

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

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

CASE NO. 20562

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 E/2 of Section 2, 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 E/2 of Section 2, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, spacing unit.
3. Marathon plans to drill the **Hades 2 TBC State Com 1H, Hades 2 FB State Com 2H, Hades 2 SB State Com 3H, Hades 2 FB State Com 4H, and Hades 2 SB State Com 5H** wells to a depth sufficient to test the Bone Spring formation. These wells will be horizontally drilled.
4. These wells will be located within the Culebra Bluff; Bone Spring, South Oil Pool (Pool ID: 15011) and 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 horizontal 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 when the wells are drilled and when the first well is completed under the order.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on June 13, 2019, and after notice and hearing as required by law, the Division enter its order:

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

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

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

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 wells in the event a working interest owner elects not to participate in the wells;

F. Allowing a time 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. 20562 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 E/2 of Section 2, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Hades 2 TBC State Com 1H, Hades 2 FB State Com 2H, Hades 2 SB State Com 3H, Hades 2 FB State Com 4H, and Hades 2 SB State Com 5H** wells, to be horizontally drilled. The producing area for the wells will be orthodox. Also to be considered will be the cost of drilling and completing the 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 3.5 miles Northeast of Loving, New Mexico.