

Before the Oil Conservation Division Examiner Hearing August 4, 2022

Case No. 22974

APPLICATION OF MARATHON OIL PERMIAN LLC TO AMEND ORDER
NO. R-20996, EDDY COUNTY, NEW MEXICO



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

**APPLICATION OF MARATHON OIL
PERMIAN LLC TO AMEND ORDER
NO. R-20996, EDDY COUNTY, NEW MEXICO**

**CASE NO. 22974
ORDER NO. R-20996 (as
amended)
(RE-OPEN)**

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

APPLICATION OF MARATHON OIL
PERMIAN LLC TO AMEND ORDER
NO. R-20996 (AS AMENDED),
EDDY COUNTY, NEW MEXICO

CASE NO. 22974
ORDER NO. R-20996
(RE-OPEN)

SELF-AFFIRMED DECLARATION OF CHASE RICE

Chase Rice hereby states and declares as follows:

1. I am over the age of 18, I am a land supervisor for Marathon Oil Permian LLC (“Marathon”) and I have personal knowledge of the matters stated herein.
2. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters have been accepted as a matter of record.
3. My area of responsibility at Marathon includes the area of Eddy County in New Mexico.
4. I am familiar with the application filed by Marathon in this case, which is attached as **Exhibit 1**.
5. I submit the following information pursuant to NMAC 19.15.4.12.A(1) in support of the above referenced application.
6. I am familiar with the status of the lands that are subject to this application.
7. The purpose of the application is to amend Order No. R-20996, to allow for an additional one-year extension of time to commence drilling the initial well under the Order.



8. Order No. R-20996, attached as **Exhibit 2**, pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

9. Order No. R-20996 designated Marathon as the operator of the wells and the unit.

10. This is Marathon's third request for an extension of time.

11. On December 15, 2020, by written letter to the Division, Marathon requested that Order No. R-20996-A be amended to allow for an extension of time for drilling the initial well under the Order.

12. On December 21, 2020, by letter, the Division granted Marathon's written request to extend the period of time to commence drilling under the Order until January, 31 2022. *See Exhibit 3.*

13. In September 2021, Marathon submitted an application to extend the period of time to commence drilling under the Order until January 31, 2023.

14. By orders issued October 25, 2021 (R-20996-C) and December 15, 2021 (R-20996-D), the Division granted Marathon's request for an extension of time to January 31, 2023 to commence drilling the initial well under the Order. *See Exhibits 4 & 5.*

15. Good cause exists for Marathon's request for a third extension of time.

16. The acreage at issue in this case has been the subject of litigation,¹ which only recently was resolved.

17. The litigation involved competing claims to ownership of three oil and gas leases that relate to a portion of the acreage at issue in this case.

¹ *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, No. D-503-CV-2020-00407 (5th Judicial District, New Mexico); *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, A-1-CA-39762, consolidated with A-1-CA-39755.

18. The litigation began in May 2020 and, while it has been pending, created uncertainty regarding Marathon's ability to develop the acreage at issue in this case.

19. In June 2022, the parties to the litigation resolved their disputes, allowing Marathon to move forward with its plans to develop the acreage at issue in this case.

20. Under the Order, Marathon would be required to commence drilling the initial Crossbow well by January 31, 2023.

21. Marathon intends to proceed with its Crossbow development and the Crossbow wells are on Marathon's 2023 drilling schedule. Marathon needs additional time beyond January 2023 to commence drilling the initial well under the Order.

22. In addition, as Marathon previously explained, Marathon's operations and drilling activity was impacted by COVID-19 and oil and gas market conditions, which delayed Marathon's drilling plans.

23. Marathon has placed the Crossbow wells on its drilling schedule but needs additional time to commence drilling the initial well.

24. Marathon is in good standing under the statewide rules and regulations.

25. Marathon asks that the deadline to commence drilling the initial well be extended for a year from January 31, 2023 to January 31, 2024.

26. Marathon, through its counsel, notified all pooled working interest owners of Marathon's request to re-open Order No. R-20996 for the purpose specified in the application. No opposition is expected because the pooled working interest owners have been contacted, and have not indicated any opposition.

27. Proof of notification is attached as **Exhibit 6** to this Declaration. Exhibit 6 shows the parties who were notified of this hearing, the status of whether they received notice, and an

affidavit of publication from the Carlsbad Current-Argus newspaper, showing that notice of this hearing was published on July 19, 2022.

