

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MARCH 2, 2023**

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

**Case No. 23368:**

**Skylark 34-3 Fed Com 1BS 4H Well  
Skylark 34-3 Fed Com 2BS 8H Well**

**Case No. 23369:**

**Skylark 34-3 Fed Com 1BS 2H Well  
Skylark 34-3 Fed Com 2BS 6H Well**

**Case No. 23370:**

**Skylark 34-3 Fed Com 1BS 3H Well  
Skylark 34-3 Fed Com 2BS 7H Well**

**Case No. 23371:**

**Skylark 34-3 Fed Com 1BS 1H Well  
Skylark 34-3 Fed Com 2BS 5H Well**

**Earthstone Operating, LLC**

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TAB 4            Exhibit C:     Affidavit of Notice, Darin C. Savage  
23369           Exhibit C-1:   Notice Letter  
                 Exhibit C-2:   Mailing List  
                 Exhibit C-3:   Affidavit of Publication

TAB 1            **Reference for Case No. 23370**  
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**NMOCD Checklist Case No. 23370**

TAB 2            Exhibit A:     Self-Affirmed Statement of Matt Solomon, Landman  
23370           Exhibit A-1:   C-102 Forms  
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TAB 3            Exhibit B:     Self-Affirmed Statement of Jason Asmus, Geologist  
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TAB 1            **Reference for Case No. 23371**  
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**NMOCD Checklist Case No. 23371**

TAB 2            Exhibit A:     Self-Affirmed Statement of Matt Solomon, Landman  
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                 Exhibit A-3:   Well Proposal Letters and AFEs  
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  - Exhibit B-3: Stratigraphic Cross Section – 1<sup>st</sup> Bone Spring Sand Datum
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## TAB 1

Reference for Case No. 23368

Application Case No. 23368:

NMOCD Checklist Case No. 23368

Skylark 34-3 Fed Com 1BS 4H Well

Skylark 34-3 Fed Com 2BS 8H Well

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23368

**APPLICATION**

Earthstone Operating, LLC (“Earthstone”), OGRID No. 331165, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a standard 323.63-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit. Section 3 is an irregular section and contains correction lots.

In support of its Application, Earthstone states the following:

1. Earthstone is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 4H Well** and the **Skylark 34-3 Fed Com 2BS 8H Well**, as initial wells, to be drilled to a sufficient depth to test the Bone Spring formation.
3. Earthstone proposes the **Skylark 34-3 Fed Com 1BS 4H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E,

NMPM, Lea County, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E, NMPM, Lea County.

4. Earthstone proposes the **Skylark 34-3 Fed Com 2BS 8H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E, NMPM, Lea County.

5. The wells proposed herein are orthodox in their location, and the take points and completed intervals comply with setback requirements under the statewide rules.

6. Earthstone's review of the units did not show any overlapping units; should an overlapping unit be inadvertently discovered, Earthstone would address the matter at the permitting phase.

7. Earthstone has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Bone Spring formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Earthstone requests that all uncommitted interests in this HSU be pooled and that Earthstone be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Earthstone requests that this Application be set for hearing on March 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 323.63-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Skylark 34-3 Fed Com 1BS 4H Well** and the **Skylark 34-3 Fed Com 2BS 8H Well** as the wells for the HSU.

D. Designating Earthstone as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Earthstone to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Earthstone in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

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Darin C. Savage

William E. Zimsky  
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**Attorneys for Earthstone Operating, LLC**

***Application of Earthstone Operating, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a standard 323.63-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Section 3 is irregular and contains correction lots. The proposed wells to be dedicated to the horizontal spacing unit are the **Skylark 34-3 Fed Com 1BS 4H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E, NMPM, Lea County; and the **Skylark 34-3 Fed Com 2BS 8H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E, NMPM, Lea County. The wells will be orthodox, and their take points and completed intervals will comply with the setback requirements under statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23368</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: March 2, 2023</b>	
Applicant	Earthstone Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Earthstone Operating, LLC (331165)
Applicant's Counsel:	Darin C. Savage - Abadie & Schill
Case Title:	APPLICATION OF EARTHSTONE OPERATING, LLC, FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Skylark
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Ex. A, Paras. 5&6; 4H Well: TVD apprx. 9059'; 8H Well: TVD apprx. 9800'
Pool Name and Pool Code:	Mescalero Escarpe; Bone Spring [45793]
Well Location Setback Rules:	Statewide Rules apply
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	323.63
Building Blocks:	quarter-quarter sections
Orientation:	North to South
Description: TRS/County	E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe <u>and is approval of non-standard unit requested in this application?</u>	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	No
Applicant's Ownership in Each Tract	See Exhibit A-2
<b>Well(s)</b>	
Well #1	<b>Skylark 34-3 Fed Com 1BS 4H</b> (API Pending) SHL: Unit P: 230' FSL & 1275' FEL of Section 27-18S-R33E BHL: Unit P: 50' FSL & 660' FEL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 1BS 4H</b> FTP: 100' FNL, 660' FEL, 34-18S-R33E LTP: 100' FSL, 660' FEL, 3-19S-R33E

Completion Target (Formation, TVD and MD)	Bone Spring formation; <b>Skylark 34-3 Fed Com 1BS 4H</b> : TVD: 9059'; TMD: 19,500'.
Well #2	<b>Skylark 34-3 Fed Com 2BS 8H</b> (API Pending) SHL: Unit P: 230' FSL & 1305' FEL of Section 27-18S-R33E BHL: Unit P: 50' FSL & 660' FEL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 2BS 8H</b> FTP: 100' FNL, 660' FEL, 34-18S-R33E LTP: 100' FSL, 660' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring formation; <b>Skylark 34-3 Fed Com 2BS 8H</b> : TVD: 9800'; TMD: 20,600'
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	7500, Exhibit A
Production Supervision/Month \$	750, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%, Exhibit A
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para 12 (None)
Ownership Depth Severance (including percentage above & below)	None, N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit-B
Spacing Unit Schematic	Exhibits B-1, B-2, B-5, B-6
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7

Well Orientation (with rationale)	Exhibit B, B-1, B-2, A-1
Target Formation	Exhibits B-3, B-4, B-7
HSU Cross Section	Exhibit B-7, B-3, B-4
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-2, B-5, B-6
Structure Contour Map - Subsea Depth	Exhibits B-1
Cross Section Location Map (including wells)	Exhibit B-7
Cross Section (including Landing Zone)	Exhibits B-3, B-4
<b>Additional Information</b>	
Special Provisions/Stipulations	None
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Darin C. Savage
<b>Signed Name</b> (Attorney or Party Representative):	/s/ <i>Darin Savage</i>
<b>Date:</b>	2.28.2023

## **TAB 2**

Case No. 23368

- Exhibit A: Self-Affirmed Statement of Matt Solomon, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23368

**SELF-AFFIRMED STATEMENT OF MATT SOLOMON**

I, being duly sworn on oath, state the following:

1. I am a Senior Landman with Earthstone Operating, LLC (“Earthstone”) and am familiar with the subject application and lands involved. I am over the age of eighteen, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. This Statement is submitted in connection with the filing by Earthstone of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).

3. Earthstone seeks an order pooling all uncommitted mineral interest in the Bone Springs formation Mescalero Escarpe; Bone Spring [45793), underlying a standard 323.63-acre, more or less, horizontal spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico.

**EXHIBIT  
A**

4. Under Case No. 23368, Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 4H Well** and the **Skylark 34-3 Fed Com 2BS 8H Well**, as initial wells.

5. The **Skylark 34-3 Fed Com 1BS 4H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SWSE (Unit O) of Section 27 to a bottom hole location in the SESE (Unit P) of Section 3; approximate TVD of 9,059'; approximate TMD of 19,500'; FTP in Section 34: 100' FNL, 660' FEL; LTP in Section 3: 100' FSL, 660' FEL.

6. The **Skylark 34-3 Fed Com 2BS 8H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SESE (Unit P) of Section 27 to a bottom hole location in the SESE (Unit P) of Section 3; approximate TVD of 9,800'; approximate TMD of 20,600'; FTP in Section 34: 100' FNL, 660' FEL; LTP in Section 3: 100' FSL, 660' FEL.

7. The proposed C-102 for each well is attached as **Exhibit A-1**.

8. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The location of each well is orthodox, and it meets the Division's setback requirements.

9. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

10. There are no depth severances in the Bone Spring formation in this acreage.

11. A good faith review of records did not reveal any overlapping units.

12. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Lea County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for



parties entitled to notification. All working interest owners were locatable and noticed. Earthstone published notice in the Hobbs News, a newspaper of general circulation in Lea County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice.

13. Earthstone has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

14. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Earthstone has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Earthstone and another interest owner or owners, Earthstone requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

15. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

16. Earthstone requests overhead and administrative rates of \$7,500/month for drilling each well and \$750/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico.

Earthstone requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

17. Earthstone requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners to the extent needed.

18. Earthstone requests that it be designated operator of the units and wells.

19. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.

20. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

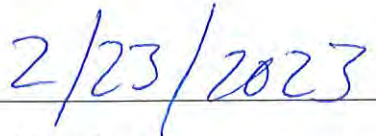
21. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Matt Solomon:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23368 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
\_\_\_\_\_  
Matt Solomon

  
\_\_\_\_\_  
Date Signed

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 1BS</b>			<sup>6</sup> Well Number <b>4H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,801.4'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>P</b>	<b>27</b>	<b>18 S</b>	<b>33 E</b>		<b>230</b>	<b>SOUTH</b>	<b>1,275</b>	<b>EAST</b>	<b>LEA</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>P</b>	<b>3</b>	<b>19 S</b>	<b>33 E</b>		<b>50</b>	<b>SOUTH</b>	<b>660</b>	<b>EAST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres <b>323.63</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p><b>SURFACE HOLE LOCATION</b> 230' FSL &amp; 1,275' FEL NEW MEXICO EAST - NAD 83 NORTH: 623,434.93' EAST: 752,595.34' LAT: 32.71198227 LONG: -103.64643454</p> <p><b>FIRST TAKE POINT</b> 100' FNL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 623,104.74' EAST: 753,209.93' LAT: 32.71106154 LONG: -103.64451551</p> <p><b>LAST TAKE POINT</b> 100' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 612,636.19' EAST: 753,282.81' LAT: 32.68227681 LONG: -103.64449020</p> <p><b>BOTTOM OF HOLE</b> 50' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 612,586.19' EAST: 753,283.17' LAT: 32.68219952 LONG: -103.64449138</p>	<p><b>SURFACE HOLE LOCATION</b> 230' FSL &amp; 1,275' FEL NEW MEXICO EAST - NAD 27 NORTH: 623,371.16' EAST: 711,416.72' LAT: 32.71186412 LONG: -103.64693214</p> <p><b>FIRST TAKE POINT</b> 100' FNL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 623,040.94' EAST: 712,030.68' LAT: 32.71093954 LONG: -103.64401673</p> <p><b>LAST TAKE POINT</b> 100' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 612,572.39' EAST: 712,103.56' LAT: 32.68215481 LONG: -103.64399142</p> <p><b>BOTTOM OF HOLE</b> 50' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 612,522.39' EAST: 712,103.92' LAT: 32.68207752 LONG: -103.64399260</p>
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**CORNER COORDINATES TABLE**  
NAD 83 NMSP EAST

A	N. = 623,158.99'	E. = 748,606.45'
B	N. = 623,185.30'	E. = 751,244.93'
C	N. = 623,212.60'	E. = 753,882.26'
D	N. = 620,571.98'	E. = 753,902.64'
E	N. = 617,932.27'	E. = 753,924.23'
F	N. = 617,905.63'	E. = 751,284.51'
G	N. = 617,877.58'	E. = 748,644.85'
H	N. = 620,518.29'	E. = 748,625.65'
I	N. = 615,171.04'	E. = 753,941.05'
J	N. = 612,531.12'	E. = 753,965.58'
K	N. = 612,521.06'	E. = 751,326.47'
L	N. = 612,511.46'	E. = 748,685.26'
M	N. = 615,149.57'	E. = 748,665.23'

**<sup>17</sup> OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**<sup>18</sup> SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

**EXHIBIT A-1**

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 2BS</b>			<sup>6</sup> Well Number <b>8H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,801.4'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>P</b>	<b>27</b>	<b>18 S</b>	<b>33 E</b>		<b>230</b>	<b>SOUTH</b>	<b>1,305</b>	<b>EAST</b>	<b>LEA</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>P</b>	<b>3</b>	<b>19 S</b>	<b>33 E</b>		<b>50</b>	<b>SOUTH</b>	<b>660</b>	<b>EAST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres <b>323.63</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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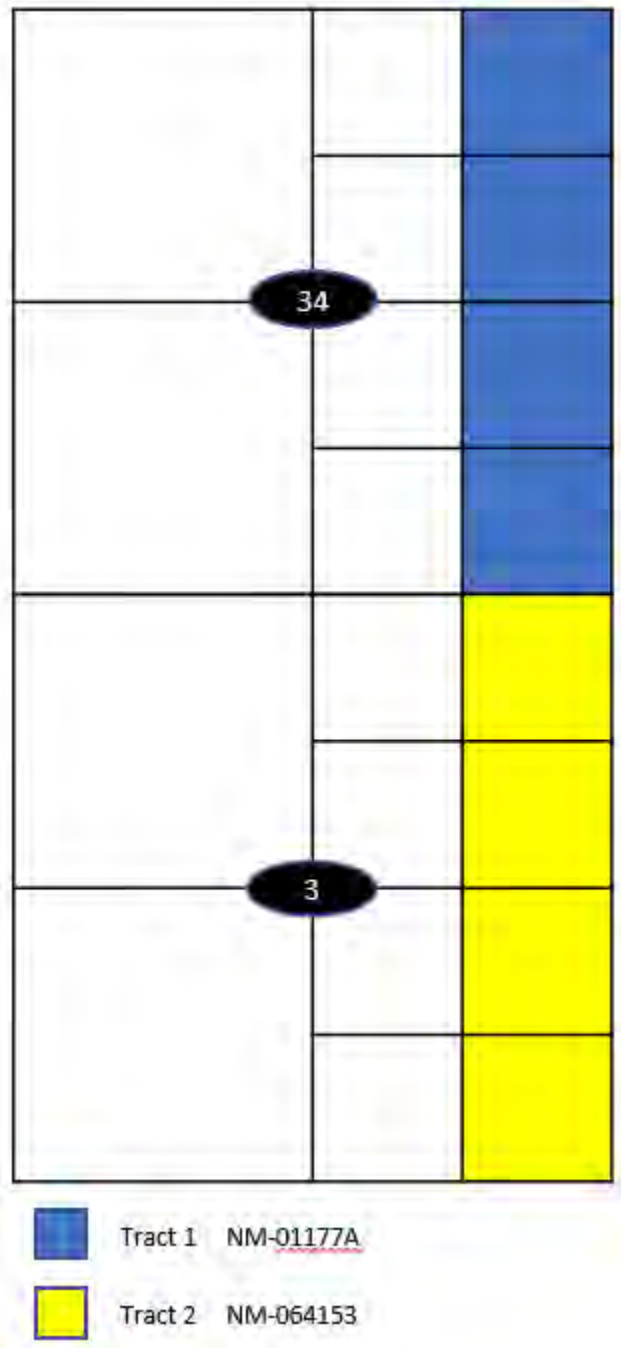
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	<p><b>SURFACE HOLE LOCATION</b> 230' FSL &amp; 1,305' FEL NEW MEXICO EAST - NAD 83 NORTH: 623,434.94' EAST: 752,565.33' LAT: 32.71198205 LONG: -103.64651046</p> <p><b>FIRST TAKE POINT</b> 100' FNL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 623,104.74' EAST: 753,209.93' LAT: 32.71106154 LONG: -103.64451551</p> <p><b>LAST TAKE POINT</b> 100' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 612,636.19' EAST: 753,282.81' LAT: 32.68227681 LONG: -103.64449020</p> <p><b>BOTTOM OF HOLE</b> 50' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 83 NORTH: 612,586.19' EAST: 753,283.17' LAT: 32.68219952 LONG: -103.64449138</p>	<p><b>SURFACE HOLE LOCATION</b> 230' FSL &amp; 1,305' FEL NEW MEXICO EAST - NAD 27 NORTH: 623,371.17' EAST: 711,386.71' LAT: 32.71186335 LONG: -103.64610981</p> <p><b>FIRST TAKE POINT</b> 100' FNL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 623,040.94' EAST: 712,030.68' LAT: 32.71093954 LONG: -103.64401673</p> <p><b>LAST TAKE POINT</b> 100' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 612,572.39' EAST: 712,103.56' LAT: 32.68215481 LONG: -103.64399142</p> <p><b>BOTTOM OF HOLE</b> 50' FSL &amp; 660' FEL NEW MEXICO EAST - NAD 27 NORTH: 612,522.39' EAST: 712,103.92' LAT: 32.68207752 LONG: -103.64399260</p>	<p><b>17 OPERATOR CERTIFICATION</b> <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p>																																						
	<p><b>CORNER COORDINATES TABLE</b> NAD 83 NMSP EAST</p> <table border="1"> <tr><td>A</td><td>N. = 623,158.99'</td><td>E. = 748,606.45'</td></tr> <tr><td>B</td><td>N. = 623,185.30'</td><td>E. = 751,244.93'</td></tr> <tr><td>C</td><td>N. = 623,212.60'</td><td>E. = 753,882.26'</td></tr> <tr><td>D</td><td>N. = 620,571.98'</td><td>E. = 753,902.64'</td></tr> <tr><td>E</td><td>N. = 617,932.27'</td><td>E. = 753,924.23'</td></tr> <tr><td>F</td><td>N. = 617,905.63'</td><td>E. = 751,284.51'</td></tr> <tr><td>G</td><td>N. = 617,877.58'</td><td>E. = 748,644.85'</td></tr> <tr><td>H</td><td>N. = 620,518.29'</td><td>E. = 748,625.65'</td></tr> <tr><td>I</td><td>N. = 615,171.04'</td><td>E. = 753,941.05'</td></tr> <tr><td>J</td><td>N. = 612,531.12'</td><td>E. = 753,965.58'</td></tr> <tr><td>K</td><td>N. = 612,521.06'</td><td>E. = 751,326.47'</td></tr> <tr><td>L</td><td>N. = 612,511.46'</td><td>E. = 748,685.26'</td></tr> <tr><td>M</td><td>N. = 615,149.57'</td><td>E. = 748,665.23'</td></tr> </table>		A	N. = 623,158.99'	E. = 748,606.45'	B	N. = 623,185.30'	E. = 751,244.93'	C	N. = 623,212.60'	E. = 753,882.26'	D	N. = 620,571.98'	E. = 753,902.64'	E	N. = 617,932.27'	E. = 753,924.23'	F	N. = 617,905.63'	E. = 751,284.51'	G	N. = 617,877.58'	E. = 748,644.85'	H	N. = 620,518.29'	E. = 748,625.65'	I	N. = 615,171.04'	E. = 753,941.05'	J	N. = 612,531.12'	E. = 753,965.58'	K	N. = 612,521.06'	E. = 751,326.47'	L	N. = 612,511.46'	E. = 748,685.26'	M	N. = 615,149.57'	E. = 748,665.23'
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**SKYLARK 34-3 FED COM 1BS 4H**

**SKYLARK 34-3 FED COM 2BS 8H**

E2E2 of Section 34, Township 18 South, Range 33 East  
Lot 1, SENE, E2SE of Section 3, Township 19 South, Range 33 East  
Lea County, New Mexico



**EXHIBIT  
A-2**

TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

WI Parties To Force Pool

ConocoPhillips Company



**EARTHSTONE** Operating, LLC  
1400 Woodloch Forest Drive, Suite 300  
The Woodlands, TX 77380  
Office: 281-298-4246  
Fax: 832-823-0478

December 1, 2022

VIA FED-X

ConocoPhillips Company  
600 W. Illinois Avenue  
Midland, TX 79701

**Re: Skylark 34-3 Fed Com 1BS 2H,  
Skylark 34-3 Fed Com 1BS 3H  
Skylark 34-3 Fed Com 1BS 4H  
Skylark 34-3 Fed Com 2BS 6H  
Skylark 34-3 Fed Com 2BS 7H  
Skylark 34-3 Fed Com 2BS 8H**

**E2W2, W2E2, E2E2 of Section 34, T18S-R33E  
Lot 1-3, SENW, E2SW, S2NE, SE of Section 3, T19S-R33E  
Lea County, New Mexico**

Dear Working Interest Partner:

Earthstone Operating, LLC ("Earthstone") proposes to drill and operate the subject wells to test the Bone Spring formation. Enclosed are Authorities for Expenditure ("AFE") reflecting estimated costs to drill, test, complete, and equip the wells.

In connection with the above:

- **Skylark 34-3 Fed Com 1BS 2H:** to be drilled from a proposed surface hole location of 565' FSL & 1630' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 6H:** to be drilled from a proposed surface hole location of 565' FSL & 1690' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 20,600'.
- **Skylark 34-3 Fed Com 1BS 3H:** to be drilled from a proposed surface hole location of 230' FSL & 1365' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 7H:** to be drilled from a proposed surface hole location of 230' FSL & 1335' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

**EXHIBIT  
A-3**



- **Skylark 34-3 Fed Com 1BS 4H:** to be drilled from a proposed surface hole location of 230' FSL & 1275' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 8H:** to be drilled from a proposed surface hole location of 230' FSL & 1305' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

For the 2H and 6H, Earthstone hereby proposes the creation of a 323.09 acre working interest unit consisting of the E2W2 of Section 34, T18S-R33E and Lot 3, SENW, E2SW of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 3H and 7H, Earthstone hereby proposes the creation of a 323.35 acre working interest unit consisting of the W2E2 of Section 34, T18S-R33E and Lot 2, SWNE, W2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 4H and 8H, Earthstone hereby proposes the creation of a 323.63 acre working interest unit consisting of the E2E2 of Section 34, T18S-R33E and Lot 1, SENE, E2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

All three Operating Agreements will have the following general provisions:

- Limited to the Bone Spring Formation.
- 100/300 non-consent penalties
- \$7,500/\$750 fixed drilling and production overhead rates
- Earthstone Operating, LLC named as Operator

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. Should you elect to participate, please also sign and return one copy of each AFE, along with executed copies of the Operating Agreement.

Sincerely,

Matt Solomon  
Senior Landman  
713-379-3083  
msolomon@earthstoneenergy.com

ConocoPhillips Company hereby elects to:

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 2H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in **Skylark 34-3 Fed Com 1BS 2H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 3H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 3H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 4H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 4H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 6H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 6H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 7H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 7H** subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 8H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 8H** subject to acceptable terms.

