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March 5, 2018

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

Case No 051

**Re: APPLICATION OF MARATHON
OIL PERMIAN LLC FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Marathon's Application - Hambone 3H / 4H

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
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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CASE NO. 16051

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 pooling all mineral interests in the Wolfcamp formation underlying the standard 320-acre, more or less, spacing and proration unit comprised of the S/2 of Section 5, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico. 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 S/2 of Section 5 to the proposed wells to form a standard 320-acre, more or less spacing and proration unit (the "project area").
3. Marathon plans to drill the **Hambone Federal 26-29-5 WB 3H** and **Hambone Federal 26-29-5 WD 4H** wells to a depth sufficient to test the Wolfcamp formation. These wells will be horizontally drilled using the same drilling rig.

4. The wells will be drilled from a surface location, located in the SE/4 S/4 of Section 6, but the first perforation for both wells will be located at an orthodox location within Section 5.

5. These wells will be located within the Purple Sage Wolfcamp (Gas) pool (Pool Code 98220), which is subject to special pool rules which establish 330' setback requirements. The producing interval that Marathon seeks to drill will comply with the 330 foot setback requirements established under the Division's rules.

6. 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.

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

8. Approval of the non-standard unit 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 Corp. requests this application be set for hearing before an Examiner of the Oil Conservation Division on April 5, 2018, and after notice and hearing as required by law, the Division enter its order:

A. Creating a standard oil spacing and proration unit ("project area") in the Wolfcamp formation comprised of S/2 of Section 5, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Wolfcamp formation underlying this standard spacing and proration unit/project area;

C. Designating Marathon as operator of this unit and the wells to be drilled thereon;

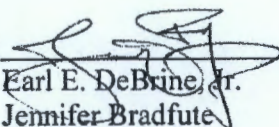
D. Authorizing Marathon to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. 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.

By: 

~~Earl E. DeBrune, Jr.~~

~~Jennifer Bradfute~~

Zoe E. Lees

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Attorneys for Applicant

CASE NO. 16051 : Application of Marathon Oil Permian LLC for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) pooling all mineral interests in the Wolfcamp formation underlying the standard 320-acre, more or less, spacing and proration unit comprised of the S/2 of Section 5, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico. This proposed standard spacing and proration unit will be the project area for the **Hambone Federal 26-29-5 WB 3H** and **Hambone Federal 26-29-5 WD 4H wells**, to be horizontally drilled. The producing area for these wells 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 11.5 miles south of Malaga, New Mexico.

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