

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

**APPLICATIONS OF MARATHON OIL
PERMIAN LLC FOR COMPULSORY
POOLING AND APPROVAL OF
NON-STANDARD SPACING UNITS,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 25541 – 25542

**APPLICATION OF TUMBLER OPERATING
PARTNERS, LLC FOR APPROVAL OF
NON-STANDARD UNIT AND FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 25466

**APPLICATIONS OF TUMBLER OPERATING
PARTNERS, LLC, FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 25462 – 25465

CONSOLIDATED PRE-HEARING STATEMENT

Marathon Oil Permian LLC (“Marathon”) submits its Consolidated Pre-Hearing Statement in accordance with the Amended Pre-Hearing Order issued by the New Mexico Oil Conservation Division (“Division”) on August 14, 2025.

APPLICANT

Marathon Oil Permian LLC

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OPPONENT

Tumbler Operating Partners, LLC

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OTHER PARTIES

EOG Resources, Inc.

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STATEMENT OF THE CASES

A. Overview of Applications

In these cases, Marathon seeks to pool the Bone Spring and Wolfcamp formations underlying Sections 24, 25, and irregular Section 36, Township 26 South, Range 34 East, Lea County, New Mexico. Marathon is a wholly owned subsidiary of ConocoPhillips Company (“ConocoPhillips”) and will operate the proposed spacing unit and wells included in these applications. Marathon’s proposal fully develops two formations underlying three sections of land and is the best plan to prevent waste and protect correlative rights, including Marathon’s ownership of 43.43% of the working interest in its proposed spacing units. Marathon also has support from additional working interest owners, bringing the total working interest support for Marathon’s plan to 51.92%. Marathon has also obtained permits for these wells and is prepared to proceed with its development plan.

Tumbler Operating Partners, LLC (“Tumbler”) opposes Marathon’s applications and has filed competing applications even though Tumbler only holds approximately 9% of the working interest in its proposed units. Tumbler has raised concerns regarding delay, but its proposed development plan would only exacerbate delay because it has not obtained permits for its proposed

wells. Tumbler's proposal would result in waste, would violate correlative rights, and should be rejected.

In Case No. 25541, Marathon seeks an order: (1) establishing a 1,579.28-acre, more or less, non-standard, horizontal spacing unit comprised of all of Sections 24, 25, and irregular Section 36, Township 26 South, Range 34 East, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying the unit. The Unit will be dedicated to the following wells:

- **Goliath 24 Federal Com #601H**, which will produce from a first take point located in the NW/4 NW/4 (Unit D) of Section 24 to a last take point located in Lot 4 of Section 36;
- **Goliath 24 Federal Com #602H**, which will produce from a first take point located in the NE/4 NW/4 (Unit C) of Section 24 to a last take point located in Lot 3 of Section 36;
- **Goliath 24 Federal Com #603H**, which will produce from a first take point located in the NW/4 NE/4 (Unit B) of Section 24 to a last take point located in Lot 2 of Section 36;
- **Goliath 24 Federal Com #604H**, which will produce from a first take point located in the NW/4 NE/4 (Unit B) of Section 24 to a last take point located in Lot 2 of Section 36;
- **Goliath 24 Federal Com #701H**, which will produce from a first take point located in the NW/4 NW/4 (Unit D) of Section 24 to a last take point located in Lot 4 of Section 36;
- **Goliath 24 Federal Com #702H**, which will produce from a first take point located in the NE/4 NW/4 (Unit C) of Section 24 to a last take point located in Lot 3 of Section 36;
- **Goliath 24 Federal Com #703H**, which will produce from a first take point located in the NW/4 NE/4 (Unit B) of Section 24 to a last take point located in Lot 2 of Section 36; and
- **Goliath 24 Federal Com #704H**, which will produce from a first take point located in the NE/4 NE/4 (Unit A) of Section 24 to a last take point located in Lot 1 of Section 36.

In Case No. 25542, Marathon seeks an order: (1) establishing a 1,579.28-acre, more or less, non-standard horizontal spacing unit comprised of all of Sections 24, 25, and irregular Section 36, Township 26 South, Range 34 East, Lea County, New Mexico; and (2) pooling all uncommitted

interests in the Bone Spring formation underlying the Unit. The Unit will be dedicated to the following wells:

