

**Before the Oil Conservation Division  
Examiner Hearing June 13, 2019**

**Case No. 20561:**  
*Ares 7 SB Fee 6H*



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

**APPLICATION OF MARATHON OIL PERMIAN LLC  
FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

CASE NO. 20561

**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 pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

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 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico to form a 160-acre, more or less, spacing unit.
3. Marathon plans to drill the **Ares 7 SB Fee 6H** well to a depth sufficient to test the Bone Spring formation. The well will be horizontally drilled.
4. The well will be located within the Culebra Bluff: Bone Spring, South pool, pool code 15011.



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 well or to otherwise commit their interests to the well.

6. The 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 well is drilled and completion of the 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 June 6, 2019, and after notice and hearing as required by law, the Division enter its order:

A. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2 W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico;

B. Designating Marathon as operator of this unit and the well to be drilled thereon;

C. Authorizing Marathon to recover its costs of drilling, equipping and completing the well;

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

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

F. Allowing a time period of one (1) year between when the well is drilled and when the well is completed under the order.

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

By: Deana M. Bennett

Deana M. Bennett  
Post Office Box 2168  
500 Fourth Street NW, Suite 1000  
Albuquerque, New Mexico 87103-2168  
Telephone: 505.848.1800  
*Attorneys for Applicant*

**CASE NO. 2056:** Application of Marathon Oil Permian LLC for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the Ares 7 SB Fee 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 well, 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, and allowing a one year period between when the well is drilled and when the well is completed. Said area is located approximately 3 miles Northwest of Loving, New Mexico.

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code 15011	<sup>3</sup> Pool Name CULEBRA BLUFF; BONE SPRING, SOUTH
<sup>4</sup> Property Code	<sup>5</sup> Property Name ARES 7 SB FEE	<sup>6</sup> Well Number 6H
<sup>7</sup> OGRID No. 372098	<sup>8</sup> Operator Name MARATHON OIL PERMIAN LLC	<sup>9</sup> Elevation 3065'

<sup>10</sup> Surface Location

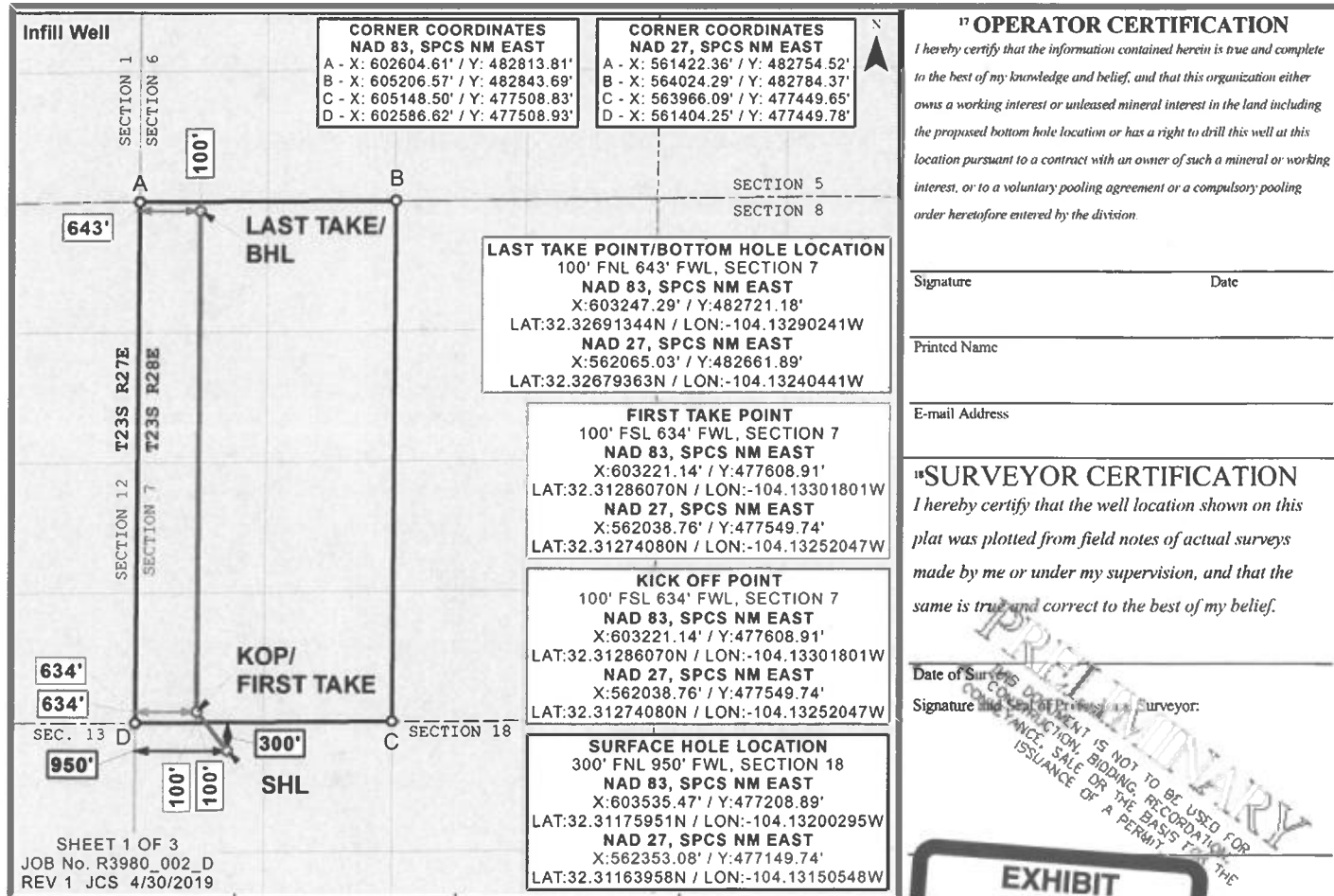
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	18	23S	28E		300	NORTH	950	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	7	23S	28E		100	NORTH	643	WEST	EDDY

