

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

**APPLICATIONS OF COTERRA ENERGY
OPERATING CO. FOR APPROVAL OF
STANDARD HORIZONTAL SPACING
UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 25980, 25981, & 25982

**APPLICATIONS OF POWDERHORN OPERATING, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 25610, 25753 & 25754

**APPLICATIONS OF AVANT OPERATING II,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NOS. 25873 & 25874

MARATHON'S CONSOLIDATED PRE-HEARING STATEMENT

Marathon Oil Permian, LLC ("Marathon") submits this consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

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("Powderhorn")

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MARATHON'S STATEMENT OF THE CASE

Marathon's proposed development competes with and partially overlaps a spacing unit proposed by Powderhorn Operating, LLC under **Case No. 25610**. These competing development plans fall into a particular category of contested cases involving a partial overlap of proposed spacing units that the Commission and Division have previously analyzed. *See, e.g.*, Division Order Nos. R-21826 (operator with 100% WIO in overlap acreage should prevail) and R-22204 (operator with clear majority WIO in overlap should prevail); Commission Order No. R-21416-A

(operator with 100% commitment under JOA in overlap should prevail). In every case where there is overlapping acreage the operator with the clear majority working interest control in the overlapping contested acreage prevails because their development plans were determined to “best protect[] correlative rights by presenting the best opportunity for each party to develop its own acreage.” See Division Order No. R-21826, ¶ 14. Here, not only does Marathon own the majority of the working interest (55.5%) in the N/2 of irregular Section 2 that overlaps with Powderhorn’s proposed spacing unit, it also controls 100% of the working interest in the overlapping acreage through a 1976 Joint Operating Agreement. Under the Division’s and Commission’s recent precedent, Powderhorn’s competing compulsory pooling Case No. 25610 should be denied, and the Division should allow Marathon the opportunity to control its own destiny and resources by developing its own operated acreage under its existing JOA.

Marathon is designated operator of a contract area that covers the N/2 equivalent of irregular Section 2, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico, under a Joint Operating Agreement, dated January 1, 1976 (“Marathon’s JOA”). Marathon does not require force pooling to proceed with its development plan because 100% of the working interest owners in the N/2 of irregular Section 2 are voluntarily committed to Marathon’s JOA, which includes the Wolfcamp formation.

Under its plan of development, Marathon proposes to create a 320.32-acre, more or less, standard horizontal well spacing unit in the Wolfcamp formation comprised of the N/2 equivalent of irregular Section 2 and to dedicate this standard horizontal well spacing unit to the following proposed wells:

- **Campana State Com 701H** well, to be drilled from a surface location in the SE/4 NE/4 (Unit H) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of

irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2;

- **Campana State Com 901H** well, to be drilled from a surface location in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2; and
- **Campana State Com 702H** and **Campana State Com 902H** wells, both to be drilled from surface locations in the SE/4 NE/4 (Unit H) of irregular Section 2, first take points in the SE/4 NE/4 (Unit H) of irregular Section 2, to last take points in the SW/4 NW/4 (Unit E) of irregular Section 2.

Under its competing plan in **Case No. 25610**, Powderhorn seeks to force pool a 959.60-acre, more or less, standard horizontal well spacing unit within the Wolfcamp formation that is comprised of the E/2 of irregular Section 3 and all of irregular Section 2, Township 24 South, Range 36 East, NMPM, Eddy County, New Mexico. Powderhorn's plan includes force pooling Marathon's JOA acreage in the N/2 of irregular Section 2. Therefore, the only portion of Powderhorn's proposed spacing unit in Case No. 25610 that overlaps and competes with Marathon's proposed Wolfcamp development is the N/2 of irregular Section 2.

Powderhorn's proposed initial wells included in Case No. 25610 are limited to the Wolfcamp Sand or Wolfcamp A interval of the Wolfcamp formation.