28. The attachments to this declaration were prepared by me, or compiled from company business records, or were prepared at my direction.

29. In my opinion, the granting of this application is in the interests of conservation and the prevention of waste.

[Signature page follows]

I attest under penalty of perjury under the laws of the State of New Mexico that the information provided herein is correct and complete to the best of my knowledge and belief.

Dated: August 2, 2022

Chase Rice

Chase Rice

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

**APPLICATION OF MARATHON OIL
PERMIAN LLC TO AMEND ORDER
NO. R-20996 (AS AMENDED),
EDDY COUNTY, NEW MEXICO**

**CASE NO. 22974
ORDER NO. R-20996 (as
amended)
(Re-Open)**

APPLICATION

Marathon Oil Permian LLC (“Marathon”), OGRID Number 372098, through its undersigned attorney, files this application with the Oil Conservation Division (“Division”) for the limited purpose of amending Order No. R-20996 (as amended) (Order No. R-20996 and its amendments are collectively referred to herein as the “Order”) to allow for an additional extension of time for Marathon to commence drilling the initial well under the Order. In support of this application, Marathon states as follows:

1. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.
2. Order No. R-20996 designated Marathon as the operator of the wells and the unit.
3. The Division Hearing for Case No. 16381 was held on September 19, 2019.
4. The Division entered Order No. R-20996 in Case No. 16381 on January 9, 2020.
5. Order R-20996-A was entered on May 7, 2020 (in Case No. 21213) and pooled previously unidentified interest owners and provided that Order R-20996 remains in effect.



6. In December 2020, by written letter to the Division, Marathon requested that Order No. R-20996-A be amended to allow Marathon additional time to commence drilling the initial well under the Order.

7. On December 21, 2020, by letter, the Division granted Marathon's written request to extend the period of time to commence drilling under the Order until January 31, 2022.

8. In September 2021, Marathon submitted an application to extend the period of time to commence drilling under the Order until January 31, 2023.

9. By orders issued October 25, 2021 (R-20996-C) and December 15, 2021 (R-20996-D), the Division granted Marathon's request for an extension of time to January 31, 2023 to commence drilling the initial well under the Order.

10. Marathon submits this application to request an additional extension of time to commence drilling the initial well under the Order.

11. Good cause exists for Marathon's request for a third extension of time.

12. The acreage at issue in this case has been the subject of litigation,¹ which only recently was resolved.

13. The litigation involved competing claims to ownership of three oil and gas leases that relate to a portion of the acreage at issue in this case.

14. The litigation began in May 2020 and, while it has been pending, created uncertainty regarding Marathon's ability to develop the acreage at issue in this case.

15. In June 2022, the parties to the litigation resolved their disputes, allowing Marathon to move forward with its plans to develop the acreage at issue in this case.

¹ *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, No. D-503-CV-2020-00407 (5th Judicial District, New Mexico); *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, A-1-CA-39762, consolidated with A-1-CA-39755.

16. Marathon intends to proceed with its Crossbow development and the Crossbow wells are on Marathon's 2023 drilling schedule.

17. Under the Order, Marathon would be required to commence drilling the initial Crossbow well by January 31, 2023.

18. Given the parties to the litigation only very recently settled their disputes, Marathon requires additional time to commence drilling the initial well under the Order.

19. Marathon asks that the deadline to commence drilling the initial well be extended for one year from January 31, 2023 to January 31, 2024.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on August 4, 2022, and after notice and hearing as required by law, the Division:

A. Amend the Order to extend the time for Marathon to commence drilling the initial well under the Order for a year, through January 31, 2024.

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

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

CASE NO. 22974 : (Re-Open) Application of Marathon Oil Permian LLC to Amend Order No. R-20996, Eddy County, New Mexico. Applicant seeks an order from the Division for the limited purposes of amending Order No. R-20996 to allow for a one-year extension of time to commence drilling the initial well under the Order. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico. Said area is located approximately 8 miles southwest of Carlsbad, New Mexico.

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION TO
CONSIDER:**

**CASE NO. 16381
ORDER NO. R-20996**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 19, 2019, at Santa Fe, New Mexico, before Examiner Kathleen Murphy.

