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

APPLICATION OF LONGFELLOW ENERGY, L.P.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO **Case No. 25804**

LONGFELLOW ENERGY, LP

CLOSING STATEMENT

Van Halen 31CD Wells

March 16, 2026

In this application, LONGFELLOW ENERGY, L.P. ("LFE") proposes to develop 320 acres as soon as possible in order to preserve two leases, one held by LFE and the other held by XTO Holdings, LLC ("XTO"). Prompt approval of the application will allow LFE to drill the defining well in time to preserve the leases. XTO's opposition is resulting in the delay that gives rise to its own fear that its lease will not be preserved. It is unfathomable why XTO is opposing LFE's application yet has never offered a competing proposal.

The OCD should not permit a party to use the contested hearing process to run out the clock on a lease expiration, particularly when that party has been on notice of the expiration risk for months, has taken no steps to protect its own interests, and has offered no competing proposal for development. Section 70-2-17(C) of the Oil and Gas Act expressly provides, "Where, however, such owner or owners 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." (emphasis added). As explained in detail below, LFE's proposal to develop the subject acreage will prevent waste and protect correlative rights. In light of Section 70-2-17(C) and the circumstances here, the application should be promptly approved.

Although XTO presents no competing development plan to the Division, the factors considered by the Division when evaluating competing development plans provide guidance in evaluating LFE's application. The following seven factors are considered when evaluating competing development plans:

a. Geology: 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.
b. Risk: Comparison of the risk associated with the parties' respective proposals for the

exploration and development of the property.

c. Good Faith: Review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.

d. Operations: Comparison of the ability of each party to prudently operate the property and thereby prevent waste.

e. Costs: Comparison of the differences in well cost estimates and other operational costs presented by each party for their respective proposal.

f. Ownership: Evaluation of the mineral interest ownership held by each party at the time the application is heard.

g. Surface: Comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the surface factor).

OCC Order No. R-24080 at 3-4, ¶ 12; *see* OCD Order No. R-20223, ¶ 28; *accord* OCC Order No. R-10731-B. These factors are not equally weighted, "the most important consideration in awarding operations to competing interest owners is geologic evidence as it relates to well location and recovery of oil and gas and associated risk." *Id.*; *see* Order No. R-10731-B, ¶ 23(f). When competing applicants propose development plans with similar recovery expectations, the Division gives dispositive weight to the remaining factors. *See* Order No. R-21800, ¶ 22 (holding that if there is evidence that one applicant's plan will result in greater recovery of oil and gas, the OCD need not "consider other factors including working interest control").

Here, XTO proposes no development plan and thus offers no expectation of recovery. LFE's application should be approved on this basis alone. *See id.* Moreover, consideration of the remaining factors shows that LFE's proposal should be immediately approved.

Criterion a—Geological Evidence: *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.* LFE proposes to develop the subject acreage by drilling eight wells in three benches of the 1200'-1400' thick Yeso formation, the Paddock, the Upper Blinebry, and the Lower Blinebry. LFE Exs. B, ¶¶ 7-11 (pdf 82-83); B-3

to B-6 (pdf 87-90). The proposed development is consistent with other developments of the Yeso in the area. TR 022626 at 249:3-5. There are no structural impediments or faulting that will interfere with horizontal development. LFE Ex. B, ¶ 12 (pdf 83). The horizontal spacing and proration units are justified from a geologic standpoint, each quarter-quarter section in the Yeso HSUs will contribute more or less equally to production, and the panned well orientation W-E is consistent with horizontal development along the Yeso Trend. *Id.*

Criterion b—Risk and Development: *Comparison of the risk associated with the parties' respective proposals for the exploration and development of the property.* XTO offers no competing development. Risk due to XTO's opposition to this application is that two leases will expire and the state and federal government will lose significant revenue and taxes that they would otherwise receive. XTO has had an interest in its lease since 1961 and has been entitled to reassignment under the previous term assignment since at least 2010. *Infra* at 10 It is inexplicable that XTO has offered no competing proposal with the upcoming lease expirations. Without immediate development, the leases will expire and, due to extenuating circumstances that relate to the operator of record for the wells that held the leases by production, will likely be unavailable as new leases for four to five years. *See* TR 022626 at 237:7-23. LFE alerted XTO to the North Square Lake lease expiration risk in October 2025. LFE Ex. A, ¶ 29 (pdf 23). Despite having approximately four months of notice, XTO has taken no independent action to preserve its own leasehold. It has not sought to restore production at the North Square Lake Unit, TR 022726 at (30:19-24). XTO has not proposed an alternative well design, location, or target formation to develop the subject acreage; an alternative AFE or cost structure; a JOA on different terms; a farmout, term assignment, or any other similar arrangement; a plan to drill its own wells on the two tracts in which it has an interest; or any other constructive alternative to the approval sought

in this application. LFE Ex. A, ¶ 48 (pdf 28); TR 022726 at 30:9-14.

