

**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 (OGRID No. 331165) (“Earthstone” or “Applicant”) applies for an order pooling all uncommitted interests from the top of the Second Bone Spring Formation to the base of the Bone Spring Formation underlying a 638.71-acre, more or less, standard horizontal spacing unit comprised of the E/2 of Section 34, Township 19 South, Range 33 East, and Lots 1 and 2, S/2 NE/4, and SE/4 (E/2 equivalent) of irregular Section 3, Township 20 South, Range 33 East, Lea 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. The Unit will be dedicated to the following wells (“Wells”)
 - a. The **Jade 34-3 Fed 2BS Com 9H** well, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 34, Township 19 South, Range 33 East to a proposed bottom hole location in the SE/4 SE/4 (Unit P) of Section 3, Township 20 South, Range 33 East;
 - b. The **Jade 34-3 Fed 2BS Com 18H** well, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 34, Township 19 South, Range 33 East to a proposed bottom hole location in the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East;

- c. The **Jade 34-3 Fed HKY Com 19H** well, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 34, Township 19 South, Range 33 East to a proposed bottom hole location in the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East;
 - d. The **Jade 34-3 Fed 3BS Com 21H** well, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 34, Township 19 South, Range 33 East to a proposed bottom hole location in the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East; and
 - e. The **Jade 34-3 Fed 3BS Com 22H** well, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 34, Township 19 South, Range 33 East to a proposed bottom hole location in the SE/4 SE/4 (Unit P) of Section 3, Township 20 South, Range 33 East.
3. The completed intervals of the Wells will be orthodox.
 4. The completed interval of the Jade 34-3 Fed HKY Com 19H well will be located within 330' of the quarter-quarter section line separating the W/2 E/2 and the E/2 E/2 of Sections 34 and 3 to allow for the creation of a 638.71-acre standard horizontal spacing unit.
 5. There is a depth severance in the Bone Spring Formation in the Unit. Accordingly, Applicant seeks to pool interests from the top of the Second Bone Spring Formation at a stratigraphic equivalent of approximately 9,730' TVD as shown on the Jade Federal #1 well log (API # 300253439000) to the base of the Third Bone Spring Formation.
 6. 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.

7. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. 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 January 5, 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,

HINKLE SHANOR LLP

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