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry

William F. Carr

Ocean Munds-Dry

P.O. Box 2208

Santa Fe, New Mexico 87504-2208

Telephone: (505) 988-4421

ATTORNEYS FOR MARBOB ENERGY CORP.

CASE NO. 14025

(Re-advertised) Application of Marbob Energy Corporation for an order authorizing the drilling of a well in the Potash Area, Lea County, New Mexico. Applicant seeks an order approving the drilling of its proposed Snyder 2K Fee Well No. 1 to test the Morrow formation, Undesignated Gem-Morrow Gas Pool within the Potash Area at a location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 1, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. This well will be drilled to an approximate depth of 13,900 to test all formations from the surface to the base of the Morrow formation. Said location is within the Potash Area and approximately 20 miles south southeast of Maljamar, New Mexico.

Exhibit A

**APPLICATION OF MARBOB ENERGY CORPORATION FOR AN ORDER
AUTHORIZING THE DRILLING OF A WELL IN THE POTASH AREA, LEA
COUNTY, NEW MEXICO.**

Intrepid Potash Company
6288 Hobbs Highway
Carlsbad, New Mexico 88220

Mosaic Potash Company
Post Office Box 71
Carlsbad, New Mexico 88221-0071