The only step XTO has taken, apparently initiated at the last minute, is to ask a Mack Energy Corporation ("Mack") to re-permit one already-approved well in the S/2 of Section 32 to perforate ExxonMobil's leasehold in Section 33 by approximately 158'. TR 022626 at 220:1-11; *see* XTO Ex. A-8 at 2 (pdf 29). This action, however, is not a competing proposal; it only seeks to hold XTO's lease. TR 022626 at 220:23-221:1. Apparently, XTO does not intend to recover hydrocarbons from the subject acreage. It only seeks to preserve its own lease by drilling. TR 022726 at 52:17-24 . The only evidence offered by XTO in support of its self-serving proposal is the testimony of its land witness and a C-102 for the Peyote P Federal Com 5H, API# 30-015-57203, ("Peyote 5H"). The latter is marked as an "Initial Submittal" despite the fact that another C-102 for the Peyote 5H was attached to a previously approved application for permit to drill. TR 022726 at 70:23-72:24.

XTO's Mack proposal involves considerable risk. XTO has no written agreement with Mack. TR 022726 at 51:5-7. Second, extending the lateral for the Peyote 5H adds a federal lease to a spacing unit previously comprised of only State leases. This will require a fed/state communitization agreement, which does not appear to have been submitted to the State or BLM, much less approved. *See* TR 022726 at 56:6-24. It is highly unlikely that the State will approve a communitization agreement that would result in an allocation of production to BLM of 20%, when the hydrocarbons likely to be produced from a perforated lateral of only 158' is much less. *See* XTO Ex. A-8 (pdf 28-29); TR 022726 at 56:25-57:9. Moreover, drilling the well as proposed by XTO will effectively strand the majority of the SW4 SW4 of Section 33, and thereby result in waste. *See id.*; TR 022726 at 57:15-23.

If the initial Van Halen well is not drilled and completed before the lease expiration

deadline, both parties' leases will be lost, the hydrocarbons underlying the HSU will remain undeveloped, and the Bureau of Land Management and the State of New Mexico will lose the royalty revenue, tax revenue, and economic benefits associated with the development of these resources. TR 022626 at 274:7-275:8. The OCD should not permit XTO to obstruct the orderly development of New Mexico's mineral resources when it refuses to propose any alternative, particularly when the consequence of delay is the expiration of both parties' leases and the loss of the opportunity to develop the Yeso formation in this area for up to four years or more. This factor therefore weighs in favor of approving LFE's application as soon as possible.

Criterion c—Good Faith and Negotiations: *Review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.* This factor addresses good faith negotiations prior to filing the application. R-10731-B at 9, ¶ 23(g) (holding that the parties "conducted adequate discussions prior to filing competing force pooling applications."); *see e.g.*, R-13519-E at 3, ¶ 4 (OCC, concluding that the applicant complied with Section 70-2-18, under the circumstances recognized by the Division, and where there was "no evidence that Applicant ever refused to discuss its proposal with Petitioner or refused any request for information, or that Petitioner made any proposal that Applicant rejected or did not consider"); R-13519 at 2-3, ¶ 7 ("By sending to Ragsdale an AFE proposing its intended operation two months before filing its Application, sending a proposed JOA when requested, and contacting Ragsdale's representative on several occasions to follow up, Applicant complied with the minimum requirements for good faith negotiation delineated in Orders No. R-13155 and R-13165."). In light of this guidance, this factor weighs in LFE's favor.

The application was filed on December 4, 2025. XTO admits that the parties "have been discussing a Term Assignment for XTO's acreage since September 2025." XTO Ex. A at 3, ¶ 12

