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 L.P.'S SUPPLEMENTAL PREHEARING STATEMENT

LONGFELLOW ENERGY, L.P. ("Longfellow," "LFE," or "Applicant") provides this Pre-Hearing Statement as required by the rules of the Division. As explained in detail below, Longfellow's proposal to develop the subject acreage will prevent waste and protect correlative rights. New Mexico law provides no support for the objection raised by XTO Holdings, LLC ("XTO"), and XTO has offered no alternative. The application should therefore be approved as soon as possible, to prevent imminent lease expirations.

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STATEMENT OF THE CASE

In this case, Applicant seeks an order from the Division pooling all uncommitted mineral interests in the Yeso formation (CEDAR LAKE; GLORIETA-YESO [96831]) in a standard ~320-acre, more or less, horizontal spacing and proration unit ("HSU"), with proximity tracts, comprised of the South Half of Section 33, Township 16 South, Range 31 East in Eddy County, New Mexico. Applicant proposes to drill the following wells:

- Van Halen 33CD Fed Com 001H, well, to be horizontally drilled from a SHL approximately 1,802' FEL & 2,251' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 2,310' FSL of Section 33-16S-31E;
- Van Halen 33CD Fed Com 002H well, to be horizontally drilled from a SHL approximately 1,800' FEL & 2,231' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 2,158' FSL of Section 33-16S-31E;
- Van Halen 33CD Fed Com 003H well, to be horizontally drilled from a SHL approximately 1,798' FEL & 2,211' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 1,784' FSL of Section 33-16S-31E;
- Van Halen 33CD Fed Com 004H well, to be horizontally drilled from a SHL approximately 1,796' FEL & 2,191' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 1,409' FSL of Section 33-16S-31E;
- Van Halen 33CD Fed Com 005H well, to be horizontally drilled from a SHL approximately 1,780' FEL & 1,117' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 1,249' FSL of Section 33-16S-31E.
- Van Halen 33CD Fed Com 006H well, to be horizontally drilled from a SHL approximately 1,791' FEL & 1,101' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 874' FSL of Section 33-16S-31E.
- Van Halen 33CD Fed Com 007H well, to be horizontally drilled from a SHL approximately 1,803' FEL & 1,084' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 500' FSL of Section 33-16S-31E.
- Van Halen 33CD Fed Com 008H well, to be horizontally drilled from a SHL approximately 1,814' FEL & 1,068' FSL of Section 32-16S-31E and a bottomhole location approximately 20' FEL & 339' FSL of Section 33-16S-31E.

The Van Halen 33CD Fed Com 005H well is a proximity well. With the proximity tracts, the completed intervals of all wells will meet standard setback requirements. The first and last take points meet the standard setback requirements set forth in the statewide rules for horizontal oil wells. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs, the designation of Applicant as Operator of the wells, and a 200% charge for the risk involved in drilling and completing the well. The wells and lands are located approximately 6 miles West of Maljamar, New Mexico.

PROCEDURAL BACKGROUND

The application was filed on December 4, 2025. XTO Holdings, LLC ("XTO") filed an objection to proceeding by affidavit on Saturday, December 27, 2025, which was withdrawn the following Monday, December 29, 2025. Longfellow timely filed its pre-hearing statement and all exhibits on December 31, 2025, and 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. On February 5, 2026, the hearing examiner set this case for a contested hearing on February 26, 2026. Longfellow is filing another exhibit package for the contested hearing concurrently with this pre-hearing statement.

SUBSTANTIVE BACKGROUND

The facts of this case present an unusual and compelling urgency that warrants prompt action by the OCD. The proposed HSU includes two federal leases that are set to expire in July 2026. Consequently, time is of the essence with respect to issuance of an order in this matter. Yet XTO offers no competing proposal to develop the subject acreage.

Over five months of negotiations and throughout this contested proceeding, XTO has never presented a competing proposal of any kind. It has not offered an alternative well design, an alternative authorization for expenditure ("AFE"), a JOA on different terms, a farmout, a competing term assignment, a plan to drill its own wells, or any other constructive path forward. XTO's position amounts to a blanket objection to development by LFE, not an objection to development itself. This is not a legitimate basis for contesting a compulsory pooling application. 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.

The federal leases underlying the proposed HSU are held by production through the North Square Lake Unit (NMNM 105313289), a shallow pooled unit operated by Remnant Oil Operating LLC / Acacia Operating LLC. The North Square Lake Unit has not had production since approximately July 2024. Acacia Operating LLC has filed for Chapter 7 bankruptcy. There is no operator currently capable of restoring production to the North Square Lake Unit, and no reasonable prospect that production will resume.

