

Well Site & Surface Use



Natural Resources Committee
August 27, 2010

Marathon



Marathon Statistics at a Glance



- ◆ Headquartered in Houston, Texas
- ◆ > 120 years in business
- ◆ 4th largest US integrated oil & gas company
- ◆ 5th largest US refiner
- ◆ Employees: > 28,000
- ◆ Exploration & Production
 - Operations in nine countries

The Foundation for ALL that we do as a worldwide company includes the following values:



- ◆ Health and Safety
- ◆ Environmental Stewardship
- ◆ Honesty and Integrity
- ◆ Corporate Citizenship
- ◆ High Performance Team

Marathon Bakken Asset



- ◆ Operations started in ND mid-2006
- ◆ Over 175 wells drilled
- ◆ Gross production currently > 16,000 BOEPD
- ◆ Leasehold position of 365,000 acres Williston Basin
- ◆ North Dakota office located in Dickinson
- ◆ 65 full time Marathon employees



Surface Use based on:



- ♦ **Regulation: NDIC Establishes drilling and spacing rules (NDCC 43-02-03-18)**
 - Prevent drainage
 - Protect correlative rights
 - Applies to ALL wells
- Establishes minimum distance well bore located from Drilling Unit (DU) / Spacing Unit (SU) boundaries
 - Ex: 1280-acre spaced horizontal well, the well bore is 500' from the North and South spacing unit boundaries and 1220' from the East and West boundary.
- ♦ Well site cannot be within 500' of occupied building.
- ♦ Notice must be provided to all occupied buildings within 1320' of a well site.
- ♦ Favorable geology

Site Selection:



- ♦ **Topography**
 - Existing access?
 - Exposure to environmental risks?
 - Impact to water ways
 - run-off, drainage, draws, creeks, sloughs, etc.
 - Plants and Wildlife
 - Endangered species, migratory birds, etc.
- ♦ **Surface owner input**
 - Preferred location
 - Aesthetics
 - Pasture vs. Crop

Process:



♦ Survey

- Communication with land owner advising of survey and to provide general information
- Completed by licensed surveyor

♦ Day of survey

- Meet with surveyor, land owner (if available), and company representative
 - Company representatives may include land and environmental professionals
- Location is “staked”
 - Four corners of the pad
 - Well head location marked
 - Access road center line stakes are placed
- Well is “named”
 - Naming convention varies by Company
 - Ex: Smith #11-5H USA
 - Smith - Surface Owner Surname
 - 11 - 1/41/4 section location, in this case 11 indicates the NW of the NW
 - 5 - section number
 - H indicates a well is Horizontal
 - USA in the name indicates federal minerals exist in the SU

Next steps



♦ Surface Use Agreement (SUA)

- Negotiated between land owner of record and company's Land Department
- SUA Includes:
 - Survey plat of well site and access roads
 - Agreement for land disturbances, payment for damages, general plan of development, etc
 - Addresses safety and environmental concerns
 - Well site safety
 - Contact information for company representatives
 - 20 day notice required by NDIC (NDCC 38-11.1) prior to beginning operations. *

* 20 day notice can be waived if both parties agree to begin operations sooner or if regulations invoked to drill well sooner due to lease expirations

Operations:



- ◆ **Permitting Process**
- ◆ **Construction of well site pad and access roads**
 - Duration: several days to several weeks depending on conditions
- ◆ **Drilling and Completions**
- ◆ **Production**