(pdf 4). LFE mailed a well proposal to XTO on 8/1/25, which was received by XTO on 8/5/25. LFE Exs. A-4 (pdf 54), A-5 (pdf 75). On 8/19/25, XTO asked LFE to provide XTO with its working interest ("WI"), and LFE responded with the WI and the net revenue interest the same day. LFE Reb. Ex. 1 (pdf 139-140). Prior to filing the application, LFE offered a term assignment in an effort to reach a voluntary agreement. LFE Reb. Ex. 1 (pdf 144). Soon thereafter, LFE learned of the upcoming lease expirations and informed XTO of the same. *Id.* (pdf 145). At that time, the parties agreed to explore broader deal structures, presumably in an effort to get at least one of the proposed wells drilled to hold the parties' respective leases. *See* LFE Ex. A, ¶ 28-30 (pdf 23-24). Instead, without warning, XTO filed an objection to hearing by affidavit in this matter on December 27, 2025, which was subsequently withdrawn on December 29, 2025. The case was heard by affidavit without objection on January 8, 2026. At that time, XTO represented to the Division, "[W]e are simply monitoring." 01/08/26 AI Transcript at 57:1966. Two corrections to the landman exhibits were requested by the technical examiner at that time, and this case was continued to the February 5 docket for further review. *Id.* at 60:2060-61:2091. A revised exhibit package was filed on January 14, 2026, with the two corrections requested by the Division. A subsequent revised exhibit package was filed on January 30, 2026, to ensure that no evidentiary questions would remain in this matter. On February 4, 2026, less than 24 hours before the case was set to be heard by affidavit after further review, XTO filed a second objection to proceeding by affidavit causing further delay in the face of imminent lease expirations. On February 5, 2026, the hearing examiner set this case for a contested hearing on February 26, 2026. *See* Entry of Appearance and Notice of Objection (Dec. 27, 2025); Notice of Withdrawal of Objection (Dec. 29, 2025); Notice of Objection (Feb. 4, 2026).

The lengths to which LFE has gone in its efforts to reach agreement with XTO are reflected

in LFE's Exhibit A, ¶¶ 27-40 (pdf 22-26) (detailing various offers customary in the Permian Basin including but not limited to a joint operating agreement, various term assignments, hybrid arrangements, proposal to drill a different unit, and a straight acreage trade); see also TR 022726 at 47:2-48:20. LFE has responded in good faith to all communications from XTO, making numerous different proposals. *See generally id.*; LFE Ex. A-5 (pdf 75); LFE Reb. Ex. 1 (pdf 139-145); XTO Exs. A-3 to A-6 (pdf 10-26). In sum, LFE has agreed to all of XTO's proposed resolutions, with the exception of removing XTO from the list of parties to be forcepooled. LFE cannot remove XTO from the list of parties to be forcepooled without an executed agreement in place due to the upcoming lease expirations. At all times, LFE acted in good faith, while XTO's faith in negotiations is questionable at best. This factor weighs in favor of LFE.

Criterion d—Prudent Operations and Prevention of Waste: *Comparison of the ability of each party to prudently operate the property and thereby prevent waste.*

LFE's track record shows that it is a capable, experienced, and technically proficient operator with experience and expertise to efficiently develop the Yeso formation in the proposed HSU. *See, e.g.*, TR 022626 at 259:9-260:7. Longfellow has drilled over 30 laterals in the Yeso trend. TR 022626 at 259:12-13. LFE has demonstrated superior well performance in the Northern Delaware Basin in Eddy County, New Mexico. LFE Ex. C, ¶ 5 (pdf 93). Analysis of data sourced from Enverus reveals that LFE operates eight (8) of the top fifty (50) wells in Eddy County on an Estimated Ultimate Recovery ("EUR") per lateral foot basis among all wells drilled since 2021. *Id.* LFE's completions achieve some of the highest reserves per lateral foot in Eddy County. *Id.* LFE's top-performing wells include Marley, Bonzo, and Elvis wells. *Id.* ¶ 6; *see* LFE Ex C-1 (pdf 106). LFE maintains an active operation, drilling approximately twelve wells per year for the last three years. *See* TR 022626 at 260:14-18. Moreover, LFE is acting as a prudent operator by

endeavoring to drill the subject acreage before lease expirations.

Here, LFE proposes to drill one-mile laterals, which is common in the play. *See* Ex. A-1 (pdf 34-49); TR 022626 at 261:10-11. About 98% of the horizontal wells drilled in the Yeso have been one-mile laterals. *Id.* at 261:11-12. LFE was the first operator to drill two-mile laterals in the Yeso. *Id.* at 261:13-15. Longer wells are drilled. *Id.* at 261:13-14. Here, however, the land fabric and existing drainage associated with a long term, long time vertical development across the play really limits the opportunities for longer wells to specific areas. *See id.* at 261:17-22.

Moreover, LFE will use common facilities for the eight proposed wells, which will prevent surface waste. For example, LFE will build only two well pads, approximately six acres each, for a total of 12 acres. LFE Ex. C-6 (pdf 111); *see also* LFE Exs. C, ¶¶ 12, 14 (pdf 95-97); C-2 (pdf 107). In addition, LFE will locate its well pads outside of the subject acreage as required to protect the Desert Sage Brush Lizard ("DSL") and existing sand dunes. LFE Ex. C-7 (pdf 112). LFE is acting as a prudent operator by seeking to drill before both lease expirations, while XTO has sat on its hands for many years. This factor therefore weighs in favor of LFE's application.

