

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

RECEIVED OCD  
2017 NOV 21 A 12: 26

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

CASE NO. 15907

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 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving non-standard locations, and (3) 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 **Knife Fight Fee 24 34 26 TB 7H**, which is a horizontal well that will develop the Red Hills Bone Spring, North Pool (Pool Code 96434) underlying the E/2 E/2 of Section 26 to form a non-standard 160-acre oil spacing and proration unit (the "project area").

3. The **Knife Fight Fee 24 34 26 WXY 7H** well will be drilled from NE/4 NE/4 (Unit A) of Section 26 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 26. The first and last perforations for the well will be non-standard. The first perforation for this well will be located 150' from the North line and 994' from the East line, and the last perforation for this well will be located 150' from the South line and 988' from the East line. Other than the locations for the first and last perforations for the well, the completed interval for this well will comply with the 330' setbacks required by the Division's rules.

4. The Red Hills Bone Spring, North Pool (Pool Code 96434) is subject to the Division's statewide rule providing for 40 acre spacing units.

5. Marathon plans to develop each 40 acre spacing unit within the project area.

6. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the Red Hills Bone Spring, North 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. 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.

9. 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 December 21, 2017, 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 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Approving non-standard locations;
- C. Pooling all mineral interests in the non-standard spacing and proration unit;
- D. Designating Marathon Oil Permian LLC operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing Marathon to recover its costs of drilling, equipping and completing the wells;
- F. 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
- G. 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  
Zoë E. Lees  
P.O. Box 2168  
500 Fourth Street NW, Suite 1000  
Albuquerque, New Mexico 87103-2168  
Telephone: 505.848.1800  
*Attorneys for Applicant*

CASE NO. 15907: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit, non-standard locations 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 26, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, the approval of non-standard locations, 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 **Knife Fight Fee 24 34 26 TB 7H** well, to be horizontally drilled. The producing area for this well will be unorthodox, less than 330 feet from the project area boundary. 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 15 miles northwest of Jal, New Mexico.