

LONGPOINT'S SECRET IDENTITY



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Tucked into the history of the Santa Rita No. 1, the famed 1923 Texas well that first tapped the bounty of Permian crude, is a \$516.23 royalty payment.

On Aug. 24, 1923, the Permanent University Fund, which benefits Texas higher education, received its first oil royalty payment from the Santa Rita, an arrangement that continued until the well was plugged in 1990.

Along the way, a business was born. As transactions go, buying up mineral rights might seem to lack the same adrenaline rush as the freewheeling land grabs in a new play or the cunning pickups veteran deal-makers spring on the market.

Still, LongPoint Minerals LLC founder George Solich and his management team viewed the mineral business as a low-tech, undercapitalized and somewhat neglected industry as they were developing their Cordillera Energy companies. And, make no mistake; A&D is in Solich's blood.

Solich wondered at the prospect of bringing the full weight of an E&P company's brains and engineering brawn to bear on the mineral space. The idea was shelved for later.

In October 2013, Solich formed FourPoint Energy in Denver, his idea not forgotten.

Within two years, FourPoint's team has developed into the Western Anadarko's top producer. But FourPoint's original charter is where LongPoint is first officially named.

Will Cullen, FourPoint's vice president of business development, and LongPoint Minerals, said the company is essentially FourPoint's alter ego.

LongPoint has no employees. In deals for mineral interests, FourPoint's technical team crosses over into LongPoint territory.

It then goes through the same due diligence an E&P normally reserves for acquisitions. The team works to evaluate reserves, operators, regulatory environment, permitting, spacing and what's happening on the surface.

"Everything we look at is run through our geologists and our engineers here and really taking that holistic E&P approach to an acquisition," Cullen said. "We want to be in the areas where there's activity, understand the operators and have good certainty that what we're buying is going to get drilled."

LongPoint also peers under the hood. The geologists have to like the rock.

The company looks at the number of benches, their potential and how much of that potential is economic in today's environment "versus do you need a shift in technology or prices to access some of those benches," Cullen said.

FourPoint reaps its own benefits from LongPoint. The company gets a peek at

technology used by operators in other basins to drive down costs and increase efficiency and productivity.

"As FourPoint gets a look into those strategies, they can take those techniques and processes back to their operations in the Western Anadarko," Cullen said.

LongPoint's ultimate criteria for buying ends up being straightforward: the company is looking for that magical combination of overall return and yield. That's what LongPoint's investors are after, he said.

"We manage the portfolio in such a way that we're bringing near-term cash flow to provide that yield, but also looking for opportunities that give us that medium- to long-term growth to help offset ... declines," he said.

That may explain Cullen's recent experience at a conference where the topic was mineral interests. The session held a standing-room-only crowd. Part of the "hook and draw" is that companies don't need an in-house suite of professionals to maintain the assets as they would with working interests.

LongPoint started actively making moves in May 2016, acquiring its initial footprint in the Permian and Scoop/Stack. By July, the company raised \$632 million from investors, with a lead equity commitment of \$450 million from the Canada Pension Plan Investment Board.

To date, LongPoint has acquired more than 40,000 net mineral acres in the two top plays in North America. For now, the company is focused on the Midcontinent, Permian and Denver-Julesburg basins.

Cullen said LongPoint isn't necessarily targeting a specific hydrocarbon, but the current environment has led to more oily areas in Oklahoma and Texas where operators are drilling.

Prior to working for FourPoint, Cullen spent nine years at Royal Dutch Shell Plc, including four years in its A&D group. His first five years there were spent working as a development economist with engineers, geologists, the development team and others to create cash flow models for an asset or even individual wells.

"That sort of helps," he said, adding that his time in the A&D shop also showed him how to bring a transaction from start to finish.

Putting on his FourPoint hat, Cullen said, the company will continue to be focused on making acquisitions and divestitures, constantly tweaking its portfolio.

Along the way, the younger LongPoint will be snatching up mineral interests like a prodigy—created to make deals and brought up to think like an E&P.

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