NOW, on this 9th day of January 2020, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) detailed in Exhibit "A" to the Unit.
- (4) No other party appeared or otherwise opposed the case.
- (5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:
 - (a) All completed well locations are expected to be standard or Applicant will apply administratively for approval of location exceptions.
 - (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance



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Order No. R-20996
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instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.

- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(6) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(7) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(8) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(9) There are interest owners in the Unit that have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the pooled depth interval within the Unit.

(11) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(12) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(13) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

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IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" hereto is incorporated herein by this reference and made a part of this order for all purposes.

(2) The Unit shall be dedicated to the proposed "Well(s)".

(3) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(4) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month corresponding to the date of this order, in the year following the date of issuance of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.

(5) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(6) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(8) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(9) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the

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Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 30 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit "A") of the above costs.

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs"

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reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(16) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(17) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(18) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

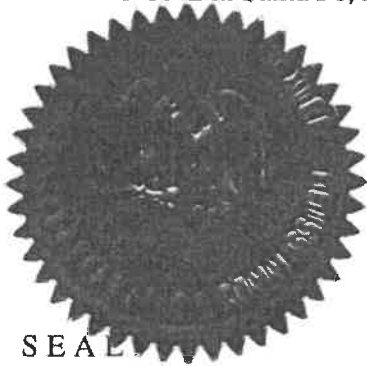
(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(21) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "AS", written over the printed name.

ADRIENNE SANDOVAL
Director

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Exhibit "A"
Case No. 16381

Applicant: Marathon Oil Permian LLC
Operator: Marathon Oil Permian LLC (OGRID 372098)

Spacing Unit: Horizontal Gas
Building Blocks: Half Section Equivalent
Spacing Unit Size: 1280.0 acres (more or less)
Orientation of Unit: East/West

Spacing Unit Description:

Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico

Pooling this Vertical Extent: Wolfcamp Formation
Depth Severance? (Yes/No): No

Pool: Purple Sage;Wolfcamp Gas (Pool code 98220)
Pool Spacing Unit Size: Half Sections
Governing Well Setbacks: Special Rules for the Purple Sage Gas Pool Apply
Pool Rules: Purple Sage and Horizontal Well Rules

Proximity Tracts: No

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Wells:

Crossbow Fed Com 23-27-8 WXY 2H, API No. Pending

SHL: 1029 feet from the South line and 288 feet from the East line,
(Unit P) of Section 8, Township 23 South, Range 27 East, NMPM.
BHL: 990 feet from the South line and 330 feet from the West line,
(Unit M) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp Y at approx 9027 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WA 4H, API No. Pending

SHL: 1029 feet from the South line and 378 feet from the East line,
(Unit P) of Section 8, Township 23 South, Range 27 East, NMPM.
BHL: 330 feet from the South line and 330 feet from the West line,

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(Unit M) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp A at approx 9092 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WXY 8H, API No. Pending

SHL: 1267 feet from the North line and 317 feet from the East line,
(Unit A) of Section 8, Township 23 South, Range 27 East, NMPM.

BHL: 1659 feet from the North line and 330 feet from the West line,
(Unit E) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp Y at approx 9027 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WXY 9H, API No. Pending

SHL: 1029 feet from the South line and 348 feet from the East line,
(Unit P) of Section 8, Township 23 South, Range 27 East, NMPM.

BHL: 2319 feet from the South line and 330 feet from the West line,
(Unit L) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp Y at approx 9027 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WA 10H, API No. Pending

SHL: 1029 feet from the South line and 318 feet from the East line,
(Unit P) of Section 8, Township 23 South, Range 27 East, NMPM.

BHL: 1654 feet from the South line and 330 feet from the West line,
(Unit L) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp A at approx 9092 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WXY 14H, API No. Pending

SHL: 1266 feet from the North line and 347 feet from the East line,
(Unit A) of Section 8, Township 23 South, Range 27 East, NMPM.

BHL: 330 feet from the North line and 330 feet from the West line,
(Unit D) of Section 7, Township 23 South, Range 27 East, NMPM.