ConocoPhillips Company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

			<b>Earthstone Operating, LLC</b> Statement of Estimated Well Cost		
<b>Well Name:</b> Skylark 34-3 Fed Com 1BS 4H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 1st BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 19,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 131,300
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 536,000	1433/400	WELLHEAD EQUIPMENT	\$ 65,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 655,300</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1450/ 20	LOCATION AND ROADS	\$ 13,500	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
1450/ 90	FUEL, POWER & WATER	\$ 1,000	1452/315	METER EQUIPMENT	\$ 15,000
1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200	1452/340	SEPARATORS	\$ 115,000
1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000	1452/345	HEATER TREATER	\$ 45,000
1450/195	CONTRACT LABOR	\$ 70,000	1452/355	GATHERING LINE	\$ 175,000
1450/260	SUPERVISION/ENGINEERING	\$ 25,000	1452/360	STOCK TANKS	\$ 110,000
1450/270	ADMINISTRATIVE/OVERHEAD	\$ -	1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
1450/290	FACILITES MISCELLANEOUS	\$ 10,000	1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	1452/390	FACILITES	\$ 45,000
<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 680,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 865,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,712,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,688,548</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,400,548</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 2BS 8H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 2nd BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,600 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 147,800
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 567,000	1433/400	WELLHEAD EQUIPMENT	\$ 50,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 656,800</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
			1450/ 20	LOCATION AND ROADS	\$ 13,500
			1450/ 90	FUEL, POWER & WATER	\$ 1,000
			1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
			1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
			1450/195	CONTRACT LABOR	\$ 70,000
			1450/260	SUPERVISION/ENGINEERING	\$ 25,000
			1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	FACILITES MISCELLANEOUS	\$ 10,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 505,000</b>
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 690,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,743,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,515,048</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,258,048</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

Case 23368

Company	Contact	Date
ConocoPhillips	Mail	12/1/2022
	Email	12/8/2022
		12/20/2022
		2/20/2023
Phone calls	2/20/2023	

EXHIBIT  
**A-4**

## TAB 3

Case No. 23368

- Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist
- Exhibit B-1: Structure Map – 1<sup>st</sup> Bone Spring Sand Structure
- Exhibit B-2: Structure Map – 2<sup>nd</sup> Bone Spring Sand Structure
- Exhibit B-3: Stratigraphic Cross Section – 1<sup>st</sup> Bone Spring Sand Datum
- Exhibit B-4: Stratigraphic Cross Section – 2<sup>nd</sup> Bone Spring Sand Datum
- Exhibit B-5: Gross Isochore – 1<sup>st</sup> Bone Spring Sand Isopach
- Exhibit B-6: Gross Isochore – 2<sup>nd</sup> Bone Spring Sand Isopach
- Exhibit B-7: Gun Barrel View

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT  
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23368

**SELF-AFFIRMED STATEMENT OF JASON ASMUS**

I, Jason Asmus, being duly sworn on oath, state the following:

1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a petroleum geologist for Earthstone Operating, LLC (“Earthstone”), and I am familiar with the subject application and the geology involved.
3. I graduated in 2012 from Western Michigan University with a master’s degree in Geology. I have worked at Earthstone Energy for approximately 1 year, and I have been working in New Mexico for 11 years. My credentials as a petroleum geologist have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This statement is submitted in connection with the filing by Earthstone of the above-referenced compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.
5. **Exhibit B-1** and **Exhibit B-2** are structure maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss with contour interval of 50’. The unit being pooled is outlined by red rectangle. The structure map shows that there is a regional down-dip to the S-SE. I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval

**EXHIBIT  
B**

6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1<sup>st</sup> Bone Spring Ss and Top 2<sup>nd</sup> Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss target zones. The landing zones are highlighted by black text and brackets.

7. Additional exhibits for the benefit of the Division's review include **Exhibit B-5** and **Exhibit B-6**, gross isochore maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss formations, as well as **Exhibit B-7**. **Exhibit B-7** is a gun barrel representation of the unit and shows vertical and lateral spacing of the Skylark 34-3 Fed Com 1BS 4H, and the Skylark 34-3 Fed Com 2BS 8H. Exhibits B-1 through B-7 are the same for the applications in Case Nos. 23369, 23370 and 23371.

8. I conclude from the attached exhibits that:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the unit will contribute more or less equally to production.

9. The preferred well orientation in this area is North-South, or East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress.

10. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.



11. The granting of this Application is in the interests of conservation, the prevention of waste and the drilling of unnecessary wells, and the protection of correlative rights.

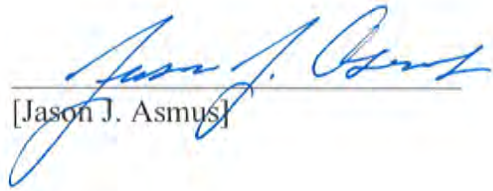
12. The foregoing is correct and complete to the best of my knowledge and belief.

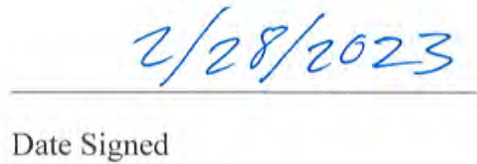
13. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of [Jason J. Asmus]:*

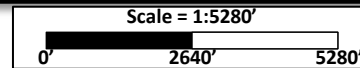
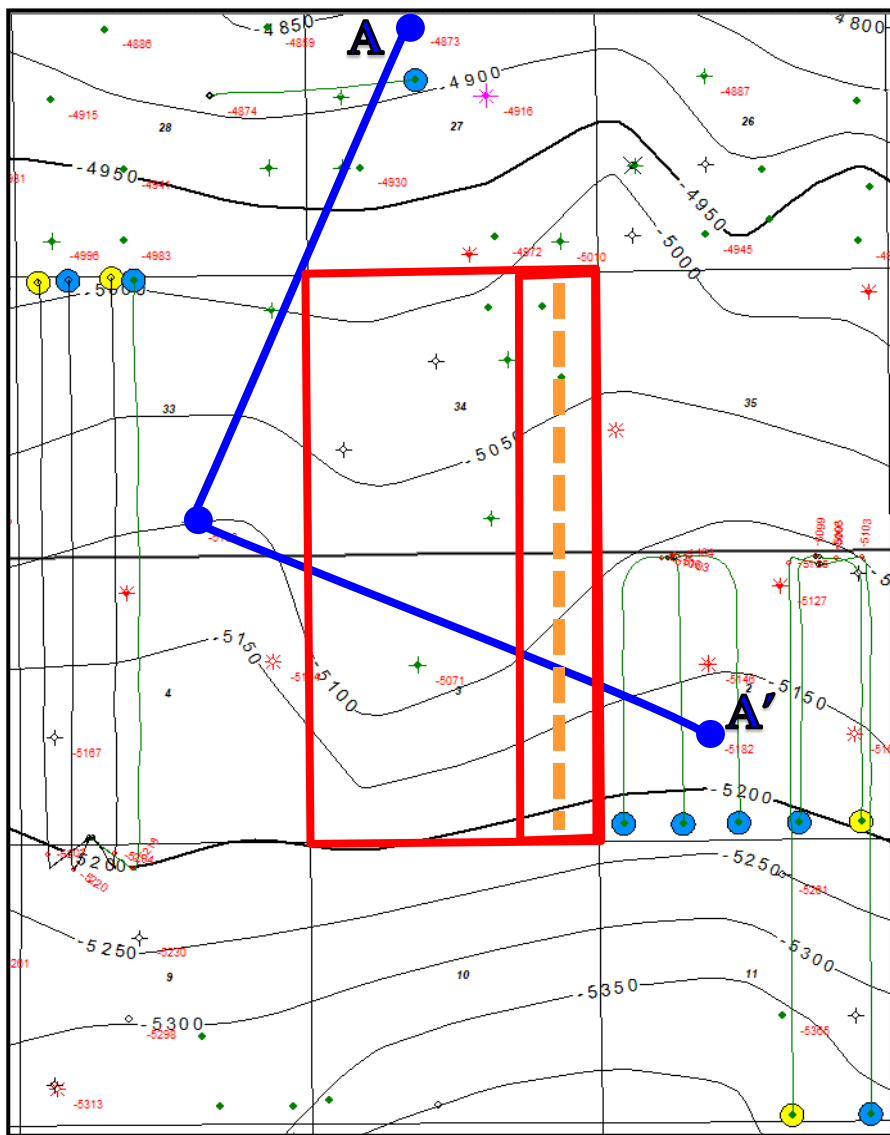
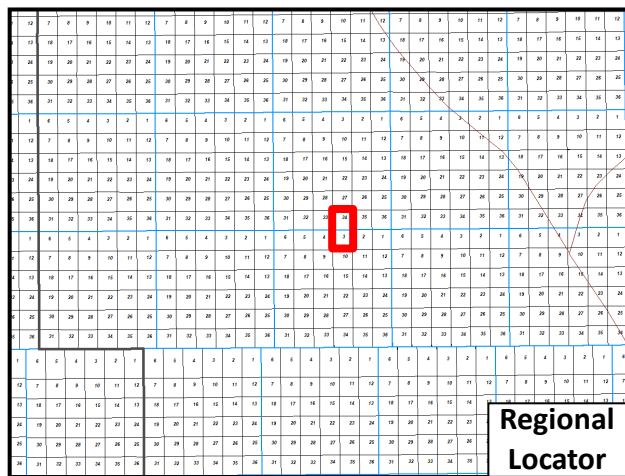
I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23368 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
[Jason J. Asmus]

  
Date Signed

# Exhibit B-1 1<sup>st</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

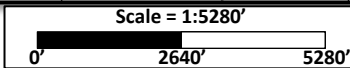
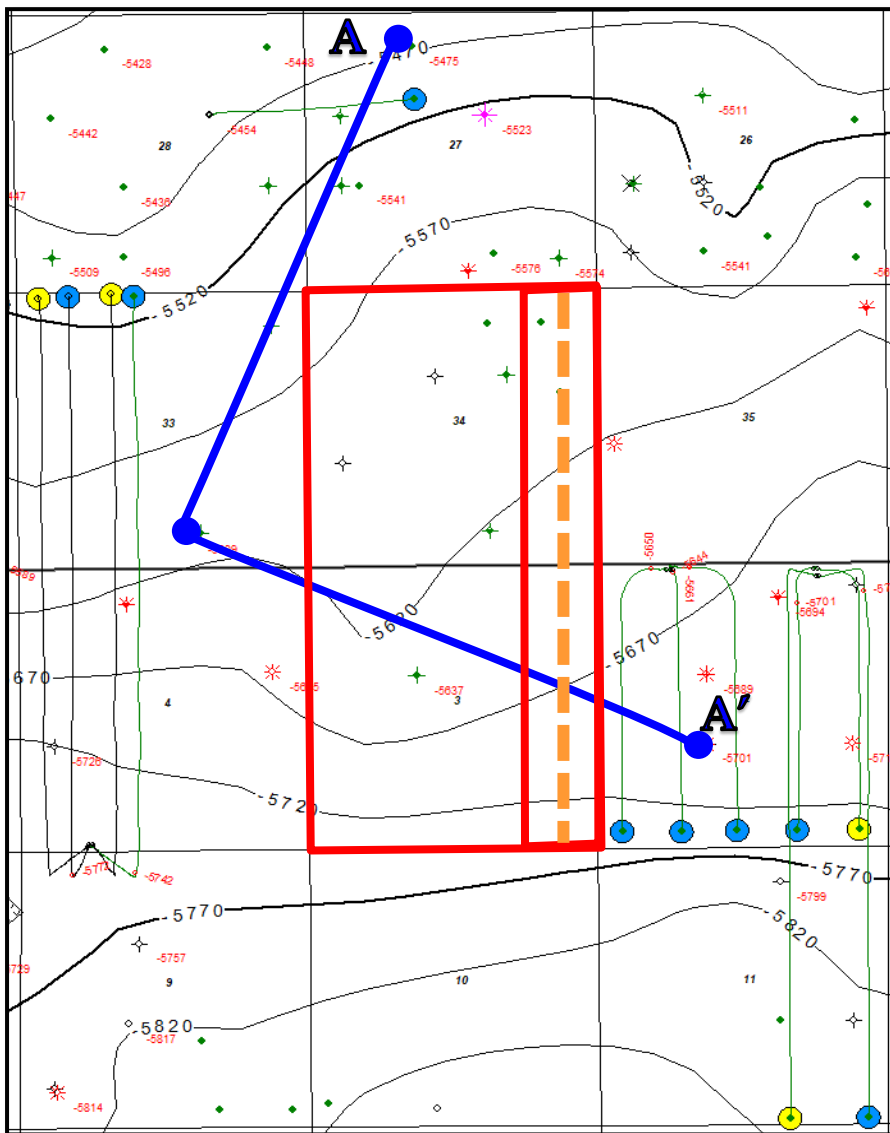
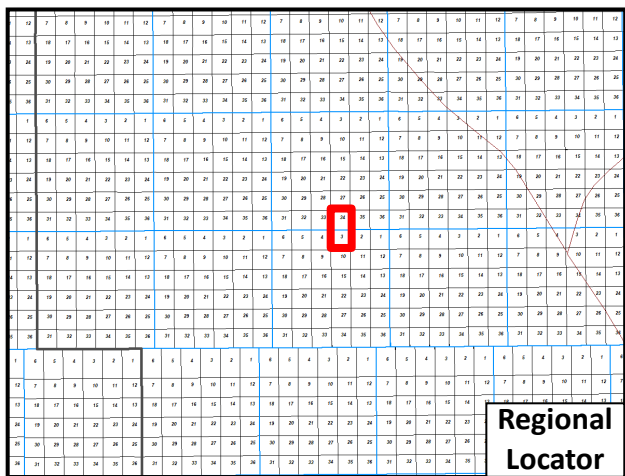
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-1**

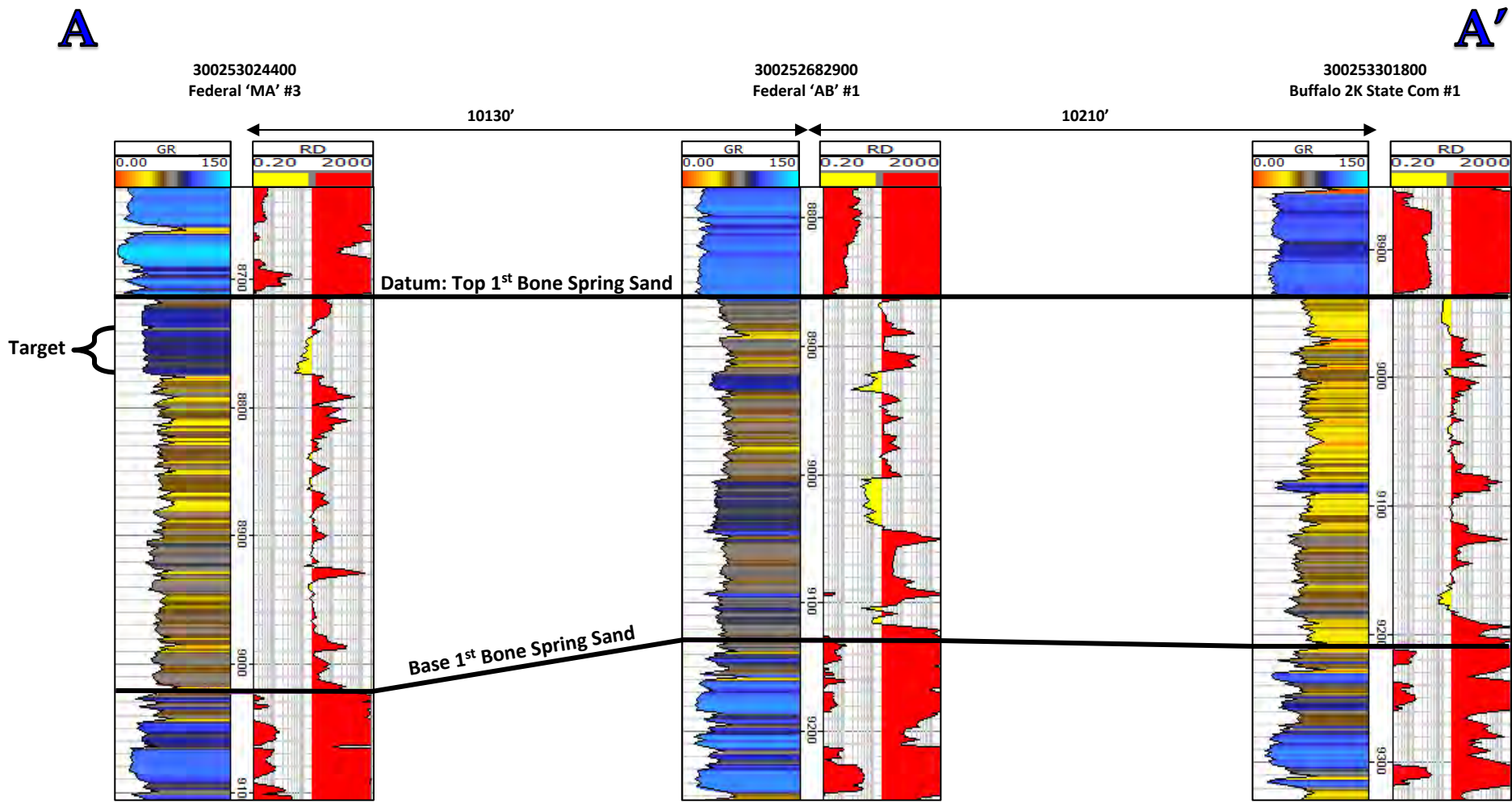
# Exhibit B-2 2<sup>nd</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



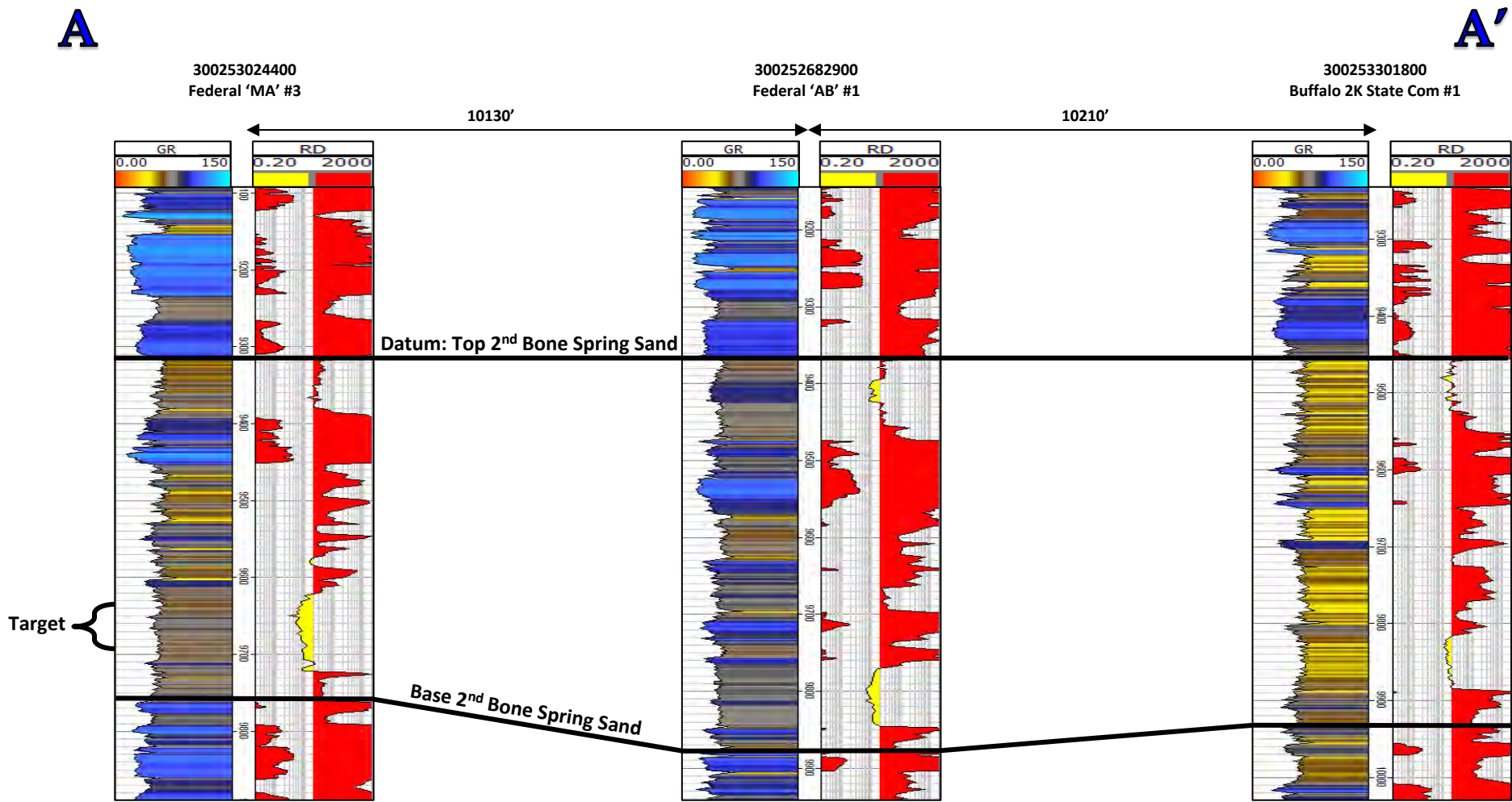
**EXHIBIT B-2**

# Exhibit B-3 Stratigraphic Cross Section A-A': 1<sup>st</sup> Bone Spring Sand Datum



**EXHIBIT B-3**

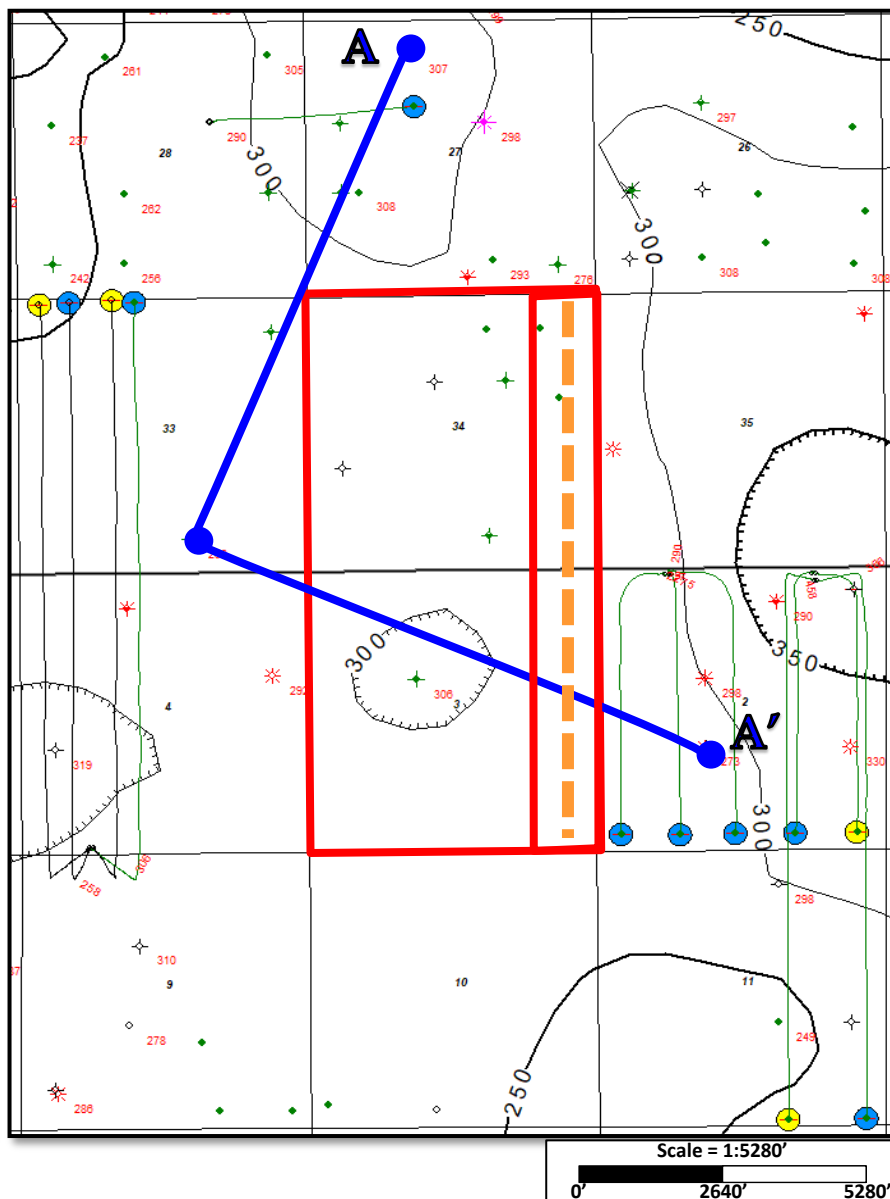
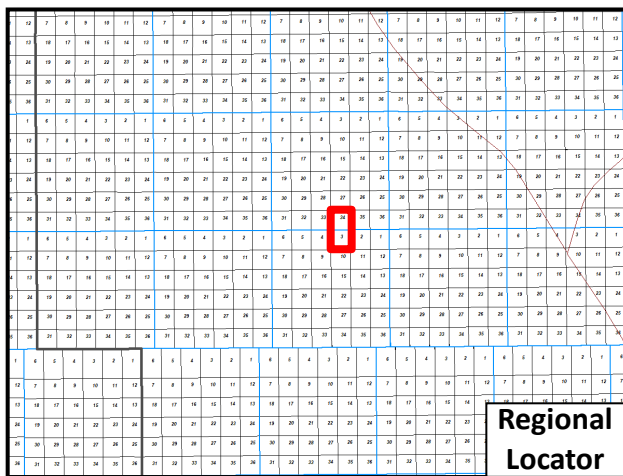
# Exhibit B-4 Stratigraphic Cross Section A-A': 2<sup>nd</sup> Bone Spring Sand Datum



