

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

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

Case No. _____

APPLICATION

Marathon Oil Permian LLC (“Marathon”), OGRID Number 372098, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) creating a standard 640-acre, more or less, horizontal well spacing unit (“HSU”) composed of the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring Formation designated as an oil pool, underlying said HSU. In support of its Application, Marathon states the following:

1. Marathon is a working interest owner in the subject lands and has a right to drill wells thereon.

2. Marathon seeks to dedicate the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico to form a 640-acre, more or less, HSU.

3. Marathon seeks to dedicate the above-referenced HSU to the following proposed wells:

- A. **Vulture BS State Com 303H Well** and the **Vulture BS State Com 603H Well**, which are oil wells that will be horizontally drilled from a surface location in the SW/4SE/4 (Unit O) of Section 29 to a bottom hole location in the Bone Spring Formation in the NW/4NE/4 (Unit B) of Section 20; and

B. Vulture BS State Com 304H Well and the Vulture BS State Com 604H Well

which are oil wells that will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 29 to a bottom hole location in the Bone Spring Formation in the NE/4NE/4 (Unit A) of Section 20.

4. The wells are orthodox in their location as defined by 19.15.16.15.(C) NMAC, and the take points and laterals comply with Statewide Rules for setbacks under 19.15.16.15.(C) NMAC.

5. The completed interval for the **Vulture BS State Com 604H Well** is less than 330' from the adjoining tracts and the Division's rules allow for the inclusion of proximity tracts within the proposed standard spacing unit for the wells.

6. Marathon has sought in good faith, but has been unable to obtain, 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.

7. The pooling of all interests in the Bone Spring formation within the proposed unit will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

8. To provide for its just and fair share of the oil and gas underlying the subject lands, Marathon requests that all uncommitted interests in this HSU be pooled and that Marathon be designated the operator of the proposed horizontal wells and HSU.

9. This case is competing with the development of Franklin Mountain Energy 3, LLC, in Case Nos. 24194, 24195, 24196, and 24207, for which the Division entered a Pre-Hearing Order setting these cases for a contested hearing on August 27, 2024.

WHEREFORE, Marathon requests this Application be set for hearing on August 27, 2024 with the competing applications of Franklin Mountain Energy 3, LLC, in Case Nos. 24194, 24195,

24196, and 24207, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

- A. Approving the creation of a standard 640-acre, more or less, HSU composed of the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico;
- B. Pooling all uncommitted interests in the Bone Spring formation underlying the HSU within the Application Lands;
- C. Approving the above-described proposed wells as the wells for the HSU;
- D. Designating Marathon as operator of the HSU and the horizontal wells to be drilled thereon;
- E. Authorizing Marathon to recover its costs of drilling, equipping, and completing the wells;
- F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Setting a 200% charge for the risk assumed by Marathon in drilling and completing the wells in the event a working interest owner elects not to participate in the wells, as authorized by NMSA 1978, § 70-2-17.

Respectfully submitted,

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Application of Marathon Oil Permian LLC for a Horizontal Spacing Unit and Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 640-acre, more or less, spacing unit comprised of the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Vulture BS State Com 303H Well** and the **Vulture BS State Com 603H Well**, which are oil wells that will be horizontally drilled from a surface location in the SW/4SE/4 (Unit O) of Section 29 to a bottom hole location in the Bone Spring Formation in the NW/4NE/4 (Unit B) of Section 20; and the **Vulture BS State Com 304H Well** and the **Vulture BS State Com 604H Well**, which are oil wells that will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 29 to a bottom hole location in the Bone Spring Formation in the NE/4NE/4 (Unit O) of Section 20. The wells are orthodox in location and the take points and laterals comply with Statewide Rules for setbacks; also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 19 miles west from Hobbs, New Mexico.