<sup>12</sup> Dedicated Acres 316.58	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



Lease Tract Map  
Ares 7 SB Fee 6H  
W/2 W/2 of Section 7, T23S-R28E- 160 acres

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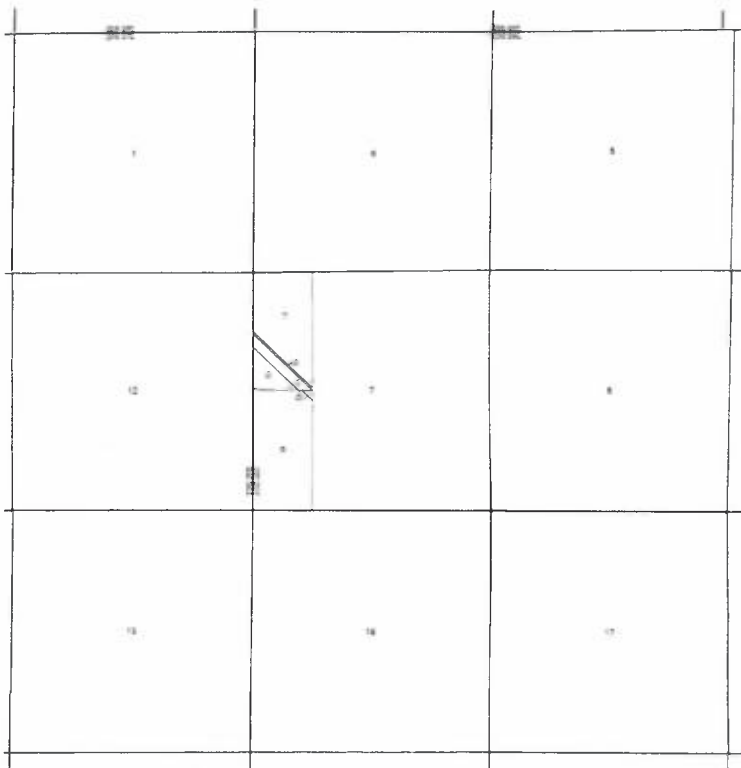
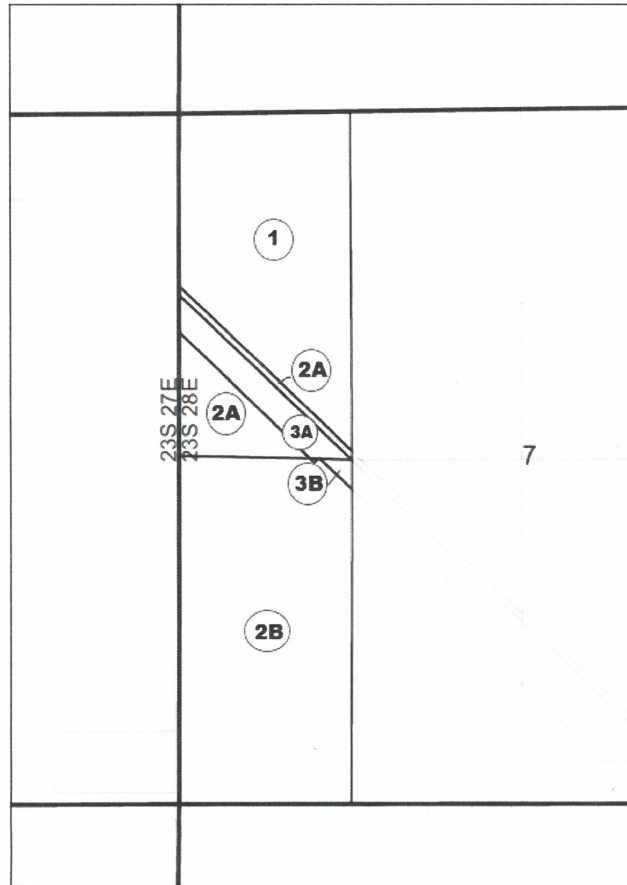


EXHIBIT  
3-A



Exhibit "B" Lease Tract Map  
Ares 7 SB Fee 6H  
W/2 W/2 of Section 7, T23S-R28E– 160 acres



- Tract 1: Fee Acreage
- Tract 2A: Fee Acreage
- Tract 2B: Fee Acreage
- Tract 3A: Fee Acreage (Dept. of Transportation)
- Tract 3B: Fee Acreage (Dept. of Transportation)

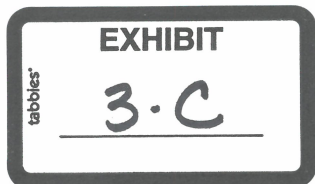




**Exhibit "C" Summary of Interests**  
**Ares 7 SB Fee 6H**  
**W/2 W/2 of Section 7, T23S-R28E- 160 acres**

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<u>Committed Working Interest:</u>	<b>45.165598%</b>
Marathon Oil Permian LLC	45.165598%
 <u>Uncommitted Working Interest:</u>	 <b>53.540754%</b>
OXY USA WTP Limited Partnership	50.158416%
Fasken Land & Minerals, Ltd.	3.382338%
 <u>Unleased Mineral Interest:</u>	 <b>1.293648%</b>
State of New Mexico, Dept. of Transportation	1.293648%



Jeffrey Broussard  
Landman



Marathon Oil Permian LLC  
5555 San Felipe Street  
Houston, Texas 77056  
Telephone: 713-296-3159  
jbroussard1@marathonoil.com

January 30, 2019

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED  
7017 2680 0000 3163 0910

OXY USA WTP Limited Partnership  
5 Greenway Plaza, Suite 110  
Houston, TX 77046

Re: Ares 1H, 2H, 3H, 4H, 5H, 6H, 7H, 8H, 9H Well Proposals  
W/2 of Section 7, Township 23 South, Range 28 East  
Eddy County, New Mexico

Dear OXY USA WTP Limited Partnership:

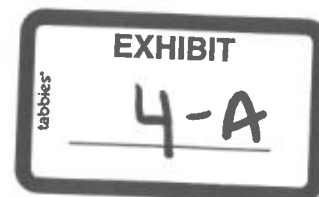
Marathon Oil Permian LLC ("Marathon") proposes the drilling of the following wells located in Section 7, 23S-28E, Eddy, New Mexico, all to be drilled from two surface pad locations.

