

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

**APPLICATION OF EARTHSTONE OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Pursuant to NMSA 1978, § 70-2-17, Earthstone Operating, LLC (OGRID No. 331165) (“Earthstone” or “Applicant”) applies for an order pooling all uncommitted interests in the Wolfcamp formation underlying a 640-acre, more or less, standard horizontal spacing unit comprised of the W/2 of Sections 21 and 28, Township 23 South, Range 26 East, Eddy County, New Mexico (“Unit”). In support of this application, Earthstone states the following.

1. Applicant is a working interest owner in the Unit and has the right to drill wells thereon.
2. Applicant seeks to dedicate the Unit to the following proposed wells (“Wells”):
 - a. **Cletus Fed Com 401H** well, to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 28 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 21;
 - b. **Cletus Fed Com 402H** well, to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 28 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 21;
 - c. **Cletus Fed Com 511H** well, to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 28 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 21; and

- d. **Cletus Fed Com 512H** well, to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 28 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 21.
3. The completed intervals of the Wells will be orthodox.
4. The completed interval of the Cletus Fed Com 512H well will be located within 330' of the quarter-quarter section line separating the W/2 W/2 and the E/2 W/2 of Sections 28 and 21 to allow for the creation of a 640-acre standard horizontal spacing unit.
5. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Wells but has been unable to obtain voluntary agreements from all interest owners.
6. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.
7. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated as the operator of the Wells and Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 6, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Wells in the Unit;
- C. Designating Applicant as operator of the Unit and the Wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the Wells;

- E. Approving the actual operating charged and costs of supervision while drilling and after completion, together with a provision adjusting the rated pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Applicant in drilling and completing the Wells against any working interest owner who does not voluntarily participate in the drilling of the Wells.

Respectfully submitted,

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