

**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. 16300

**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 W/2 W/2 of Section 29, Township 23 South, Range 28 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. Alternatively, Marathon asks that if the Division finds that 1.5 mile laterals are preferable within this area, that the Division enter an order: (1) creating a 240 acre non-standard spacing and proration unit comprised of the W/2 W/2 of Section 29 and the W/2 NW/4 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interest in the Bone Spring formation underlying this acreage. 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 29 to the below proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the “project area”); or alternatively to form a non-standard 240-acre, more or less spacing and proration unit (the “alternative project area”).

3. Marathon plans to horizontally drill the **Zeus Fee 23 28 29 SB 13H** well to a depth sufficient to test the Bone Spring formation.

4. If the Division determines that 1.5 mile laterals are preferable, and approves the creation of a 240-acre non-standard spacing and proration unit, the unit will include federal acreage and the well will be named as follows: the **Zeus Federal 23 28 29 SB 13H**.

5. The well that Marathon seeks to drill will comply with the 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. Approval of the non-standard unit and the pooling of all interests in the Bone Spring formation underlying the proposed project area or alternative 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 July 12, 2018, and after notice and hearing as required by law, the Division enter an order:

A. Creating a non-standard oil spacing and proration unit (“project area”) in the Bone Spring formation comprised of the W/2 W/2 of Section 29, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; or, alternatively, creating a non-standard spacing

and proration unit in the Bone Spring formation comprised of W/2 W/2 of Section 29 and W/2 NW/4 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County.

- 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.

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**CASE NO. \_\_\_\_\_: 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 W/2 W/2 of Section 29, Township 23 South, Range 28 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 **Zeus Fee 23 28 29 SB 13H** well, to be horizontally drilled. Alternatively, if the Division finds that development using 1.5 mile laterals is preferable, Marathon seeks an order from the Division: (1) creating a 240 acre non-standard spacing and proration unit comprised of the W/2 W/2 of Section 29 and the W/2 NW/4 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interest in the Bone Spring formation underlying this acreage. This alternative proposed non-standard spacing and proration unit will contain federal acreage and, as a result, the wells will be named the **Zeus Federal 23 28 29 SB 13H**. 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 wells. Said area is located approximately 2 miles southwest of Loving, New Mexico.