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Completion Target: Wolfcamp Y at approx 9027 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WA 15H, API No. Pending

SHL: 1266 feet from the North line and 377 feet from the East line,
(Unit A) of Section 8, Township 23 South, Range 27 East, NMPM.
BHL: 2328 feet from the North line and 330 feet from the West line,
(Unit E) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp A at approx 9092 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

Crossbow Fed Com 23-27-8 WA 16H, API No. Pending

SHL: 1267 feet from the North line and 287 feet from the East line,
(Unit A) of Section 8, Township 23 South, Range 27 East, NMPM.
BHL: 999 feet from the North line and 330 feet from the West line,
(Unit D) of Section 7, Township 23 South, Range 27 East, NMPM.

Completion Target: Wolfcamp A at approx 9092 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



December 21, 2020

Marathon Oil Permian, LLC
c/o Deana M. Bennett, Agent
deana.bennett@modrall.com
P.O. Box 2208
Santa Fe, New Mexico 87504

RE: Request for Time Extension to Commence drilling

Case No. 16381, R-20996 approved date January 9, 2020

Deadline to commence drilling January 31, 2021

Applicant/Operator: Marathon Oil Permian, LLC

Proposed Well:

- Crossbow Federal Com 23-27-8 WXY Well No. 2H, API No. Pending
- Crossbow Federal Com 23-27-8 WA Well No. 4H, API No. Pending
- Crossbow Federal Com 23-27-8 WXY Well No. 8H, API No. Pending
- Crossbow Federal Com 23-27-8 WXY Well No. 9H, API No. Pending
- Crossbow Federal Com 23-27-8 WA Well No. 10H, API No. Pending
- Crossbow Federal Com 23-27-8 WXY Well No. 14H, API No. Pending
- Crossbow Federal Com 23-27-8 WA Well No. 15H, API No. Pending
- Crossbow Federal Com 23-27-8 WA Well No. 16H, API No. Pending

Dear Sir or Madam:

The following pertains to your request received by the Division on December 15th, 2020 and to the requirements in the captioned hearing order.

You have requested an extension of the deadline to commence drilling given by the Division in the captioned order.

As stated, you are requesting an extension to spud this well due to "changes in Marathon's drilling schedule due to COVID-19 and current market conditions".. There was no opposition in the captioned case. You are requesting an additional year in which to spud this well. The spud date is now extended to, **January 31, 2022.**

The requested additional year in which to commence drilling is hereby granted.

All other provisions of this order remain in full force and effect.

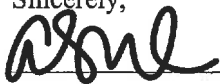
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3441 • Fax (505) 476-3462 • www.emnrd.state.nm.us
OCD Examiner Hearing 8-4-22

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Marathon Oil Permian, LLC
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Sincerely,



ADRIENNE SANDOVAL
Director
AS/jag

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MARATHON OIL PERMIAN, LLC**

**CASE NO. 22202
ORDER NO. R-20996-C**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 21, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Marathon Oil Permian, LLC (“Operator”) submitted an application (“Application”) requesting an extension to drill the well(s) as required by Order R-20996-A.
2. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice of the Application was given.
3. The Application was heard by the Hearing Examiner, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

4. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
5. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
6. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

ORDER

7. The period to drill the well(s) is extended until January 31, 2021.
8. This Order shall terminate automatically if Operator fails to comply with Paragraph 7 unless prior to termination Operator applies, and OCD grants, to amend Order R-20996 for good cause shown.
9. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.
10. The remaining provisions of Order R-20996 remain in force or effect.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 10/25/2021

CASE NO. 22202
ORDER NO. R-20996-C

Page 2 of 2

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

IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MARATHON OIL PERMIAN, LLC

CASE NO. 22202
ORDER NO. R-20996-D

NUNC PRO TUNC ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having determined that an error occurred in Order R-20996-C in this matter, which requires correction, issues the following *Nunc Pro Tunc* Order.

FINDINGS OF FACT

- 1. Order R-20996-C, issued October 25, 2021, (“Order”) contains an error in a date in paragraph 7 of the Order.


ORDER

- 2. Paragraph 7 of the Order is corrected to read as follows:

“7. The period to drill the well(s) is extended until January 31, 2023.”

- 3. The corrections are effective *nunc pro tunc* as of the date of the Order.
- 4. All other provisions of the Order remain in full force and effect.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


ADRIENNE SANDOVAL
DIRECTOR
AES/jag

Date: 12/15/2021



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

APPLICATION OF MARATHON OIL
PERMIAN LLC TO AMEND ORDER
NO. R-20996 (AS AMENDED),
EDDY COUNTY, NEW MEXICO.