**EXHIBIT  
B-4**

# Exhibit B-5 1<sup>st</sup> Bone Spring Sand Isopach: Contour Interval = 50'

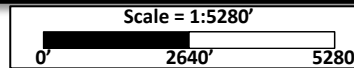
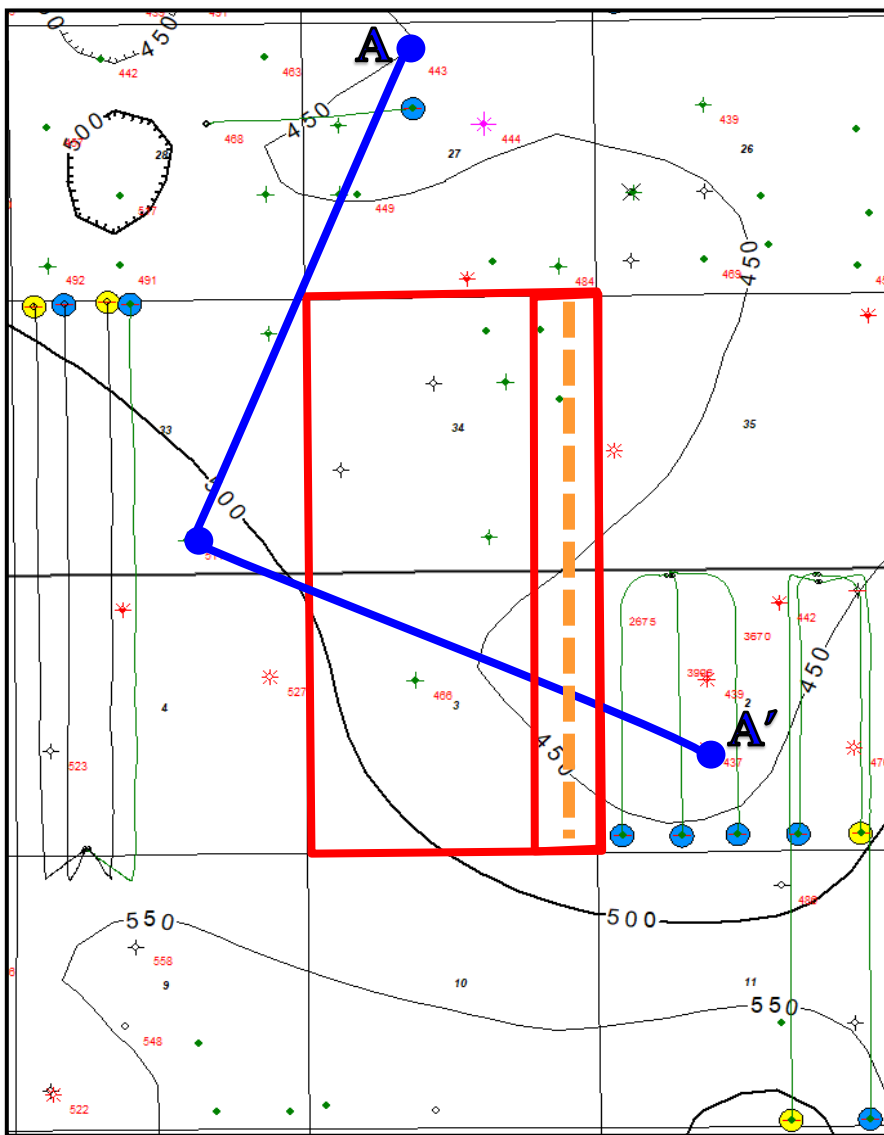
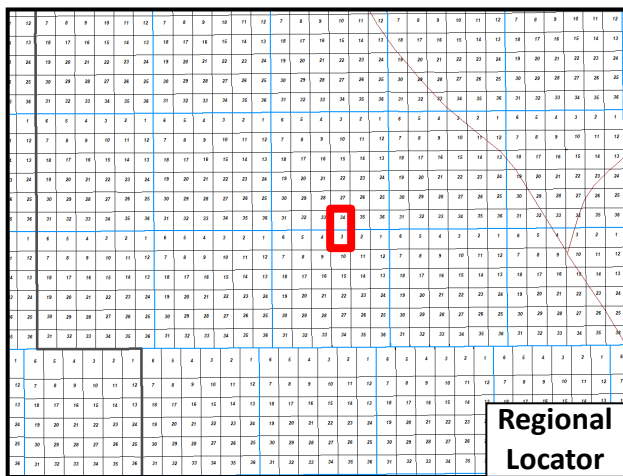
-  - 1<sup>st</sup> Bone Spring Sand
-  - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-5**

# Exhibit B-6 2<sup>nd</sup> Bone Spring Sand Isopach: Contour Interval = 50'

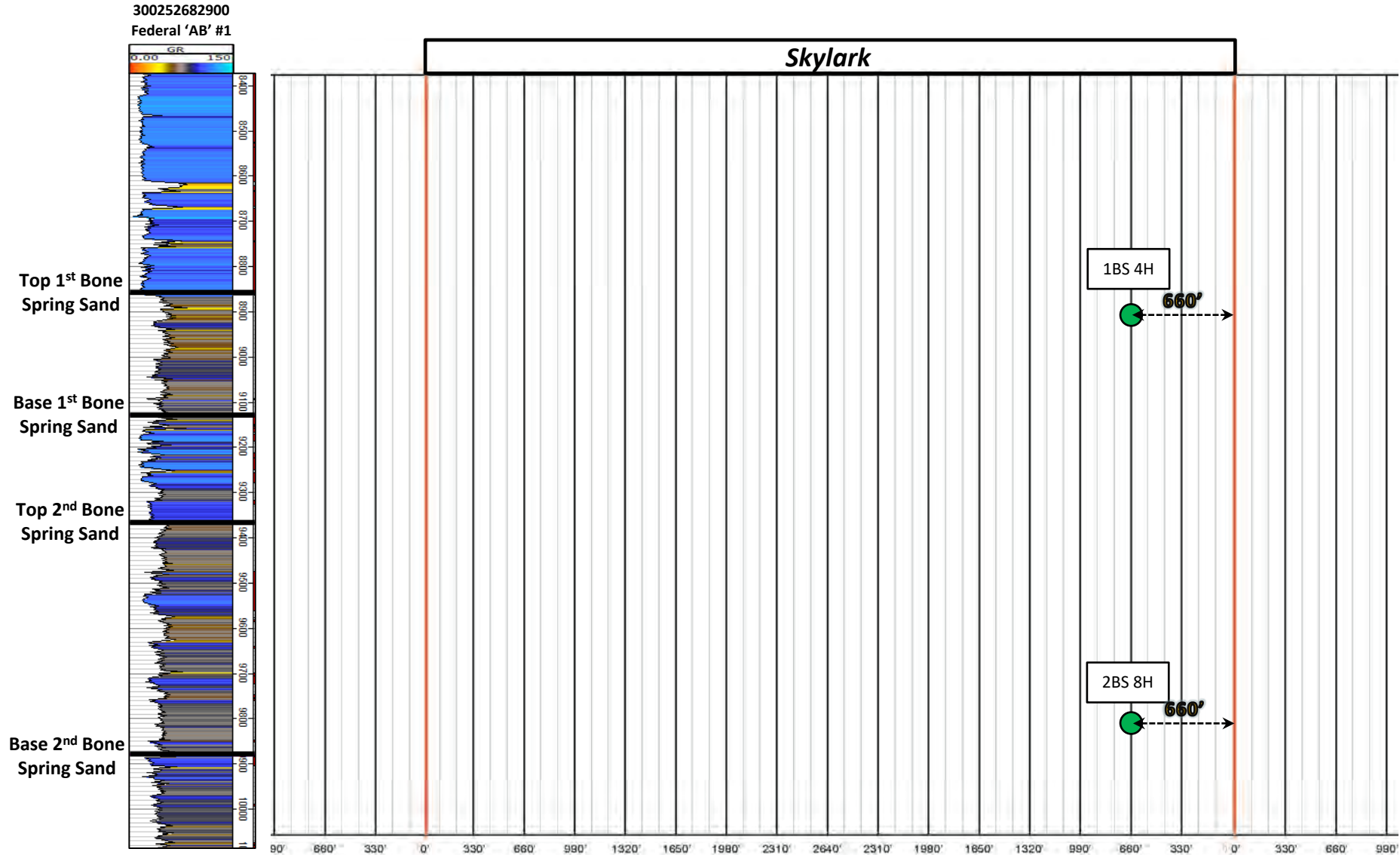
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-6**



# Exhibit B-7 Gun Barrel



**EXHIBIT B-7**

## **TAB 4**

Case No. 23368

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letter  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavit of Publication

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

APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case Nos. 23368, 23369, 23370, and 23371

AFFIDAVIT OF NOTICE


STATE OF NEW MEXICO )  
  ) ss.  
COUNTY OF SANTA FE )

I, Darin C. Savage, attorney and authorized representative of Earthstone Operating, LLC ("Earthstone"), the Applicant herein, being first duly sworn, upon oath, states the following:

1. Notice of the applications and hearing in the above-reference cases was timely sent by certified mail, return receipt requested, through the United States Postal Service on February 9, 2023, to all uncommitted interest owners sought to be pooled in this proceeding. See Exhibit C-2, attached hereto. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits C-1 and C-2.

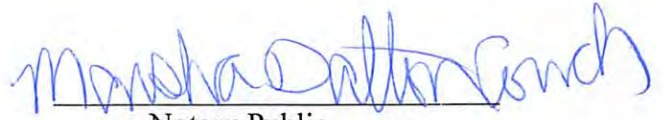
2. Notice was sent to the Hobbs Daily News-Sun, a newspaper of general circulation in Lea County, New Mexico, and timely published in said newspaper on February 9, 2023. See Exhibit C-3.

3. It is my understanding that Earthstone has made a reasonably diligent effort to find the names and addresses for the interest owners entitled to receive notice of the application and case herein.

  
\_\_\_\_\_  
Darin C. Savage

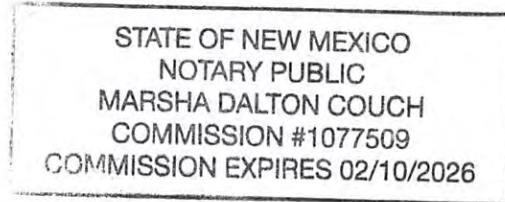
**EXHIBIT**  
**C**

SUBSCRIBED AND SWORN to before me this 28th day of February, 2023, by Darin C. Savage.

  
Notary Public

My Commission Expires:

02/10/2026





For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

February 9, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Earthstone Operating, LLC, for a horizontal spacing unit and compulsory pooling, Lea County, New Mexico  
Skylark 34-3 Fed Com 1BS 4H Well (Case No. 23368)  
Skylark 34-3 Fed Com 2BS 8H Well (Case No. 23368)

Case Nos. 23368:

Dear Interest Owners:

This letter is to advise you that Earthstone Operating, LLC (“Earthstone”), has filed the enclosed application, Case No. 23368, with the New Mexico Oil Conservation Division (“Division”) for the compulsory pooling of units in the Bone Spring formation.

In Case No. 23368, Earthstone seeks to pool the Bone Spring formation underlying the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, a standard unit encompassing 323.63 acres, more or less, dedicated to the above-referenced 4H and 8H Wells.

A hearing has been requested before a Division Examiner on March 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

abadieschill.com

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

EXHIBIT  
C-1

You are being notified as an interest owner (subject to title examination) and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Matthew Solomon at (713) 379-3083 or at [msolomon@earthstoneenergy.com](mailto:msolomon@earthstoneenergy.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Earthstone Operating, LLC

Mail Activity Report - CertifiedPro.net  
Mailed from 1/28/2023 to 2/27/2023  
User Name: abadieschill  
Generated: 2/27/2023 3:07:59 PM

USPS Article Number	Reference Number	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	User ID	Mailing Status	Service Options
9314869904300104294675	4221.1	2/9/23	CONOCOPHILLIPS COMPANY	600 W ILLINOIS AVE		MIDLAND	TX	79701-4882	21902	Delivered	Return Receipt - Electronic, Certified Mail

EXHIBIT  
C-2



February 15, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 75**.

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** February 14, 2023, 07:54 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** CONOCOPHILLIPS COMPANY

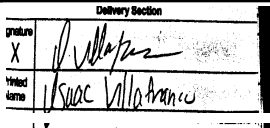
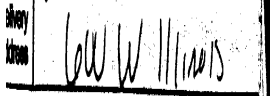
**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

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# Affidavit of Publication


STATE OF NEW MEXICO  
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated  
February 09, 2023  
and ending with the issue dated  
February 09, 2023.

  
\_\_\_\_\_  
Publisher

Sworn and subscribed to before me this  
9th day of February 2023.

  
\_\_\_\_\_  
Business Manager

My commission expires  
January 29, 2027

(Seal) **STATE OF NEW MEXICO  
NOTARY PUBLIC  
GUSSIE RUTH BLACK  
COMMISSION # 1087526  
COMMISSION EXPIRES 01/29/2027**

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

## LEGAL NOTICE February 9, 2023

**CASE No. 23368:** Notice to all affected parties and persons having any right, title, interest or claim to this case, including owners of working interest, overriding royalty interest, and record title, among others, as well as the known and unknown heirs, devisees, assigns and successors of CONOCOPHILLIPS COMPANY, of Earthstone Operating, LLC's application for approval of a spacing unit and compulsory pooling, Lea County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on March 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearinginfo/> or call (505) 476-3441. Earthstone Operating, LLC, at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, TX 77380, seeks an order from the Division: (1) establishing a standard 323.63-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 1 (NE/4 NE/4 equivalent), SE/4 NE/4, and the E/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the Skylark 34-3 Fed Com 1BS 4H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E; and the Skylark 34-3 Fed Com 2BS 8H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T18S-R33E, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 3-T19S-R33E. The wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico. #00275652

67115820

00275652

DAVID SESSIONS  
ABADIE SCHILL  
555 RIVERGATE LANE 84-180  
DURANGO, CO 81301

**EXHIBIT  
C-3**

## TAB 1

Reference for Case No. 23369

Application Case No. 23369:

Skylark 34-3 Fed Com 1BS 2H Well

Skylark 34-3 Fed Com 2BS 6H Well

NMOCD Checklist Case No. 23369

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23369

**APPLICATION**

Earthstone Operating, LLC (“Earthstone”), OGRID No. 331165, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a standard 323.09-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit. Section 3 is an irregular section and contains correction lots.

In support of its Application, Earthstone states the following:

1. Earthstone is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 2H Well** and the **Skylark 34-3 Fed Com 2BS 6H Well**, as initial wells, to be drilled to a sufficient depth to test the Bone Spring formation.
3. Earthstone proposes the **Skylark 34-3 Fed Com 1BS 2H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E,

NMPM, Lea County, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19S-R33E, NMPM, Lea County.

4. Earthstone proposes the **Skylark 34-3 Fed Com 2BS 6H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19S-R33E, NMPM, Lea County.

5. The wells proposed herein are orthodox in their location, and the take points and completed intervals comply with setback requirements under the statewide rules.

6. Earthstone's review of the units did not show any overlapping units; should an overlapping unit be inadvertently discovered, Earthstone would address the matter at the permitting phase.

7. Earthstone has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Bone Spring formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Earthstone requests that all uncommitted interests in this HSU be pooled and that Earthstone be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Earthstone requests that this Application be set for hearing on March 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 323.09-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Skylark 34-3 Fed Com 1BS 2H Well** and the **Skylark 34-3 Fed Com 2BS 6H Well** as the wells for the HSU.

D. Designating Earthstone as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Earthstone to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Earthstone in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

---

Darin C. Savage

William E. Zimsky  
Andrew D. Schill  
214 McKenzie Street

Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

**Attorneys for Earthstone Operating, LLC**

***Application of Earthstone Operating, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a standard 323.09-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Section 3 is irregular and contains correction lots. The proposed wells to be dedicated to the horizontal spacing unit are the **Skylark 34-3 Fed Com 1BS 2H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19S-R33E, NMPM, Lea County; and the **Skylark 34-3 Fed Com 2BS 6H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19S-R33E, NMPM, Lea County. The wells will be orthodox, and their take points and completed intervals will comply with the setback requirements under statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23369</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: March 2, 2023</b>	
Applicant	<b>Earthstone Operating, LLC</b>
Designated Operator & OGRID (affiliation if applicable)	<b>Earthstone Operating, LLC (331165)</b>
Applicant's Counsel:	Darin C. Savage - Abadie & Schill
Case Title:	APPLICATION OF EARTHSTONE OPERATING, LLC, FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Skylark
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Ex. A, Paras. 5&6; 2H Well: TVD apprx. 8855'; 6H Well: TVD apprx. 9800'
Pool Name and Pool Code:	Mescalero Escarpe; Bone Spring [45793]
Well Location Setback Rules:	Statewide Rules apply
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	323.09
Building Blocks:	quarter-quarter sections
Orientation:	North to South
Description: TRS/County	E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe <u>and is approval of non-standard unit requested in this application?</u>	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	No
Applicant's Ownership in Each Tract	Exhibit A-2
<b>Well(s)</b>	
Well #1	<b>Skylark 34-3 Fed Com 1BS 2H</b> (API Pending) SHL: Unit N: 565' FSL & 1,720' FWL of Section 27-18S-R33E BHL: Unit N: 50' FSL & 1,980' FWL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 1BS 2H</b> FTP: 100' FNL, 1,980' FEL, 34-18S-R33E LTP: 100' FSL, 1,980' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring formation; TVD: apprx. 8855'; TMD apprx. 19,500'



Well #2	<b>Skylark 34-3 Fed Com 2BS 6H</b> SHL: 565' FSL & 1,690' FWL of Section 27-18S-R33E BHL: 50' FSL & 1,980' FWL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 2BS 6H</b> FTP: 100' FNL, 1,980' FEL, 34-18S-R33E LTP: 100' FSL, 1,980' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring formation; TVD: apprx. 9800'; TMD apprx. 20,600'
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$7,500
Production Supervision/Month \$	\$750
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para 12 (None)
Ownership Depth Severance (including percentage above & below)	None, N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit-B
Spacing Unit Schematic	Exhibits B-1, B-2, B-5, B-6
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7
Well Orientation (with rationale)	Exhibit B, B-1, B-2, A-1
Target Formation	Exhibits B-3, B-4, B-7
HSU Cross Section	Exhibit B-7, B-3, B-4

Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-2, B-5, B-6
Structure Contour Map - Subsea Depth	Exhibits B-1
Cross Section Location Map (including wells)	Exhibit B-7
Cross Section (including Landing Zone)	Exhibits B-3, B-4
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Darin C. Savage
<b>Signed Name</b> (Attorney or Party Representative):	/s/ <i>Darin Savage</i>
<b>Date:</b>	02.28.2023

## **TAB 2**

Case No. 23369

- Exhibit A: Self-Affirmed Statement of Matt Solomon, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23369

**SELF-AFFIRMED STATEMENT OF MATT SOLOMON**

I, being duly sworn on oath, state the following:

1. I am a Senior Landman with Earthstone Operating, LLC (“Earthstone”) and am familiar with the subject application and lands involved. I am over the age of eighteen, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. This Statement is submitted in connection with the filing by Earthstone of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).

3. Earthstone seeks an order pooling all uncommitted mineral interest in the Bone Spring formation, Mescalero Escarpe; Bone Spring [45793], underlying a standard 323.09-acre, more or less, horizontal spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico.



4. Under Case No. 23369, Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 2H Well** and the **Skylark 34-3 Fed Com 2BS 6H Well**, as initial wells.

5. The **Skylark 34-3 Fed Com 1BS 2H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SESW (Unit N) of Section 27 to a bottom hole location in the SESW (Unit N) of Section 3; approximate TVD of 8,855'; approximate TMD of 19,500'; FTP in Section 34: 100' FNL, 1,980' FEL; LTP in Section 3: 100' FSL, 1980' FEL.

6. The **Skylark 34-3 Fed Com 2BS 6H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SESW (Unit N) of Section 27 to a bottom hole location in the SESW (Unit N) of Section 3; approximate TVD of 9,800'; approximate TMD of 20,600'; FTP in Section 34: 100' FNL, 1,980' FEL; LTP in Section 3: 100' FSL, 1980' FEL.

7. The proposed C-102 for each well is attached as **Exhibit A-1**.

8. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The location of each well is orthodox, and it meets the Division's setback requirements.

9. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

10. There are no depth severances in Bone Spring formation in this acreage.

11. A good faith review of records did not reveal any overlapping units.

12. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Lea County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for

parties entitled to notification. All working interest owners were locatable and noticed. Earthstone published notice in the Hobbs News, a newspaper of general circulation in Lea County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice.

13. Earthstone has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

14. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Earthstone has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Earthstone and another interest owner or owners, Earthstone requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the

15. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

16. Earthstone requests overhead and administrative rates of \$7,500/month for drilling each well and \$750/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Earthstone requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

17. Earthstone requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners.

18. Earthstone requests that it be designated operator of the units and wells.

19. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.

20. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

21. The foregoing is correct and complete to the best of my knowledge and belief.


*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Matt Solomon:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23369 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.



