

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

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APPLICATION OF MARATHON  
OIL PERMIAN LLC FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT,  
NON-STANDARD LOCATION  
AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO

CASE NO. 15906

APPLICATION

Marathon Oil Permian LLC ("Marathon"), OGRID Number 372098, through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order: (1) creating a non-standard 320-acre spacing and proration unit in the Wolfcamp formation, comprised of the E/2 of Section 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving non-standard locations; and (3) pooling all mineral interests in the Wolfcamp formation underlying this proposed non-standard spacing and proration unit. In support of this application, Marathon states:

1. Marathon is an interest owner in the subject lands and has a right to drill a well thereon.
2. Marathon proposes to dedicate the above-referenced spacing and proration unit as the project area for three proposed wells: the proposed **Knife Fight Fee 24 34 26 WXY 3H**, **Knife Fight Fee 24 34 26 WA 6H**, and **Knife Fight Fee 24 34 26 WXY 19H** wells, which are horizontal wells that will develop the Antelope Ridge Wolfcamp Pool (Pool Code 2220)

underlying the E/2 of Section 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico (the "project area"). The three proposed horizontal wells will be pad drilled.

3. The **Knife Fight Fee 24 34 26 WXY 3H** well will be drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 26. The first perforation for this well will be located 150' from the North Line and 2,317' from the East line of Section 26. The last perforation for this well will be located 150' from the South line and 2,302' from the East line.

4. The **Knife Fight Fee 24 34 26 WA 6H** well will be drilled from a surface location in the NE/4 NE/4 of Section 26 to a bottom hole location in SW/4 SE/4 of Section 26. The first perforation for this well will be located 150' from the North Line and 1,324' from the East line of Section 26. The last perforation for this well will be located 150' from the South line and 1,318' from the East line.

5. The **Knife Fight Fee 24 34 26 WXY 19H** well will be drilled from NE/4 NE/4 (Unit A) of Section 26 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 26. The first perforation for this well will be located 150' from the North Line and 330' from the East line of Section 26. The last perforation for this well will be located 150' from the South line and 330' from the East line.

6. Other than the locations for the first and last perforations for each well, the completed interval for the wells will comply with the 330 foot setback requirements established under the statewide rules.

7. The Antelope Ridge Wolfcamp Pool (Pool Code 2220) is subject to the Division's statewide rule providing for 40 acre spacing units.

8. Marathon plans to develop each 40 acre spacing unit within the project area.

9. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the Antelope Ridge Wolfcamp formation underlying the proposed project area to participate in the drilling of the wells or to otherwise commit their interests to the wells.

10. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

11. In order to permit Marathon to obtain its just and fair share of the oil and gas underlying the subject lands, all interests in this non-standard spacing unit should be pooled and Marathon should be designated operator of the proposed horizontal wells and spacing unit.

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

WHEREFORE, Marathon requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 21, 2017, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 320-acre non-standard spacing and proration unit in the Wolfcamp formation, comprised of the E/2 of Section 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico;

B. Approving non-standard locations for each well;

C. Pooling all mineral interests in the non-standard spacing and proration unit;

D. Designating Marathon Oil Permian LLC operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;

E. Authorizing Marathon to recover its costs of drilling, equipping and completing the wells;

F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% penalty for the risk assumed by Marathon in drilling, completing and equipping the wells against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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

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**CASE NO. 15906 : Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit, non-standard locations and compulsory pooling, Lea County, New Mexico.** Applicant seeks an order approving a non-standard spacing and proration unit in the Wolfcamp formation, comprised of the E/2 of Section 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, the approval of non-standard locations, and the pooling of all uncommitted mineral interests located within the proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Knife Fight Fee 24 34 26 WXY 3H, Knife Fight Fee 24 34 26 WA 6H, and Knife Fight Fee 24 34 26 WXY 19H** wells, to be horizontally drilled. The producing area for these wells will be unorthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 15 miles northwest of Jal, New Mexico.