

API No. <u>42-255-35495</u> Drilling Permit # <u>826900</u> SWR Exception Case/Docket No. <u>0305422</u> (R37)		<b>RAILROAD COMMISSION OF TEXAS</b> <b>OIL &amp; GAS DIVISION</b> <b>APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER</b> <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>				<b>FORM W-1</b> 07/2004 Permit Status: <b>Approved</b>	
1. RRC Operator No. <u>525398</u>		2. Operator's Name (as shown on form P-5, Organization Report) <b>MARATHON OIL EF LLC</b>		3. Operator Address (include street, city, state, zip): <b>5253 PRUE RD SUITE 230</b> <b>SAN ANTONIO, TX 78249-0000</b>			
4. Lease Name <b>KARNES CITY NE NW ALC</b>		5. Well No. <u>1H</u>					
<b>GENERAL INFORMATION</b>							
6. Purpose of filing (mark ALL appropriate boxes): <input checked="" type="checkbox"/> New Drill <input type="checkbox"/> Recompletion <input type="checkbox"/> Reclass <input type="checkbox"/> Field Transfer <input type="checkbox"/> Re-Enter <input type="checkbox"/> Amended <input type="checkbox"/> Amended as Drilled (BHL) (Also File Form W-1D)							
7. Wellbore Profile (mark ALL appropriate boxes): <input type="checkbox"/> Vertical <input checked="" type="checkbox"/> Horizontal (Also File Form W-1H) <input type="checkbox"/> Directional (Also File Form W-1D) <input type="checkbox"/> Sidetrack							
8. Total Depth <u>19941</u>		9. Do you have the right to develop the minerals under any right-of-way ? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
<b>SURFACE LOCATION AND ACREAGE INFORMATION</b>							
11. RRC District No. <u>02</u>		12. County <b>KARNES</b>		13. Surface Location <input checked="" type="checkbox"/> Land <input type="checkbox"/> Bay/Estuary <input type="checkbox"/> Inland Waterway <input type="checkbox"/> Offshore			
14. This well is to be located <u>0</u> miles in a <u>NE</u> direction from <u>Karnes City</u> which is the nearest town in the county of the well site.							
15. Section		16. Block		17. Survey <b>MUNCOS, R</b>		18. Abstract No. <u>A-203</u>	
				19. Distance to nearest lease line: <u>1</u> ft.		20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>727.85</u>	
21. Lease Perpendiculars: <u>380</u> ft from the <u>NORTH</u> line and <u>801</u> ft from the <u>WEST</u> line. 22. Survey Perpendiculars: <u>1790</u> ft from the <u>EAST</u> line and <u>1109</u> ft from the <u>SOUTH</u> line.							
23. Is this a pooled unit? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		24. Unitization Docket No:		25. Are you applying for Substandard Acreage Field? <input type="checkbox"/> Yes    (attach Form W-1A) <input checked="" type="checkbox"/> No			
<b>FIELD INFORMATION    List all fields of anticipated completion including Wildcat. List one zone per line.</b>							
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)		29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	
02	27135750	EAGLEVILLE (EAGLE FORD-2)		Oil Well	12561	330.00	
<b>BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)</b>							
<b>Remarks</b> See W1 Comments attached				<b>Certificate:</b> I certify that information stated in this application is true and complete, to the best of my knowledge.  <div style="display: flex; justify-content: space-between;"> <div> <u>Toni Kelley, Regulatory Professional</u>            Name of filer         </div> <div> <u>May 18, 2017</u>            Date submitted         </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <u>(713)2962417</u>            Phone         </div> <div> <u>tekelly@marathonoil.com</u>            E-mail Address (OPTIONAL)         </div> </div>			
<b>RRC Use Only</b> Data Validation Time Stamp: Jul 27, 2017 10:22 AM( 'As Approved' Version )							

Permit Status: <b>Approved</b>  <i>The RRC has not approved this application.          Duplication or distribution of information is          at the user's own risk.</i>
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RAILROAD COMMISSION OF TEXAS  
 OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

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Permit #	826900
Approved Date:	Jul 27, 2017

1. RRC Operator No. 525398	2. Operator's Name (exactly as shown on form P-5, Organization Report) MARATHON OIL EF LLC	3. Lease Name KARNES CITY NE NW ALC	4. Well No. 1H
Lateral Drainhole Location Information			
5. Field as shown on Form W-1      EAGLEVILLE (EAGLE FORD-2) (Field # 27135750, RRC District 02)			
6. Section	7. Block	8. Survey LEAL, J A	9. Abstract 184
10. County of BHL KARNES			
11. Terminus Lease Line Perpendiculars 100      ft. from the       South      line. and       349      ft. from the       West      line			
12. Terminus Survey Line Perpendiculars 2497      ft. from the       East      line. and       2069      ft. from the       Southeast      line			
13. Penetration Point Lease Line Perpendiculars 100      ft. from the       North      line. and       408      ft. from the       West      line			

