

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

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

CASE NO. 16088

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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 E/2 E/2 of Section 1, Township 23 South, Range 26 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 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 E/2 E/2 of Section 1 to the below proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the "project area").
3. Marathon plans to horizontally drill the **Catapult Fee 23-26-1 TB 6H** well to a depth sufficient to test the Bone Spring formation.

4. The well will be drilled from a surface location, located in Unit A of Section 1, and the perforations for the well will be located at orthodox locations.

5. The well is within the Carlsbad, Bone Spring South Pool (Pool Code 9670), which is subject to 330' setback requirements. The producing interval that Marathon seeks to drill will comply with the 330 foot setback requirements established under the Division's rules.

6. 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 well or to otherwise commit their interests to the well.

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

8. 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 requests this application be set for hearing before an Examiner of the Oil Conservation Division on a special docket set for the week of May 3, 2018, 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 the E/2 E/2 of Section 1, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit/project area;

C. Designating Marathon as operator of this unit and the wells to be drilled thereon;

D. Authorizing Marathon to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. 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
& SISK, P.A.

By: 

Earl E. DeBrine, Jr.

Jennifer Bradfute

Post Office Box 2168

Bank of America Centre

500 Fourth Street NW, Suite 1000

Albuquerque, New Mexico 87103-2168

Telephone: 505.848.1800

Attorneys for Applicant

CASE NO. 16088 : 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 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 E/2 E/2 of Section 1, Township 23 South, Range 26 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 **Catapult Fee 23-26-1 TB 6H** well, to be horizontally drilled. The producing area for the 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 6 miles south of Carlsbad, New Mexico.

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