\_\_\_\_\_  
Matt Solomon



\_\_\_\_\_  
Date Signed



District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM IBS</b>			<sup>6</sup> Well Number <b>2H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,782.2'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	27	18 S	33 E		565	SOUTH	1,720	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	19 S	33 E		50	SOUTH	1,980	WEST	LEA

<sup>12</sup> Dedicated Acres <b>323.09</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**SURFACE HOLE LOCATION**  
565' FSL & 1,720' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,739.51'  
EAST: 750,322.55'  
LAT: 32.71273642  
LONG: -103.654659235

**FIRST TAKE POINT**  
100' FNL & 1980' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,078.73'  
EAST: 750,587.09'  
LAT: 32.71103897  
LONG: -103.65301286

**LAST TAKE POINT**  
100' FSL & 1980' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,618.65'  
EAST: 750,664.50'  
LAT: 32.68228801  
LONG: -103.65297932

**BOTTOM OF HOLE**  
50' FSL & 1980' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,568.65'  
EAST: 750,664.88'  
LAT: 32.68215058  
LONG: -103.65297913

**SURFACE HOLE LOCATION**  
565' FSL & 1,720' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,675.42'  
EAST: 709,142.34'  
LAT: 32.71261661  
LONG: -103.65341266

**FIRST TAKE POINT**  
100' FNL & 1980' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,014.93'  
EAST: 709,407.84'  
LAT: 32.71091697  
LONG: -103.65251408

**LAST TAKE POINT**  
100' FSL & 1980' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,555.15'  
EAST: 709,484.96'  
LAT: 32.68216592  
LONG: -103.65248166

**BOTTOM OF HOLE**  
50' FSL & 1980' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,505.15'  
EAST: 709,485.34'  
LAT: 32.68202849  
LONG: -103.65248147

**CORNER COORDINATES TABLE**  
NAD 83 NMSP EAST

A	N. = 623,158.99'	E. = 748,606.45'
B	N. = 623,185.30'	E. = 751,244.93'
C	N. = 623,212.60'	E. = 753,882.26'
D	N. = 620,571.98'	E. = 753,902.64'
E	N. = 617,932.27'	E. = 753,924.23'
F	N. = 617,905.63'	E. = 751,284.51'
G	N. = 617,877.58'	E. = 748,644.85'
H	N. = 620,518.29'	E. = 748,625.65'
I	N. = 615,171.04'	E. = 753,941.05'
J	N. = 612,531.12'	E. = 753,965.58'
K	N. = 612,521.06'	E. = 751,326.47'
L	N. = 612,511.46'	E. = 748,685.26'
M	N. = 615,149.57'	E. = 748,665.23'

**<sup>17</sup> OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**<sup>18</sup> SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

**EXHIBIT A-1**

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office  
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 2BS</b>			<sup>6</sup> Well Number <b>6H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,782.2'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	27	18 S	33 E		565	SOUTH	1,690	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	19 S	33 E		50	SOUTH	1,980	WEST	LEA

<sup>12</sup> Dedicated Acres <b>323.09</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

The diagram shows a survey plat with sections 27, 34, and 3. Section 27 is at the top, Section 34 in the middle, and Section 3 at the bottom. A well location is marked with a red dot and labeled 'SHL/KOP ELEV. 3,782.2'. Other points include 'LP/FTP', 'LTP', and 'BHL'. Dimensions of 1690' and 1980' are shown. A grid with letters A-M and numbers 1-5 is overlaid on the sections.

**17 OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**18 SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

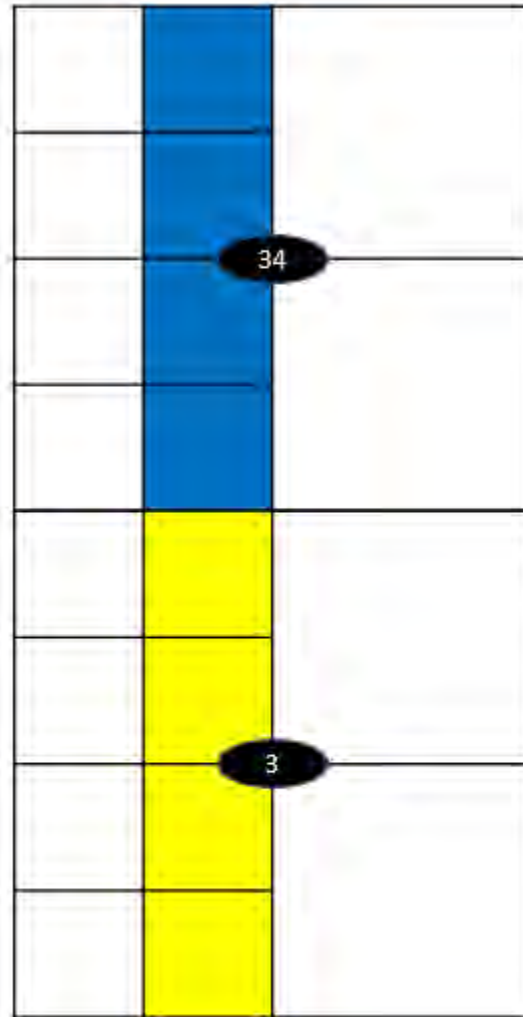
**CORNER COORDINATES TABLE**  
NAD 83 NMSP EAST


A	N. = 623,158.99'	E. = 748,606.45'
B	N. = 623,185.30'	E. = 751,244.93'
C	N. = 623,212.60'	E. = 753,882.26'
D	N. = 620,571.98'	E. = 753,902.64'
E	N. = 617,932.27'	E. = 753,924.23'
F	N. = 617,905.63'	E. = 751,284.51'
G	N. = 617,877.58'	E. = 748,644.85'
H	N. = 620,518.29'	E. = 748,625.65'
I	N. = 615,171.04'	E. = 753,941.05'
J	N. = 612,531.12'	E. = 753,965.58'
K	N. = 612,521.06'	E. = 751,326.47'
L	N. = 612,511.46'	E. = 748,685.26'
M	N. = 615,149.57'	E. = 748,665.23'


**SKYLARK 34-3 FED COM 1BS 2H**

**SKYLARK 34-3 FED COM 2BS 6H**

E2W2 of Section 34, Township 18 South, Range 33 East  
Lot 3, SENW, E2SW of Section 3, Township 19 South, Range 33 East  
Lea County, New Mexico



 Tract 1 NM-01177A

 Tract 2 NM-064153

**EXHIBIT  
A-2**

TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

WI Parties To Force Pool

ConocoPhillips Company



**EARTHSTONE** Operating, LLC  
1400 Woodloch Forest Drive, Suite 300  
The Woodlands, TX 77380  
Office: 281-298-4246  
Fax: 832-823-0478

December 1, 2022

VIA FED-X

ConocoPhillips Company  
600 W. Illinois Avenue  
Midland, TX 79701

**Re: Skylark 34-3 Fed Com 1BS 2H,  
Skylark 34-3 Fed Com 1BS 3H  
Skylark 34-3 Fed Com 1BS 4H  
Skylark 34-3 Fed Com 2BS 6H  
Skylark 34-3 Fed Com 2BS 7H  
Skylark 34-3 Fed Com 2BS 8H**

**E2W2, W2E2, E2E2 of Section 34, T18S-R33E  
Lot 1-3, SENW, E2SW, S2NE, SE of Section 3, T19S-R33E  
Lea County, New Mexico**

Dear Working Interest Partner:

Earthstone Operating, LLC ("Earthstone") proposes to drill and operate the subject wells to test the Bone Spring formation. Enclosed are Authorities for Expenditure ("AFE") reflecting estimated costs to drill, test, complete, and equip the wells.

In connection with the above:

- **Skylark 34-3 Fed Com 1BS 2H:** to be drilled from a proposed surface hole location of 565' FSL & 1630' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 6H:** to be drilled from a proposed surface hole location of 565' FSL & 1690' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 20,600'.
- **Skylark 34-3 Fed Com 1BS 3H:** to be drilled from a proposed surface hole location of 230' FSL & 1365' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 7H:** to be drilled from a proposed surface hole location of 230' FSL & 1335' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

**EXHIBIT  
A-3**

- **Skylark 34-3 Fed Com 1BS 4H:** to be drilled from a proposed surface hole location of 230' FSL & 1275' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 8H:** to be drilled from a proposed surface hole location of 230' FSL & 1305' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

For the 2H and 6H, Earthstone hereby proposes the creation of a 323.09 acre working interest unit consisting of the E2W2 of Section 34, T18S-R33E and Lot 3, SENW, E2SW of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 3H and 7H, Earthstone hereby proposes the creation of a 323.35 acre working interest unit consisting of the W2E2 of Section 34, T18S-R33E and Lot 2, SWNE, W2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 4H and 8H, Earthstone hereby proposes the creation of a 323.63 acre working interest unit consisting of the E2E2 of Section 34, T18S-R33E and Lot 1, SENE, E2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

All three Operating Agreements will have the following general provisions:

- Limited to the Bone Spring Formation.
- 100/300 non-consent penalties
- \$7,500/\$750 fixed drilling and production overhead rates
- Earthstone Operating, LLC named as Operator

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. Should you elect to participate, please also sign and return one copy of each AFE, along with executed copies of the Operating Agreement.

Sincerely,

Matt Solomon  
Senior Landman  
713-379-3083  
msolomon@earthstoneenergy.com

ConocoPhillips Company hereby elects to:

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 2H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in **Skylark 34-3 Fed Com 1BS 2H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 3H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 3H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 4H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 4H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 6H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 6H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 7H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 7H** subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 8H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 8H** subject to acceptable terms.


ConocoPhillips Company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 1BS 2H <b>Field Name:</b> Ranger <b>Location:</b> Lea Co., NM <b>AFE #:</b> 22 - XX - XXXX			<b>Project Description:</b> 4 WELL PAD. Estimate is for the drilling of a 2-Mile 1st BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 19,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.		
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/10	LEASE / STAKE / PERMIT	\$ 6,000	1432/10	LEASE / STAKE / PERMIT	\$ 2,500
1420/16	INSPECTION	\$ 10,000	1432/20	LOCATION AND ROADS	\$ 17,500
1420/20	LOCATION AND ROADS	\$ 65,000	1432/70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/25	SURFACE DAMAGES	\$ 22,500	1432/90	FUEL, POWER & WATER	\$ 358,400
1420/30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 131,300
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 536,000	1433/400	WELLHEAD EQUIPMENT	\$ 65,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 655,300</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
			1450/20	LOCATION AND ROADS	\$ 13,500
			1450/90	FUEL, POWER & WATER	\$ 1,000
			1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
			1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
			1450/195	CONTRACT LABOR	\$ 70,000
			1450/260	SUPERVISION/ENGINEERING	\$ 25,000
			1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	FACILITES MISCELLANEOUS	\$ 10,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 680,000</b>
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 680,000</b>
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 865,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,712,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,688,548</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,400,548</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	



			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 2BS 6H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 2nd BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,600 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 147,800
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 567,000	1433/400	WELLHEAD EQUIPMENT	\$ 50,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 656,800</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
			1450/ 20	LOCATION AND ROADS	\$ 13,500
			1450/ 90	FUEL, POWER & WATER	\$ 1,000
			1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
			1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
			1450/195	CONTRACT LABOR	\$ 70,000
			1450/260	SUPERVISION/ENGINEERING	\$ 25,000
			1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	FACILITES MISCELLANEOUS	\$ 10,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 505,000</b>
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 690,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,743,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,515,048</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,258,048</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

Case 23369

Company	Contact	Date
ConocoPhillips	Mail	12/1/2022
	Email	12/8/2022
		12/20/2022
		2/20/2023
Phone calls	2/20/2023	

EXHIBIT  
**A-4**

## TAB 3

Case No. 23369

- Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist
- Exhibit B-1: Structure Map – 1<sup>st</sup> Bone Spring Sand Structure
- Exhibit B-2: Structure Map – 2<sup>nd</sup> Bone Spring Sand Structure
- Exhibit B-3: Stratigraphic Cross Section – 1<sup>st</sup> Bone Spring Sand Datum
- Exhibit B-4: Stratigraphic Cross Section – 2<sup>nd</sup> Bone Spring Sand Datum
- Exhibit B-5: Gross Isochore – 1<sup>st</sup> Bone Spring Sand Isopach
- Exhibit B-6: Gross Isochore – 2<sup>nd</sup> Bone Spring Sand Isopach
- Exhibit B-7: Gun Barrel View

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

**APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT  
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23369

**SELF-AFFIRMED STATEMENT OF JASON ASMUS**

I, Jason Asmus, being duly sworn on oath, state the following:

1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a petroleum geologist for Earthstone Operating, LLC (“Earthstone”), and I am familiar with the subject application and the geology involved.
3. I graduated in 2012 from Western Michigan University with a master’s degree in Geology. I have worked at Earthstone Energy for approximately 1 year, and I have been working in New Mexico for 11 years. My credentials as a petroleum geologist have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This affidavit is submitted in connection with the filing by Earthstone of the above-referenced compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.
5. **Exhibit B-1** and **Exhibit B-2** are structure maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss with contour interval of 50’. The unit being pooled is outlined by red rectangle. The structure map shows that there is a regional down-dip to the S-SE. I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval

**EXHIBIT  
B**

6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1<sup>st</sup> Bone Spring Ss and Top 2<sup>nd</sup> Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss target zones. The landing zones are highlighted by black text and brackets.

7. Additional exhibits for the benefit of the Division's review include **Exhibit B-5** and **Exhibit B-6**, gross isochore maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss formations, as well as **Exhibit B-7**. **Exhibit B-7** is a gun barrel representation of the unit and shows vertical and lateral spacing of the Skylark 34-3 Fed Com 1BS 2H, and the Skylark 34-3 Fed Com 2BS 6H. Exhibits B-1 through B-7 are the same for the applications in Case Nos. 23368, 23370 and 23371.

8. I conclude from the attached exhibits that:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the unit will contribute more or less equally to production.

9. The preferred well orientation in this area is North-South, or East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress.

10. The Exhibits to this Affidavit were prepared by me or compiled from Earthstone's company business records under my direct supervision.

11. The granting of this Application is in the interests of conservation, the prevention of waste and the drilling of unnecessary wells, and the protection of correlative rights.

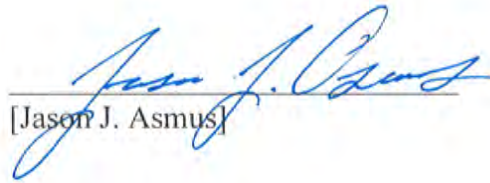
12. The foregoing is correct and complete to the best of my knowledge and belief.

13. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of [Jason J. Asmus]:*

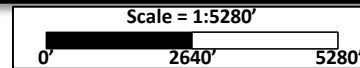
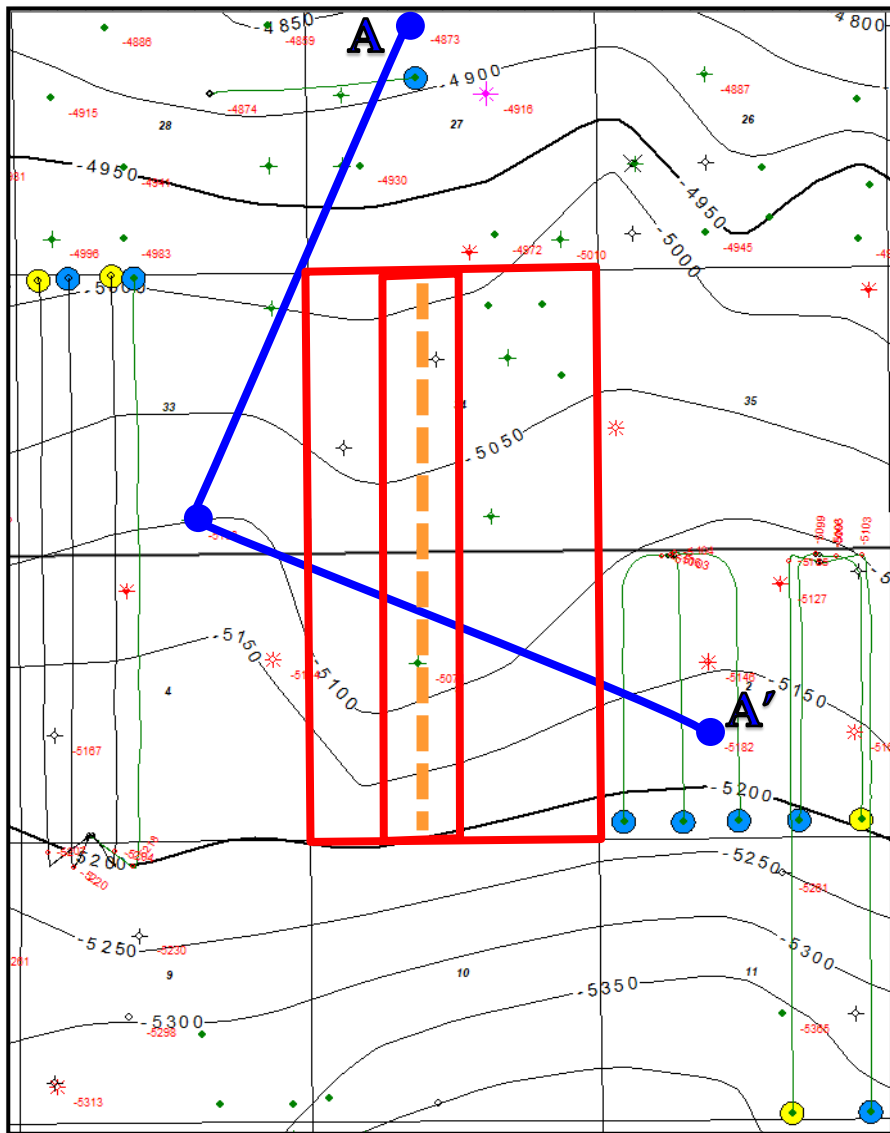
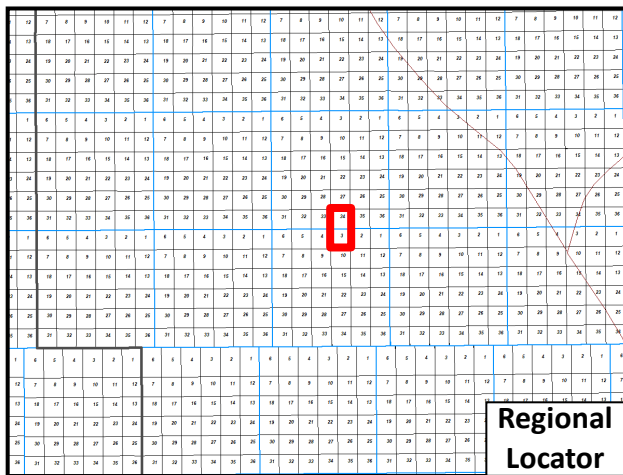
I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23369 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
[Jason J. Asmus]

2/28/2023  
Date Signed

# Exhibit B-1 1<sup>st</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand

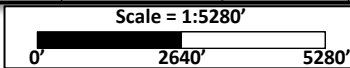
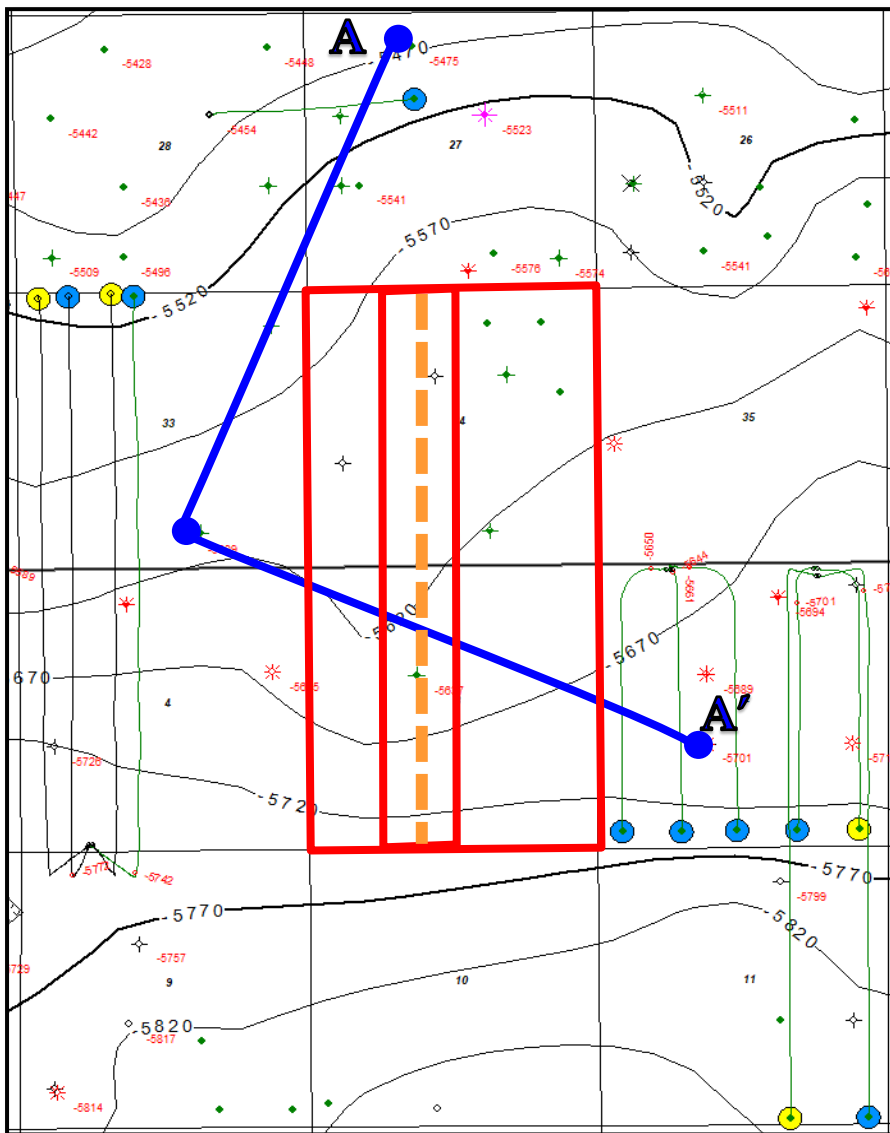
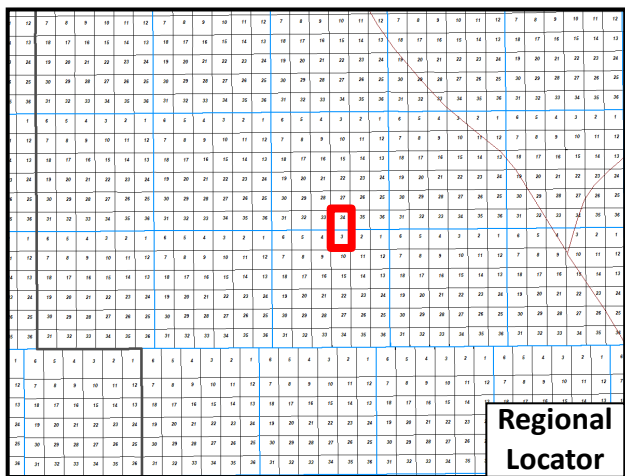


