

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 02-0296471

THE APPLICATION OF MARATHON OIL EF LLC AND MARATHON OIL EF II LLC FOR THE FORMATION OF A POOLED UNIT FOR THE HEMBY UNIT B MIPA 5H WELL IN THE SUGARKANE (AUSTIN CHALK) FIELD, KARNES COUNTY, TEXAS

FINAL ORDER

The Commission finds that, after statutory notice in the above-numbered docket heard on July 2, 2015, the Examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the report and recommendation and the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** that the application of Marathon Oil EF LLC and Marathon Oil EF II LLC (“Marathon”) for the formation of a pooled unit pursuant to the Mineral Interest Pooling Act for the proposed Hemby B AC 5H MIPA Unit, Well No. 5H, Sugarkane (Austin Chalk) Field, Karnes County, Texas, is hereby **GRANTED** to the extent, and subject to the terms and conditions, set forth in this order.

All interests, including working interests, royalty interests, and unleased mineral interests, in tracts within the area depicted in Appendix 1 to this Final Order are pooled into the Hemby B AC 5H MIPA Unit, the boundaries of which are shown in Appendix 1 and are described in Appendix 2 to this order. These interests are pooled into a proration unit for the drilling of one or more wells in the Sugarkane (Austin Chalk) Field, with the initial well at the approximate location shown on Appendix 1 to this order. All interests in tracts within the unit area shown in Appendix 1 and described in Appendix 2 are pooled subject to the following terms and conditions:

TERMS AND CONDITIONS

1. The name of the unit is the Marathon Oil EF LLC Hemby B AC 5H MIPA Unit.
2. The operator of the unit is Marathon Oil EF LLC.
3. The initial unit well is the well depicted on Appendix 1 to this order.
4. The unit shall be effective on the date this order becomes administratively final.

5. The unit is established for and limited to the depth interval correlative with the Sugarkane (Austin Chalk) Field.
6. For the purpose of determining the portion of production owned by the persons owning interests in the pooled unit, the production from the initial well and any future wells shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit.
7. The interests of lessors of tracts within the unit are pooled as royalty interests. The interests of Marathon in tracts within the unit are pooled as working interests.
8. The mineral interests of owners of all unleased tracts within the unit are pooled as owners of a 1/4th royalty interest and a 3/4ths working interest, proportionately reduced. These owners' share of expenses, subject to a 50 percent charge for risk, is payable only from 3/4ths of production and not from their entire mineral interest.
9. The operator shall make no surface use of the unleased tracts within the unit without the written consent of the unleased owner.
10. The working interest owners shall adopt a joint operating agreement substantially in the form of the AAPL Form Joint Operation Agreement, which shall not include any provision prohibited by the Mineral Interest Pooling Act or contravene any provision of this final order.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission's order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code §2001.146(e). If a timely motion for rehearing of an application is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 90 days from the date Commission Order is signed.

All requested findings of fact and conclusions of law not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or not granted herein are denied.

Done this 3rd day of November 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by Hearings
Division's Unprotested Master Order dated
November 3, 2015)**