

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

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

CASE NO. 20169

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 320-acre, more or less, spacing unit covering the W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico underlying the Wolfcamp 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 W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico underlying the Wolfcamp formation to form a 320-acre, more or less, spacing unit.
3. Marathon plans to drill the **Ned Pepper Federal 24 34 18 WA 2H**, **Ned Pepper Federal 24 34 18 WXY 6H**, and **Ned Pepper Federal 24 34 18 WA 9H** wells to a depth sufficient to test the Wolfcamp formation. These wells will be horizontally drilled and will

comply with the Division's setback requirements. The location of the Ned Pepper Federal 24 34 18 WXY 6H 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.

4. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the proposed depths within the Wolfcamp formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

5. The creation of a spacing unit and pooling of the proposed depths in the Wolfcamp 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 first 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 320-acre, more or less, spacing unit covering the W/2 of Section 18, Township 24South, Range 34 East, NMPM, Lea County, New Mexico covering the Wolfcamp formation;

B. Pooling all mineral interests in the Wolfcamp 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 first well is drilled and when completion operations are commenced for the first well 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 spacing unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) approving the creation of a 320-acre, more or less, spacing unit covering the W/2 of Section 18, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico underlying the Wolfcamp 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 WA 2H**, **Ned Pepper Federal 24 34 18 WXY 6H**, and **Ned Pepper Federal 24 34 18 WA 9H** wells, to be horizontally drilled. The producing area for the 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 first well is drilled and when completion operations are commenced for the first well drilled. Said area is located approximately 20 miles northwest of Jal, New Mexico.