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Jennifer L. Bradfute
505.848.1845
Fax: 505.848.1882
jlb@modrall.com

November 20, 2017

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

Case 15909

**Re: APPLICATION OF MARATHON OIL PERMIAN LLC AND A
NON-STANDARD OIL SPACING AND PRORATION UNIT,
NON-STANDARD LOCATION AND COMPULSORY POOLING,
LEA 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

Modrall Sperling
Roehl Harris & Sisk
P.A.

Bank of America
Centre
500 Fourth Street
NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico
87103-2168

Tel: 505 848 1800

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. 15909

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 160-acre spacing a proration unit in the Bone Spring formation, comprised of the E/2 W/2 of Section 15, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving non-standard locations; and (3) pooling all mineral interests in the Bone Spring 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 plans to drill and complete the **Flowmaster 24 34 15 SB 8H**, which is a horizontal well that will develop the Red Hills Bone Spring, North Pool (Pool Code 96434) underlying the E/2 W/2 of Section 15 to the proposed well to form a non-standard 160-acre oil spacing and proration unit (the "project area").

3. The **Flowmaster 24 34 15 SB 8H** well will be drilled from NE/4 NW/4 (Unit C) of Section 15 to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 15. The first and last perforations for this well will be unorthodox. The first perforation will be 150' from the North line and 1,985' from the West line, and the last perforation will be located 150' from the South line and 1,984' from the West line. Other than the first and last perforations for this well, the completed interval will comply with the 330' setbacks required by the Division's rules.

4. The Red Hills Bone Spring, North Pool (Pool Code 96434) is subject to the Division's statewide rule providing for 40 acre spacing units.

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

6. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the Red Hills Bone Spring, North formation underlying the proposed project area to participate in the drilling of the wells or to otherwise commit their interests to the wells.

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

8. 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.


9. 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 160-acre non-standard spacing and proration unit in the Bone Spring formation, comprised of the E/2 W/2 of Section 15, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Approving non-standard locations;
- 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.

By: 
Earl E. DeBrine
Jennifer Bradfute
Zoë E. Lees
P.O. Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
Attorneys for Applicant

CASE NO. 15909: 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 (1) creating a non-standard 160-acre spacing a proration unit in the Bone Spring formation, comprised of the E/2 W/2 of Section 15, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving non-standard locations; and (3) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Flowmaster 24 34 15 SB 8H well**, to be horizontally drilled. The producing area for this well will be unorthodox, located less than 330 feet from the project area boundary. 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 17 miles northwest of Jal, New Mexico.