



PLS TD Report: Marathon doubles down in Delaware Basin with asset grab from Black Mountain

Here's the deal-

- Marathon (NYSE:MRO) pays \$700MM to acquire 20,000 net acres in SE NMX from NGP's Black Mountain and other sellers.
- Deal includes 400 boe/d & 440 gross operated locations in base-case 6 benches (Upper/Middle/Lower/XY Wolfcamp & 2nd/3rd Bone Spring). Marathon also gets small 1,000 net acre position on Northwest Shelf.
- Deal follows Marathon's \$1.1 billion buy of 51,500 net acres (70,000 including Northwest Shelf) less than two weeks ago from BC Operating.
- Combined Marathon has paid \$1.8 billion for a new position in the New Mexico portion of the Delaware Basin.

Advisors-

- Jefferies ran the sales process for Black Mountain Oil & Gas as well as the prior BC Operating deal.

Cash Buyer-

- Marathon is using cash on hand including proceeds coming from \$2.5 B oil sands sale to Shell/CNRL announced March 9 in conjunction with the BC Operating purchase.

Transaction Analysis-

- PLS values core 20,000 net acres within the Delaware Basin at \$34,400/acre after backing out PDP (\$12.5MM). No value assigned to 1,000 net acres on Northwest Shelf (upside value).
- Implied value of ~\$3.00/boe for 230 MMboe risked resource potential.
- Marathon reports blended cost of \$23,500/acre for two Delaware Basin deals compared to PLS' blended value of \$22,900/acre.



**Global
M&A
Database**

Transactions Metrics and Comparables

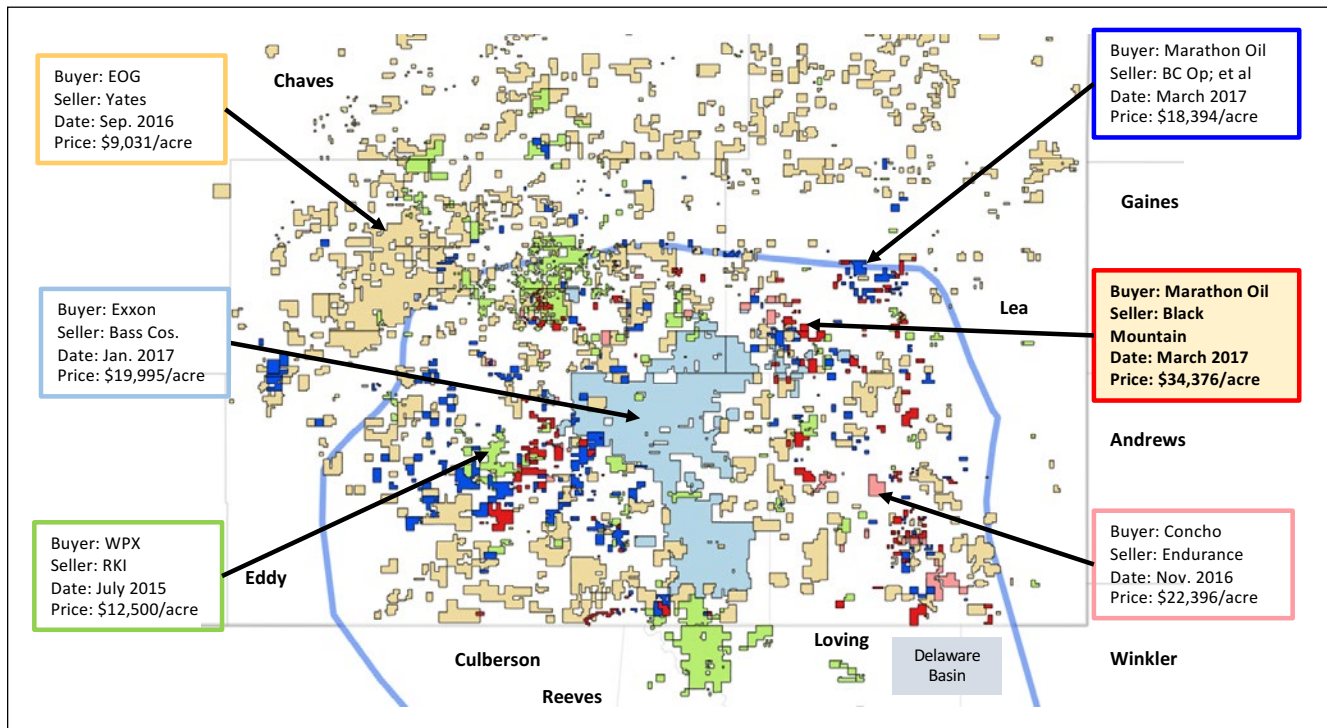
Providing critical valuation
information on oil & gas deals.
Call 713-600-0115 or email info@plsx.com.



**Call For
Web Demo
713-650-1212**

www.plsx.com/ma

Recent Deals in the NM portion of the Delaware Basin



Buyer Objectives–

- Deal adds scale to Marathon’s BC Operating purchase, boosting gross operated drilling locations by 70% (pro-forma 1,070 locations) and risked resource by 66% (pro-forma 580 MMboe).
- Addresses potential concerns from initial acquisition about scattered acreage by blocking up position.
- Price premium versus BC Operating deal may be justified by leasehold largely positioned closer to NM/TX border.
- Marathon reporting that the Black Mountain inventory produces pre-tax IRRs of >90% at flat \$55 oil and competes for capital allocation at the top of Marathon’s global organic portfolio.
- Plans to add two rigs by mid-year to one currently drilling on BC Operating acreage. Delaware Basin buying complements previous Marathon buys into Eagle Ford and STACK. Refer to table in [previous PLS TD report](#) for list of Marathon’s astonishing deal activity over the last few years.

Permian Wise–

- Surprising? SE NMX (Northern Delaware) showing it can deliver comparable well results to Southern Delaware/Midland Basin.
- Wolfcamp wells in evolving Northern Delaware have delivered IP30s ranging from 1,600-3,600 boe/d. Bone Spring wells hit IP30s of 1,700-2,400 boe/d and oil cuts of 80%.
- EOG reports offset Avalon well with IP30 rate of 3,630 boe/d (70% oil) from 4,500 ft lateral.

Seller Objectives–

- Black Mountain joins other private/PE-backed E&Ps that have cashed in on the Delaware boom.
- Year In/Year Out! Black Mountain led by Rhett Bennett put together and sold 20,000 acres Delaware position just one year after closing \$150MM financing from NGP in February 2016.
- In a bit of trivia, Bennett traces his roots to coal country before transitioning to oil & gas where he started as acquisitions manager of Cascade Energy in Dallas in 2004.

Market Impact-

- More Metrics? Valuation nearly double BC Operating deal and sets a high for NM portion of Delaware, beating previous high-water mark set by Concho (\$22,400/acre) \$430MM purchase from Endurance in November 2016.
- Metric shows dramatic rise of NMX Delaware versus \$9,000/acre paid by EOG for Yates (Sept. 2016) and \$19,995/acre paid by Exxon for Bass (Jan. 2017).
- Delaware (\$13.6 B) continues to drive deal flow in the Permian (76% of \$18.0 B Permian total thus far in 1Q 2016).
- SE New Mexico still has more running room for acreage prices given strong well results.



Thank you for reviewing
our sample of
M&A TD Reports

For more information on how you can stay
informed on the latest U.S. M&A activity,
call **Ali Rizvi** at 713-650-1212
or email **ali@plsx.com**



www.plsx.com