

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF KAISER-FRANCIS OIL
COMPANY FOR POOL CREATION, ETC.,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13794

2006 SEP 14 PM

**MARBOB ENERGY CORPORATION'S COMMENTS REGARDING KAISER-
FRANCIS OIL COMPANY'S PROPOSED SPECIAL RULES AND
REGULATIONS FOR THE EAST HAPPY VALLEY-BONE SPRING POOL**

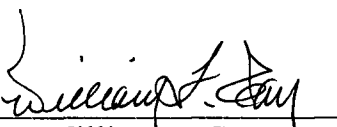
Marbob Energy Corporation ("Marbob"), hereby submits comments regarding Kaiser-Francis Oil Company's ("Kaiser-Francis") Proposed Special Rules and Regulations for the East Happy Valley-Bone Spring Pool ("Special Rules") pursuant to the Oil Conservation Division's request during the September 14, 2006 hearing of the above-referenced case, and states as follows:

1. Marbob is the operator of wells within one mile of the proposed East Happy Valley-Bone Spring Pool and therefore would be affected by the proposed Special Rules if adopted by the Commission.
2. To clarify the scope of this rule, proposed Rule 1 of the Special Rules, the "or" after "East Happy Valley Bone Spring Pool" should be deleted.
3. In Proposed Rule 2 of the Special Rules, "consisting of the W/2 W/2, E/2 W/2, W/2 E/2, or E/2 E/2 of a governmental half-section" should be deleted. Marbob does not object to forming a 160-acre spacing unit if it drills a well in the same Bone Springs zone, but does not want to be forced to dedicate a W/2 W/2, E/2 W/2, W/2 E/2 or E/2 E/2 spacing unit instead of a standard quarter section comprised of an entire quarter section.
4. In the alternative, Marbob asserts that the Special Rules should only apply to the Kaiser-Francis' acreage in Section 11, Township 12 South, Range 26 East, NMPM, Eddy County, New Mexico and not affect acreage within a one mile radius of the pool boundaries.

Marbob suggests these changes in order to limit the affect the proposed Special Rules have on offset operators in the Bone Springs formation. Thank you for this opportunity to comment on the proposed rules. Attached as **Exhibit A** are Marbob's proposed changes.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr

Ocean Munds-Dry

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR MARBOB ENERGY
CORPORATION

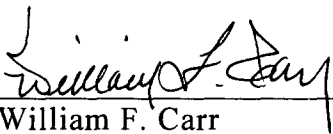
CERTIFICATE OF SERVICE

I certify that on September 19, 2006 I served a copy of the foregoing document to the following by

- ☐ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☒ Fax
- ☐ Electronic Service by LexisNexis File & Serve

J. Scott Hall
Miller Stratvert PA
150 Washington Ave. #300
Santa Fe, New Mexico 87504-1986
Fax No. 505-989-9857
ATTORNEY FOR KAISER-FRANCIS OIL CO.

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
Fax No. 505-982-2151
ATTORNEY FOR J. CLEO THOMPSON & HAYES
LAND & PRODUCTION, LP



William F. Carr