

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**CASE NO. 15998
ORDER NO. R-14655**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 8, 2018 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 30th day of April, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Marathon Oil Permian LLC ("Marathon" or "Applicant"), seeks approval of a non-standard, 320-acre, oil spacing unit and project area ("the Unit") in the Wolfcamp formation, Diamondtail; Wolfcamp Pool (Pool Code 17645) underlying the W/2 of Section 13, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests within the Unit in the Wolfcamp formation.

(3) The Unit will be dedicated to the following wells (the "proposed wells"). The completed intervals of the proposed wells will be orthodox;

- (a) Applicant's Ballista Federal 23 32 13 WXY Well No. 3H (API No. 30-025-Pending), a horizontal well to be drilled from a surface location 231 feet from the South line and 1524 feet from the West line (Unit N), to a bottom-hole location 330 feet from the North line

and 330 feet from the West line (Unit D) of Section 13, Township 23 South, Range 32 East, NMPM;

- (b) Applicant's Ballista Federal 23 32 13 WA Well No. 6H (API No. 30-025-Pending), a horizontal well to be drilled from a surface location 230 feet from the South line and 1584 feet from the West line (Unit N) to a bottom-hole location 330 feet from the North line and 1323 feet from the West line (Unit C) of Section 13, Township 23 South, Range 32 East, NMPM; and
- (c) Applicant's Ballista Federal 23 32 13 WXY Well No. 12H (API No. 30-025-Pending), a horizontal well to be drilled from a surface location 230 feet from the South line and 1614 feet from the West line (Unit N) to a bottom-hole location 330 feet from the North line and 2316 feet from the West line, (Unit C), of Section 13, Township 23 South, Range 32 East, NMPM.

(4) Spacing in this pool is governed by statewide Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The Unit and project area consists of eight adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) the Wolfcamp formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal wells from south to north is appropriate for the Unit;
- (c) all quarter sections to be included in the Unit are expected to be productive in the Wolfcamp formation, so that the Unit as requested will not impair correlative rights;
- (d) Applicant is seeking to drill the Ballista Federal 23 32 13 WA Well No. 6H (6H Proposed Well) first. The first perf is expected to be located 330 feet from the South line and 1322 feet from the West line, (Unit N), and the last perf is expected to be located 330 feet from the North line and 1323 feet from the West line, Unit C;
- (e) the Ballista Well No. 6H will have production from each of the quarter-quarter sections within the Unit, based on expected completion methods and the consistent geology within the Unit;

- (f) the completed intervals of the two remaining wells will be orthodox within the Unit;
- (g) Applicant is only pooling overriding royalty interest owners. Therefore, there will be no cost provisions in the Hearing Order;
- (h) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments; and
- (i) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Approval of the proposed non-standard unit will enable Applicant to drill horizontal wells that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed wells to a common source of supply within the Unit at the proposed locations.

(10) There are interest owners in the Unit that have not agreed to pool their interests.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(12) Marathon Oil Permian LLC should be designated the operator of the proposed wells and of the Unit.

(13) Drilling the 6H well first will ensure that all correlative rights are protected,

because each of the quarter-quarter sections within the Unit will be adequately developed, even if none of the other wells are drilled.

(14) Subsequent to the Hearing, the Applicant presented an exhibit that showed that the Ballista Federal 23 32 13 WXY Well No. 12H (Well No. 12H) project area, as presented in testimony is orthodox, because Section 13 is slightly wider than a normal section.

(15) To ensure protection of correlative rights, any pooled working interest owner whose address is known should be notified and have an opportunity to protest before the Division grants any extension of the time provided herein for commencing drilling.

(16) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC and to the terms and conditions of this order.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 320-acre oil spacing and project area ("the Unit") is hereby established for oil and gas production from the Wolfcamp formation, Diamondtail; Wolfcamp Pool (Pool Code 17645) underlying the W/2 of Section 13, Township 23 South, Range 32 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of Marathon Oil Permian LLC, all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's following wells (collectively "proposed wells"):

- (a) Ballista Federal 23 32 13 WXY Well No. 3H (the "3H proposed well"; API No. 30-025-Pending), a horizontal well to be drilled from a surface location 231 feet from the South line and 1524 feet from the West line, (Unit N), to a bottom hole location 330 feet from the North line and 330 feet from the West line (Unit D) of Section 13, Township 23 South, Range 32 East. The completed interval of the proposed 3H well within the Unit is orthodox.
- (b) Ballista Federal 23 32 13 WA Well No. 6H (the "6H proposed well"; API No. 30-025-Pending), a horizontal well to be drilled from a surface location 230 feet from the South line and 15844 feet from the West line, (Unit N) 5, to a bottom hole location 330 feet from the North line and 1323 feet from the West line (Unit C) of Section 13, Township 23 South, Range 32 East. The first perf is expected to be located 330 feet from the South line and 1323 feet from the West line (Unit N), and the last perf is expected to be located 330

feet from the North and 1323 feet from the west line (Unit C). The 6H shall be the first well to be drilled.

- (c) Ballista Federal 23 32 13 WXY Well No. 12H (the "12H proposed well"; API No. 30-025-Pending), a horizontal well to be drilled from a surface location 230 feet from the South line and 1614 feet from the West line, (Unit N), to a bottom hole location 330 feet from the North line and 2316 feet from the West line (Unit C) of Section 13, Township 23 South, Range 32 East. The completed interval of the 12H proposed well within the Unit is orthodox.

(4) The operator of the Unit shall commence drilling the proposed wells on or before April 30, 2019, and shall thereafter continue drilling the wells with due diligence to test the Wolfcamp formation.

(5) In the event the operator does not commence drilling at least one of the proposed wells on or before April 30, 2019, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) The operator shall notify each pooled working interest owner for whom it has a valid address before it files with the Division any request for extension of the time to commence drilling and shall certify its compliance with this requirement in its request for extension. The Division may grant an extension at its discretion after 20 days from receipt of the request if no objection is received. Otherwise, the Division shall not grant the extension without a hearing.

(7) Unless at least one of the proposed wells is drilled and completed within 120 days after commencement of the first such well, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed wells for good cause shown by satisfactory evidence. If neither of the proposed wells is completed in all quarter-quarter sections included in the Unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which at least one well is completed.

(8) Upon final plugging and abandonment of both proposed wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(9) Infill wells within the Unit shall be subject to the terms and conditions of this order.

(10) Marathon Oil Permian LLC (OGRID 372098) is hereby designated the operator of the wells and of the Unit.

(11) Except as provided in the foregoing paragraphs, all proceeds from production from the wells that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(12) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(13) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(14) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
HEATHER RILEY
Director