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April 17, 2018

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

Case 16145

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

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Marathon's Application – Blueberry 4H 5H 6H

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**

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

CASE NO. 16145

APPLICATION

Marathon Oil Permian LLC ("Marathon"), OGRID Number 372098, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a non-standard 480-acre, more or less, spacing and proration unit in the Wolfcamp formation, comprised of the E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico; and, (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 as follows:

1. Marathon is an interest owner in the subject lands and has a right to drill a well thereon.
2. Marathon seeks to dedicate the E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico to the proposed wells to form a non-standard 480-acre, more or less spacing and proration unit (the "project area").

3. Marathon plans to drill the **Blueberry Hill Fee 24-35-19 WXY 4H**, **Blueberry Hill Fee 24-35-19 WA 5H**, and **Blueberry Hill Fee 24-35-19 WA 6H** wells to a depth sufficient to test the Wolfcamp formation. These wells will be horizontally drilled using the same drilling rig.

4. These wells will be located within the WC-025 G-09 S243532M Wolfbone pool (Pool Code 98098), which is subject to special pool rules which establish 330' setback requirements. The producing intervals that Marathon seeks to drill will not comply with the 330 foot setback requirements established under the Division's rules.

5. The first take point for the **Blueberry Hill Fee 24-35-19 WXY 4H** will be located 150' from the south line of the project area and 1316' from the east line of the project area. The last take point for this well will be located 150' from the north line of the project area and 1322' from the east line of the project area.

6. The first take point for the **Blueberry Hill Fee 24-35-19 WA 5H** will be located 150' from the south line of the project area and 330' from the west line of the project area. The last take point for this well will be located 150' from the north line of the project area and 330' from the west line of the project area.

7. The first take point for the **Blueberry Hill Fee 24-35-19 WA 6H** will be located 150' from the south line of the project area and 330' from the east line of the project area. The last take point for this well will be located 150' from the north line of the project area and 330' from the east line of the project area.

8. 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.

9. The creation of a non-standard spacing and proration unit, approval of non-standard locations, and the pooling of all interests in the Wolfcamp formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on May 17, 2018, 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 comprised of E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico;
- B. Approving non-standard locations;
- C. Pooling all mineral interests in the Wolfcamp formation underlying this non-standard spacing and proration unit/project area;
- D. Designating Marathon as operator of this unit and the wells to be drilled thereon;
- E. Authorizing Marathon to recover its costs of drilling, equipping and completing these wells;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

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

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Attorneys for Applicant

CASE NO. 16145: Application of Marathon Oil Permian LLC for approval of a non-standard spacing and proration unit, non-standard locations, and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 480-acre, more or less, spacing and proration unit in the Wolfcamp formation, comprised of the E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico; and, (2) approving non-standard locations; and (3) pooling all mineral interests in the Wolfcamp formation underlying this proposed non-standard spacing and proration unit. This proposed spacing and proration unit will be the project area for the **Blueberry Hill Fee 24-35-19 WXY 4H**, **Blueberry Hill Fee 24-35-19 WA 5H**, and **Blueberry Hill Fee 24-35-19 WA 6H** wells, to be horizontally drilled. The producing area for these wells will have unorthodox locations. 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 14 miles northwest of Jal, New Mexico.