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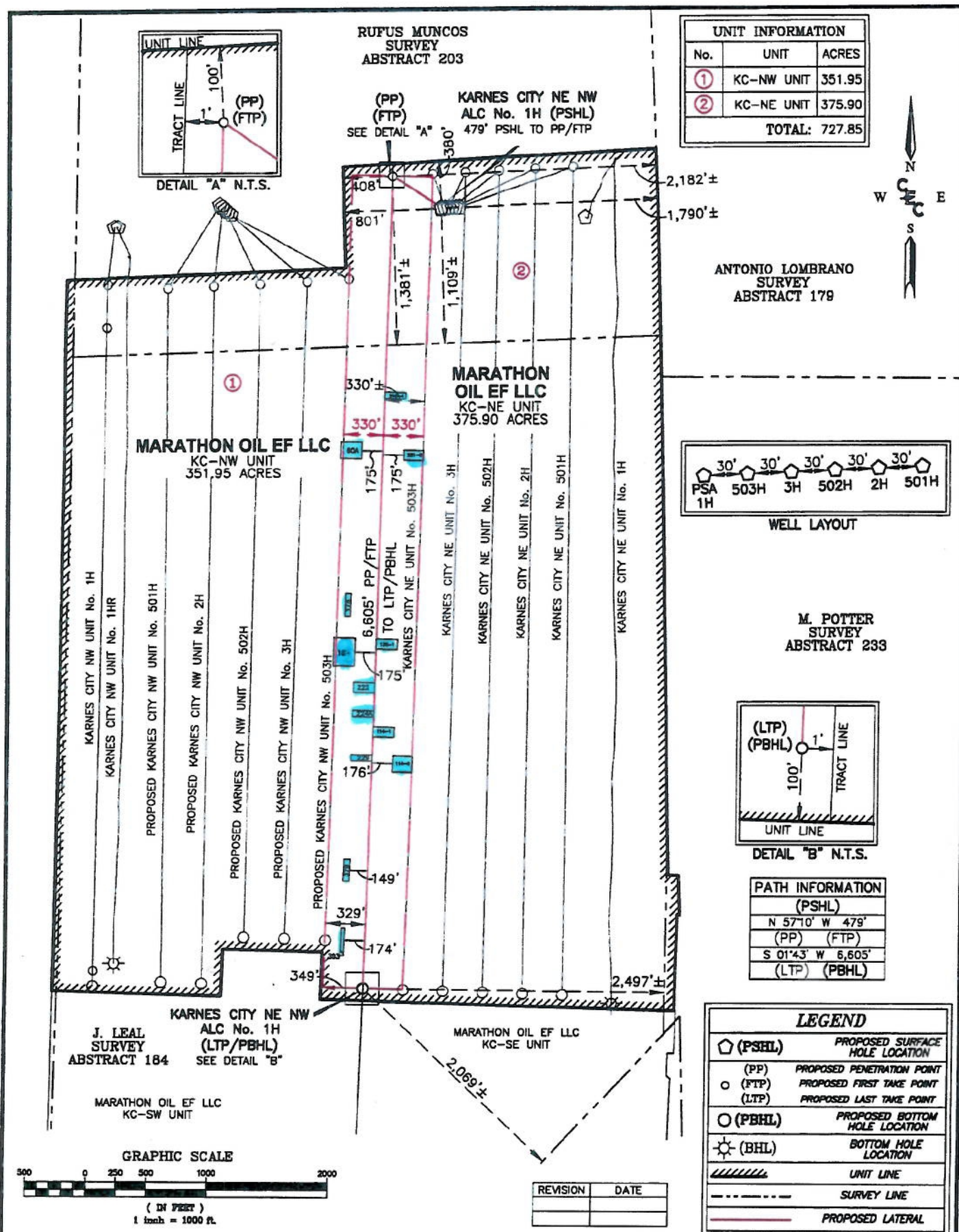
**W-1 Comments**

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[ May 17, 2017 3:26 PM]: Commission Staff expresses no opinion as to whether a 100% ownership interest in each of the leases alone or in combination with a "production sharing agreement" confers the right to drill across lease/unit lines or whether a pooling agreement is also required. However, until that issue is directly addressed and ruled upon by a Texas court of competent jurisdiction it appears that a 100% interest in each of the leases and a production sharing agreement constitute a sufficient colorable claim to the right to drill a horizontal well as proposed to authorize the removal of the regulatory bar and the issuance of a drilling permit by the Commission, assuming the proposed well is in compliance with all other relevant Commission requirements.

