

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

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

CASE NO. 13771

**APPLICATION OF KAISER-FRANCIS OIL
COMPANY FOR POOL CREATION,
PROMULGATION OF SPECIAL POOL RULES, FOR
AN EXCEPTION TO THE GAS-OIL RATIO
LIMITATION, ASSIGNMENT OF A SPECIAL DEPTH
BRACKET ALLOWABLE AND TEMPORARY
SUSPENSION OF DRILLING PERMITS WITHIN THE
UNDESIGNATED PORTIONS OF THE PROPOSED
POOL, EDDY COUNTY, NEW MEXICO.**

2006 SEP 7 PM 3 27

see 11/6 STAM

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Holland & Hart LLP as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Kaiser-Francis Oil Company

ATTORNEY

J. Scott Hall, Esq.
Post Office Box 1986
Santa Fe, NM 87504-1986
(505) 989-9857 facsimile

OPPOSITION

Marbob Energy Corporation
Attention: Raye Miller
2208 W. Main Street
Artesia, NM 88211
(505) 748-3303

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

STATEMENT OF CASE

APPLICANT

Applicant seeks an order creating a new pool in the Second Bone Spring formation comprised of the W/2 of Section 11, Township 22 South, Range 26 East, and for the promulgation of special pool rules establishing 320-acre spacing and proration units with the option for a second well and designated well locations, including 660' setback requirements. Applicant also seeks an exception from the gas oil ratio limitation under Division Rule 506 A that would permit wells drilled within the proration unit within the pool to produce up to a GOR limitation of three thousand cubic feet of gas for each barrel of oil produced, along with a commensurate increase in the depth bracket allowable under Division Rule 505. In addition, Applicant seeks the temporary suspension of drilling permits within the boundaries of the proposed pool and the undesignated portions thereof for wells to be drilled at locations that are inconsistent with the well setback requirements proposed for the pool. Applicant is the operator of the Mesa-Grande 11 Well No. 2 (API No. 30-015-3720) completed in the Second Bone Spring formation of a location 2661' FSL and 660' FWL (Unit L) of Section 11. The subject lands and well are located approximately 1/2 mile southwest of Carlsbad, New Mexico.

OPPOSITION

Marbob Energy Corporation requests that the order that results from this hearing be limited to the W/2 of Section 11 and that there be no prohibition against development of offsetting acreage in the Bone Spring formation.

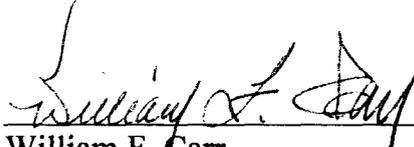
PROPOSED EVIDENCE

OPPOSITION

WITNESSES (Name and Expertise)	ESTIMATED TIME	EXHIBITS
Raye Miller (Practical Oilman) Or Ross Duncan (Landman)	Approx. 10 min.	Approx. 5

PROCEDURAL MATTERS

Marbob Energy Corporation has none at this time.



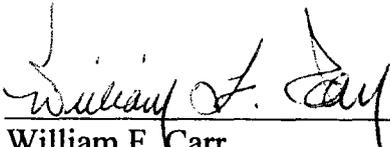
William F. Carr
Attorney for Marbob Energy Corporation

CERTIFICATE OF SERVICE

I certify that on September 7, 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

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