

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

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

CASE NO. 20480

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 W/2 of Section 7, 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 W/2 of Section 7, 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 **Ares 7 SB Fee 6H and Ares 7 TB Fee 9H** 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 pool, pool code 15011.

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5. The location of the Ares 7 TB Fee 9H well is less than 330' from the adjoining 40-acre tracts and the Division's rules allow for the inclusion of proximity tracts within the proposed spacing unit for the wells.

6. 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.

7. 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.

8. Marathon further requests that it be allowed one (1) year between the time the wells are drilled and completion of the first well under the order issued by the Division.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division May 2, 2019, and after notice and hearing as required by law, the Division enter its order:

A. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2 of Section 7, 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 these 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.

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

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CASE NO. 20480: 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 W/2 of Section 7, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Ares 7 SB Fee 6H and Ares 7 TB Fee 9H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. 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, 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 miles Northwest of Loving, New Mexico.