Issuance of the permit is not an endorsement or approval of the applicant's stated method of allocating production proceeds among component leases or units. All production must be reported to the Commission as production from the lease or pooled unit on which the wellhead is located and reported production volume must be determined by actual measurement of hydrocarbon volumes prior to leaving that tract and may not be based on allocation or estimation. Payment of royalties is a contractual matter between the lessor and lessee. Interpreting the leases and determining whether the proposed proceeds allocation comports with the relevant leases is not a matter within Commission jurisdiction but a matter for the parties to the lease and, if necessary, a Texas court of competent jurisdiction.

The foregoing statements are not, and should not be construed as, a final opinion or decision of the Railroad Commission.; [RRC STAFF Jun 6, 2017 2:46 PM]: Marked as expedite as per public sales.; [RRC STAFF Jun 6, 2017 3:26 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jun 7, 2017 1:57 PM]: Problems identified with this permit are resolved.; [RRC STAFF Jun 7, 2017 1:58 PM]: Laura Boyko verified that in detail A and B the tract line is shown displaying the well crosses into both leases.; [RRC STAFF Jun 7, 2017 4:42 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jun 9, 2017 12:42 PM]: Problems identified with this permit are resolved.; [RRC STAFF Jun 9, 2017 12:44 PM]: A P-12 plat for each unit has been provided by Laura Boyko.; [RRC STAFF Jun 9, 2017 2:28 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jun 15, 2017 12:34 PM]: Problems identified with this permit are resolved.



**MARATHON OIL EF LLC**  
KARNES CITY NE NW ALC No. 1H LOCATION  
KARNES CITY NE UNIT 375.90 ACRES  
KARNES CITY NW UNIT 351.95 ACRES

SITUATED IN THE  
RUFUS MUNCOS SURVEY, ABSTRACT 203 & J. LEAL SURVEY, ABSTRACT 184  
KARNES COUNTY, TEXAS

**WARNING:** THIS PLAT MAY NOT SHOW ALL CROSSINGS OF PIPELINES OR CABLES. USE THE TEXAS ONE CALL SYSTEM BEFORE EXCAVATION ON THIS PROPERTY.

**CIVIL ENGINEERING CONSULTANTS**  
DON D. BURDEN, INC.  
11560 L.H. 10 WEST, SUITE 205  
SAN ANTONIO, TEXAS 78250  
P) 810.641.8889 F) 810.641.8440  
Email: mrvy@burdeninc.com  
Engineering No. 7-9814  
Surveying No. 100610-00

**CEC**

**JOB NO:** S0563931  
**SCALE:** 1"=1000'  
**DRAWN BY:** S.A.B.  
**CHECKED BY:** O.N.M.  
**DATE:** 04-07-17  
**QUAD:** KARNES CITY

This Plat represents a WELL LOCATION prepared from field work, deeds and other available information. Prepared for the sole purpose of submitting to the Texas Railroad Commission for a drilling permit and is not intended to be a boundary survey. This plat is for the exclusive use of MARATHON OIL EF LLC.

*Keith C. Keppler*  
Keith C. Keppler, R.P.L.S. No. 6271 - Texas  
Date: 5/8/2017

**KARNES CITY NE NW ALC No. 1H LOCATION**

STATE PLANE COORDINATES - TEXAS SOUTH CENTRAL ZONE - NAD 1927

**PROPOSED SURFACE LOCATION (PSHL)**  
N: 391433 E: 2352384 ELEVATION: TBD

GEOGRAPHIC NAD 27: Lat: 28°54'19.23" Long: 97°53'54.92"  
GEOGRAPHIC NAD 83: Lat: 28°54'20.14" Long: 97°53'55.92"  
UNIT: 380' FNL & 801' FWL SURVEY: 1,790'± FEL & 1,109'± FSL  
BEARS: N 05°10' E ~ 1.4 MILES FROM (KARNES CITY, TEXAS)

**PENETRATION POINT (PP) & FIRST TAKE POINT (FTP)**  
N: 391693 E: 2351981

GEOGRAPHIC NAD 27: Lat: 28°54'21.84" Long: 97°53'59.42"  
GEOGRAPHIC NAD 83: Lat: 28°54'22.75" Long: 97°54'00.43"  
UNIT: 100' FNL & 408' FWL SURVEY: 2,182'± FEL & 1,381'± FSL

**LAST TAKE POINT (LTP) & PROPOSED BOTTOM LOCATION (PBHL)**  
N: 385091 E: 2351783

GEOGRAPHIC NAD 27: Lat: 28°53'16.49" Long: 97°54'02.35"  
GEOGRAPHIC NAD 83: Lat: 28°53'17.41" Long: 97°54'03.36"  
UNIT: 100' FSL & 349' FWL SURVEY: 2,497'± FEL & 2,069'± FSL