

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

**APPLICATION OF MARATHON OIL PERMIAN
LLC FOR A NON-STANDARD UNIT,
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

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) approving a non-standard unit, and (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 of Sections 24, 25, and 36, Township 26 South, Range 34 East, NMPM, 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 of Sections 24, 25, and 36, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico to form an 800-acre, more or less, non-standard spacing unit.
3. Marathon plans to drill **Goliath 24 Federal Com 603H and Goliath 24 Federal Com 604H** wells to a depth sufficient to test the Bone Spring formation. These wells will be horizontally drilled and will be drilled at orthodox locations under the Division’s rules.
4. Marathon seeks approval of the 800-acre non-standard spacing unit for several reasons.

5. First, Marathon seeks to minimize surface disturbance by consolidating facilities and commingling production from the wells in the proposed non-standard spacing unit.

6. Approval of this application will allow Marathon to efficiently locate surface facilities, reduce surface disturbance, consolidate roads, tanks, and pipelines, and promote effective well spacing, which is consistent with Division rules. *See, e.g.*, Rule 19.15.16.7(P) NMAC; Rule 19.15.16.15(B)(8) NMAC; Rule 19.15.16.15(C)(7)(NMAC).

7. Second, to allow the wells to be dedicated to the acreage subject to the desired Communitization Agreement, Marathon requires approval of this corresponding non-standard spacing unit in the Bone Spring formation.

8. Section 36 is located on the state line between New Mexico and Texas, and is the equivalent of a half-section. Marathon is thus not stranding any acreage in Section 36 but is instead proposing to drill across the entirety of Section 36.

9. 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.

10. 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.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on March 2, 2023 and after notice and hearing as required by law, the Division enter its order:

A. Approving a non-standard 800-acre Bone Spring spacing unit;

- B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the E/2 of Sections 24, 25, and 36, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico;
- 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 the wells;
- 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 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 approval of a non-standard spacing unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division approving a non-standard spacing unit and pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 of Sections 24, 25, and 36, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the **Goliath 24 Federal Com 603H, and Goliath 24 Federal Com 604H** wells, to be horizontally drilled. The wells will be drilled at orthodox locations. 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. Said area is located approximately 14.5 miles Southwest of Jal, New Mexico.