

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MARATHON OIL PERMIAN LLC**

CASE NO. 20976, 20977, 20978
(Case 16144, 16145, 16146 Re-Opened)
ORDER NO. R-21188

(Previously Issued Orders R-20369, R-20370, R-20371)

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on December 12, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Marathon Oil Permian LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator seeks to re-open Case Nos. 16144, 16145, and 16146 and to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit “A”, in a single consolidated order.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. These cases first went to hearing on November 15, 2018 as Case Numbers 16144, 16145, and 16146 were consolidated at the hearing for testimony; however, a separate order was issued for each case.
5. After the November 15, 2018 hearing, the Division issued three orders, Orders R-20369, R-20370, and R-20371.
6. After the orders were issued, Marathon learned of two unleased mineral interest owners not previously identified.
7. In the reopened cases, Marathon requested that Orders R-20369, R-20370, and R-20371 be combined into a single order pooling all mineral interests in a spacing unit underlying the Wildcat Wolfbone Oil Pool (Pool code 98098) and all other pools hereafter defined within the Wolfbone formation in the E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico.
8. After the September 6, 2019 hearing, Operator identified additional parties that needed to be pooled.

9. Under OCD's new policy, Operator was required to and did file new applications, which were assigned new case numbers.
10. Case numbers 20976, 20977, 20978, which are the new case numbers assigned to the prior cases (numbers 16144, 16145, 16146), and went to hearing on December 12, 2019.
11. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

12. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
13. Operator is the owner of an oil and gas working interest within the Unit.
14. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
15. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
16. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
17. The Unit contains separately owned uncommitted interests in oil and gas minerals.
18. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
19. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
20. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

21. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
22. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
23. Operator is designated as operator of the Unit and the Well(s).

24. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
25. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
26. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by an amendment of this Order for good cause shown.
27. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
28. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
29. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
30. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
31. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

32. The reasonable charges for supervision to drill and produce a well (“Supervision Charges”) shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled “Accounting Procedure-Joint Operations.”
33. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
34. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
35. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
36. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
37. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
38. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
39. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

40. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

41. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



Date: 4/28/2020

ADRIENNE SANDOVAL
DIRECTOR
AES/tgw

Exhibit "A"

Applicant: Marathon Oil Permian LLC
Operator: Marathon Oil Permian LLC (OGRID 372098)

Spacing Unit: Horizontal oil
Building Blocks: quarter/quarter sections
Spacing Unit Size: 480 acres (more or less)
Orientation of Unit: North/South

Spacing Unit Description: 480 acres (more or less) within the Wildcat Wolfbone Oil Pool (Pool code 98098) and all other pools hereafter defined within the Wolfbone formation in the E/2 of Section 18 and the NE/4 of Section 19, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico

Pooled Depth Interval: Wolfbone Formation. The limits of the Wolfbone Pool have been established by the Hobbs District Geologist as from the top of the Third Bone Spring Carbonate to a point 500 feet below the top of the Wolfcamp.

Depth Severance? (Yes/No): No.

Pool: Wildcat Wolfbone Oil (Pool code 98098)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: Yes.
Proximity Defining Well: Blueberry Hill Fee 24 35 19 WXY Well No. 4H is to be drilled closer than 330 feet from the Proximity Tracts and therefore defines the Horizontal Spacing Unit.

Monthly charge for supervision: While drilling: \$7,000; While producing: \$700
As the charge for risk, 200 percent of reasonable well costs.

Proposed Wells:

Blueberry Hill Fee 24 35 19 TB Well No. 3H, API No. 30-025-44662

SHL: 2416 feet from the North line and 1346 feet from the East line, (Unit G) of Section 19, Township 24 South, Range 35 East, NMPM.

BHL: 100 feet from the North line and 2316 feet from the East line, (Unit B) of Section 18, Township 24 South, Range 35 East, NMPM.

Completion Target: Wolfbone formation, at approximately 12,320 feet TVD
Well Orientation: South to North
Completion Location expected to be: Standard

Blueberry Hill Fee 24 35 19 WXY Well No. 4H, API No. 30-025-44666

SHL: 2416 feet from the North line and 1316 feet from the East line, (Unit H) of Section 19, Township 24 South, Range 35 East, NMPM.

BHL: 100 feet from the North line and 1323 feet from the East line, (Unit B) of Section 18, Township 24 South, Range 35 East, NMPM.

Completion Target: Wolfbone formation, at approximately 12,444 feet TVD

Well Orientation: South to North

Completion Location expected to be: Standard

Blueberry Hill Fee 24 35 19 WA Well No. 5H, API No. 30-025-44664

SHL: 2416 feet from the North line and 1376 feet from the East line, (Unit G) of Section 19, Township 24 South, Range 35 East, NMPM.

BHL: 100 feet from the North line and 2316 feet from the East line, (Unit B) of Section 18, Township 24 South, Range 35 East, NMPM.

Completion Target: Wolfbone formation, at approximately 12,668 feet TVD

Well Orientation: South to North

Completion Location expected to be: Standard

Blueberry Hill Fee 24 35 19 WA Well No. 6H, API No. 30-025-44665

SHL: 2417 feet from the North line and 1286 feet from the East line, (Unit H) of Section 19, Township 24 South, Range 35 East, NMPM.

BHL: 100 feet from the North line and 330 feet from the East line, (Unit A) of Section 18, Township 24 South, Range 35 East, NMPM.

Completion Target: Wolfbone formation, at approximately 12,568 feet TVD

Well Orientation: South to North

Completion Location expected to be: Standard

Blueberry Hill Fee 24 35 19 TB Well No. 10H, API No. 30-025-44663

SHL: 2417 feet from the North line and 1256 feet from the East line, (Unit H) of Section 19, Township 24 South, Range 35 East, NMPM.

BHL: 100 feet from the North line and 330 feet from the East line, (Unit A) of Section 18, Township 24 South, Range 35 East, NMPM.

Completion Target: Wolfbone formation, at approximately 12,320 feet TVD

Well Orientation: South to North

Completion Location expected to be: Standard