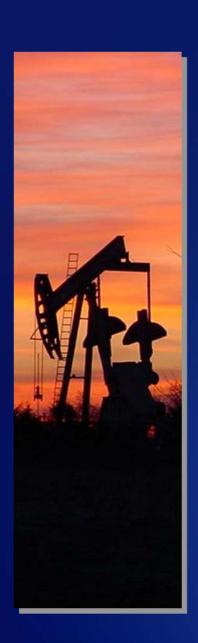
#### Well Site & Surface Use

Natural Resources Committee August 27, 2010

# Marathon

## **Marathon Statistics at a Glance**

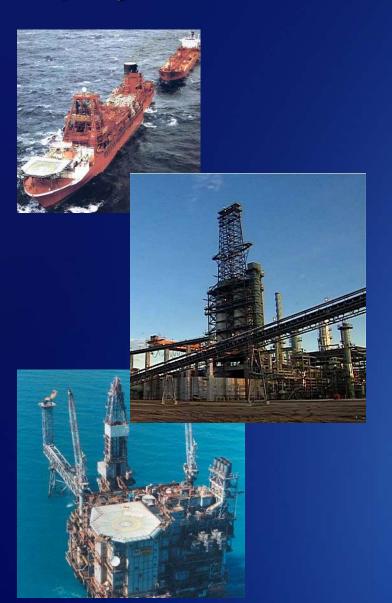




- Headquartered in Houston, Texas
- > 120 years in business
- 4<sup>th</sup> largest US integrated oil & gas company
- 5<sup>th</sup> largest US refiner
- Employees: > 28,000
- Exploration & Production
  - Operations in nine countries

# 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. \*

<sup>\* 20</sup> 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