

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

**IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF BLACK MOUNTAIN OPERATING LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT, COMPULSORY POOLING, AND AN UNORTHODOX WELL LOCATION, LEA COUNTY, NEW MEXICO.**

**CASE NO. 15655**

**APPLICATION OF BLACK MOUNTAIN OPERATING LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT, COMPULSORY POOLING, AND AN UNORTHODOX WELL LOCATION, LEA COUNTY, NEW MEXICO.**

**CASE NO. 15656**

**APPLICATION OF GMT EXPLORATION COMPANY LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

**CASE NO. 15659**

**APPLICATION OF GMT EXPLORATION COMPANY LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

**CASE NO. 15660**

**JOINT MOTION TO STAY ORDER NOS. R-14442 AND R-14443**

Centennial Resources Production, LLC, the successor-in-interest to GMT Exploration, LLC, and BTA Oil Producers, LLC (collectively, "Appellants"), hereby move for an order staying Order Nos. R-14442 and R-14443, issued on September 15, 2017, in Case Nos. 15655, 15656, 15659, and 15660. In support of this motion, Appellants state as follows:

1. On September 15, 2017, the Division entered two orders:
  - Order No. R-14442: Approving Marathon Oil Permian LLC's ("Marathon")<sup>1</sup> application for a non-standard oil spacing and proration unit, compulsory

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<sup>1</sup> For ease of reference, this motion refers to the successor-in-interest for each entity. Marathon Oil Permian LLC is the successor-in-interest to Black Mountain Operating, LLC.

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pooling, and an unorthodox well location (Case No. 15655) and denying Centennial Resources Production's ("Centennial")<sup>2</sup> application for a non-standard oil spacing and proration unit and compulsory pooling (Case No. 15659); and

- Order No. R-14443: Approving Marathon's application for a non-standard oil spacing and proration unit, compulsory pooling, and an unorthodox well location (Case No. 15656) and denying Centennial's application for a non-standard oil spacing and proration unit and compulsory pooling (Case No. 15660).

2. On October 12, 2017, BTA Oil Producers, LLC ("BTA") filed an application for hearing *de novo* for Order Nos. R-14442 and R-14443. Centennial filed an application for hearing *de novo* for Order Nos. R-14442 and R-14443 on October 13, 2017.

4. These cases and resulting orders involve competing development plans for the Bone Spring formation underlying the W/2 of Irregular Section 2, Township 22 South and the SW/4 of Section 35, Township 21 South, Range 34 East, and Range 34 East, NMPM, Lea County, New Mexico.

5. Centennial owns a controlling interest in the W/2 of Irregular Section 2 and owns no interest in Section 35. Centennial intends to develop the W/2 of Irregular Section 2 using one-mile laterals. Marathon's proposes to develop the acreage using 1.5-mile laterals.

6. BTA owns a controlling interest in the W/2 of Section 35 and owns no interest in Section 2. BTA intends to develop the W/2 of Section 35, which is subject to a joint operating agreement, using one-mile laterals.<sup>3</sup> Marathon's proposal to develop only the SW/4 of Section 35 using 1.5-mile laterals would strand the NW/4 of Section 35.

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<sup>2</sup> For ease of reference, this motion refers to the successor-in-interest for each entity. Centennial Resources Production, LLC is the successor-in-interest to GMT Exploration Company, LLC.

<sup>3</sup> Because of the operating agreement, BTA did not need to file pooling applications.

7. At hearing, Centennial presented evidence that the reservoir quality degrades substantially the further you move north of Section 2. The acreage in the W/2 of Section 2 and the NW/4 of Section 35 is unequal.

8. The Oil and Gas Act states that allocation of production in compulsory pooling must occur on a straight acreage basis. NMSA 1978, § 70-2-17. Forcing inclusion of an additional half-mile of degraded reservoir into Centennial's proposed spacing units impermissibly dilutes Centennial's interest. *See* Order No. R-1328-F, ¶ 32. Likewise, forcing BTA to drill northwest into Section 26, where it owns no working interest and where the acreage is unproven, will dilute BTA's interest.

9. If Marathon is allowed to form a non-standard spacing unit including the SW/4 of Section 35 and allocate production on a straight acreage basis, Appellants are denied their just and equitable share of the oil and gas. N.M.S.A. 1978, § 70-2-17; *see also* Order No. R-1328-F, ¶ 11, 13.

10. Accordingly, Marathon's drilling of 1.5-mile laterals and concurrent allocation of production on a straight acreage basis will permanently and irrevocably damage Centennial's and BTA's correlative rights.

11. To protect correlative rights and to prevent gross negative consequences to Appellants, Appellants request the Director grants this Motion to Stay Division Order Nos. R-14442 and R-14443 until such time as the Commission has reviewed, deliberated and issued its order on the competing applications.

12. If a stay is not entered and Marathon commences its wells, Centennial and BTA will effectively be denied their statutory right to an appeal de novo.

13. Counsel for BTA contacted counsel for Marathon to see if Marathon would voluntarily withhold from commencing wells under the orders, but has not received a response.

WHEREFORE, Appellants request that the Division Director stay Division Order Nos. 14442 and R-14443.

Respectfully submitted,

**HOLLAND & HART LLP**

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was delivered by electronic mail on this 25th day of October, 2017 to the following:

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