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LAWYERS

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January 9, 2018

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

*Case 15960*

**Re: APPLICATION OF MARATHON  
OIL PERMIAN LLC FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT  
AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

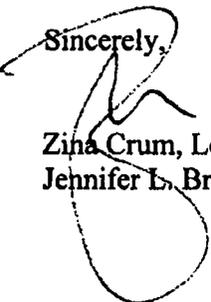
Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Marathon's Application - Sweet Tea BS Application - 6H

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

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

CASE NO. 15960

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 240-acre oil spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 6, Township 25 South, Range 29 East, and W/2 SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) 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 **Sweet Tea State, 24-29-31 TB 6H** well, which is a horizontal well that will develop the Willow Lake, West Pool (Pool Code 96415) underlying the W/2 W/2 of Section 6, Township 25 South, Range 29 East, and W/2 SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico to the

proposed well to form a non-standard 240-acre oil spacing and proration unit (the "project area").

3. The Sweet Tea State, 24-29-31 TB 6H well will be drilled from Unit L (Lot 3) of Section 31 to a bottom hole location in Unit M (Lot 7) of Section 6.

4. The Willow Lake, West, Bone Spring pool (Pool Code 96415) is governed by the Division's statewide rule. The perforations for the proposed well will be orthodox and comply with the Division's setback requirements.

5. 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.

6. The creation of a non-standard proration unit and the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

7. 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.

8. Notice of this application is being given in accordance with Division rules.

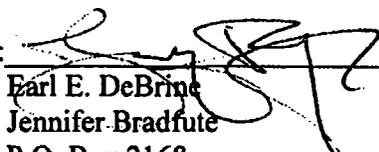
WHEREFORE, Marathon requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 8, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 240-acre, more or less, non-standard spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 6, Township 25 South, Range 29 East, and W/2 SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico;

- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Marathon Oil Permian LLC operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Marathon to recover its costs of drilling, equipping and completing the wells;
- E. 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
- F. 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

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*Attorneys for Applicant*

**CASE NO. 15960 : Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order (1) creating a non-standard 240-acre, more or less, spacing a proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 6, Township 25 South, Range 29 East, and W/2 SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) 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 **Sweet Tea State, 24-29-31 TB 6H well**, to be horizontally drilled. The producing area for this well 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 5 miles southeast of Malaga, New Mexico.

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