CASE NO. 22974

SELF-AFFIRMED DECLARATION OF DEANA M. BENNETT

Deana M. Bennett, attorney in fact and authorized representative of Marathon Oil Permian LLC, the Applicant herein, declares as follows:

1) The above-referenced Application was provided under a notice letter, dated July 15, 2022, and attached hereto, as Exhibit D.


2) Exhibit A is the mailing list, which shows the notice letter was delivered to the USPS for mailing on July 15, 2022.

3) Exhibit B is the certified mailing tracking information, which is automatically compiled by CertifiedPro, the software Modrall uses to track the mailings. This spreadsheet shows the names and addresses of the parties to whom notice was sent and the status of the mailing.

4) Exhibit C is the Affidavit of Publication from the Carlsbad Current Argus, confirming that notice of the August 4, 2022 hearing was published on July 19, 2022.

5) I attest under penalty of perjury under the laws of the State of New Mexico that the information provided herein is correct and complete to the best of my knowledge and belief.

Dated: August 1, 2022



Deana M. Bennett



Released to Imaging: 8/2/2022 3:17:38 PM

Carlene Schuman
Dorrell Sperling Roehl Harris & Sisk P.A.
100 Fourth Street, Suite 1000
Albuquerque NM 87102

PS Form 3877

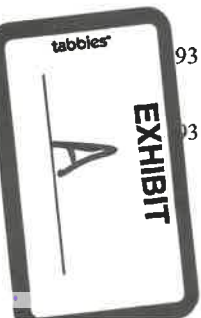
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07/15/2022



Firm Mailing Book ID: 230765

Received by OCD: 8/2/2022 3:17:10 PM

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2	9314 8699 0430 0097 4149 68	ROSS DUNCAN PROPERTIES LLC PO BOX 647 Artesia NM 88211	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
3	9314 8699 0430 0097 4149 75	JUDITH ANDERSON PO BOX 128 Cedar Crest NM 87008	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
4	9314 8699 0430 0097 4149 82	DEBORAH ELIZABETH CONWAY TTEE 22725 TORERO COURT Salinas CA 93908	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
5	9314 8699 0430 0097 4149 99	ALLIANCE LAND AND MINERALS LLC PO BOX 809 Artesia NM 88211	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
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7	9314 8699 0430 0097 4150 19	TUMBLER ENERGY PARTNERS LLC PO BOX 50938 Midland TX 79710	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
8	9314 8699 0430 0097 4150 26	MCM PERMIAN LLC PO BOX 1540 Midland TX 79702	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
9	9314 8699 0430 0097 4150 33	SPRINGWOOD MINERALS 6 LP PO BOX 3579 Midland TX 79702	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
10	9314 8699 0430 0097 4150 40	KMF LAND LLC 1144 15TH STREET STE 2650 Denver CO 80202	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
11	9314 8699 0430 0097 4150 57	MADISON M HINKLE PO BOX 2292 Roswell NM 88202	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
12	9314 8699 0430 0097 4150 64	JOHN RUSTON SCHWAUSCH 6206 ADEL CV9 Austin TX 78749	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
13	9314 8699 0430 0097 4150 71	BARBARA MCKINNEY ESTATE 9595 AMARANTE CIRCLE UNIT 13 Jacksonville FL 32257	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
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	9314 8699 0430 0097 4150 95	THOMAS C MCKINNEY 1423 OAKWOOD LOOP San Marcos TX 78666	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice



Released for Imaging: 8/2/2022 3:17:38 PM

Arlene Schuman
Rodrall Sperling Roehl Harris & Sisk P.A.
100 Fourth Street, Suite 1000
Albuquerque NM 87102

