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EAGLE FORD SHALE INSIGHT

Karnes County landowners turn to court for answers about Marathon Oil's royalty payments

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A Karnes County family has filed a lawsuit to get records from Marathon Oil Corp. to determine whether the company properly paid royalties for oil and natural gas leases on their land.

John and Kelly Foster filed their lawsuit before Judge Donna Reyes with the 81st State District Court in Karnes County on Wednesday morning, and Marathon Oil (NYSE: MRO) officials had not been served the lawsuit as of Wednesday afternoon.

The couple's attorney, Richard Mithoff, told the Business Journal that at this time, the family is solely seeking information, not financial damages.

"We're not asking for any remedy other than accounting," Mithoff said. Marathon Oil told the Business Journal that it does not comment on pending litigation.

Marathon Oil was issued at least 15 drilling permits for wells on the Foster family's 613 acres off County Road 163 from May 2012 to November 2015, Railroad Commission of Texas records



Richard Mithoff

show.

Located in the Eagle Ford Shale about an hour southeast of San Antonio, Karnes County is considered to be the most oil-rich county in Texas. Wells on the Fosters' land have produced nearly 600,000 barrels of oil condensate and more than 4.2 billion cubic feet of natural gas over the past five years, Railroad Commission records show.

The Karnes County couple began raising questions about their royalty payments when they started comparing

the company's statements and royalty checks to production figures filed with the Railroad Commission. Mithoff said the Foster family exhausted all means of getting information from Marathon and turned to legal action.

"They are very careful folks, and they have their accounting people," Mithoff said. "They turned to us to help them."

In addition to seeking monthly accounting of contract prices and expenses, the Foster family is asking for Marathon to install metering equipment to more accurately monitor production in addition to testing wells and related equipment regularly.

Mithoff said the Foster family is prepared to take further legal action if violations of the lease agreement are found. But for now, they just want information.

"We do not yet have access to all of the documents reflecting how Marathon is operating these leases and determining royalties, but we need to ensure that the royalties are being properly paid," Mithoff said.

Sergio Chapa covers manufacturing and the energy industry