As a result, both LFE's and XTO's leasehold interests in the HSU are at risk of expiration in approximately July 2026—less than five months from the date of this filing. If at least one of

the Van Halen wells proposed herein is not drilled and completed before that deadline, both parties' leases will be lost, the hydrocarbons underlying the HSU will remain undeveloped for several years, and the Bureau of Land Management ("BLM") and the State of New Mexico will lose the royalty revenue, tax revenue, and economic benefits associated with the development of these resources.

LFE brought this risk to ExxonMobil's attention in October 2025, proactively and without any obligation to do so. LFE has spent the past five months trying to find any deal structure that would allow development to proceed before the deadline. XTO has rejected every proposal and has taken no independent steps to preserve its own leasehold. The irony of XTO's position cannot be overstated: XTO is contesting the very application that would save its own lease. If XTO succeeds in blocking or delaying this pooling order, the most likely outcome is that both parties lose their leasehold interests entirely. That outcome would benefit no one, not LFE, not XTO, not BLM, and not the State of New Mexico. 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.

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 Longfellow'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. Longfellow's application should be approved on this basis alone. *See id.* Moreover, consideration of the remaining factors shows that Longfellow's proposal should be immediately approved.

Criterion a—Geological Evidence:

Longfellow 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. There are no structural impediments or faulting that will interfere with horizontal development. The horizontal spacing and proration units are justified from a geologic standpoint,

and each quarter-quarter section in the Yeso HSUs will contribute more or less equally to production.

Criterion b—Risk and Development:

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. LFE alerted XTO to the North Square Lake lease expiration risk in October 2025. 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, has not filed any drilling permits of its own, and has not entered into any agreement with LFE or any other operator to ensure the leases are held. In short, XTO has made no effort to develop the subject acreage. Any claim by XTO of a right to develop its own acreage provides no support for its objection to Longfellow's proposal in the face of XTO's lack of diligence in preserving its own lease.

XTO has held interests in this area for decades and has taken no action to develop them. The only steps XTO has taken are to ask a different operator—Mack Energy Corporation ("Mack")—to re-permit already-approved wells in the S/2 of Section 32 to penetrate ExxonMobil's leasehold in Section 33, and, alternatively, to have Mack drill a vertical well on XTO's acreage within the HSU. These actions are revealing in several respects.

First, XTO does not actually intend to develop its acreage independently. It seeks to have another operator develop it, just not LFE. That is not a legitimate basis to block compulsory pooling.

Second, the vertical well alternative would result in substantial waste of recoverable hydrocarbons. As will be established in direct testimony and at hearing, a single vertical well would drain only a limited area around the wellbore, leaving the vast majority of the Yeso formation unrecovered. By contrast, LFE's eight (8) one-mile horizontal wells are designed to efficiently drain the entire S/2 of Section 33 across multiple benches. Substituting a vertical well for LFE's horizontal program is precisely the type of inefficient, wasteful development that the compulsory pooling statute was enacted to prevent. The OCD should not allow XTO to block an efficient horizontal development program in favor of a single vertical well that would leave the overwhelming majority of recoverable reserves in the ground.

Third, a party cannot simultaneously refuse to participate in development, refuse to allow others to develop, and claim a theoretical right to develop on its own, all while offering no concrete plan and taking no affirmative steps. Such a position, if accepted by the OCD, would effectively grant XTO an indefinite veto over the development of the HSU's resources. This would result in precisely the waste and impairment of correlative rights that the compulsory pooling statute was enacted to prevent.

Fourth, XTO's inaction is particularly inexcusable given the imminent lease expiration. XTO has been on notice since at least October 28, 2025, when LFE proactively alerted XTO, that the federal leases underlying the HSU are at risk of expiration in approximately July 2026 due to the cessation of production at the North Square Lake Unit and the Chapter 7 bankruptcy of its operator, Acacia Operating LLC. 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, has not filed any drilling permits of its own, and has not entered into any agreement with LFE or any other operator to ensure its leases are held. A party that allows

its own leases to march toward expiration while blocking the only operator actively trying to save them cannot credibly claim a "right to develop."

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). In light of Section 70-2-17(C) and the circumstances here, the application should be approved.

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. This factor therefore weighs in favor of approving Longfellow's application as soon as possible.

Criterion c—Good Faith and Negotiations:

Prior to filing the application, Longfellow offered a term assignment in an effort to reach a voluntary agreement. Soon thereafter, Longfellow learned of the upcoming lease expirations and informed XTO of the same. 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. However, 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, ten days prior to the hearing by affidavit on January 6, 2024. XTO then filed another objection less than 24 hours prior to the February 5 hearing, causing further delay in the face of imminent lease expirations.

