

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

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

CASE NO. 16418

AMENDED 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) to the extent necessary, approving the creation of a 160-acre, more or less, spacing and proration unit covering the W/2 W/2 of Section 14, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico; and, (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying this 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 14, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico to form a 160-acre, more or less, spacing unit.
3. Marathon plans to drill the **Ramathorn Federal Com 22 32 14 FB 22H** wells to a depth sufficient to test the Bone Spring formation. Concurrently or at a later date, Marathon plans on drilling the **Ramathorn Federal Com 22 32 14 TB 1H** within the spacing unit. These wells will be horizontally drilled.

4. These wells will 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 spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.
6. The creation of a non-standard spacing and proration unit and pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.
7. Marathon further requests that it be allowed one (1) year between the time the wells are drilled and completion of the first well under the order issued by the Division.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on September 20, 2018, and after notice and hearing as required by law, the Division enter its order:

- A. To the extent necessary, approving the creation of a non-standard spacing and proration unit in the Bone Spring formation comprised of the W/2 W/2 of Section 14, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit;
- 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;

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.

G. Allowing a period of one (1) year between when the wells are drilled and when the first well is completed under the order.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. 16418: Amended Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.

Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a non-standard 160-acre, more or less, spacing and proration unit covering the W/2 W/2 of Section 14, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying this proposed spacing and proration unit. This proposed spacing unit will be dedicated to the **Ramathorn Federal Com 22 32 14 TB 1H and Ramathorn Federal Com 22 32 14 FB 22H** wells, to be horizontally drilled. The producing area for these wells 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 wells, and a 200% charge for risk involved in drilling said wells, and allowing a one year period between when the wells are drilled and when the first well is completed. Said area is located approximately 26 miles northwest of Loving, New Mexico.