Pad	Well Name	SHL	BHL	Proration Unit	Target TVD	Est. MD
1	Ares 7 WXY Fee 1H	1310' FWL & 330' FNL	2310' FWL & 330' FSL	W/2 of Sec. 7	9368'	14326'
1	Ares 7 WA Fee 3H	1280' FWL & 330' FNL	1640' FWL & 330' FSL	W/2 of Sec. 7	9488'	14402'
1	Ares 7 WXY Fee 5H	1250' FWL & 330' FNL	990' FWL & 330' FSL	W/2 of Sec. 7	9358'	14269'
1	Ares 7 WA Fee 7H	1220' FWL & 330' FNL	330' FWL & 330' FSL	W/2 of Sec. 7	9478'	14426'
2	Ares 7 WD Fee 2H	1310' FWL & 530' FNL	1254' FWL & 330' FSL	W/2 of Sec. 7	10261'	15206'
2	Ares 7 WD Fee 4H	1280' FWL & 530' FNL	1254' FWL & 330' FSL	W/2 of Sec. 7	9947'	14856'
2	Ares 7 WD Fee 8H	1250' FWL & 530' FNL	330' FWL & 330' FSL	W/2 of Sec. 7	10241'	15191'
2	Ares 7 SB Fee 6H	1220' FWL & 530' FNL	660' FWL & 100' FSL	W/2 of Sec. 7	7805'	12735'
2	Ares 7 TB Fee 9H	1190' FWL & 530' FNL	1310' FWL & 100' FSL	W/2 of Sec. 7	9221'	14131'

These proposed locations and target depths are subject to change depending on any surface or subsurface concerns encountered. The AFEs represent an estimate of the costs that will be incurred to drill and complete the wells, but those electing to participate in the wells are responsible for their proportionate share of the actual costs incurred.

Marathon proposes drilling the wells under the terms of the 1989 AAPL JOA. Enclosed is a draft of the JOA covering the contract area. The JOA has the following general provisions:

- 100%/300%/300% non-consent penalty



- \$7,000/\$700 drilling and producing rates
- Contract area of W/2 of Section 7, 23S-28E, covering from the top of the Wolfcamp Formation to the base of the Wolfcamp formation

If your election is to participate in the drilling and completion of the wells, please sign and return a copy of this letter along with the enclosed AFE within thirty (30) days of receipt of this proposal.

If you do not wish to participate, Marathon proposes to acquire your interest via term assignment at the following terms:

This term assignment offer terminates on March 1, 2019 and is subject to due diligence and title verification satisfactory to Marathon.

Should you have any questions regarding this or other matters, please do not hesitate to contact me at the above listed phone number or email.

Sincerely,



Jeffrey Broussard  
Marathon Oil Permian LLC

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 1H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 1H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 2H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 2H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 3H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 3H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 4H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 4H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 5H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 5H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 SB Fee 6H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 SB Fee 6H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 7H.

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\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 8H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 8H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects to participate in the drilling, completing, and equipping of the Ares 7 TB Fee 9H.

\_\_\_\_\_ OXY USA WTP Limited Partnership elects NOT to participate in the drilling, completing, and equipping of the Ares 7 TB Fee 9H.

OXY USA WTP Limited Partnership

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Jeffrey Broussard  
Landman



Marathon Oil Permian LLC  
5555 San Felipe Street  
Houston, Texas 77056  
Telephone: 713-296-3159  
jbroussard1@marathonoil.com

January 30, 2019

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED  
7017 2680 0000 3163 0927

State of New Mexico, Department of Transportation  
P.O. Box 1148  
Santa Fe, NM 87501

Re: Ares 7 Fee Unit, 1H, 2H, 3H, 4H, 5H, 6H, 7H, 8H, and 9H Well Proposals  
W/2 of Section 28, Township 23 South, Range 28 East  
Eddy County, New Mexico

Dear State of New Mexico, Department of Transportation:

The records of Marathon Oil Permian LLC ("Marathon") indicates that you own an unleased mineral interest in the W/2 Section 7, 23S-28E. As an unleased mineral owner, Marathon would like to offer you the opportunity to lease your minerals to Marathon at the below lease terms:

This offer to lease terminates March 1, 2019 and is subject to due diligence and title verification satisfactory to Marathon. Should you be agreeable to this offer to lease, please sign the lease form in the presence of a notary and complete the IRS Form W-9 included in this proposal and return them in the enclosed self-addressed, stamped envelope.

Marathon proposes the drilling of the following wells located in Section 7, 23S-28E, Eddy County, New Mexico, all to be drilled from two surface pad locations. Should you not elect to lease, Marathon would also like to offer you the opportunity to participate in the drilling of the wells as a working interest owner.

Pad	Well Name	SHL	BHL	Proration Unit	Target TVD	Est. MD
1	Ares 7 WXY Fee 1H	1310' FWL & 330' FNL	2310' FWL & 330' FSL	W/2 of Sec. 7	9368'	14326'
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2	Ares 7 SB Fee 6H	1220' FWL & 530' FNL	660' FWL & 100' FSL	W/2 of Sec. 7	7805'	12735'
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Marathon proposes drilling the wells under the terms of the 1989 AAPL JOA, and if you are interested in participating, please execute and return the enclosed JOA. The JOA has these general provisions:

- 100%/300%/300% non-consent penalty
- \$7,000/\$700 drilling and producing rates
- Contract area of W/2 of Section 7, 23S-28E, covering the depths from the top of the Wolfcamp formation to the base of the Wolfcamp formation

If your election is to participate in the drilling and completion of the wells please sign and return a copy of this letter along with the enclosed AFE within thirty (30) days of receipt of this proposal.