The lengths to which Longfellow has gone in its efforts to reach agreement with XTO are reflected in LFE's Exhibit A, ¶¶ 27-40 (detailing various offers 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). In sum, Longfellow has agreed to all of XTO's proposed resolutions, with the exception of removing XTO from the list of parties to be forcepooled. Longfellow cannot remove XTO from the list of parties to be forcepooled without an executed agreement in place due to the upcoming lease expirations.

The professional background of Longfellow's land witness, Rebecca English, highlights the reasonableness and good faith of Longfellow's efforts to come to a voluntary agreement with XTO. Notably, Ms. English was directly employed for eight years by XTO Energy, Inc. and ExxonMobil Corporation. Longfellow's proposals were deliberately structured to be consistent with the terms and practices that XTO itself customarily employs in joint operating arrangements in the Permian Basin. XTO was not presented with unusual, aggressive, or off-market terms. XTO was presented with exactly the types of deals it routinely enters into with other operators. At all times, Longfellow has acted in good faith, while XTO has made no effort to reach a voluntary agreement and offered no alternative. For all these reasons, this factor weighs in favor of Longfellow.

Criterion d—Prudent Operations and Prevention of Waste:

LFE's track record demonstrates that it is a capable, experienced, and technically proficient operator with the experience and expertise to efficiently develop the Yeso formation in the proposed HSU. LFE has a demonstrated track record of superior well performance in the Northern Delaware Basin in Eddy County, New Mexico. 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. LFE's completions achieve some of the highest reserves per lateral foot in Eddy County. Moreover, Longfellow is acting as a prudent operator by endeavoring to drill the subject acreage before lease expiration.

Longfellow will use common facilities for the eight proposed wells, which will prevent surface waste. For example, Longfellow will build only two well pads, approximately six acres each, for a total of 12 acres. In addition, Longfellow will locate its well pads outside of the subject acreage as needed to protect the Desert Sage Brush Lizard. This factor therefore weighs in favor of approval of Longfellow's application.

Criterion e—Comparison of Cost:

The estimated well costs set forth in Longfellow's AFEs are fair and reasonable for drilling and completion of wells in the area. *See* Exhibit C at 3, ¶¶ 9-17. XTO offers no competing proposal. Therefore, this factor cannot be compared. Nonetheless, the reasonableness of the AFEs weighs in favor of approval.

Criterion f—Working Interest:

Longfellow owns 50% of the unit. At the time the application was filed, XTO had 25% record title in the unit. 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. Indeed, at this time, 27% of XTO's claimed interest still rests with Colt Energy and BP/Apache/Hilcorp. As of January 26, 2026, XTO's record title comprises only 33% of the unit.

Notably, Longfellow acquired its interest in the first quarter of 2024. XTO, on the other hand, has had an interest in its lease since 1961. XTO has sat on its hands for **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. Because Longfellow'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 Longfellow.

Criterion g—Surface Factor:

Longfellow has filed its applications for permits to drill with the Bureau of Land Management ("BLM"). BLM on-site inspections have been completed and the sites approved. In addition, business lease applications have been filed. As noted, Longfellow will use common facilities for the proposed wells. Longfellow's actions to secure surface locations and its use of common facilities weigh in favor of its application.

The Seven Factor Analysis Favors Approval of the Application

Review of the seven factors illustrates that Longfellow'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 Longfellow, (d) the Prevention of Waste analysis likewise weighs in favor of Longfellow, (e) Longfellow's estimated well Costs are reasonable and therefore support approval of the application, (f) record title Working Interest weighs in favor of Longfellow, and (g) the Surface Factor strongly weighs in favor of Longfellow.

In sum, analysis of all of the seven factors weighs in favor of approving the application, as soon as possible.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES	EXHIBITS
Landman Rebecca L. English	7
Geologist Jacob S. DeHamer	6
Engineer David Mitchell	8

PROCEDURAL MATTERS

This application is set for a contested hearing on February 26, 2026. If there is no opposition at the time of hearing, this case should be taken under advisement because it has already been heard by affidavit and the requested revisions to the exhibits have been previously submitted and reviewed by the Division.

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 February 20, 2026.

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QUESTIONS

Action 556266

QUESTIONS

Operator: LONGFELLOW ENERGY, LP 8115 Preston Road Dallas, TX 75225	OGRID: 372210
	Action Number: 556266
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	3
Testimony time (in minutes)	*Not answered.*