

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

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

CASE NO. 20163

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 the creation of a non-standard 160-acre, more or less, spacing unit covering the E/2 W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico from +/- 11,051' MD as shown in the logs for the Government "L" No. 1 well (API No. 30-025-25604) to the base of the Bone Spring formation; and (2) pooling all uncommitted mineral interests in the proposed spacing unit.

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 W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico from +/- 11,051' MD as shown in the logs for the Government "L" No. 1 well (API No. 30-025-25604) to the base of the Bone Spring formation to form a 160-acre, more or less, spacing unit.

3. Marathon plans to drill the **Ned Pepper Federal 24 34 18 TB 4H** well to a depth sufficient to test the Bone Spring formation. This well will be horizontally drilled and will comply with the Division's setback requirements.

4. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the proposed depths within 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.

5. The creation of a spacing unit and pooling of the proposed depths in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

6. Marathon further requests that it be allowed one (1) year between the time the well is drilled and completion of the well.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2019, and after notice and hearing as required by law, the Division enter its order:

A. Approving the creation of a 160-acre, more or less, non-standard spacing unit covering the E/2 W/2 of Section 18, Township 24South, Range 34 East, NMPM, Lea County, New Mexico covering depths from +/- 11,051' MD as shown in the logs for the Government "L" No. 1 well (API No. 30-025-25604) to the base of the Bone Spring formation;

B. Pooling all mineral interests in the proposed depths within the Bone Spring formation underlying this spacing unit;

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 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.

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CASE NO. _____: Application of Marathon Oil Permian LLC for a non-standard spacing unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) approving the creation of a non-standard 160-acre, more or less, spacing unit covering the E/2 W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico from +/- 11,051' MD as shown in the logs for the Government "L" No. 1 well (API No. 30-025-25604) to the base of the Bone Spring formation; and (2) pooling all uncommitted mineral interests in the proposed spacing unit. This proposed spacing unit will be dedicated to the **Ned Pepper Federal 24 34 18 TB 4H** 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 20 miles northwest of Jal, New Mexico.