Should you have any questions regarding this or other matters, please do not hesitate to contact me at the above listed phone number or email.

Sincerely,



Jeffrey Broussard  
Marathon Oil Permian LLC

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 1H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 1H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 2H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 2H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 3H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 3H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 4H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 4H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 5H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WXY Fee 5H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 SB Fee 6H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 SB Fee 6H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 7H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WA Fee 7H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 8H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 WD Fee 8H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects to participate in the drilling, completing, and equipping of the Ares 7 TB Fee 9H.

\_\_\_\_\_ State of New Mexico, Department of Transportation elects NOT to participate in the drilling, completing, and equipping of the Ares 7 TB Fee 9H.

State of New Mexico, Department of Transportation

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MARATHON OIL PERMIAN LLC  
AUTHORITY FOR EXPENDITURE  
DETAIL OF ESTIMATED WELL COSTS

DATE 11/19/2018  
DRILLING & LOCATION PREPARED BY MATTHEW RUGAARD  
COMPLETION PREPARED BY JOSH SHANNON  
FACILITIES PREPARED BY MATT HENSCHEN  
ARTIFICIAL LIFT PREPARED BY BILLY MOORE/MATT HI

Asset Team	PERMIAN			
Field	CULEBRA BLUFF/BC	FORMATION: 2ND BONE SPRINGS	WILDCAT	EXPLORATION
Lease/Facility	Ares 7 SB Fee GH		DEVELOPMENT	RECOMPLETION
Location	EDDY COUNTY		X EXPLOITATION	WORKOVER
Prospect	MALAGA			
Est Total Depth	12,735	Est Drilling Days		Est Completion Days 5.5

LOCATION COST - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access	30,000
7001250	Land Broker Fees and Services	27,000
TOTAL LOCATION COST - INTANGIBLE		57,000

DRILLING COST - TANGIBLE

7012050	Conductor Pipe	28,000
7012050	Surface Casing	16,000
7012050	Intermediate Casing 1	55,000
7012050	Intermediate Casing 2	
7012050	Production Casing	205,000
7012050	Drig Liner Hanger, Tieback Eq & Csg Accessories	10,000
7012550	Drilling Wellhead Equipment	50,000
7012040	Casing & Tubing Access	24,000
7012270	Miscellaneous MRO Materials	5,000
TOTAL DRILLING - TANGIBLE		393,000

DRILLING COST - INTANGIBLE

7019200	Drilling Rig Mob/Demob	26,000
7019220	Drilling Rig - day work/footage	338,000
7019040	Directional Drilling Services	105,000
7019020	Cement and Cementing Service Surface	15,000
7019020	Cement and Cementing Service Intermediate 1	25,000
7019020	Cement and Cementing Service Intermediate 2	
7019020	Cement and Cementing Service Production	110,000
7019140	Mud Fluids & Services	57,000
7012310	Solids Control equipment	23,000
7012020	Bits	70,000
7019010	Casing Crew and Services	30,000
7016350	Fuel (Rig)	40,000
7019140	Fuel (Mud)	18,000
7001460	Water (non potable)	25,000
7012350	Water (potable)	5,000
7019000	Well Logging Services	-
7019150	Mud Logging-geosteering	9,000
7019350	Stabilizers, Hole Openers, Underreamers (DH rentals)	15,000
7019110	Casing inspection/cleaning	15,000
7019110	Drill pipe/collar inspection services	10,000
7016180	Freight - truck	25,000
7001460	Water hauling and disposal (includes soil farming)	60,000
7001160	Contract Services - Disposal/Non-Hazardous Waste	80,000
7001440	Vacuum Trucks	10,000
7000030	Contract Labor - general	30,000
7000030	Contract Labor - Operations	3,000
7001200	Contract Services - Facilities	10,000
7019300	Well Services - Well Control Services	16,500
7019350	Well Services - Well/Wellhead Services	10,000
7018150	Rental Tools and Equipment (surface rentals)	52,000
7018150	Rig Equipment and Misc.	6,500
7001110	Telecommunications Services	5,000
7001120	Consulting Services	61,100
7001400	Safety and Environmental	20,800
7018120	Rental Buildings (trailers)	10,400
7019310	Coring (sidewalls & analysis)	-
7011010	7% Contingency & Taxes	121,051
TOTAL DRILLING - INTANGIBLE		\$1,457,351

TOTAL DRILLING COST

\$1,850,351

COMPLETION - TANGIBLE

7012580	Tubing	-
7012040	Tubing Accessories (nipple, wireline entry)	-
7012550	Wellhead Equip	15,000
7012560	Packers - Completion Equipment	-
TOTAL COMPLETION - TANGIBLE		\$15,000





MARATHON OIL PERMIAN LLC  
AUTHORITY FOR EXPENDITURE  
DETAIL OF ESTIMATED WELL COSTS

DATE 11/19/2018

Asset Team PERMIAN  
Field CULEBRA BLUFF;BC FORMATION: 2ND BONE SPRINGS  
Lease/Facility Ares 7 SB Fee 6H

