

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

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

CASE NO. 15908

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 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 15, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; and, (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 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 W/2 W/2 of Section 15 to the proposed wells to form a non-standard 160-acre, more or less, oil spacing and proration unit (the "project area").

3. Marathon plans to drill the **Flowmaster 24 34 15 TBU 004H** and **Flowmaster 24 34 15 TBU 005H** wells to a depth sufficient to test the Bone Spring formation. These wells will be drilled simultaneously and will be pad drilled.

4. The **Flowmaster 24 34 15 TBU 004H** well will be drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 15 to a bottom hold location in the SW/4 SW/4 (Unit M) of Section 15. The first and last perforation for this well will be unorthodox. The first perforation will be 150' from the North line and 662' from the West line, and the bottom hole location will be located 150' from the South line and 661' from the West line.

5. The **Flowmaster 24 34 15 TBU 005H** well will be drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 15 to a bottom hold location in the SW/4 SW/4 (Unit M) of Section 15. The first and last perforation for this well will be unorthodox. The first perforation will be 150' from the North line and 662' from the West line, and the bottom hole location will be located 150' from the South line and 661' from the West line.

6. These wells are within the Red Hills; Bone Spring, North pool (Pool Code 96434), which is subject to the statewide rules. Other than as listed above, the producing interval that Marathon seeks to drill will comply with the 330 foot setback requirements established under the rules.

7. 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.

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

9. Approval of the non-standard unit and the pooling of all interests in the Bone Spring 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 December 21, 2017, 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 Bone Spring formation comprised of W/2 W/2 of Section 15, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Approving non-standard locations for these wells;
- C. Pooling all mineral interests in the Bone Spring 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
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CASE NO. 15908 : 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 from the Division: (1) creating a non-standard 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 15, 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. This proposed non-standard spacing and proration unit will be the project area for the **Flowmaster 24 34 15 TBU 004H** and **Flowmaster 24 34 15 TBU 005H** wells, to be horizontally drilled. The producing area for these wells 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 17 miles northwest of Jal, New Mexico.