

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

**APPLICATION OF MARATHON
OIL PERMIAN LLC FOR APPROVAL
OF A SPACING UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 20061

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 Bone Spring spacing unit; and (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 E/2 of Sections 10 and 15, Township 20 South, Range 32 East, Lea 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 E/2 E/2 of Sections 10 and 15, Township 20 South, Range 32 East, Lea County, New Mexico to form a 320-acre, more or less, spacing unit.
3. Marathon plans to drill the **Queenie Federal 20-32-15 SB 2H** well to a depth sufficient to test the Bone Spring formation. This well will be horizontally drilled.
4. This well 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 well or to otherwise commit their interests to the well.

6. The creation of a spacing unit and 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 November 15, 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 spacing unit;
- B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit underlying the E/2 E/2 of Sections 10 and 15, Township 20 South, Range 32 East, Lea County, New Mexico;
- C. Designating Marathon as operator of this unit and the well to be drilled thereon;
- D. Authorizing Marathon to recover its costs of drilling, equipping and completing this well;
- 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 well in the event a working interest owner elects not to participate in the well.

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

Respectfully submitted,

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

By: Deana M. Bennett

Jennifer Bradfute
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. 20061 : Application of Marathon Oil Permian LLC for a spacing and 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 Bone Spring spacing unit; and (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 E/2 of Sections 10 and 15, Township 20 South, Range 32 East, Lea County, New Mexico. This proposed spacing unit will be dedicated to the **Queenie Federal 20-32-15 SB 2H** 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 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 28 miles northeast of Loving, New Mexico.

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