COMPLETION - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access (dress location after rig move, set anchors)	10,000
7019220	Drilling Rig During Completion	-
7019140	Mud Fluids & Services	-
7019030	Coiled Tubing Services (3 runs)	210,000
7019240	Snubbing Services	-
7019270	Pulling/Swab Units	-
7016350	Fuel (from drlg)	-
7019010	Casing Crew and Services	-
7019020	Cement and Cementing Services	-
7019080	Well Testing Services (flow hand & equip)	315,000
7019320	Fracturing Services	1,960,000
7019330	Perforating	175,000
7019360	Wireline Services	15,000
7001460	Water Hauling & Disposal (frac fluids)	147,000
7016180	Freight - Truck (haul pipe; drlg & compl)	15,000
7018150	BOP Rental & Testing	-
7018150	Rental Tools and Equipment ( Incl drlg, lightplant,hydra-walk)	-
7018150	CT Downhole Rental Equipment (ie. BHA)	-
7000030	Contract Labor - general	35,000
7001110	Telecommunications Services	90,000
7001400	Safety and Environmental	-
7001120	Consulting Services	60,000
7018150	Zipper Manifold	150,000
7019300	Frack Stack Rentals	45,000
7016190	Freight (Transportation Services)	-
7018150	Equipment Rental ( w/o operator, frac tanks, lightplants)	135,000
7018120	Rental Buildings (trailers)	15,000
7000030	Contract Labor - Pumping (pump-down pumps)	30,000
7011010	8% Contingency & Taxes	234,800
TOTAL COMPLETION - INTANGIBLE		\$3,641,800

TOTAL COMPLETION COST

\$3,656,800

SURFACE EQUIPMENT - TANGIBLE

7012350	Misc. Piping, Fittings & Valves	85,795
7006640	Company Labor & Burden	-
7000030	Contract Labor - General	74,150
7001110	Telecommunication equip (Telemetry)	-
7012410	Line Pipe & Accessories	27,950
7012270	Miscellaneous Materials (containment system)	43,230
7008060	SCADA	-
7016180	Freight - truck	-
7001190	Contract Engineering	29,115
7012290	Metering and Instrumentation	237,080
7012290	I&E Materials	-
7012200	Gas Treating	-
7012200	Dehydration	-
7012010	Compressor	-
7012350	Power	-
7012610	Vapor Recovery Unit	-
7012440	Separator & other pressure vessels	67,350
7012500	Tanks	193,450
7012100	Heater Treater	17,560
7012640	Flare & Accessories	11,645
7000010	Electrical Labor	29,115
7000010	Mechanical Labor	-
7012480	Rod Pumping unit & Pad	-
7012180	Pumping Unit Engine	-
7012350	Electrical Power (electrical cooperative construction costs)	23,290
TOTAL SURFACE EQUIPMENT - TANGIBLE		\$839,730

TOTAL SURFACE EQUIPMENT COST

\$ 839,730

ARTIFICIAL LIFT

7012580	Tubing	50,000
7012040	Tubing Accessories (nipple, wireline entry)	5,000
7012550	Wellhead Equip	5,000
7012560	Packers - Completion Equipment	5,000
7006640	Company Labor	6,000
7012180	Gas Lift Equipment	23,000
7012480	Rod Pumping, Sucker Rods & Rod Pump	-
7012140	Elect Sub Pumps (ESP)	-
7019350	Well Services-Well/Wellhead Services	42,500
7012270	Materials & Supplies-Tangible	25,000
7012550	Surface Wellhead Equipment	3,000
7012390	Pig Launchers/Receivers & Rel Equip	-
7011010	Contingency & Taxes	5,000
TOTAL ARTIFICIAL LIFT		169,500

TOTAL ARTIFICIAL LIFT COST

\$ 169,500

SUMMARY OF ESTIMATED DRILLING WELL COSTS

TOTAL COST

TOTAL LOCATION COST	\$ 57,000
TOTAL DRILLING COST	\$ 1,850,351
TOTAL COMPLETIONS COST	\$ 3,656,800
TOTAL SURFACE EQUIPMENT COST	\$ 839,730
TOTAL ARTIFICIAL LIFT COST	\$ 169,500
GRAND TOTAL COST	\$6,573,381

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

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR COMPUSLORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 20561  
(ARES BONE SPRING)

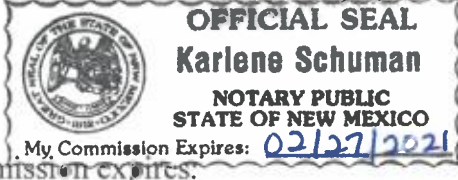
**AFFIDAVIT**


STATE OF NEW MEXICO            )  
  ) ss.  
COUNTY OF BERNALILLO        )

Deana M. Bennett, attorney in fact and authorized representative of Marathon Oil Permian LLC, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Application was sent under a notice letter and that proof of receipt is attached hereto.

  
Deana M. Bennett

SUBSCRIBED AND SWORN to before me this 11th day of June, 2019 by Deana M. Bennett.



  
Notary Public

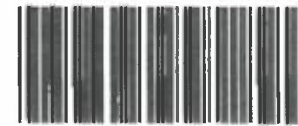
My commission expires: \_\_\_\_\_



Karlene Schuman  
Modrall Sperling Roehl Harris & Sisk P.A.  
500 Fourth Street, Suite 1000  
Albuquerque NM 87102

PS Form 3877

Type of Mailing: CERTIFIED MAIL  
04/12/2019



Firm Mailing Book ID: 165171

Line	USPS Article Number	Name, Street, City, State, Zip	Postage	Service Fee	RR Fee	Rest.Del.Fee	Reference Contents
1	9314 8699 0430 0058 0665 40	Chevron U.S.A. Inc. 6301 Deauville Blvd. Midland TX 79706	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
2	9314 8699 0430 0058 0665 57	Fasken Land & Minerals, L.T.D. 6101 Holiday Hill Rd. Midland TX 79707	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
3	9314 8699 0430 0058 0665 64	OXY USA WTP Limited Partnership 5 Greenway Plaza, Suite 110 Houston TX 77046	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
4	9314 8699 0430 0058 0665 71	State of New Mexico, Dept of Transportation P.O. Box 1148 Santa Fe NM 87501	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
5	9314 8699 0430 0058 0665 88	Stryker Energy, LLC P.O. Box 53448 Houston TX 77052	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
6	9314 8699 0430 0058 0665 95	Dick Jackson 411 N. Maple Ave. Mountain Grove MO 65711	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
7	9314 8699 0430 0058 0666 01	Marathon Oil Permian, LLC 5555 San Felipe Street Houston TX 77057	\$1.15	\$3.50	\$1.60	\$0.00	81363-Ares Notice
Totals:			\$8.05	\$24.50	\$11.20	\$0.00	
			Grand Total:			\$43.75	

