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October 6, 2017

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

**Re: Case No. 15594 (Re-opened)
APPLICATION OF MARATHON OIL PERMIAN, LLC TO RE-
OPEN CASE NO. 15594 FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Application

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

Zina Crum, Legal Assistant to
Jennifer L. Bradfute

JLB/zc
Enclosure

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

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**APPLICATION OF MARATHON
OIL PERMIAN, LLC TO RE-OPEN CASE NO
15594 FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15594 (Re-opened)

APPLICATION

Marathon Oil Permian, LLC ("Marathon"), OGRID Number 372098, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division to re-open Case No. 15594 and seeks and amended order (1) creating a 480-acre non-standard spacing and proration unit which covers the SE/4 of Section 25 and E/2 of Section 36, both located within Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted mineral interests in the Wolfcamp formation underlying this non-standard spacing and proration unit. In support of this application, Marathon states as follows:

1. Marathon is an interest owner in the subject lands and has a right to drill a well thereon.
2. Division Order R-14348, entered on May 15, 2017, created a 480-acre spacing and proration unit, consisting of the SE/4 of Section 25 and E/2 of Section 36, both located within Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. This order further pooled the uncommitted interests in the Wolfcamp formation, Purple Sage Wolfcamp (Gas) Pool (Pool Code 98220) (the "Unit") and dedicated the Unit to the Southern Comfort 25-

36 State X Well No. 2H well. Marathon is drilling and completing the Southern Comfort 25-36 State X 2H well to a depth sufficient to test the Wolfcamp formation. This well is a horizontal well with a surface location 2404 feet from the South line, 1236 feet from the East line of Section 25, and a terminus 240 feet from the South line, 330 feet from the East line of Section 36. The producing interval that Marathon seeks to drill will comply with setback requirements established under Order R-14262, creating the Purple Sage Wolfcamp (Gas) Pool.

3. Order R-14348 designated BC Operating Inc. as operator of the well and the Unit. Marathon subsequently acquired BC Operating Inc.'s interests in the Unit.

4. Since taking over operations of the Unit, Marathon has discovered additional parties that own interests which need to be force pooled and additional parties entitled to notice of this application. Marathon has in good faith sought, but has been unable to obtain, voluntary joinder of all mineral interest owners in the Unit for purposes set forth herein.

5. Marathon further seeks to drill its Southern Comfort 25-36 State X 1H well within the Unit, to a depth sufficient to test the Wolfcamp formation. This well is a horizontal well with a surface location 2490 feet from the South line, 2310 feet from the East line of Section 25, and a terminus 240 feet from the South line, 2323 feet from the East line of Section 36. The producing interval that Marathon seeks to drill will comply with setback requirements established under Order R-14262, creating the Purple Sage Wolfcamp (Gas) Pool.

6. Certain interest owners executed a wellbore specific JOA for the development of the Southern Comfort 25-36 State X 2H well. Marathon has in good faith sought, but has been unable to obtain, voluntary joinder of all mineral interest owners in the Unit for purposes of developing the Southern Comfort 25-36 State X 1H within the Unit area and seeks to pool these interests.

7. Approval of the non-standard unit and the pooling of all interests in the Wolfcamp formation underlying the Unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

8. Notice of this application is being given in accordance with Division rules.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on November 8, 2017, and after notice and hearing as required by law, the Division enter its order:

A. Creating a non-standard oil spacing and proration unit ("project area") in the Wolfcamp formation covering the SE/4 of Section 25 and E/2 of Section 36, both located within Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Wolfcamp formation underlying this non-standard spacing and proration unit/project area;

C. Designating Marathon as operator of this unit and the well to be drilled thereon;

D. Authorizing Marathon to recover its costs of drilling, equipping and completing this well;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

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Attorneys for Applicant

CASE NO. 15594 (re-opened): Application of Marathon Oil Permian, LLC to re-open Case No. 15594 for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks to amend Order R-14348 to reflect additional notice provided to affected parties and to pool additional interest owners. The amended order applicant seeks will (1) create a 480-acre, more or less, non-standard spacing and proration unit comprised of the SE/4 of Section 25 and E/2 of Section 36, both located within Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pool all uncommitted mineral interests in the Wolfcamp formation underlying this non-standard spacing and proration unit. Said unit is dedicated to the **Southern Comfort 25-36 State X Well No. 2H** and is located approximately 10 miles southwest of Carlsbad, New Mexico.