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January 9, 2018

Case 15958

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

**Re: APPLICATION OF MARATHON
OIL PERMIAN LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Marathon's Application - Sweet Tea Wolfcamp Application
5H & 3H.

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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P.A.

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

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

CASE NO. 15958

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 480-acre spacing a proration unit in the Wolfcamp formation, comprised of the W/2 of Section 6, Township 25 South, Range 29 East, and SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) 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 plans to drill and complete the **Sweet Tea State, 24-29-31 WA 5H** well, which is a horizontal well that will develop the Purple Sage Wolfcamp Gas Pool (Pool Code 98220) underlying the W/2 of Section 6, Township 25 South, Range 29 East, and SW/4 of Section 31 to the proposed well to form a non-standard 480-acre spacing and proration unit (the "project area"). Marathon additionally plans to complete the **Sweet Tea State 24-29-31 WXY**

3H well within the proposed project and these wells will be drilled around the same time, and will share a well pad.

3. The Sweet Tea State, 24-29-31 WA 5H well will be drilled from Unit L (Lot 3) of Section 31 to a bottom hole location in Unit M (Lot 7) of Section 6. The perforations for this well will be orthodox and comply with the special pool rules for the Purple Sage Wolfcamp Pool.

4. The Sweet Tea State, 24-29-31 WXY 3H well will also be drilled from Unit L (Lot 3) of Section 31 to a bottom hole location in Unit M (Lot 7) of Section 6. The perforations for this well will be orthodox, and comply with the special pool rules for the Purple Sage Wolfcamp Pool.

5. The Purple Sage Wolfcamp Pool (Pool Code 98220) is subject to special pool rules providing for 320 acre spacing units and 330' setback requirements.

6. Marathon is providing notice to any affected mineral interests who could be excluded from a 320-acre spacing unit under the Division's rules for the pool.

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

8. The creation of a non-standard proration unit and the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

9. In order to permit Marathon to obtain it's 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.

10. 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 February 8, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 480-acre, more or less, non-standard spacing and proration unit in the Wolfcamp formation, comprised of the W/2 of Section 6, Township 25 South, Range 29 East, and SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico;

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

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

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

E. 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

F. 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

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Attorneys for Applicant

CASE NO. 15958: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a non-standard 480-acre, more or less, spacing a proration unit in the Wolfcamp formation, comprised of the W/2 of Section 6, Township 25 South, Range 29 East, and SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Wolfcamp 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 **Sweet Tea State, 24-29-31 WA 5H well**, to be horizontally drilled. The producing area for this well will be orthodox. 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 5 miles southeast of Malaga, New Mexico.

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