List Number of Pieces  
Listed by Sender

Total Number of Pieces  
Received at Post Office

Postmaster:  
Name of receiving employee

Dated:

7



2

Transaction Report Details - CertifiedPro.net  
 Firm Mail Book ID= 165171  
 Generated: 4/29/2019 1:56:22 PM

USPS Article Number	Date Created	Name 1	Address	City	State	Zip	Mailing Status	Service Options	Batch ID	Mail Delivery Date
9314869904300058066601	2019-04-12 1:04 PM	Marathon Oil Permian, LLC	5555 San Felipe Street	Houston	TX	77057	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-15-2019
9314869904300058066595	2019-04-12 1:04 PM	Dick Jackson	411 N. Maple Ave.	Mountain Grove	MO	65711	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-16-2019
9314869904300058066588	2019-04-12 1:04 PM	Stryker Energy, LLC	P.O. Box 53448	Houston	TX	77052	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-16-2019
9314869904300058066571	2019-04-12 1:04 PM	State of New Mexico, Dept of Transportation	P.O. Box 1148	Santa Fe	NM	87501	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-16-2019
9314869904300058066564	2019-04-12 1:04 PM	OXY USA WTP Limited Partnership	5 Greenway Plaza, Suite 110	Houston	TX	77046	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-16-2019
9314869904300058066557	2019-04-12 1:04 PM	Fasken Land & Minerals, L.T.D.	6101 Holiday Hill Rd.	Midland	TX	79707	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-15-2019
9314869904300058066540	2019-04-12 1:04 PM	Chevron U.S.A. Inc.	6301 Deauville Blvd.	Midland	TX	79706	Delivered	Return Receipt - Electronic, Certified Mail	161402	04-15-2019

3

# CARLSBAD CURRENT-ARGUS

## AFFIDAVIT OF PUBLICATION

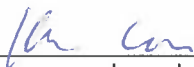
Ad No.  
0001283500

MODRALL SPERLING  
PO BOX 2168

ALBUQUERQUE NM 87103

I, a legal clerk of the **Carlsbad Current-Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

04/18/19



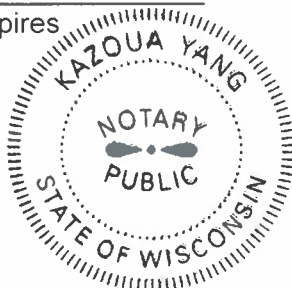
Legal Clerk

Subscribed and sworn before me this  
18th of April 2019.



State of WI, County of Brown  
NOTARY PUBLIC

11/9/22  
My Commission Expires



Ad#:0001283500  
P O : 20467  
# of Affidavits :0.00

CASE No. 20467: Notice to all affected parties, as well as the heirs and devisees of CHEVRON U.S.A. INC.; FASKENLAND & MINERALS, L.T.D.; OXY USA WTP LIMITED PARTNER SHIP; STATE OF NEW MEXICO, DEPT OF TRANSPORTATION; STRYKER ENERGY, LLC DICK JACKSON of Marathon Oil Permian LLC's application for compulsory pooling, Eddy County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division will conduct a public hearing at 8:15 a.m. on May 2, 2019. Applicant seeks an order from the Division pooling all uncommitted mineral interests within a Wolfcamp horizontal spacing unit underlying the W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the Ares 7 WXY Fee 1H; Ares 7 WA Fee 3H; Ares 7 WXY Fee 5H; Ares 7 WA Fee 7H; Ares 7 WD Fee 2H; Ares 7 WD Fee 4H; Ares 7 WD Fee 8H 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 3 miles Northwest of Loving, New Mexico.

CASE No. \_\_\_\_\_: Notice to all affected parties, as well as the heirs and devisees of CHEVRON U.S.A. INC.; FASKENLAND & MINERALS, L.T.D.; OXY USA WTP LIMITED PARTNER SHIP; STATE OF NEW MEXICO, DEPT OF TRANSPORTATION; STRYKER ENERGY, LLC DICK JACKSON of Marathon Oil Permian LLC's application for compulsory pooling, Eddy County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division will conduct a public hearing at 8:15 a.m. on June 6, 2019. This case has not yet been assigned a case number. In this case, Applicant seeks an order from the Division pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the Ares 7 SB Fee 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 well, 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, and allowing a one year period between when the well is drilled and when the well is completed. Said area is located approximately 3 miles Northwest of