- **Goliath 24 Federal Com #303H**, which will produce from a first take point located in the NW/4 NW/4 (Unit D) of Section 24 to a last take point located in Lot 4 of Section 36;
- **Goliath 24 Federal Com #301H**, which will produce from a first take point located in the NE/4 NW/4 (Unit C) of Section 24 to a last take point located in Lot 3 of Section 36;
- **Goliath 24 Federal Com #302H**, which will produce from a first take point located in the NE/4 NW/4 (Unit C) of Section 24 to a last take point located in Lot 3 of Section 36;
- **Goliath 24 Federal Com #304H**, which will produce from a first take point located in the NW/4 NE/4 (Unit B) of Section 24 to a last take point located in Lot 2 of Section 36;
- **Goliath 24 Federal Com #305H**, which will produce from a first take point located in the NE/4 NE/4 (Unit A) of Section 24 to a last take point located in Lot 1 of Section 36;
- **Goliath 24 Federal Com #306H**, which will produce from a first take point located in the NE/4 NE/4 (Unit A) of Section 24 to a last take point located in Lot 1 of Section 36;
- **Goliath 24 Federal Com #503H**, which will produce from a first take point located in the NW/4 NW/4 (Unit D) of Section 24 to a last take point located in Lot 4 of Section 36;
- **Goliath 24 Federal Com #505H**, which will produce from a first take point located in the NW/4 NE/4 (Unit B) of Section 24 to a last take point located in Lot 2 of Section 36; and
- **Goliath 24 Federal Com #506H**, which will produce from a first take point located in the NE/4 NE/4 (Unit A) of Section 24 to a last take point located in Lot 1 of Section 36.

Marathon proposes to fully develop the Bone Spring and Wolfcamp formations underlying three sections of land (1,579.28-acres) by drilling two and a half mile laterals. Marathon requests approval of non-standard spacing units to reduce surface facilities, which prevents surface, environmental, and economic waste. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs, the designation of Marathon as the operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells.

B. The factors considered by the Division in evaluating competing development plans weigh heavily in Marathon's favor.

Section 70-2-17(C) of the Oil and Gas Act provides that when the owners of the interests in a spacing unit "have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit."

In evaluating competing development plans, the Division considers the following factors to determine which plan will best achieve the statute's goals:

1. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property;
2. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property;
3. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort;
4. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste;
5. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals;
6. An evaluation of the mineral interest ownership held by each party at the time the application is heard; and
7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").¹

Of these factors, working interest control is of primary importance.²

Here, Marathon controls 43.43% of the working interest in its proposed spacing units, which far exceeds Tumbler's 9% interest in its proposed competing development. Marathon also

¹ See, e.g., Order No. R-20223.

² See Order No. R-10731-B at ¶ 24.

has support from additional working interest owners, bringing the total working interest support for Marathon's plan to 51.92%. As a result, this factor alone establishes that Marathon's applications should be approved and that Tumbler's applications should be denied.³

The other factors considered by the Division also weigh in Marathon's favor.

- Geologic Evidence: Marathon's evidence demonstrates its plan will efficiently and effectively produce the underlying reserves.
- Risk: Marathon is an experienced operator in this area, is developing this acreage consistent with its experience, has drilling permits, and is ready to proceed. In contrast, Tumbler does not operate, and has not drilled, any wells in New Mexico and lacks drilling permits. Tumbler's proposal to drill and complete twenty Bone Spring and eleven Wolfcamp wells, when it has not drilled any wells in New Mexico, only owns 9% of the working interest, and lacks drilling permits, creates significant risk.
- Good Faith Negotiations: Marathon has made multiple attempts to engage in trade discussions with Tumbler.
- Prudent Operator and Prevention of Waste: Tumbler has not previously drilled wells in New Mexico. In contrast, Marathon and ConocoPhillips have drilled 920 horizontal wells in Lea County, New Mexico alone. Of those wells approximately 430 have been greater than 2 miles in length.
- Cost Estimates: The estimated costs of Marathon's proposed wells are fair and reasonable and are comparable to the cost of other wells of similar depth and length drilled in Lea County.
- Surface Factor: Marathon and ConocoPhillips currently have production in the area surrounding the Goliath development, which will allow them to use existing surface facilities and minimize surface impacts. Marathon and ConocoPhillips also have agreements in place for the takeaway of oil, gas, and water. Tumbler has no production in the area.

Because these factors weigh heavily in favor of Marathon, Marathon's proposal will best prevent waste and protect correlative rights and should be approved.

³ See, e.g., Order R-21800 (finding that the Division should grant Matador's compulsory pooling applications and deny Flat Creek's applications where there was a "clear difference" in "the working interest control for each proposed spacing unit," as Matador had 25% more working interest ownership than Flat Creek).

PROPOSED EVIDENCE

In accordance with the Pre-Hearing Order, Marathon is filing its direct testimony and exhibits contemporaneously with this Pre-Hearing Statement.

<u>Witness</u>	<u>Occupation</u>	<u>Estimated Time</u>	<u>Exhibits</u>
Sean Miller	Senior Land Negotiator		11
Tyler Patrick	Geologist		8

PROCEDURAL MATTERS

These cases have been consolidated for hearing. Marathon reserves the right to present rebuttal testimony and exhibits at hearing.

Respectfully submitted,

/s/ Dana S. Hardy

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Consolidated Pre-Hearing Statement was sent to the following counsel of record on this 10th day of September, 2025.

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QUESTIONS

Action 504587

QUESTIONS

Operator: MARATHON OIL PERMIAN LLC 600 W Illinois Ave Midland, TX 79701	OGRID: 372098
	Action Number: 504587
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.