

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

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

CASE NO. 16000

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 E/2 of Section 11, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) 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 **Urraca Federal Com 23 32 11 SB 22H well**, which is a horizontal well that will develop the Diamondtail Bone Spring Pool (Pool Code 17644) underlying the E/2 E/2 of Section 11, and proposes to form a non-standard 160-acre oil spacing and proration unit (the “project area”).

3. The Diamondtail Bone Spring Pool (Pool Code 17644) is subject to the Division's statewide rule providing for 40 acre spacing units. The completed lateral for the proposed well will be standard and comply with the Division's setback requirements.

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

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

6. 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.

7. 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 March 8, 2018, 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 E/2 of Section 11, Township 23 South, Range 32 East, NMPM, Lea 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.

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CASE NO. _____: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling Lea County, New Mexico. Applicant seeks an order to create a non-standard spacing and proration unit covering the Bone Spring formation, which is comprised of the E/2 E/2 of Section 11, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico, 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 **Urraca Federal Com 23 32 11 SB 22H**, 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 26 miles east northeast of Malaga, New Mexico.