

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

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

CASE NO. _____

APPLICATION

Pursuant to NMSA 1978, § 70-2-17, Earthstone Operating, LLC (“Applicant”), applies for an order pooling all uncommitted interests within the Bone Spring formation underlying a 640-acre, more or less, standard horizontal spacing unit comprised of the E/2 of Sections 26 and 35, Township 18 South, Range 33 East, Lea County, New Mexico (“Unit”). Applicant states the following in support of its application.

1. Applicant (OGRID No. 331165) is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the following wells (“Wells”):
 - a. **Charger 35-26 Fed 1BS Com 3H**, which will be horizontally drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 35, Township 18 South, Range 33 East to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 26, Township 18 South, Range 33 East;
 - b. **Charger 35-26 Fed 1BS Com 4H**, which will be horizontally drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 35, Township 18 South, Range 33 East to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 26, Township 18 South, Range 33 East;
 - c. **Charger 35-26 Fed 2BS Com 7H**, which will be horizontally drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 35, Township 18 South, Range

33 East to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 26, Township 18 South, Range 33 East; and

- d. **Charger 36-26 Fed 2BS Com 8H**, which will be horizontally drilled from a surface hole location in the SE/4 SE/4 (Unit P) of Section 35, Township 18 South, Range 33 East to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 26, Township 18 South, Range 33 East.

3. The completed interval of the Charger 35-26 Fed 1BS Com 4H Well will be within 330' of the quarter-quarter section line separating the E/2 E/2 and W/2 E/2 of Sections 26 and 35 to allow for the formation of a 640-acre standard horizontal spacing unit.

4. The completed intervals of the Wells will be orthodox.

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 the interest owners.

6. The pooling of uncommitted mineral 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 mineral interests in the Unit should be pooled and Applicant should be designated operator of the Wells and Unit.

WHEREFORE, Applicant requests this application be set for hearing on June 2, 2022 and that after notice and hearing, 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 Well to be drilled thereon;

- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the Wells;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates 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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