**EXHIBIT  
B-1**



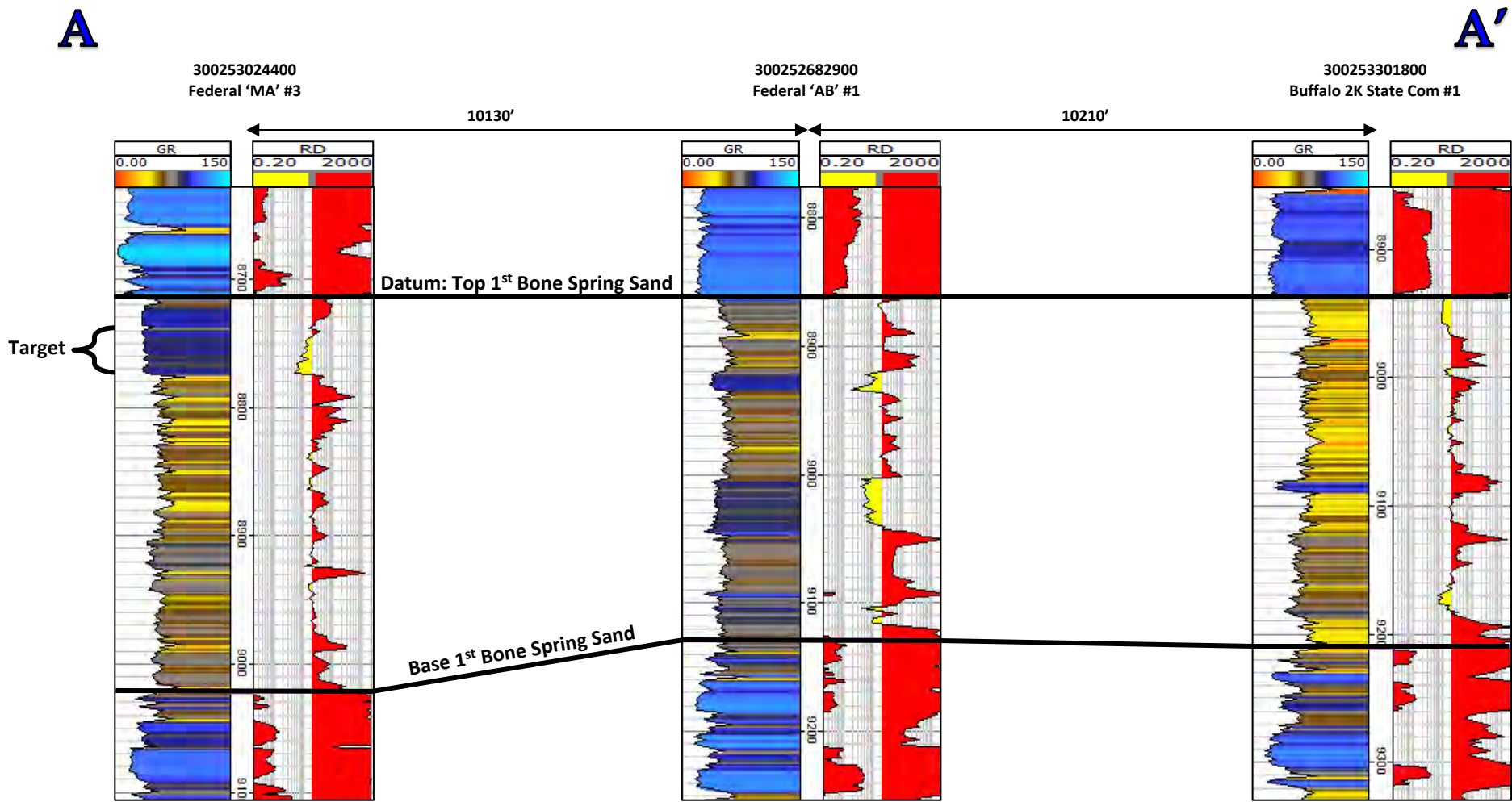
# Exhibit B-2 2<sup>nd</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-2**

# Exhibit B-3 Stratigraphic Cross Section A-A': 1<sup>st</sup> Bone Spring Sand Datum



**EXHIBIT  
B-3**

# Exhibit B-4 Stratigraphic Cross Section A-A': 2<sup>nd</sup> Bone Spring Sand Datum

**A**

**A'**

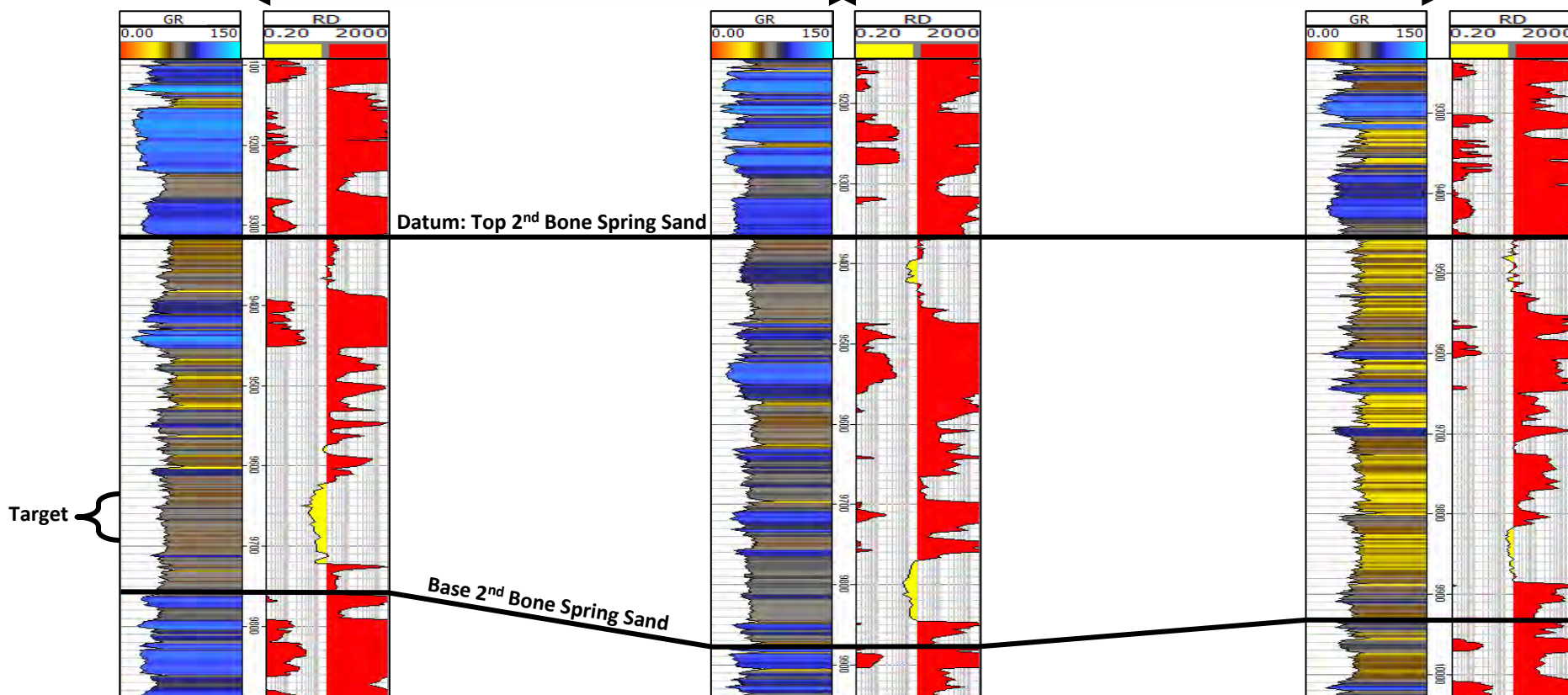
300253024400  
Federal 'MA' #3

300252682900  
Federal 'AB' #1

300253301800  
Buffalo 2K State Com #1

10130'

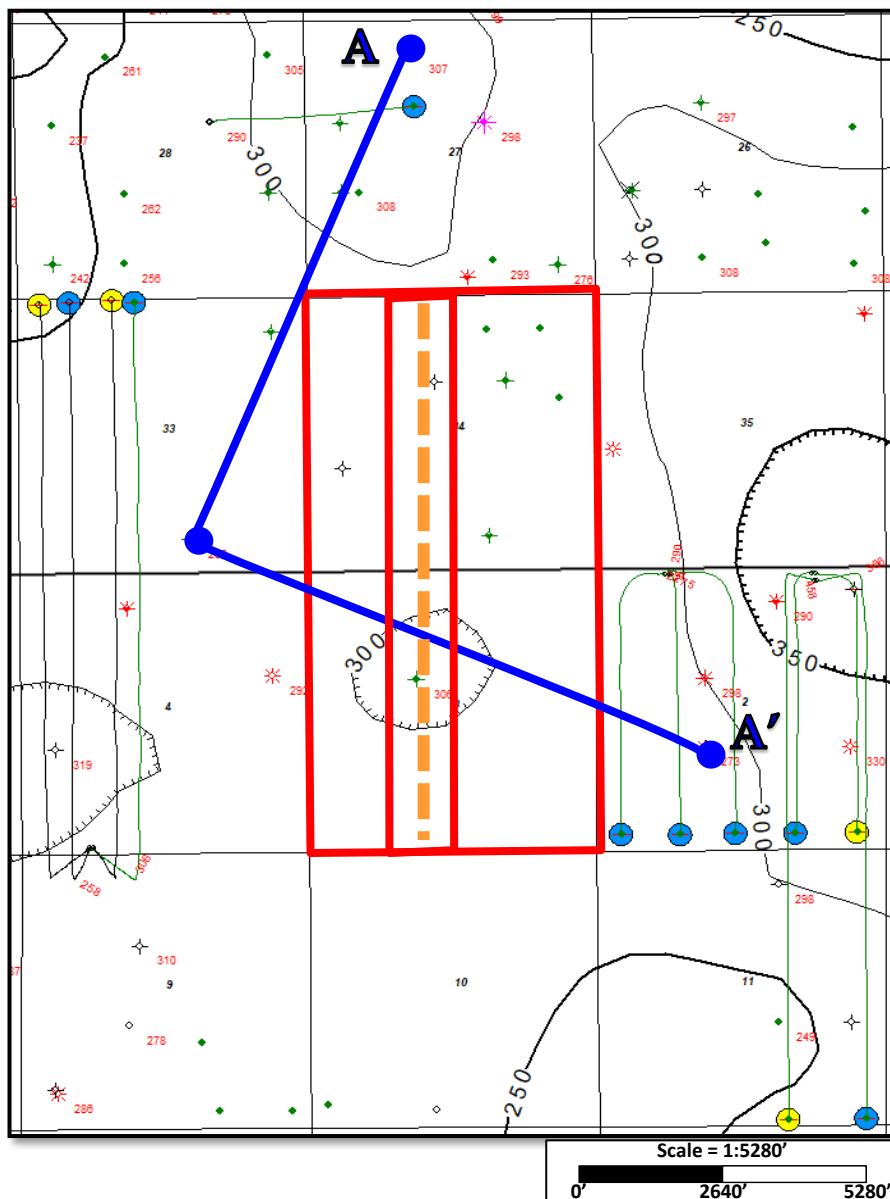
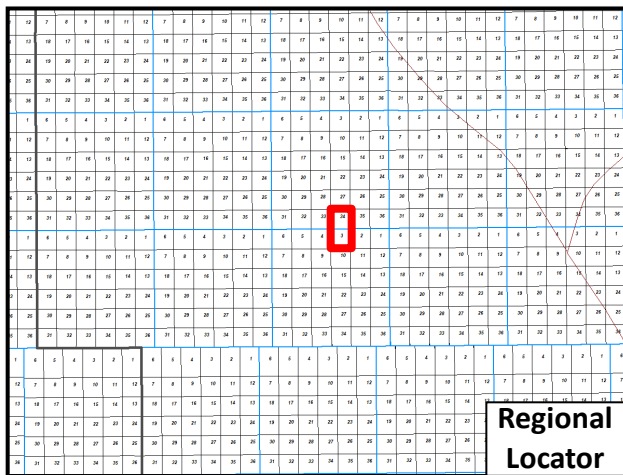
10210'



**EXHIBIT  
B-4**

# Exhibit B-5 1<sup>st</sup> Bone Spring Sand Isopach: Contour Interval = 50'

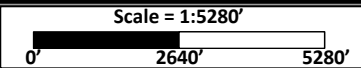
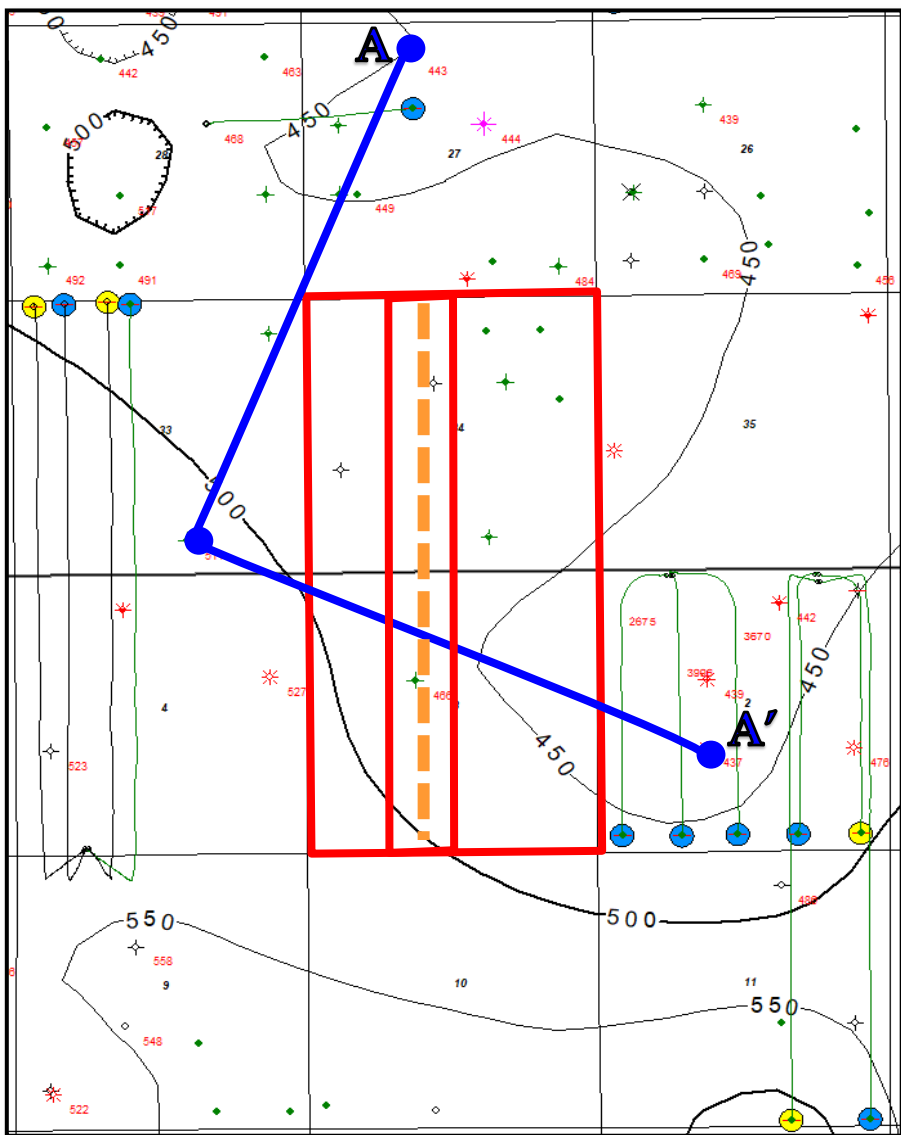
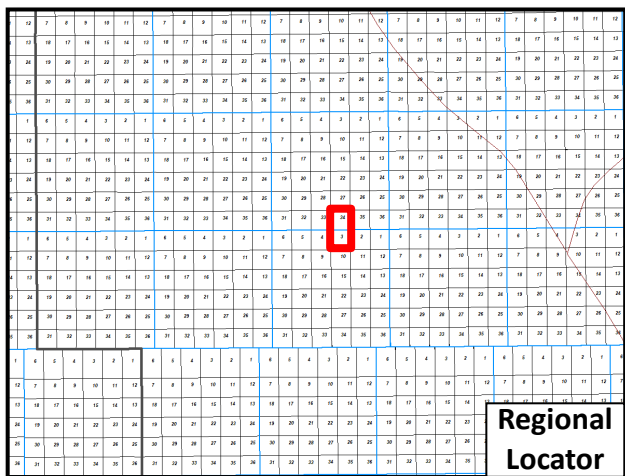
-  - 1<sup>st</sup> Bone Spring Sand
-  - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT  
B-5**

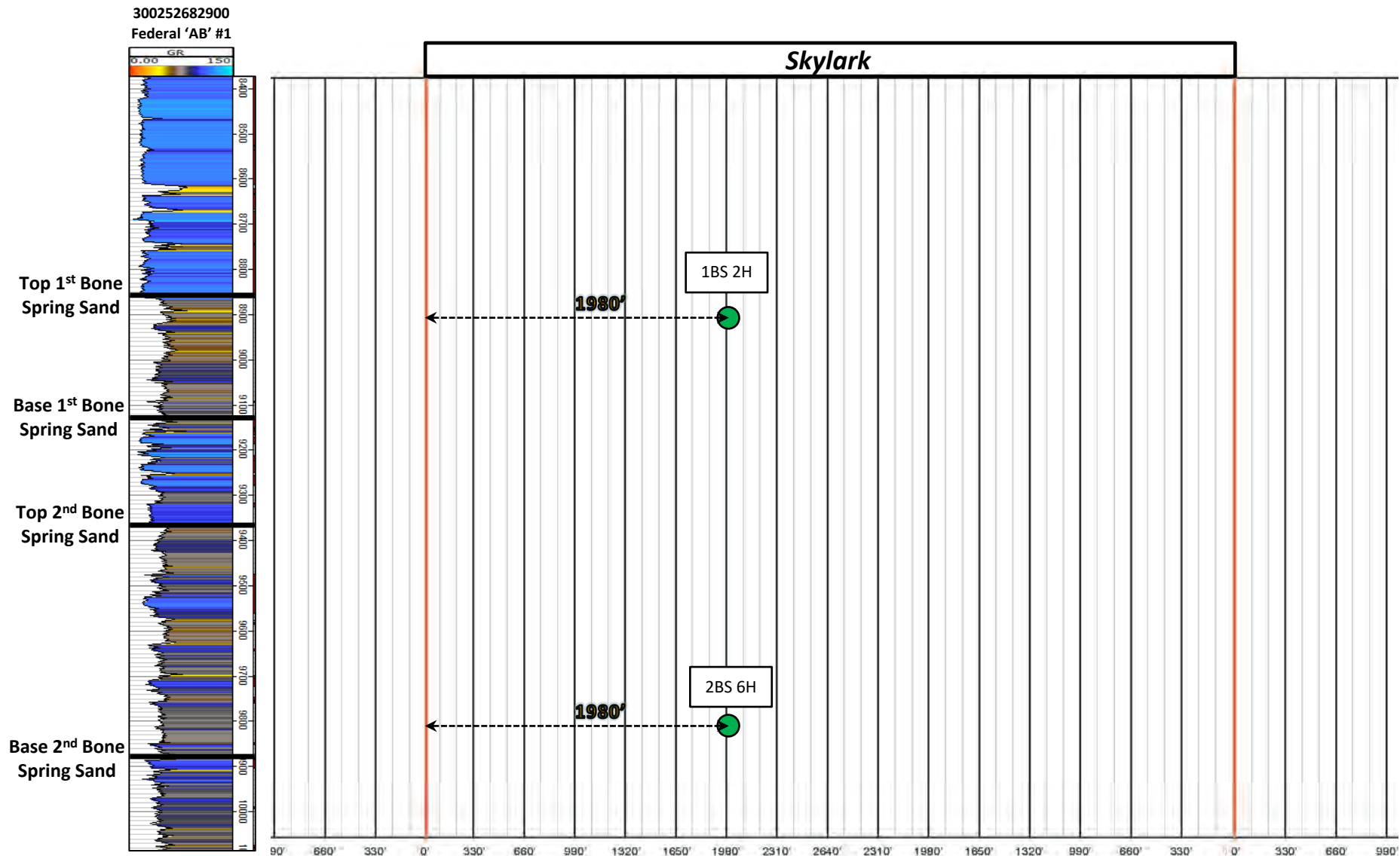
# Exhibit B-6 2<sup>nd</sup> Bone Spring Sand Isopach: Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-6**

# Exhibit B-7 Gun Barrel



**EXHIBIT B-7**

## **TAB 4**

Case No. 23369

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letter  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavit of Publication

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

APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case Nos. 23368, 23369, 23370, and 23371

AFFIDAVIT OF NOTICE

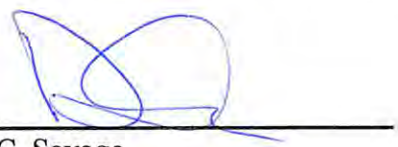
STATE OF NEW MEXICO   )  
  ) ss.  
COUNTY OF SANTA FE   )

I, Darin C. Savage, attorney and authorized representative of Earthstone Operating, LLC (“Earthstone”), the Applicant herein, being first duly sworn, upon oath, states the following:

1. Notice of the applications and hearing in the above-reference cases was timely sent by certified mail, return receipt requested, through the United States Postal Service on February 9, 2023, to all uncommitted interest owners sought to be pooled in this proceeding. See Exhibit C-2, attached hereto. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits C-1 and C-2.

2. Notice was sent to the Hobbs Daily News-Sun, a newspaper of general circulation in Lea County, New Mexico, and timely published in said newspaper on February 9, 2023. See Exhibit C-3.

3. It is my understanding that Earthstone has made a reasonably diligent effort to find the names and addresses for the interest owners entitled to receive notice of the application and case herein.

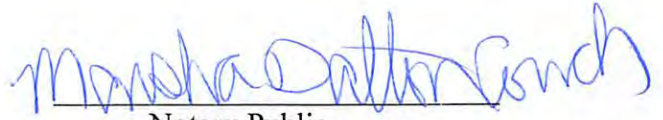


Darin C. Savage

**EXHIBIT  
C**

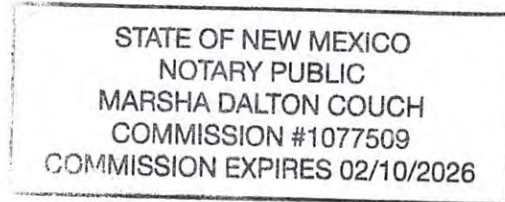


SUBSCRIBED AND SWORN to before me this 28th day of February, 2023, by Darin C. Savage.

  
Notary Public

My Commission Expires:

02/10/2026





For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

February 9, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Earthstone Operating, LLC, for a horizontal spacing unit and compulsory pooling, Lea County, New Mexico  
Skylark 34-3 Fed Com 1BS 2H Well (Case No. 23369)  
Skylark 34-3 Fed Com 2BS 6H Well (Case No. 23369)

Case Nos. 23369:

Dear Interest Owners:

This letter is to advise you that Earthstone Operating, LLC (“Earthstone”), has filed the enclosed application, Case No. 23369, with the New Mexico Oil Conservation Division (“Division”) for the compulsory pooling of units in the Bone Spring formation.

In Case No. 23369, Earthstone seeks to pool the Bone Spring formation underlying the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, a standard unit encompassing 323.09 acres, more or less, dedicated to the above-referenced 2H and 6H Wells.

A hearing has been requested before a Division Examiner on March 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

abadieschill.com

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

EXHIBIT  
C-1

You are being notified as an interest owner (subject to title examination) and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Matthew Solomon at (713) 379-3083 or at [msolomon@earthstoneenergy.com](mailto:msolomon@earthstoneenergy.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Earthstone Operating, LLC

Mail Activity Report - CertifiedPro.net  
Mailed from 1/28/2023 to 2/27/2023  
User Name: abadieschill  
Generated: 2/27/2023 3:07:59 PM

USPS Article Number	Reference Number	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	User ID	Mailing Status	Service Options
9314869904300104294675	4221.1	2/9/23	CONOCOPHILLIPS COMPANY	600 W ILLINOIS AVE		MIDLAND	TX	79701-4882	21902	Delivered	Return Receipt - Electronic, Certified Mail

EXHIBIT  
C-2



February 15, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 75**.