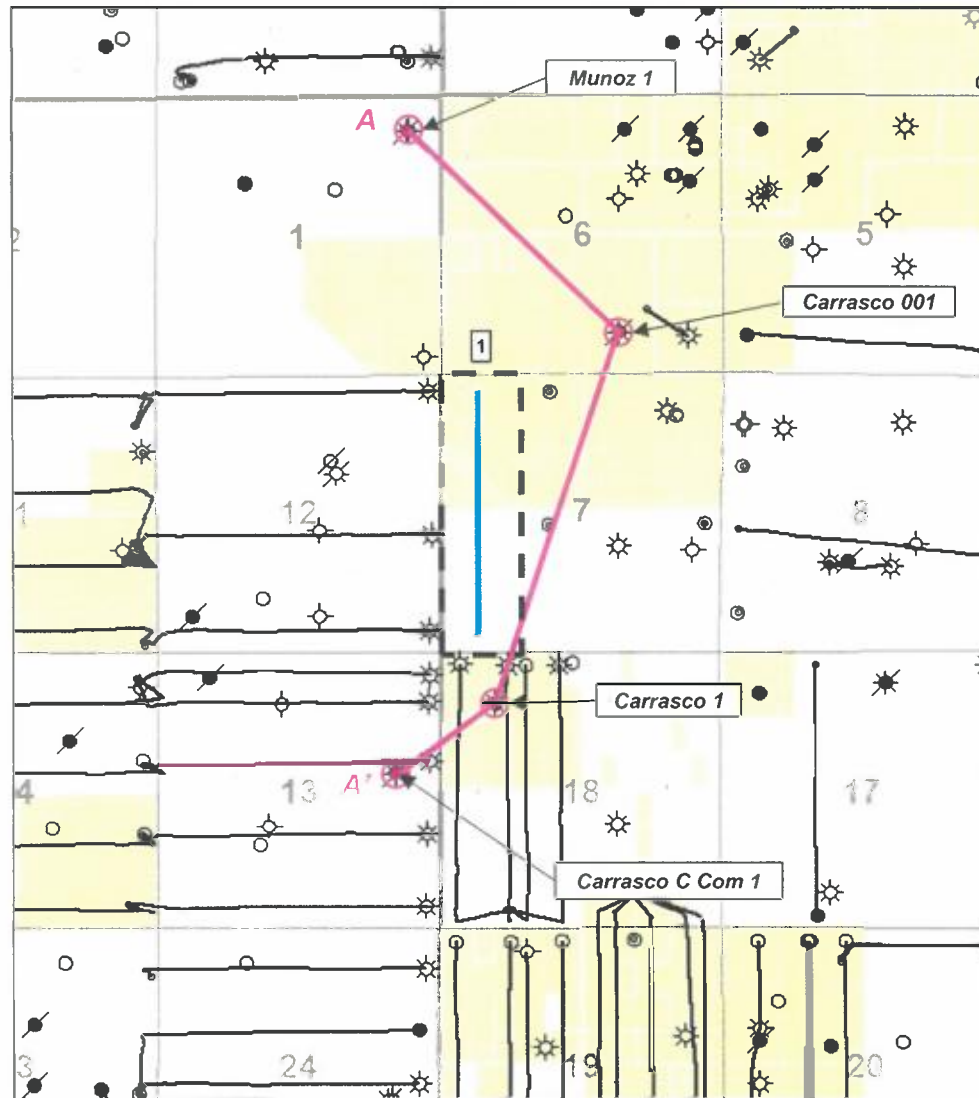
### Structure Map – Base of 2<sup>nd</sup> Bone Spring Sand (TVDSS)



Marathon Oil

# Ares 7 SB Fee Unit

## Reference Map for Cross Section



1 Ares 7 SB Fee 6H

### Map Legend

SBSG

MRO – Horizontal Location

Cross Section line

MRO Acreage

Project Area

1 mile

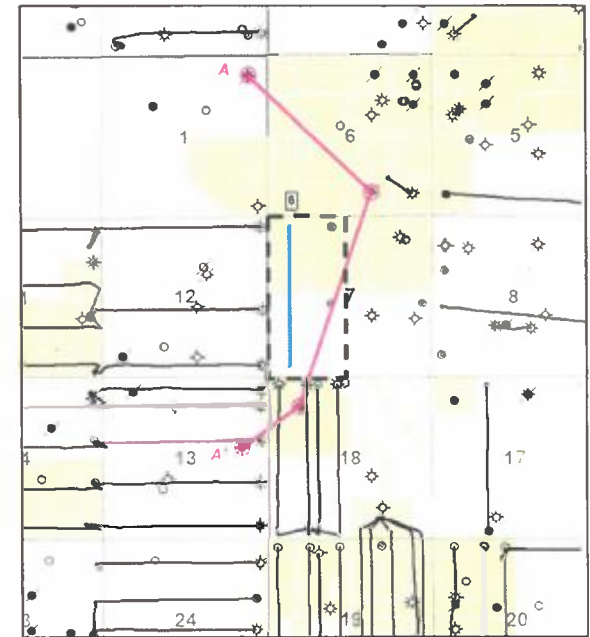
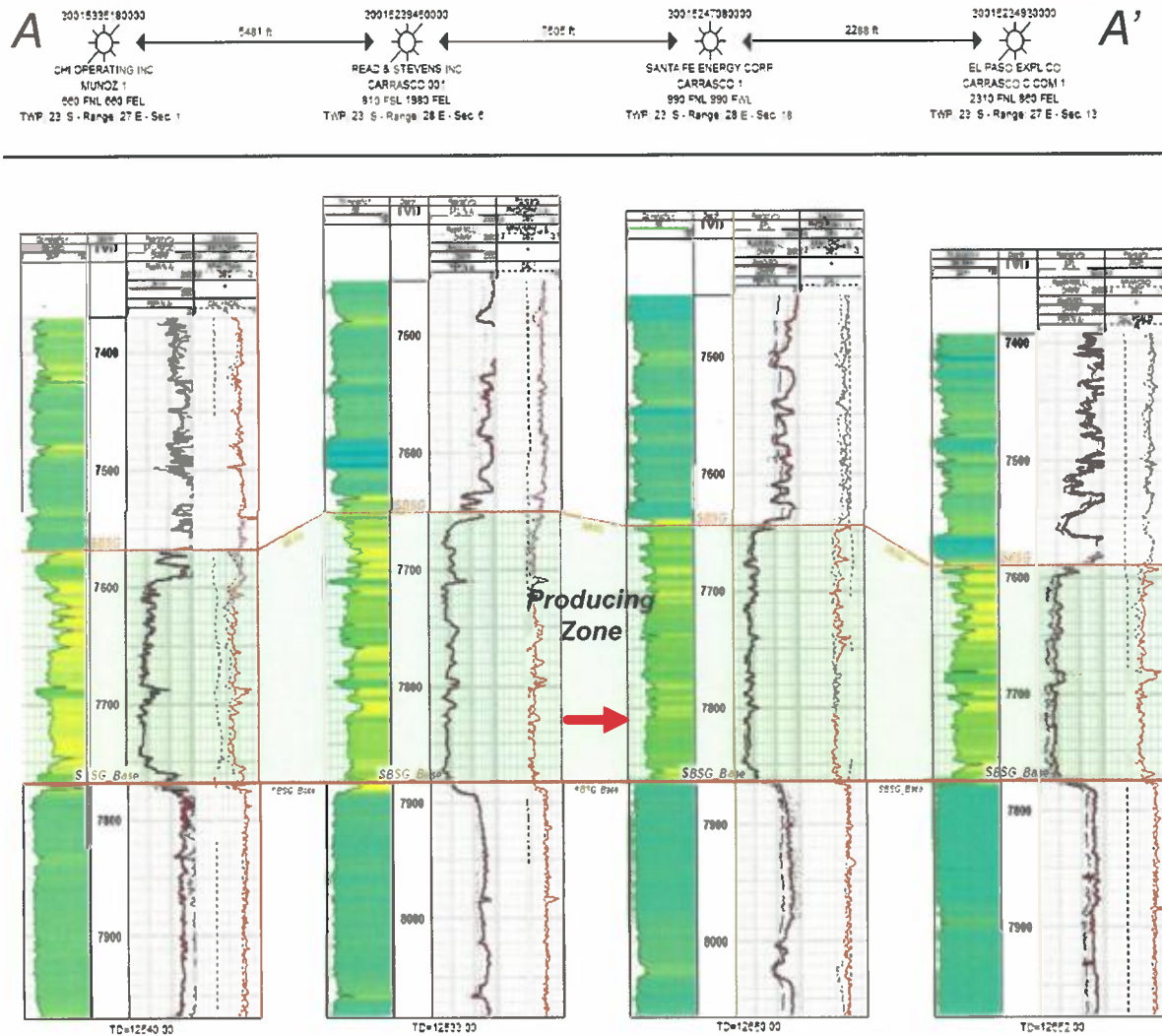
EXHIBIT