Criterion e—Comparison of Cost: *Comparison of the differences in well cost estimates and other operational costs presented by each party for their respective proposal.*

The estimated well costs set forth in LFE's AFEs are fair and reasonable for drilling and completion of wells in the area. *See* Exhibit C at 3, ¶¶ 9-17 (pdf 94-97); TR 022626 at 254:18-20. XTO offers no competing proposal. Therefore, this factor cannot be compared. Nonetheless, the reasonableness of the AFEs weighs in favor of approval. XTO's protestations to the contrary are unavailing. As explained by LFE's engineer, unanticipated conditions in drilling previous wells resulted in additional costs that were justified. TR 022626 at 261:10-262:25 ; *see* LFE Reb. Ex. 2 (pdf 155-156).

Some of the costs for drilling the defining well will be ultimately shared as costs with the remaining seven wells that will be subsequently drilled. TR 022626 at 263:1-17.

Even if costs are ultimately "unreasonable," which LFE disputes, XTO's remedy is readily available. Current force pooling orders provide Pooled Working Interests with the opportunity to file a written objection to the Actual Well Costs within 45 days of receiving the itemized schedule of Actual Well Costs. *See, e.g.*, Order No. R-24036, ¶ 26. Moreover, if XTO believes the costs are unreasonable, it can choose to go non-consent and will still have the right to challenge actual costs under Section 70-2-17(C) ("In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing[.]").

Criterion f—Working Interest: *Evaluation of the mineral interest ownership held by each party at the time the application is heard.*

LFE owns 50% of the unit. LFE Ex. A-3 (pdf 53). At the time the application was filed, XTO had 25% record title in the unit. *See* LFE Exs. A, ¶ 19 (pdf 19); A-7 (pdf 79). Although XTO claims to be the owner of 50% of the unit, due to a right to request reassignment effective years ago, XTO has neglected to ensure that its entire 50% interest is of record. LFE Ex. A, ¶¶ 21-24 (pdf 20-22). Indeed, at this time, 27% of XTO's claimed interest still rests with Colt Energy and BP/Apache/Hilcorp. *Id.* ¶ 21; *see* LFE Ex. A-2 (pdf 51). As of January 26, 2026, XTO's record title comprises only 33% of the unit. LFE Exs. A, ¶ 21 (pdf 20); A-2 (pdf 51); TR 022726 at 29:14-16.

Notably, LFE acquired its interest in the first quarter of 2024. LFE Ex. A, ¶ 7 (pdf 17). XTO, on the other hand, has had an interest in its lease since approximately 1961 or earlier. LFE Ex. A, ¶ 20 (pdf 20); TR 022726 at 29:25-30:2 (Ms. McKee testified that XTO acquired its interest in 1953).Thus, XTO has sat on its hands for at least **65 years** without seeking to develop the Yeso

Formation. Although at one time XTO term assigned its interest, XTO was entitled to a reassignment over 20 years ago, and XTO neglected to exercise that right to reassignment, thereby sitting on its hands for **20 years** thereafter. LFE Ex. A, ¶¶ 22-25 (pdf 20-22); TR 022726 at 30:3-24; TR 022626 at 179:15-180:25. Because LFE's record title ownership is greater than XTO's, and because XTO has sat on its hands for an inordinate period of time, this factor weighs in favor of LFE.

Criterion g—Surface Factor: *Comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the surface factor).*

LFE has filed its applications for permits to drill with the Bureau of Land Management ("BLM"). LFE Ex. C, ¶ 20 (pdf 99). BLM on-site inspections have been completed and the sites approved. In addition, business lease applications have been filed. As stated, LFE will use common facilities for the proposed wells. *Supra* at 9. LFE's actions to secure surface locations, its use of common facilities, and the measures taken to protect the DSL and existing sand dunes weigh in favor of its application.

The Seven Factor Analysis Favors Approval of the Application

Review of the seven factors illustrates that LFE's application should be approved because all of the factors weigh in favor of the proposed development: (a) the Geological Evidence supports the proposed development, (b) the Risk and Development analysis warrants approval of the application, (c) the Good Faith analysis weighs in favor of LFE, (d) the Prevention of Waste analysis likewise weighs in favor of LFE, (e) LFE's estimated well Costs are reasonable and therefore support approval of the application, (f) record title Working Interest weighs in favor of LFE, and (g) the Surface Factor strongly weighs in favor of LFE. In sum, analysis of all of the seven factors weighs in favor of approving the application, as soon as possible.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel identified below, by electronic mail on March 16, 2026.

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