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** February 14, 2023, 07:54 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** CONOCOPHILLIPS COMPANY

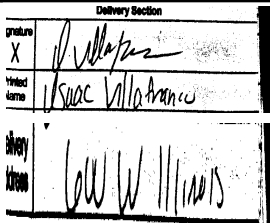
**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

<p>Signature of Recipient:</p>  <p>Address of Recipient:</p>	
--	---

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
 475 L'Enfant Plaza SW  
 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1

# Affidavit of Publication

STATE OF NEW MEXICO  
COUNTY OF LEA

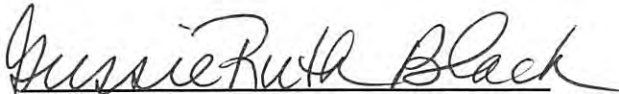
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated  
February 09, 2023  
and ending with the issue dated  
February 09, 2023.



Publisher

Sworn and subscribed to before me this  
9th day of February 2023.



Business Manager

My commission expires  
January 29, 2027

(Seal) STATE OF NEW MEXICO  
NOTARY PUBLIC  
GUSSIE RUTH BLACK  
COMMISSION # 1087526  
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

**LEGAL NOTICE**  
February 9, 2023

**CASE No. 23369: Notice to all affected parties and persons having any right, title, interest or claim to this case, including owners of working interest, overriding royalty interest, and record title, among others, as well as the known and unknown heirs, devisees, assigns and successors of CONOCOPHILLIPS COMPANY, of Earthstone Operating, LLC's application for approval of a spacing unit and compulsory pooling, Lea County, New Mexico.** The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on March 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/oed/hearinginfo/> or call (505) 476-3441. Earthstone Operating, LLC, at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, TX 77380, seeks an order from the Division: (1) establishing a standard 323.09-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 3 (NE/4 NW/4 equivalent), SE/4 NW/4, and the E/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the **Skylark 34-3 Fed Com 1BS 2H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19-SR33E; and the **Skylark 34-3 Fed Com 2BS 6H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 3-T19SR33E. The wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.  
#00275653

67115820

00275653

DAVID SESSIONS  
ABADIE SCHILL  
555 RIVERGATE LANE 84-180  
DURANGO, CO 81301

**EXHIBIT**  
**C-3**

## TAB 1

Reference for Case No. 23370

Application Case No. 23370:

Skylark 34-3 Fed Com 1BS 3H Well

Skylark 34-3 Fed Com 2BS 7H Well

NMOCD Checklist Case No. 23370

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23370

**APPLICATION**

Earthstone Operating, LLC (“Earthstone”), OGRID No. 331165, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a standard 323.35-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit. Section 3 is an irregular section and contains correction lots.

In support of its Application, Earthstone states the following:

1. Earthstone is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 3H Well** and the **Skylark 34-3 Fed Com 2BS 7H Well**, as initial wells, to be drilled to a sufficient depth to test the Bone Spring formation.
3. Earthstone proposes the **Skylark 34-3 Fed Com 1BS 3H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E,



NMPM, Lea County, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E, NMPM, Lea County.

4. Earthstone proposes the **Skylark 34-3 Fed Com 2BS 7H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E, NMPM, Lea County.

5. The wells proposed herein are orthodox in their location, and the take points and completed intervals comply with setback requirements under the statewide rules.

6. Earthstone's review of the units did not show any overlapping units; should an overlapping unit be inadvertently discovered, Earthstone would address the matter at the permitting phase.

7. Earthstone has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Bone Spring formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Earthstone requests that all uncommitted interests in this HSU be pooled and that Earthstone be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Earthstone requests that this Application be set for hearing on March 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 323.35-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Skylark 34-3 Fed Com 1BS 3H Well** and the **Skylark 34-3 Fed Com 2BS 7H Well** as the wells for the HSU.

D. Designating Earthstone as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Earthstone to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Earthstone in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

---

Darin C. Savage

William E. Zimsky  
Andrew D. Schill  
214 McKenzie Street

Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

**Attorneys for Earthstone Operating, LLC**

***Application of Earthstone Operating, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a standard 323.35-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Section 3 is irregular and contains correction lots. The proposed wells to be dedicated to the horizontal spacing unit are the **Skylark 34-3 Fed Com 1BS 3H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E, NMPM, Lea County; and the **Skylark 34-3 Fed Com 2BS 7H Well**, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E, NMPM, Lea County. The wells will be orthodox, and their take points and completed intervals will comply with the setback requirements under statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23370</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: March 2, 2023</b>	
Applicant	<b>Earthstone Operating, LLC</b>
Designated Operator & OGRID (affiliation if applicable)	<b>Earthstone Operating, LLC (331165)</b>
Applicant's Counsel:	Darin C. Savage - Abadie & Schill, PC
Case Title:	APPLICATION OF EARTHSTONE OPERATING, LLC, FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Skylark
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Exhibit A, Paras. 5&6; 3H Well: TVD apprx. 8855'; 7H Well: TVD apprx. 9800'
Pool Name and Pool Code:	Mescalero Escarpe; Bone Spring [45793]
Well Location Setback Rules:	Statewide Rules apply
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	323.35
Building Blocks:	quarter-quarter sections
Orientation:	North to South
Description: TRS/County	W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	No
Applicant's Ownership in Each Tract	Exhibit A-2
<b>Well(s)</b>	
Well #1	<b>Skylark 34-3 Fed Com 1BS 3H (API Pending)</b> SHL: Unit O: 230' FSL & 1,365' FEL of Section 27-18S-R33E BHL: Unit O: 50' FSL & 1,980' FEL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 1BS 3H</b> FTP: 100' FNL, 1,980' FEL, 34-18S-R33E LTP: 100' FSL, 1,980' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring formation; TVD: apprx. 8855'; TMD: apprx. 19,500'

Well #2	<b>Skylark 34-3 Fed Com 2BS 7H (API Pending)</b> SHL: 230' FSL & 1,335' FEL of Section 27-18S-R33E BHL: 50' FSL & 1,980' FEL of Section 3-19S-33E Completion Target: Bone Spring, 2nd Bench Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 2BS 7H</b> FTP: 100' FNL, 1,980' FEL, 34-18S-R33E LTP: 100' FSL, 1,980' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring formation; TVD: apprx. 9800'; TMD: apprx. 20,600'
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$7,500
Production Supervision/Month \$	\$750
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para 12 (None)
Ownership Depth Severance (including percentage above & below)	None, N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit-B
Spacing Unit Schematic	Exhibits B-1, B-2, B-5, B-6
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7
Well Orientation (with rationale)	Exhibit B, B-1, B-2, A-1
Target Formation	Exhibits B-3, B-4, B-7
HSU Cross Section	Exhibit B-7, B-3, B-4

Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-2, B-5, B-6
Structure Contour Map - Subsea Depth	Exhibits B-1
Cross Section Location Map (including wells)	Exhibit B-7
Cross Section (including Landing Zone)	Exhibits B-3, B-4
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Darin C. Savage
<b>Signed Name</b> (Attorney or Party Representative):	/s/ <i>Darin Savage</i>
<b>Date:</b>	02.28.2023

## **TAB 2**

Case No. 23370

- Exhibit A: Self-Affirmed Statement of Matt Solomon, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners



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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23370

**SELF-AFFIRMED STATEMENT OF MATT SOLOMON**

I, being duly sworn on oath, state the following:

1. I am a Senior Landman with Earthstone Operating, LLC (“Earthstone”) and am familiar with the subject application and lands involved. I am over the age of eighteen, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. This Statement is submitted in connection with the filing by Earthstone of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).

3. Earthstone seeks an order pooling all uncommitted mineral interest in the Bone Spring formation, Mescalero Escarpe; Bone Spring [45793], underlying a standard 323.35-acre, more or less, horizontal spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico.



4. Under Case No. 23370, Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 3H Well** and the **Skylark 34-3 Fed Com 2BS 7H Well**, as initial wells.

5. The **Skylark 34-3 Fed Com 1BS 3H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SWSE (Unit O) of Section 27 to a bottom hole location in the SWSE (Unit O) of Section 3; approximate TVD of 8,855'; approximate TMD of 19,500'; FTP in Section 34: 100' FNL, 1,980' FEL; LTP in Section 3: 100' FSL, 1,980' FEL.

6. The **Skylark 34-3 Fed Com 2BS 7H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SWSE (Unit O) of Section 27 to a bottom hole location in the SWSE (Unit O) of Section 3; approximate TVD of 9,800'; approximate TMD of 20,600'; FTP in Section 34: 100' FNL, 1,980' FEL; L TP in Section 3: 100' FSL, 1,980' FEL.

7. The proposed C-102 for each well is attached as **Exhibit A-1**.

8. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The location of each well is orthodox, and it meets the Division's setback requirements.

9. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

10. There are no depth severances in the Bone Spring formation in this acreage.

11. A good faith review of records did not reveal any overlapping units.

12. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Lea County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for

parties entitled to notification. All working interest owners were locatable and noticed. Earthstone published notice in the Hobbs News, a newspaper of general circulation in Lea County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice.

13. Earthstone has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

14. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Earthstone has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Earthstone and another interest owner or owners, Earthstone requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

15. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

16. Earthstone requests overhead and administrative rates of \$7,500/month for drilling each well and \$750/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico.

Earthstone requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

17. Earthstone requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners to the extent needed.

18. Earthstone requests that it be designated operator of the units and wells.

19. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.

20. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

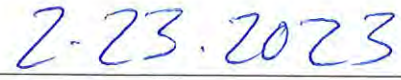
21. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Matt Solomon:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23370 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
\_\_\_\_\_  
Matt Solomon

  
\_\_\_\_\_  
Date Signed

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code 45793		<sup>3</sup> Pool Name MESCALERO ESCARPE, BONE SPRING	
<sup>4</sup> Property Code		<sup>5</sup> Property Name SKYLARK 34-3 FED COM IBS			<sup>6</sup> Well Number 3H
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name EARTHSTONE OPERATING, LLC			<sup>9</sup> Elevation 3,801.4'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	27	18 S	33 E		230	SOUTH	1,365	EAST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	3	19 S	33 E		50	SOUTH	1,980	EAST	LEA

<sup>12</sup> Dedicated Acres 323.35	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**SURFACE HOLE LOCATION**  
230' FSL & 1,365' FEL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,434.94'  
EAST: 752,505.66'  
LAT: 32.71198414  
LONG: -103.64676822

**FIRST TAKE POINT**  
100' FNL & 1980' FEL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,104.97'  
EAST: 751,890.66'  
LAT: 32.71106546  
LONG: -103.64872555

**LAST TAKE POINT**  
100' FSL & 1980' FEL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,640.20'  
EAST: 751,963.54'  
LAT: 32.68255711  
LONG: -103.64882405

**BOTTOM OF HOLE**  
50' FSL & 1980' FEL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,590.20'  
EAST: 751,963.90'  
LAT: 32.68221365  
LONG: -103.64884398

**SURFACE HOLE LOCATION**  
230' FSL & 1,365' FEL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,371.17'  
EAST: 711,326.41'  
LAT: 32.71186210  
LONG: -103.64626942

**FIRST TAKE POINT**  
100' FNL & 1980' FEL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,041.17'  
EAST: 710,711.41'  
LAT: 32.71094346  
LONG: -103.64822677

**LAST TAKE POINT**  
100' FSL & 1980' FEL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,576.40'  
EAST: 710,784.29'  
LAT: 32.68243511  
LONG: -103.64832527

**BOTTOM OF HOLE**  
50' FSL & 1980' FEL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,526.40'  
EAST: 710,784.65'  
LAT: 32.68209165  
LONG: -103.64834520

**CORNER COORDINATES TABLE**  
NAD 83 NMSP EAST

A	N. = 623,158.99'	E. = 748,606.45'
B	N. = 623,185.30'	E. = 751,244.93'
C	N. = 623,212.60'	E. = 753,882.26'
D	N. = 620,571.98'	E. = 753,902.64'
E	N. = 617,932.27'	E. = 753,924.23'
F	N. = 617,905.63'	E. = 751,284.51'
G	N. = 617,877.58'	E. = 748,644.85'
H	N. = 620,518.29'	E. = 748,625.65'
I	N. = 615,171.04'	E. = 753,941.05'
J	N. = 612,531.12'	E. = 753,965.58'
K	N. = 612,521.06'	E. = 751,326.47'
L	N. = 612,511.46'	E. = 748,685.26'
M	N. = 615,149.57'	E. = 748,665.23'

**<sup>17</sup> OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**<sup>18</sup> SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

EXHIBIT  
A-1

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
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811 S. First St., Artesia, NM 88210  
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Submit one copy to appropriate  
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 2BS</b>			<sup>6</sup> Well Number <b>7H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,801.4'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>O</b>	<b>27</b>	<b>18 S</b>	<b>33 E</b>		<b>230</b>	<b>SOUTH</b>	<b>1,335</b>	<b>EAST</b>	<b>LEA</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>O</b>	<b>3</b>	<b>19 S</b>	<b>33 E</b>		<b>50</b>	<b>SOUTH</b>	<b>1,980</b>	<b>EAST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres <b>323.35</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

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EAST: 751,963.90'  
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LONG: -103.64884398

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EAST: 711,356.24'  
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EAST: 710,711.41'  
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**<sup>17</sup> OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**<sup>18</sup> SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey \_\_\_\_\_

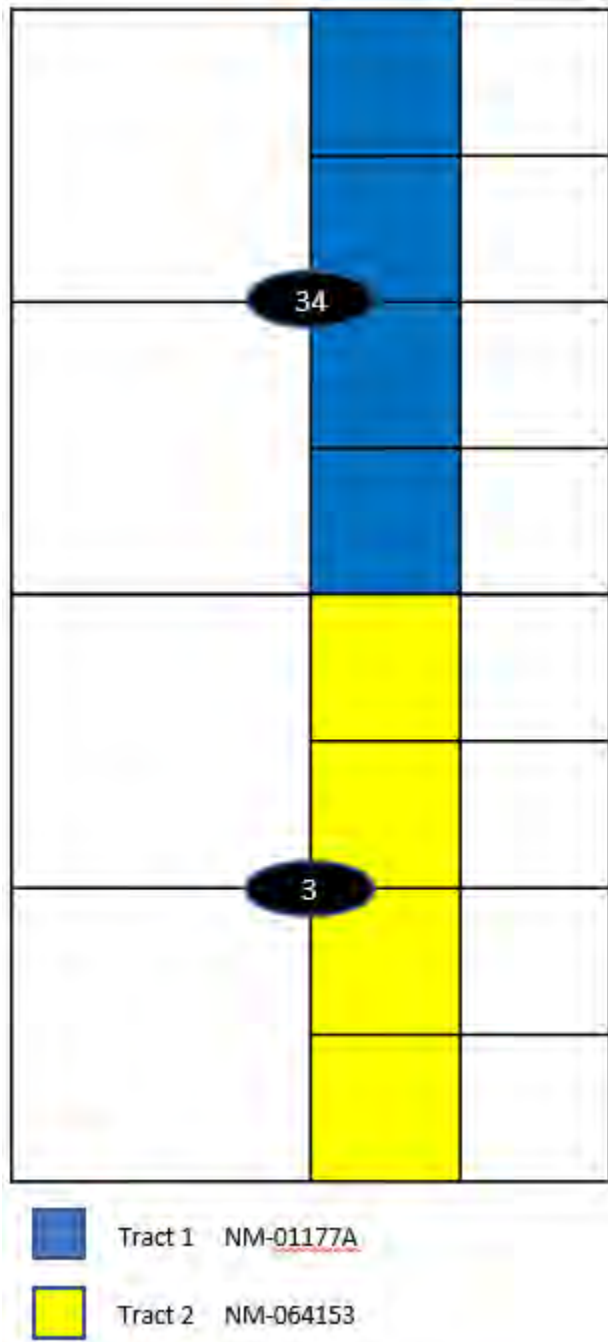
Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

**SKYLARK 34-3 FED COM 1BS 3H**

**SKYLARK 34-3 FED COM 2BS 7H**

W2E2 of Section 34, Township 18 South, Range 33 East  
Lot 2, SWNE, W2SE of Section 3, Township 19 South, Range 33 East  
Lea County, New Mexico



**EXHIBIT  
A-2**



TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

WI Parties To Force Pool

ConocoPhillips Company



**EARTHSTONE** Operating, LLC  
1400 Woodloch Forest Drive, Suite 300  
The Woodlands, TX 77380  
Office: 281-298-4246  
Fax: 832-823-0478

December 1, 2022

VIA FED-X

ConocoPhillips Company  
600 W. Illinois Avenue  
Midland, TX 79701

**Re: Skylark 34-3 Fed Com 1BS 2H,  
Skylark 34-3 Fed Com 1BS 3H  
Skylark 34-3 Fed Com 1BS 4H  
Skylark 34-3 Fed Com 2BS 6H  
Skylark 34-3 Fed Com 2BS 7H  
Skylark 34-3 Fed Com 2BS 8H**

**E2W2, W2E2, E2E2 of Section 34, T18S-R33E  
Lot 1-3, SENW, E2SW, S2NE, SE of Section 3, T19S-R33E  
Lea County, New Mexico**

Dear Working Interest Partner:

Earthstone Operating, LLC ("Earthstone") proposes to drill and operate the subject wells to test the Bone Spring formation. Enclosed are Authorities for Expenditure ("AFE") reflecting estimated costs to drill, test, complete, and equip the wells.

In connection with the above:

- **Skylark 34-3 Fed Com 1BS 2H:** to be drilled from a proposed surface hole location of 565' FSL & 1630' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 6H:** to be drilled from a proposed surface hole location of 565' FSL & 1690' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FWL of Section 3-19S-33E with an expected measured depth of 20,600'.
- **Skylark 34-3 Fed Com 1BS 3H:** to be drilled from a proposed surface hole location of 230' FSL & 1365' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 7H:** to be drilled from a proposed surface hole location of 230' FSL & 1335' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 1980' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

**EXHIBIT  
A-3**

- **Skylark 34-3 Fed Com 1BS 4H:** to be drilled from a proposed surface hole location of 230' FSL & 1275' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 8H:** to be drilled from a proposed surface hole location of 230' FSL & 1305' FEL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FEL of Section 3-19S-33E with an expected measured depth of 20,600'.

For the 2H and 6H, Earthstone hereby proposes the creation of a 323.09 acre working interest unit consisting of the E2W2 of Section 34, T18S-R33E and Lot 3, SENW, E2SW of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 3H and 7H, Earthstone hereby proposes the creation of a 323.35 acre working interest unit consisting of the W2E2 of Section 34, T18S-R33E and Lot 2, SWNE, W2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

For the 4H and 8H, Earthstone hereby proposes the creation of a 323.63 acre working interest unit consisting of the E2E2 of Section 34, T18S-R33E and Lot 1, SENE, E2SE of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement.

All three Operating Agreements will have the following general provisions:

- Limited to the Bone Spring Formation.
- 100/300 non-consent penalties
- \$7,500/\$750 fixed drilling and production overhead rates
- Earthstone Operating, LLC named as Operator

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. Should you elect to participate, please also sign and return one copy of each AFE, along with executed copies of the Operating Agreement.

Sincerely,

Matt Solomon  
Senior Landman  
713-379-3083  
msolomon@earthstoneenergy.com

ConocoPhillips Company hereby elects to:

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 2H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in **Skylark 34-3 Fed Com 1BS 2H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 3H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 3H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 4H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 1BS 4H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 6H**

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 6H**, subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 7H**

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 7H** subject to acceptable terms.

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 8H**

\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 8H** subject to acceptable terms.

ConocoPhillips Company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 1BS 3H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 1st BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 19,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 131,300
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 536,000	1433/400	WELLHEAD EQUIPMENT	\$ 65,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 655,300</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1450/ 20	LOCATION AND ROADS	\$ 13,500	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
1450/ 90	FUEL, POWER & WATER	\$ 1,000	1452/315	METER EQUIPMENT	\$ 15,000
1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200	1452/340	SEPARATORS	\$ 115,000
1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000	1452/345	HEATER TREATER	\$ 45,000
1450/195	CONTRACT LABOR	\$ 70,000	1452/355	GATHERING LINE	\$ 175,000
1450/260	SUPERVISION/ENGINEERING	\$ 25,000	1452/360	STOCK TANKS	\$ 110,000
1450/270	ADMINISTRATIVE/OVERHEAD	\$ -	1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
1450/290	FACILITES MISCELLANEOUS	\$ 10,000	1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	1452/390	FACILITES	\$ 45,000
<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 680,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 865,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,712,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,688,548</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,400,548</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 2BS 7H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 2nd BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,600 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
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1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
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1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
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1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
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1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
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1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 147,800
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 567,000	1433/400	WELLHEAD EQUIPMENT	\$ 50,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 656,800</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1450/ 20	LOCATION AND ROADS	\$ 13,500	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
1450/ 90	FUEL, POWER & WATER	\$ 1,000	1452/315	METER EQUIPMENT	\$ 15,000
1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200	1452/340	SEPARATORS	\$ 115,000
1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000	1452/345	HEATER TREATER	\$ 45,000
1450/195	CONTRACT LABOR	\$ 70,000	1452/355	GATHERING LINE	\$ -
1450/260	SUPERVISION/ENGINEERING	\$ 25,000	1452/360	STOCK TANKS	\$ 110,000
1450/270	ADMINISTRATIVE/OVERHEAD	\$ -	1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
1450/290	FACILITES MISCELLANEOUS	\$ 10,000	1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	1452/390	FACILITES	\$ 45,000
<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 505,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 690,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,743,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,515,048</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,258,048</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

Case 23370

Company	Contact	Date
ConocoPhillips	Mail	12/1/2022
	Email	12/8/2022
		12/20/2022
		2/20/2023
Phone calls	2/20/2023	

EXHIBIT  
A-4

## TAB 3

Case No. 23370

- Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist
- Exhibit B-1: Structure Map – 1<sup>st</sup> Bone Spring Sand Structure
- Exhibit B-2: Structure Map – 2<sup>nd</sup> Bone Spring Sand Structure
- Exhibit B-3: Stratigraphic Cross Section – 1<sup>st</sup> Bone Spring Sand Datum
- Exhibit B-4: Stratigraphic Cross Section – 2<sup>nd</sup> Bone Spring Sand Datum
- Exhibit B-5: Gross Isochore – 1<sup>st</sup> Bone Spring Sand Isopach
- Exhibit B-6: Gross Isochore – 2<sup>nd</sup> Bone Spring Sand Isopach
- Exhibit B-7: Gun Barrel View



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

**APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT  
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23370

**SELF-AFFIRMED STATEMENT OF JASON ASMUS**

I, Jason Asmus, being duly sworn on oath, state the following:

1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a petroleum geologist for Earthstone Operating, LLC (“Earthstone”), and I am familiar with the subject application and the geology involved.
3. I graduated in 2012 from Western Michigan University with a master’s degree in Geology. I have worked at Earthstone Energy for approximately 1 year, and I have been working in New Mexico for 11 years. My credentials as a petroleum geologist have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This statement is submitted in connection with the filing by Earthstone of the above-referenced compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.
5. **Exhibit B-1** and **Exhibit B-2** are structure maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss with contour interval of 50’. The unit being pooled is outlined by red rectangle. The structure map shows that there is a regional down-dip to the S-SE. I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval

**EXHIBIT  
B**

6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1<sup>st</sup> Bone Spring Ss and Top 2<sup>nd</sup> Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss target zones. The landing zones are highlighted by black text and brackets.