Because Marathon owns and/or controls 100% of the working interest in the overlapping acreage that is contested between the two development plans, Powderhorn's application should be denied for the reasons summarized above and because it is unable to demonstrate with convincing evidence that its applications are necessary to prevent waste. *See* NMSA 1978 § 70-2-17(E)

(“[T]he division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.”). In contrast, Marathon’s proposed development plan, with 100% voluntary commitment, “present[s] the best opportunity for each party to develop its own acreage,” thereby preventing waste and protecting correlative rights. *See*

The evidence presented at hearing will demonstrate that:

- The N/2 of irregular Section 2 is already fully committed to Marathon’s JOA;
- Powderhorn only recently acquired a 0.78% working interest in the N/2 of irregular Section 2 that is fully committed to Marathon’s JOA;
- Marathon operates existing wells in the N/2 of irregular Section 2 and is in a superior position to establish surface infrastructure to support its Wolfcamp development and timely develop the acreage;
 - With 100% voluntary commitment of all working interests under Marathon’s JOA, Marathon does not require a force pooling order and is prepared to develop this acreage in a timely manner;
 - Marathon has issued well proposals under the controlling Marathon JOA;
 - Marathon has firm commitments for water, gas, and oil takeaway;
 - Marathon already has approved APDs for all its proposed Wolfcamp wells;
 - Marathon has a pre-approved State Communitization Agreement for the Wolfcamp formation covering the N/2 of irregular Section 2;
- Powderhorn did not engage in good-faith negotiations with Marathon;
- Powderhorn does not have APDs for its proposed wells;
- Powderhorn is a new operator in New Mexico with no track record;

- Powderhorn does not operate any wells in New Mexico and has never drilled a well in New Mexico—let alone a horizontal well—and does not have an in-house drilling team to manage or oversee this development, plus it has not disclosed to Marathon a third-party contractor to drill its proposed wells;
- Powderhorn has not secured take-away for gas or oil;
- Powderhorn’s asynchronous drilling and completion plan will cause parent-child degradation within the Wolfcamp; and
- Marathon’s proposed co-development of both Wolfcamp target benches will benefit from economies of scale that will be forfeited under Powderhorn’s competing development approach.

Under the Division’s and Commission’s recent precedent evaluating similar cases with partially overlapping proposed spacing units, Powderhorn’s application should be denied so Marathon can develop its acreage that it owns and controls. Under this approach, Marathon would be allowed to drill and develop its proposed one-mile wells in the N/2 of irregular Section 2; Avant and/or Powderhorn could proceed to drill and develop one-mile (or U-Turn or J-Turn) wells in the S/2 of irregular Section 2; and Powderhorn could proceed to drill and develop one-mile (or U-Turn or J-Turn) wells in the E/2 of irregular Section 3.

Marathon believes the following facts are undisputed and material to the issues presented in these consolidated cases:

1. Marathon owns and/or controls 100% of the working interest in the contested acreage in the N/2 of irregular Section 2 that overlaps between the two development plans.

2. There are no faults, pinch outs, or other geologic impediments preventing Marathon from efficiently and effectively developing the Wolfcamp formation under the subject acreage in accordance with its own plans.

FILED EVIDENCE

Pursuant to the Prehearing Order entered for these consolidated matters, Marathon has filed the following with this prehearing statement:

- MRO Exhibit A: Self-Affirmed Statement of Shelley Klingler, Landman
 - MRO Exhibit A-1 through A-8: Slides referenced by the testifying witness
- MRO Exhibit B: Self-Affirmed Statement of Preston Dupree, Geologist
 - MRO Exhibit B-1 through B-5: Slides referenced by the testifying witness
- MRO Exhibit C: Self-Affirmed Statement of Maduabuchi Pascal Umekwe, Reservoir Engineer
 - MRO Exhibit C-1

The qualifications and direct testimony for each witness are contained in the self-affirmed statements filed with this prehearing statement.

PROCEDURAL MATTERS

MRO reserves the right to call these or other witnesses, including rebuttal witnesses, to address issues that arise with the filing of additional information or at the hearing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 4, 2026, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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QUESTIONS

Action 559697

QUESTIONS

Operator: MARATHON OIL PERMIAN LLC 600 W Illinois Ave Midland, TX 79701	OGRID: 372098
	Action Number: 559697
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

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