



# NEWS ALERT

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## Successor in Interest or Successor in Liability? New Mexico Court Expands SLO's Reach in *Marathon* Decision



The recent *Richard v. Marathon Petroleum Corp.* decision compels oil and gas operators to adopt rigorous due diligence standards prior to lease acquisitions. The New Mexico Court of Appeals (NMCA) ruled that New Mexico State Land Office (SLO) approved lease assignments do not absolve assignors or their successors in interest from liability for tortious or statutory harms caused before the assignment.

Following the SLO's approval of a lease assignment from Tesoro Petroleum Company (Tesoro) to Marathon Petroleum Corporation (Marathon), the Commissioner of Public Lands sued Marathon, as successor in interest, for alleged pre-assignment damages under common law duties to state trust lands.<sup>1</sup> Despite the alleged trespass and waste predating Marathon's acquisition, the NMCA ruled that SLO approval under NMSA § 19-10-13 did not release Marathon from liability for pre-assignment environmental damage, stating that claims based on negligence, trespass, waste, and statutory duties under NMSA § 19-6-3 are independent of the lease obligations and therefore actionable by the SLO.<sup>2</sup> Similarly, the independent claims and contractual obligations did not relieve Tesoro of liability for the alleged harms occurring during its tenure as lessee.

<sup>1</sup> *Richard v. Marathon Petroleum Corp.*, No. A-1-CA-40747, slip op. at 3 (N.M. Ct. App. May 14, 2025).

<sup>2</sup> *Id.* at 15.

Although the lease states that “the assignor shall stand relieved from all obligations,” the NMCA held that this was not specific enough to shield parties from tort liability.<sup>3</sup> The court emphasized that contracts demonstrate unambiguous intent and clear evidence of bargaining to limited liability.<sup>4</sup> This lack of specificity exposes Marathon, as successor, to potential liability under common law theories, marking a significant departure from longstanding industry practices.

The *Richard v. Marathon Petroleum Corp.* decision significantly elevates the due diligence standard for oil and gas lease acquisitions. Operators on SLO lands now face heightened risks, as lease assignments no longer shield them from tort or statutory claims, leaving them liable for predecessors’ operational harms. This ruling substantially broadens the SLO’s authority to pursue claims beyond mere lease enforcement.

Moving forward, SLO leases must include explicit disclaimers or assumption clauses related to potential independent tort and statutory liabilities. Operators should clearly define contractual indemnification for pre-assignment damages. This ruling necessitates enhanced insurance or bonding requirements for contracting parties. Consequently, operators must conduct thorough environmental assessments of state trust lands and actively engage with the SLO to obtain a comprehensive record of all legacy operations. SLO leases will need to employ a suite of risk transfer mechanisms for known and unknown risks, including indemnities and liability waivers.

The *Richard v. Marathon Petroleum Corp.* decision underscores why Beatty & Wozniak, P.C. dedicates its practice exclusively to energy and natural resources law, delivering unparalleled expertise to navigate complex regulatory shifts. Our firm remains committed to closely monitoring these developments to keep clients ahead of the curve. For tailored guidance, please contact our New Mexico office.

*Richard v. Marathon Petroleum Corp.*, No. A-1-CA-40747, slip op. (N.M. Ct. App. May 14, 2025).

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<sup>3</sup> *Id.* at 20.

<sup>4</sup> *Id.* at 19.