7. Additional exhibits for the benefit of the Division's review include **Exhibit B-5** and **Exhibit B-6**, gross isochore maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss formations, as well as **Exhibit B-7**. **Exhibit B-7** is a gun barrel representation of the unit and shows vertical and lateral spacing of the Skylark 34-3 Fed Com 1BS 3H, and the Skylark 34-3 Fed Com 2BS 7H. Exhibits B-1 through B-7 are the same for the applications in Case Nos. 23368, 23369 and 23371.

8. I conclude from the attached exhibits that:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the unit will contribute more or less equally to production.

9. The preferred well orientation in this area is North-South, or East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress.

10. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.

11. The granting of this Application is in the interests of conservation, the prevention of waste and the drilling of unnecessary wells, and the protection of correlative rights.

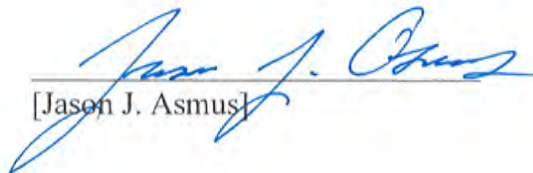
12. The foregoing is correct and complete to the best of my knowledge and belief.


13. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of [Jason J. Asmus]:*

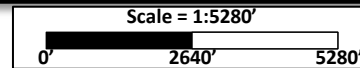
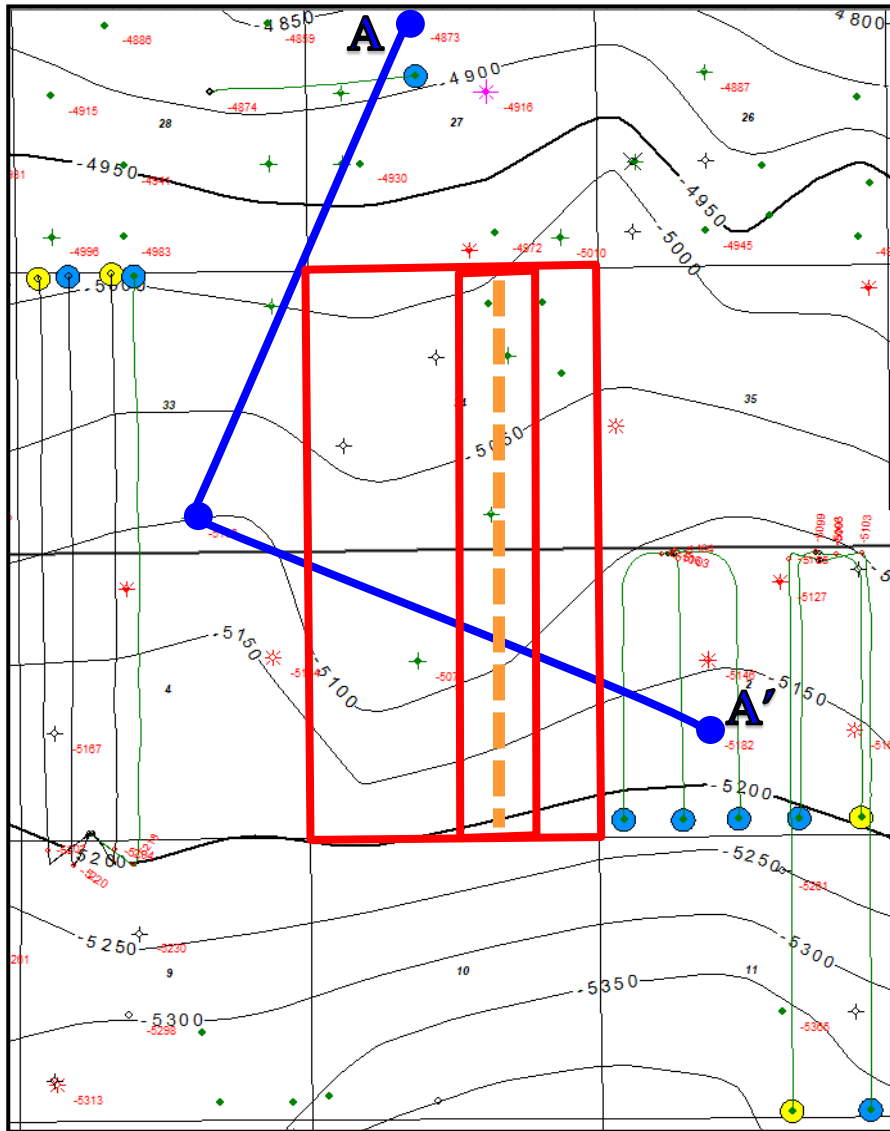
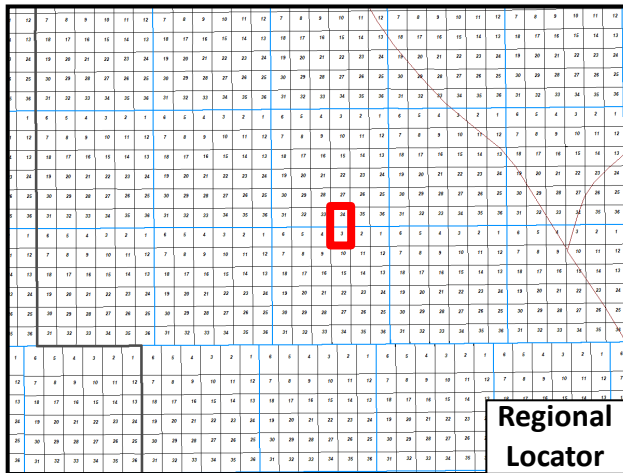
I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23370 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
[Jason J. Asmus]

  
Date Signed

# Exhibit B-1 1<sup>st</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

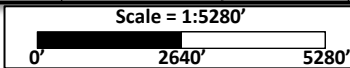
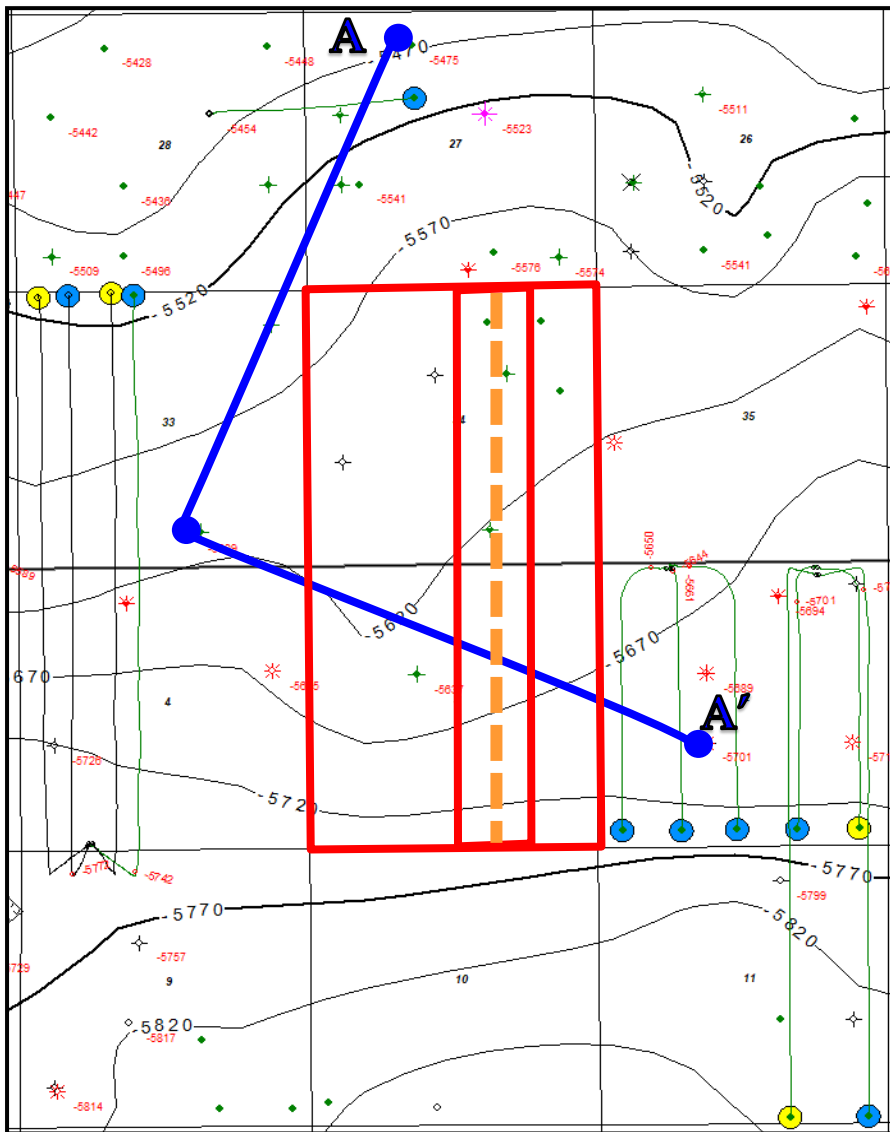
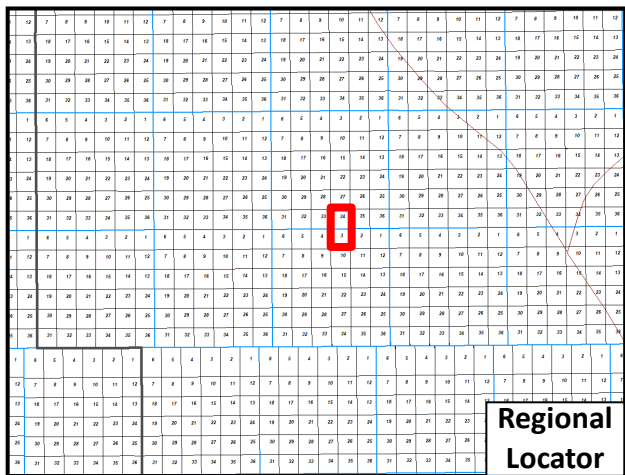
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-1**

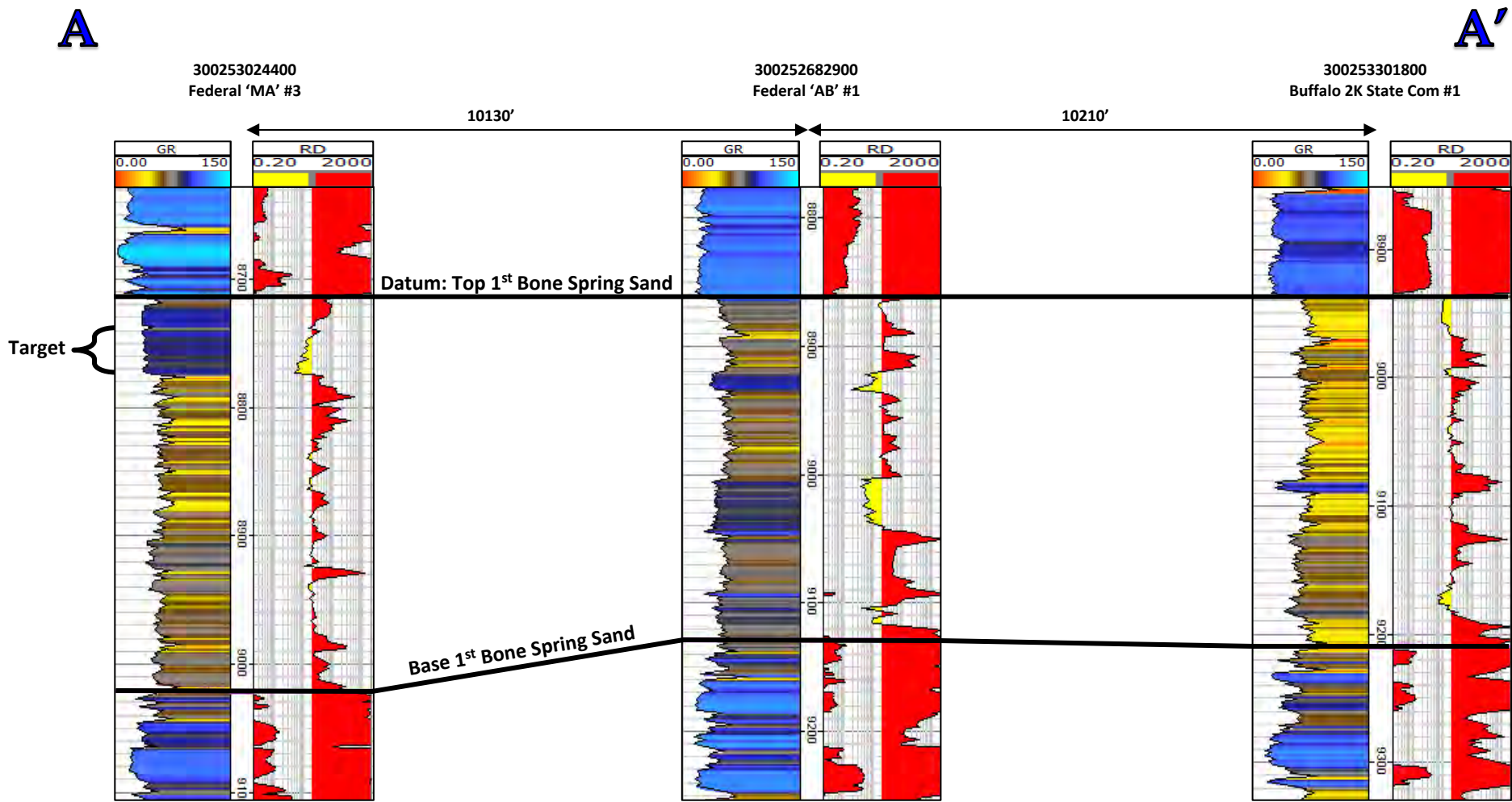
# Exhibit B-2 2<sup>nd</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT  
B-2**

# Exhibit B-3 Stratigraphic Cross Section A-A': 1<sup>st</sup> Bone Spring Sand Datum



**EXHIBIT B-3**

# Exhibit B-4 Stratigraphic Cross Section A-A': 2<sup>nd</sup> Bone Spring Sand Datum

**A**

**A'**

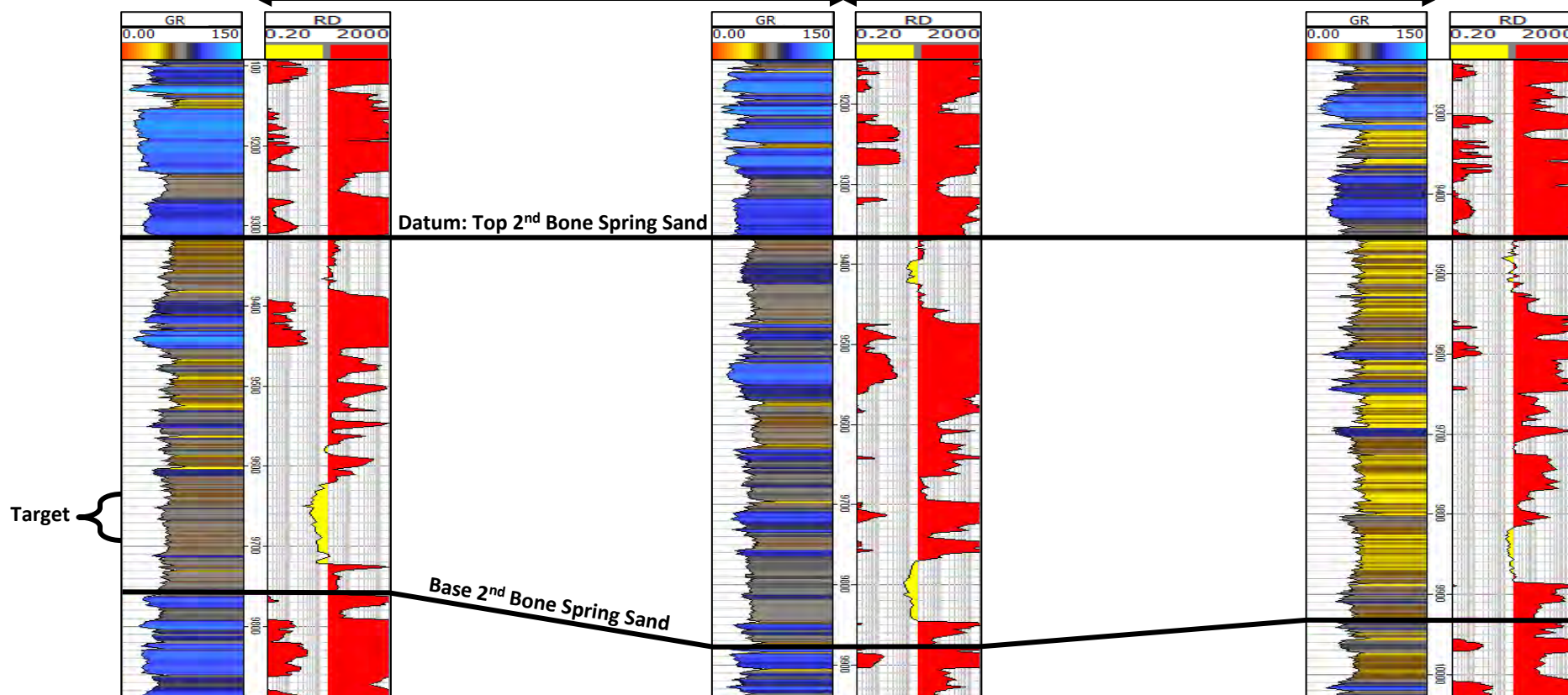
300253024400  
Federal 'MA' #3

300252682900  
Federal 'AB' #1

300253301800  
Buffalo 2K State Com #1

10130'

10210'

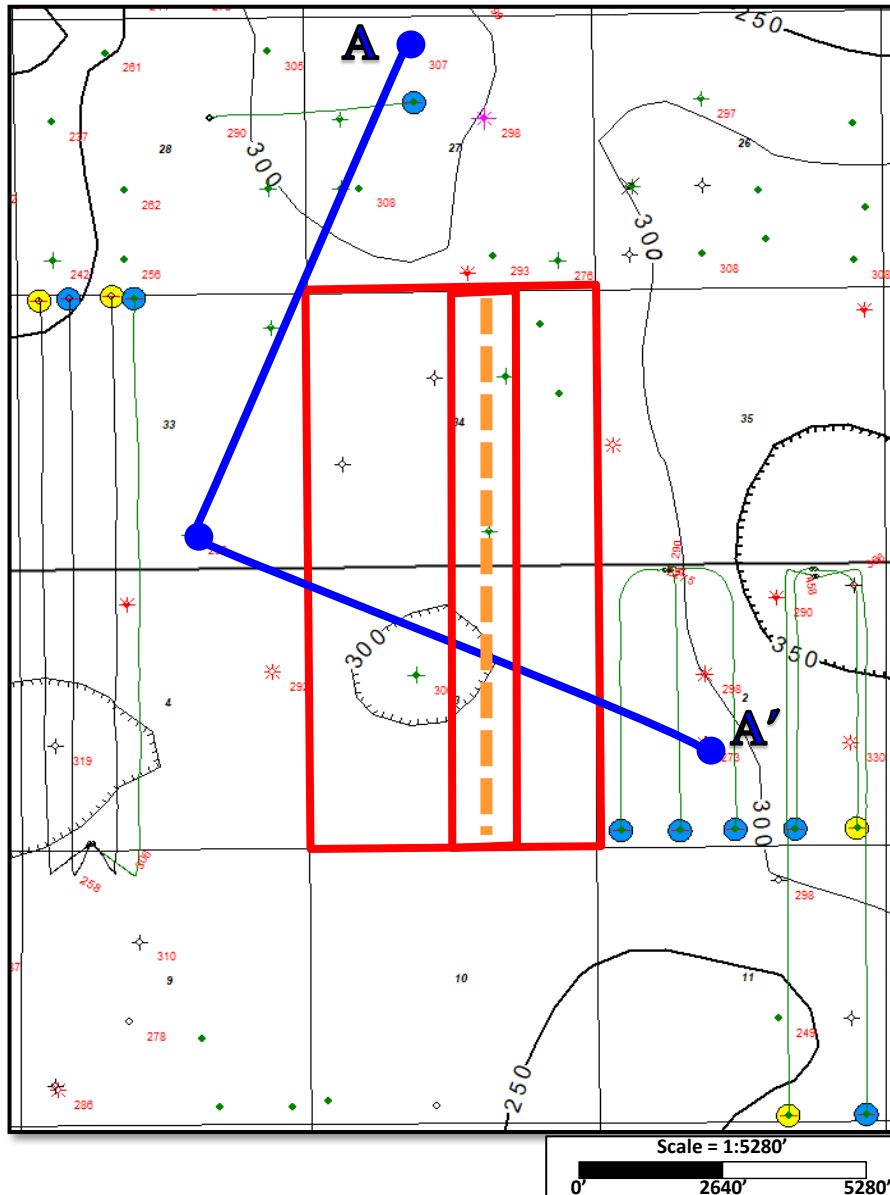
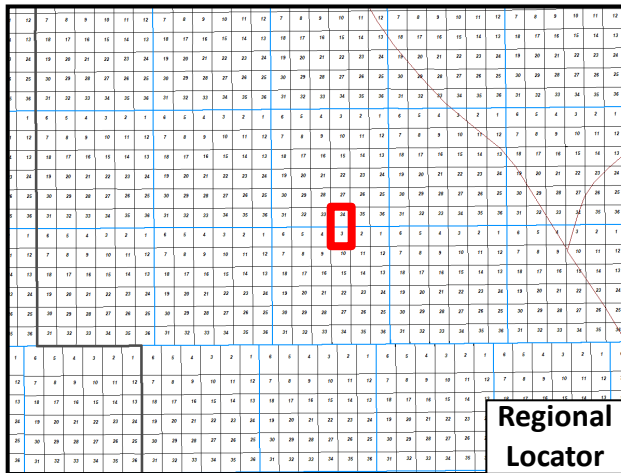