PS Form 3877

Type of Mailing: CERTIFIED MAIL
07/15/2022



Firm Mailing Book ID: 230765

Received by OCD: 8/2/2022 3:17:10 PM

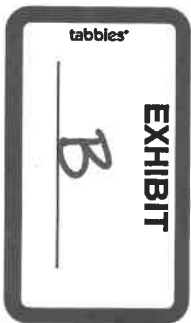
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17	9314 8699 0430 0097 4151 18	RITA K WOODMAN 621 RALEY COURT Weatherford TX 76085	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
18	9314 8699 0430 0097 4151 25	JAMES C FAUBION 4210 VALLEY FORGE DR Enid OK 73703	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
19	9314 8699 0430 0097 4151 32	HELEN FAUBION PO BOX 1036, MESILLA Mesilla NM 88046	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
20	9314 8699 0430 0097 4151 49	DEVON ENERGY PRODUCTION CO LP 333 W SHERIDAN AVE Oklahoma City OK 73102	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
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22	9314 8699 0430 0097 4151 63	GRINCH LLC 6760 Portwest Dr Houston TX 77024	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
23	9314 8699 0430 0097 4151 70	DEANNE SHEPHARD 27 Splitrock Ct. The Woodlands TX 77381	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
24	9314 8699 0430 0097 4151 87	TEXAS INDEPENDENT EXPLORATION LTD 6760 Portwest Dr Houston TX 77024	\$1.44	\$4.00	\$2.00	\$0.00	81363.0154. Notice
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Totals:			\$40.32	\$112.00	\$56.00	\$0.00	
Grand Total:						\$208.32	

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Page 28 of 36

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Carlsbad Current Argus.

Affidavit of Publication

Ad # 0005341561

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MODRALL SPERLING
POBOX 2168

ALBUQUERQUE, NM 87103

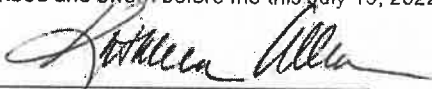
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements 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 in editions dated as follows:

07/19/2022



Legal Clerk

Subscribed and sworn before me this July 19, 2022:



State of WI, County of Brown
NOTARY PUBLIC

1-7-25

My commission expires

CASE NO. 22974: Notice to all affected parties, as well as the heirs and devisees of Bureau of Land Management; Devon Energy Production Co LP; Grinch LLC; DeAnne Shepard; Texas Independent Exploration LTD; Island Resources; Warwick Ares LLC; Sugar Creek Resources, LLC; David M. Madden, Trustee of the Robert H. St. John Family Trust; Featherstone Development Corp; Ross Duncan Properties LLC; Judith Anderson; Deborah Elizabeth Conway TTEE; Alliance Land and Minerals LLC; Olli Energy LLC; Tumbler Energy Partners LLC; MCM Permian LLC; Springwood Minerals 6 LP; KMF Land LLC; Madison M. Hinkle; John Ruston Schwausch; Barbara McKinney Estate; Haymaker Holding; Thomas C. McKinney; Boomslang Resources LLC; Rita K. Woodman; James C. Faubion; Helen Faubion of (Re-Open) Application of Marathon Oil Permian LLC to Amend Order No. R-20996, 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 August 4, 2022, to consider this application. Applicant seeks an order from the Division for the limited purposes of amending Order No. R-20996 to allow for a one-year extension of time to commence drilling the initial well under the Order. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico. Said area is located approximately 8 miles southwest of Carlsbad, New Mexico.
#5341561, Current Argus,
July 19, 2022

Ad # 0005341561
PO #: 5341561
of Affidavits 1

This is not an invoice

KATHLEEN ALLEN
Notary Public
State of Wisconsin

EXHIBIT
C



MODRALL SPERLING

L A W Y E R S

July 15, 2022

Deana M. Bennett
505.848.1834
dmb@modrall.com

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

**Re: APPLICATION OF MARATHON OIL PERMIAN LLC TO
AMEND ORDER NO. R-20996 (AS AMENDED), EDDY
COUNTY, NEW MEXICO.**

CASE NO. 22974

TO: AFFECTED PARTIES

This letter is to advise you that Marathon Oil Permian LLC ("Marathon") has filed the enclosed application.

In Case No. 22974, Marathon seeks an order from the Division for the limited purposes of amending Order No. R-20996 to allow for a one-year extension of time to commence drilling the initial well under the Order. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico. Said area is located approximately 8 miles southwest of Carlsbad, New Mexico.

During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on August 4, 2022 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>.

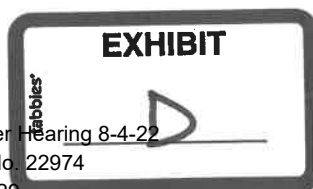
As a party who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in these cases, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Modrall Sperring
Roehl Harris & Sisk P.A.

