

HOLLAND & HART LLP



William F. Carr
wcarr@hollandhart.com

February 24, 2004

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FEB 24 2004

VIA HAND DELIVERY

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals & Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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

Case 13232

Re: Application of Marbob Energy Corporation for an order authorizing the drilling of
a well in the Potash Area, Eddy County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Marbob Energy Corporation in the above-referenced case as well as a copy of the proposed legal advertisement. Marbob requests that this matter be placed on the docket for the March 18, 2004 Examiner hearings.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

cc: Gail MacQuesten, Esq.
Raye Miller
Brent May

Enclosures

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

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

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

CASE NO. /3232

APPLICATION

MARBOB ENERGY CORPORATION ("Marbob"), through its undersigned attorneys, applies to the New Mexico Oil Conservation Division for an order approving the drilling of its Pretty View Com. Well No. 1 to be located at a standard gas well location in the SE/4 SW/4 (Unit N) of Section 2, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico. In support of this application, Marbob states:

1. Marbob is the lessee of the oil and gas rights under Section 2, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico (State of New Mexico Oil and Gas Lease No. NM Lease No. V-6440 covers the N/2, E/2 SE/4 and W/2 SW/4 of said Section 2, and a fee oil and gas lease from Johnnie Mardell and L. H. Bates covers the W/2 SE/4 and E/2 SW/4 of said Section 2). Marbob has the right to develop the oil and gas reserves underlying this property on behalf of itself, the State of New Mexico and other parties.

2. Section 2 is within the Potash Area and therefore governed by Division Order R-111-P.

3. Pursuant to Division Order R-111-P, Marbob prepared the Oil Conservation Division's Application for Permit to Drill (Form C-101) along with a plat showing the location of its proposed Pretty View Com Well No. 1, to be drilled as a gas well to a total depth of

APPLICATION

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approximately 12,500 feet in the SW/4 SE/4 (Unit N) of Section 2 to test the Morrow formation, Undesignated Northeast Dos Hermanos-Morrow Gas Pool. The S/2 of Section 2 is to be dedicated to this proposed well. In December 2003, by registered mail, Marbob sought the waiver of objection to the proposed location from all potash leaseholders within one mile of the proposed well location.

4. By letter dated January 30, 2004, Mississippi Potash, Inc. ("Mississippi") objected to Marbob's proposed well location.

5. Marbob and Mississippi have been unable to resolve the objections of Mississippi by agreement of the parties and, therefore, pursuant to the procedures set out in the "Statement of Agreement between the Potash Industry and Oil and Gas Industry on Concurrent Operations in the Potash Area in Eddy and Lea Counties, New Mexico," requests that this matter be set for hearing before an examiner of the Oil Conservation Division.

6. Mississippi claims that the proposed Marbob well location is "situated inside the half mile buffer contour of two open mine works" owned by Mississippi Potash, Inc., however, the data available to Marbob shows that Mississippi's nearest mining operations are more than 1/2 mile to the southeast and to the northwest of Marbob's proposed well location.

7. Approval of this application will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

8. Approval of this application will afford Marbob the opportunity to produce its just and equitable share of hydrocarbons underlying state and fee lands, will prevent waste and protect correlative rights.

WHEREFORE, Marbob requests that this application be set for hearing before an Examiner of the Oil Conservation Division on the next available docket and that, after notice and hearing, the Division enter its order authorizing Marbob to drill its proposed Pretty View Com Well No. 1 at a standard location in the SE/4 SW/4 (Unit N) of Section 2, Township 20 South, Range 30 East.

Respectfully submitted,

HOLLAND & HART, LLP

By: William F. Carr
William F. Carr
P.O. Box 2208
Santa Fe, NM 87504-2208
505/988-4421 (telephone)

ATTORNEYS FOR MARBOB ENERGY
CORPORATION

PROPOSED LEGAL AD:

CASE **13232**:

Application of Marbob Energy Corporation for an order authorizing the drilling of a well in the Potash Area, Eddy County, New Mexico. Applicant seeks an order authorizing the drilling of it proposed Pretty View Com Well No. 1 as a wildcat well to an approximate depth of 12,500 feet to test all formations to the base of the Morrow formation, Undesignated Northeast Dos Hermanos-Morrow Gas Pool. This well will be drilled at a standard gas well location in the SE/4 SW/4 (Unit N) of Section 2, Township 20 South, Range 30 East. Said location is within the Potash Area and approximately 15 miles northeast of Crossroads, New Mexico.