8



# Ares 7 SB Fee Unit

## Stratigraphic Cross Section (Base 2<sup>nd</sup> Bone Spring Sand Datum)



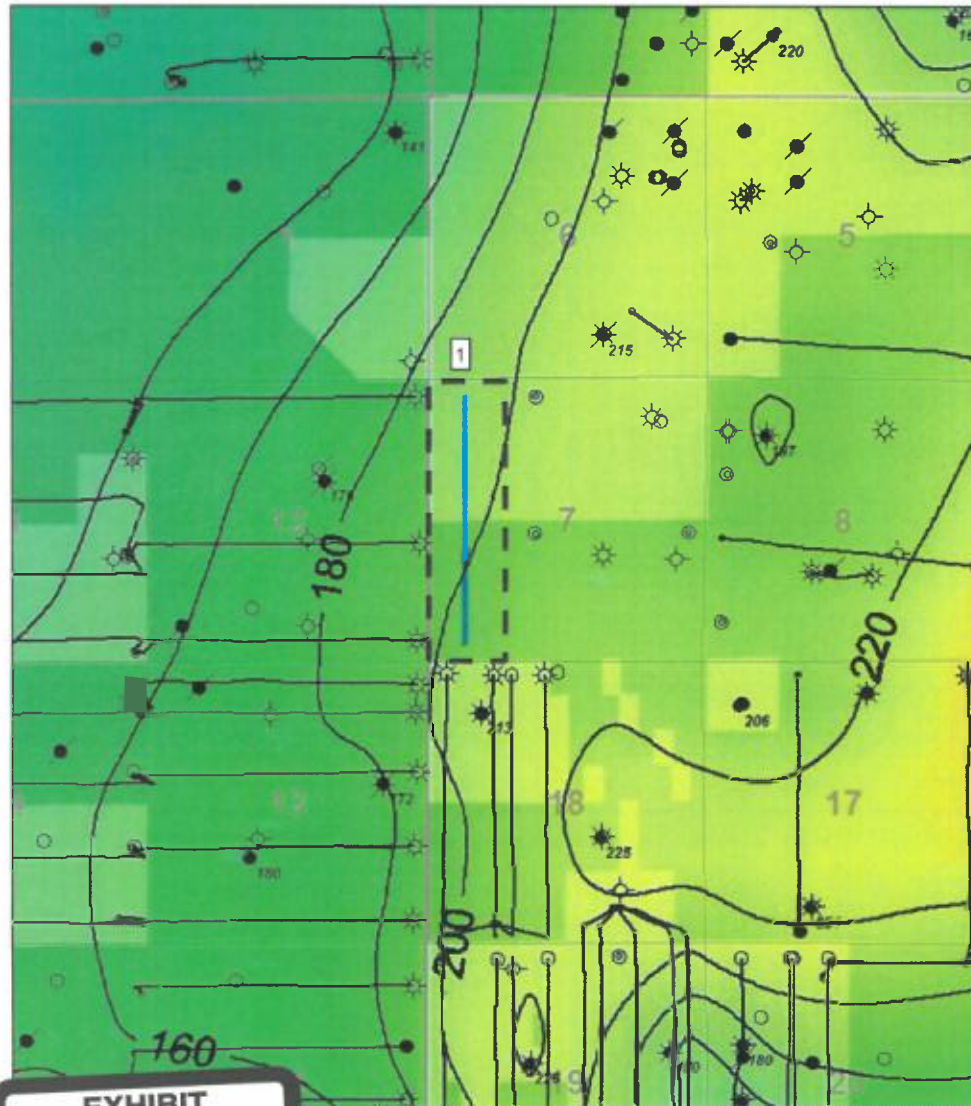
Second Bone Spring Sand thickness consistent across unit





# Ares 7 SB Fee Unit

Gross Interval Isochore – 2<sup>nd</sup> Bone Spring Sand Top to Base



1 Ares 7 SB Fee 6H

## Map Legend

□ — ○ SBSG

MRO – Horizontal Location

MRO Acreage

Project Area

C.I. = 25'

1 mile