500 Fourth Street NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico 87103-2168

Tel: 505.848.1800
www.modrall.com



OCD Examiner Hearing 8-4-22

Case No. 22974

Page 2

You are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division at least four business days in advance of a scheduled hearing before the Division or the Commission, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date, with a copy delivered to the undersigned.

Sincerely,



Deana M. Bennett

Attorney for Applicant

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

**APPLICATION OF MARATHON OIL
PERMIAN LLC TO AMEND ORDER
NO. R-20996 (AS AMENDED),
EDDY COUNTY, NEW MEXICO**

**CASE NO. 22974
ORDER NO. R-20996 (as
amended)
(Re-Open)**

APPLICATION

Marathon Oil Permian LLC (“Marathon”), OGRID Number 372098, through its undersigned attorney, files this application with the Oil Conservation Division (“Division”) for the limited purpose of amending Order No. R-20996 (as amended) (Order No. R-20996 and its amendments are collectively referred to herein as the “Order”) to allow for an additional extension of time for Marathon to commence drilling the initial well under the Order. In support of this application, Marathon states as follows:

1. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.
2. Order No. R-20996 designated Marathon as the operator of the wells and the unit.
3. The Division Hearing for Case No. 16381 was held on September 19, 2019.
4. The Division entered Order No. R-20996 in Case No. 16381 on January 9, 2020.
5. Order R-20996-A was entered on May 7, 2020 (in Case No. 21213) and pooled previously unidentified interest owners and provided that Order R-20996 remains in effect.

6. In December 2020, by written letter to the Division, Marathon requested that Order No. R-20996-A be amended to allow Marathon additional time to commence drilling the initial well under the Order.

7. On December 21, 2020, by letter, the Division granted Marathon's written request to extend the period of time to commence drilling under the Order until January 31, 2022.

8. In September 2021, Marathon submitted an application to extend the period of time to commence drilling under the Order until January 31, 2023.

9. By orders issued October 25, 2021 (R-20996-C) and December 15, 2021 (R-20996-D), the Division granted Marathon's request for an extension of time to January 31, 2023 to commence drilling the initial well under the Order.

10. Marathon submits this application to request an additional extension of time to commence drilling the initial well under the Order.

11. Good cause exists for Marathon's request for a third extension of time.

12. The acreage at issue in this case has been the subject of litigation,¹ which only recently was resolved.

13. The litigation involved competing claims to ownership of three oil and gas leases that relate to a portion of the acreage at issue in this case.

14. The litigation began in May 2020 and, while it has been pending, created uncertainty regarding Marathon's ability to develop the acreage at issue in this case.

15. In June 2022, the parties to the litigation resolved their disputes, allowing Marathon to move forward with its plans to develop the acreage at issue in this case.

¹ *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, No. D-503-CV-2020-00407 (5th Judicial District, New Mexico); *Sugar Creek Resources, LLC v. Marathon Oil Permian LLC, et al.*, A-1-CA-39762, consolidated with A-1-CA-39755.

16. Marathon intends to proceed with its Crossbow development and the Crossbow wells are on Marathon's 2023 drilling schedule.

17. Under the Order, Marathon would be required to commence drilling the initial Crossbow well by January 31, 2023.

18. Given the parties to the litigation only very recently settled their disputes, Marathon requires additional time to commence drilling the initial well under the Order.

19. Marathon asks that the deadline to commence drilling the initial well be extended for one year from January 31, 2023 to January 31, 2024.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on August 4, 2022, and after notice and hearing as required by law, the Division:

A. Amend the Order to extend the time for Marathon to commence drilling the initial well under the Order for a year, through January 31, 2024.

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

By: Deana M. Bennett

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

CASE NO. 22974 : (Re-Open) Application of Marathon Oil Permian LLC to Amend Order No. R-20996, Eddy County, New Mexico. Applicant seeks an order from the Division for the limited purposes of amending Order No. R-20996 to allow for a one-year extension of time to commence drilling the initial well under the Order. Order No. R-20996 pooled uncommitted interest owners in a 1280-acre (more or less) spacing unit underlying Sections 7 and 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico. Said area is located approximately 8 miles southwest of Carlsbad, New Mexico.