**EXHIBIT  
B-4**



# Exhibit B-5 1<sup>st</sup> Bone Spring Sand Isopach: Contour Interval = 50'

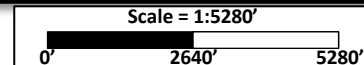
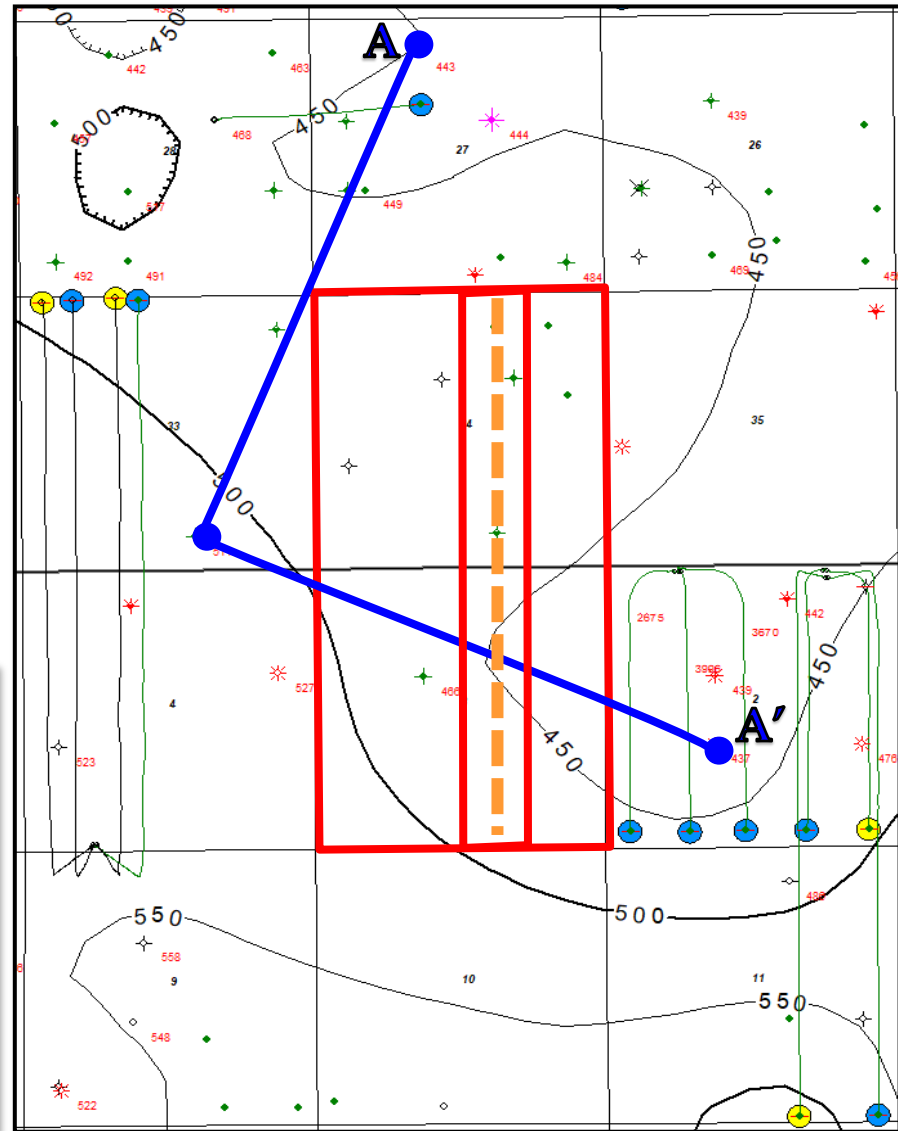
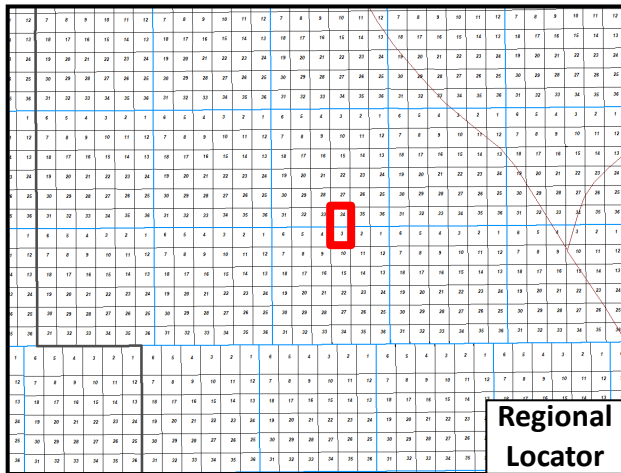
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-5**

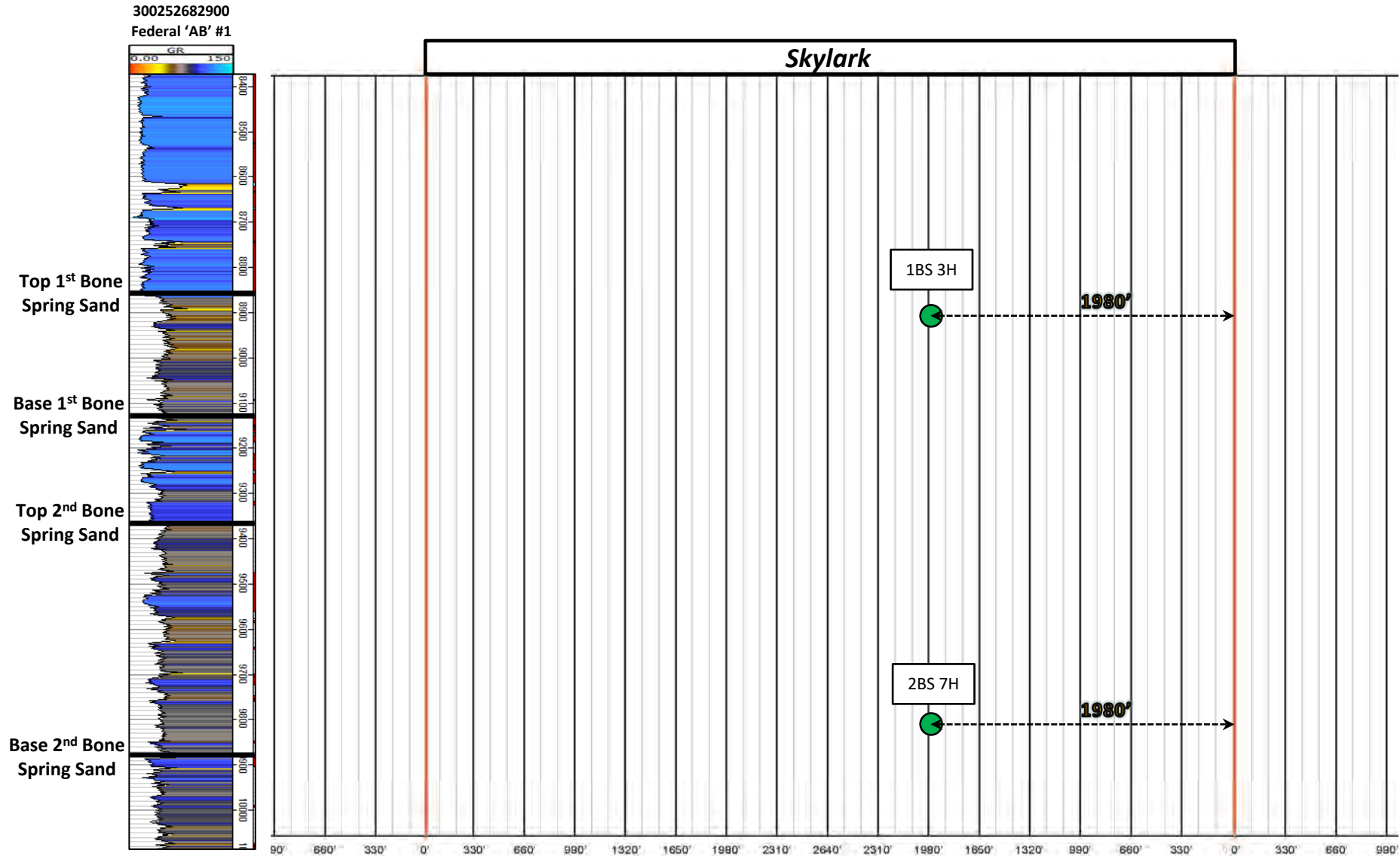
# Exhibit B-6 2<sup>nd</sup> Bone Spring Sand Isopach: Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-6**

# Exhibit B-7 Gun Barrel



**EXHIBIT B-7**

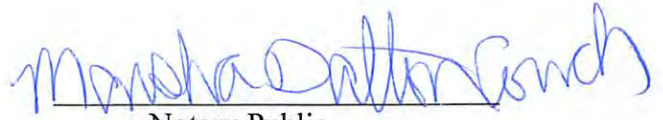
## **TAB 4**

Case No. 23370

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letter  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavit of Publication

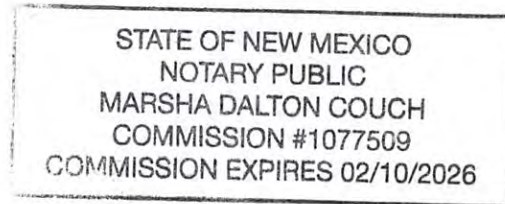


SUBSCRIBED AND SWORN to before me this 28th day of February, 2023, by Darin C. Savage.

  
Notary Public

My Commission Expires:

02/10/2026





For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

February 9, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Earthstone Operating, LLC, for a horizontal spacing unit and compulsory pooling, Lea County, New Mexico  
Skylark 34-3 Fed Com 1BS 3H Well (Case No. 23370)  
Skylark 34-3 Fed Com 2BS 7H Well (Case No. 23370)

Case Nos. 23370:

Dear Interest Owners:

This letter is to advise you that Earthstone Operating, LLC (“Earthstone”), has filed the enclosed application, Case No. 23370, with the New Mexico Oil Conservation Division (“Division”) for the compulsory pooling of units in the Bone Spring formation.

In Case No. 23370, Earthstone seeks to pool the Bone Spring formation underlying the W/2 E/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, a standard unit encompassing 323.35 acres, more or less, dedicated to the above-referenced 3H and 7H Wells.

A hearing has been requested before a Division Examiner on March 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

abadieschill.com

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

EXHIBIT  
C-1

You are being notified as an interest owner (subject to title examination) and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Matthew Solomon at (713) 379-3083 or at [msolomon@earthstoneenergy.com](mailto:msolomon@earthstoneenergy.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Earthstone Operating, LLC



Mail Activity Report - CertifiedPro.net  
Mailed from 1/28/2023 to 2/27/2023  
User Name: abadieschill  
Generated: 2/27/2023 3:07:59 PM

USPS Article Number	Reference Number	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	User ID	Mailing Status	Service Options
9314869904300104294675	4221.1	2/9/23	CONOCOPHILLIPS COMPANY	600 W ILLINOIS AVE		MIDLAND	TX	79701-4882	21902	Delivered	Return Receipt - Electronic, Certified Mail





February 15, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 75**.

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** February 14, 2023, 07:54 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** CONOCOPHILLIPS COMPANY

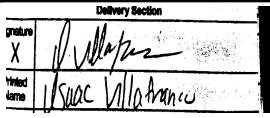
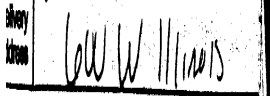
**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
 475 L'Enfant Plaza SW  
 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1

# Affidavit of Publication

STATE OF NEW MEXICO  
COUNTY OF LEA

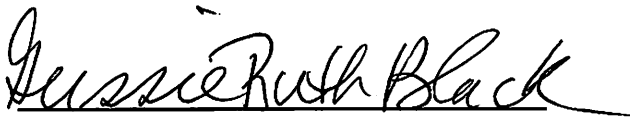
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated  
February 09, 2023  
and ending with the issue dated  
February 09, 2023.



Publisher

Sworn and subscribed to before me this  
9th day of February 2023.



Business Manager

My commission expires  
January 29, 2027

(Seal)

STATE OF NEW MEXICO  
NOTARY PUBLIC  
GUSSIE RUTH BLACK  
COMMISSION # 1087528  
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

## LEGAL NOTICE February 9, 2023

CASE No. 23370: Notice to all affected parties and persons having any right, title, interest or claim to this case, including owners of working interest, overriding royalty interest, and record title, among others, as well as the known and unknown heirs, devisees, assigns and successors of CONOCOPHILLIPS COMPANY, of Earthstone Operating, LLC's application for approval of a spacing unit and compulsory pooling, Lea County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on March 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearinginfo/> or call (505) 476-3441. Earthstone Operating, LLC, at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, TX 77380, seeks an order from the Division: (1) establishing a standard 323.35-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 18 South, Range 33 East, and Lot 2 (NW/4 NE/4 equivalent), SW/4 NE/4, and the W/2 SE/4 of Section 3, Township 19 South, Range 33 East, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the Skylark 34-3 Fed Com 1BS 3H Well, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E; and the Skylark 34-3 Fed Com 2BS 7H Well, an oil well, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 27-T18S-R33E, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 3-T19S-R33E. The wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. Also to be considered will be the cost of drilling and completing the wells; and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico. #00275654

67115820

00275654

DAVID SESSIONS  
ABADIE SCHILL  
555 RIVERGATE LANE 84-180  
DURANGO, CO 81301

EXHIBIT  
C-3

## TAB 1

Reference for Case No. 23371

Application Case No. 23371:

NMOCD Checklist Case No. 23371

Skylark 34-3 Fed Com 1BS 1H Well

Skylark 34-3 Fed Com 2BS 5H Well

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23371

**APPLICATION**

Earthstone Operating, LLC (“Earthstone”), OGRID No. 331165, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) establishing a standard 322.81-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit. Section 3 is an irregular section and contains correction lots.

In support of its Application, Earthstone states the following:

1. Earthstone is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 1H Well** and the **Skylark 34-3 Fed Com 2BS 5H Well**, as initial wells, to be drilled to a sufficient depth to test the Bone Spring formation.
3. Earthstone proposes the **Skylark 34-3 Fed Com 1BS 1H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E,

NMPM, Lea County, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E, NMPM, Lea County.

4. Earthstone proposes the **Skylark 34-3 Fed Com 2BS 5H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E, NMPM, Lea County.

5. The wells proposed herein are orthodox in their location, and the take points and completed intervals comply with setback requirements under the statewide rules.

6. Earthstone's review of the units did not show any overlapping units.

7. Earthstone has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Bone Spring formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Earthstone requests that all uncommitted interests in this HSU be pooled and that Earthstone be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Earthstone requests that this Application be set for hearing on March 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 322.81-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4

(NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Skylark 34-3 Fed Com 1BS 1H Well** and the **Skylark 34-3 Fed Com 2BS 5H Well** as the wells for the HSU.

D. Designating Earthstone as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Earthstone to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Earthstone in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

---

Darin C. Savage

Andrew D. Schill  
William E. Zimsky  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com

andrew@abadieschill.com  
bill@abadieschill.com

**Attorneys for Earthstone Operating, LLC**



***Application of Earthstone Operating, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*** Applicant in the above-styled cause seeks an order from the Division: (1) establishing a standard 322.81-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Section 3 is irregular and contains correction lots. The proposed wells to be dedicated to the horizontal spacing unit are the **Skylark 34-3 Fed Com 1BS 1H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E, NMPM, Lea County; and the **Skylark 34-3 Fed Com 2BS 5H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, NMPM, Lea County, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E, NMPM, Lea County. The wells will be orthodox in location, and their take points and completed intervals will comply with the setback requirements under statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23371</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: March 2, 2023</b>	
Applicant	Earthstone Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Earthstone Operating, LLC (331165)
Applicant's Counsel:	Abadie & Schill
Case Title:	APPLICATION OF EARTHSTONE OPERATING, LLC, FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Skylark
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Exhibit. A, Paras. 5&6; 1H Well: TVD appr. 8855'; 5H Well: TVD appr. 9800'
Pool Name and Pool Code:	Mescalero Escarpe; Bone Spring [45793]
Well Location Setback Rules:	Statewide Rules apply
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	322.81
Building Blocks:	quarter-quarter sections
Orientation:	North to South
Description: TRS/County	W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	No
Applicant's Ownership in Each Tract	Exhibit A-2
<b>Well(s)</b>	
Well #1	<b>Skylark 34-3 Fed Com 1BS 1H</b> (API Pending) SHL: Unit N: 565' FSL & 1,630' FWL of Section 27-18S-R33E BHL: Unit M: 50' FSL & 660' FWL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 1BS 1H</b> FTP: 100' FNL, 660' FWL, 34-18S-R33E LTP: 100' FSL, 660' FWL, 3-19S-R33E

Completion Target (Formation, TVD and MD)	Bone Spring; TVD: apprx. 8855'; TMD: apprx. 19,500'
Well #2	<b>Skylark 34-3 Fed Com 2BS 5H</b> (API Pending) SHL: Unit N: 565' FSL & 1,660' FWL of Section 27-18S-R33E BHL: Unit M: 50' FSL & 660' FWL of Section 3-19S-33E Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location
Horizontal Well First and Last Take Points	<b>Skylark 34-3 Fed Com 2BS 5H</b> FTP: 100' FNL, 660' FWL, 34-18S-R33E LTP: 100' FSL, 660' FWL, 3-19S-R33E
Completion Target (Formation, TVD and MD)	Bone Spring; TVD: apprx. 9800'; TMD: apprx. 20,600'
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$7,500
Production Supervision/Month \$	\$750
Justification for Supervision Costs	200%, Exhibit A
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para 12 (None)
Ownership Depth Severance (including percentage above & below)	None, N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit-B
Spacing Unit Schematic	Exhibits B-1, B-2, B-5, B-6
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-7
Well Orientation (with rationale)	Exhibit B, B-1, B-2, A-1
Target Formation	Exhibits B-3, B-4, B-7

HSU Cross Section	Exhibit B-7, B-3, B-4
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-2, B-5, B-6
Structure Contour Map - Subsea Depth	Exhibits B-1
Cross Section Location Map (including wells)	Exhibit B-7
Cross Section (including Landing Zone)	Exhibits B-3, B-4
<b>Additional Information</b>	
Special Provisions/Stipulations	None
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Darin C. Savage
<b>Signed Name</b> (Attorney or Party Representative):	/s/ <i>Darin Savage</i>
<b>Date:</b>	02.28.2023

## **TAB 2**

Case No. 23371

- Exhibit A: Self-Affirmed Statement of Matt Solomon, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners

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

**APPLICATION OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23371

**SELF-AFFIRMED STATEMENT OF MATT SOLOMON**

I, being duly sworn on oath, state the following:

1. I am a Senior Landman with Earthstone Operating, LLC (“Earthstone”) and am familiar with the subject application and lands involved. I am over the age of eighteen, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the Oil Conservation Division (“Division”) and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. This affidavit is submitted in connection with the filing by Earthstone of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).

3. Earthstone seeks an order pooling all uncommitted mineral interest in the Bone Spring formation, Mescalero Escarpe; Bone Spring [45793], underlying a standard 322.81-acre, more or less, horizontal spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico.



4. Under Case No. 23371, Earthstone proposes and dedicates to the HSU the **Skylark 34-3 Fed Com 1BS 1H Well** and the **Skylark 34-3 Fed Com 2BS 5H Well**, as initial wells.

5. The **Skylark 34-3 Fed Com 1BS 1H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SESW (Unit N) of Section 27 to a bottom hole location in the SWSW (Unit O) of Section 3; approximate TVD of 8,855'; approximate TMD of 19,500'; FTP in Section 34: 100' FNL, 660' FWL; LTP in Section 3: 100' FSL, 660' FWL.

6. The **Skylark 34-3 Fed Com 2BS 5H Well**, an oil well, (API pending) as an initial well, horizontally drilled from a surface location in the SESW (Unit N) of Section 27 to a bottom hole location in the SWSW (Unit O) of Section 3; approximate TVD of 9,800'; approximate TMD of 20,600'; FTP in Section 34: 100' FNL, 660' FWL; LTP in Section 3: 100' FSL, 660' FWL.

7. The proposed C-102 for each well is attached as **Exhibit A-1**.

8. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The location of each well is orthodox, and it meets the Division's setback requirements.

9. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

10. There are no depth severances in the Bone Spring formation in this acreage.

11. A good faith review of records did not reveal any overlapping units.

12. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Lea County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for

parties entitled to notification. All working interest owners were locatable and noticed. Earthstone published notice in the Hobbs News, a newspaper of general circulation in Lea County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice.

13. Earthstone has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

14. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Earthstone has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Earthstone and another interest owner or owners, Earthstone requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

15. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

16. Earthstone requests overhead and administrative rates of \$7,500/month for drilling each well and \$750/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico.



Earthstone requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

17. Earthstone requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners.

18. Earthstone requests that it be designated operator of the units and wells.

19. The Exhibits to this Affidavit were prepared by me or compiled from Earthstone's company business records under my direct supervision.

20. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

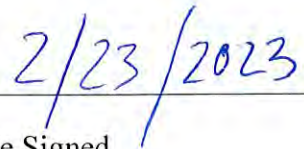
21. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Matt Solomon:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23371 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
\_\_\_\_\_  
Matt Solomon

  
\_\_\_\_\_  
Date Signed

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 1BS</b>			<sup>6</sup> Well Number <b>1H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,782.2'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>N</b>	<b>27</b>	<b>18 S</b>	<b>33 E</b>		<b>565</b>	<b>SOUTH</b>	<b>1,630</b>	<b>WEST</b>	<b>LEA</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>3</b>	<b>19 S</b>	<b>33 E</b>		<b>50</b>	<b>SOUTH</b>	<b>660</b>	<b>WEST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres <b>322.81</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**SURFACE HOLE LOCATION**

565' FSL & 1,630' FWL NEW MEXICO EAST - NAD 83 NORTH: 623,739.32' EAST: 750,232.01' LAT: 32.71273675 LONG: -103.65482816	565' FSL & 1,630' FWL NEW MEXICO EAST - NAD 27 NORTH: 623,675.50' EAST: 709,052.82' LAT: 32.71261478 LONG: -103.65416927
---	---

**FIRST TAKE POINT**

100' FNL & 660' FWL NEW MEXICO EAST - NAD 83 NORTH: 623,065.57' EAST: 749,267.15' LAT: 32.71102599 LONG: -103.65730431	100' FNL & 660' FWL NEW MEXICO EAST - NAD 27 NORTH: 623,001.79' EAST: 708,087.91' LAT: 32.71090406 LONG: -103.65680539
---	---

**LAST TAKE POINT**

100' FSL & 660' FWL NEW MEXICO EAST - NAD 83 NORTH: 612,613.85' EAST: 749,344.50' LAT: 32.68229801 LONG: -103.65726943	100' FSL & 660' FWL NEW MEXICO EAST - NAD 27 NORTH: 612,550.36' EAST: 708,164.97' LAT: 32.68217598 LONG: -103.65677162
---	---

**BOTTOM OF HOLE**

50' FSL & 660' FWL NEW MEXICO EAST - NAD 83 NORTH: 612,563.85' EAST: 749,344.88' LAT: 32.68216058 LONG: -103.65726923	50' FSL & 660' FWL NEW MEXICO EAST - NAD 27 NORTH: 612,500.36' EAST: 708,165.35' LAT: 32.68203855 LONG: -103.65677143
--	--

**17 OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**18 SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey \_\_\_\_\_

Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

**EXHIBIT  
A-1**

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
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State of New Mexico  
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1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code <b>45793</b>		<sup>3</sup> Pool Name <b>MESCALERO ESCARPE, BONE SPRING</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>SKYLARK 34-3 FED COM 2BS</b>			<sup>6</sup> Well Number <b>5H</b>
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name <b>EARTHSTONE OPERATING, LLC</b>			<sup>9</sup> Elevation <b>3,782.2'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>N</b>	<b>27</b>	<b>18 S</b>	<b>33 E</b>		<b>565</b>	<b>SOUTH</b>	<b>1,660</b>	<b>WEST</b>	<b>LEA</b>

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>3</b>	<b>19 S</b>	<b>33 E</b>		<b>50</b>	<b>SOUTH</b>	<b>660</b>	<b>WEST</b>	<b>LEA</b>

<sup>12</sup> Dedicated Acres <b>322.81</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**SURFACE HOLE LOCATION**  
565' FSL & 1,660' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,739.32'  
EAST: 750,262.21'  
LAT: 32.71273681  
LONG: -103.65474524

**FIRST TAKE POINT**  
100' FNL & 660' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 623,065.57'  
EAST: 749,267.15'  
LAT: 32.71102599  
LONG: -103.65730431

**LAST TAKE POINT**  
100' FSL & 660' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,613.85'  
EAST: 749,344.50'  
LAT: 32.68229801  
LONG: -103.65726943

**BOTTOM OF HOLE**  
50' FSL & 660' FWL  
NEW MEXICO EAST - NAD 83  
NORTH: 612,563.85'  
EAST: 749,344.88'  
LAT: 32.68216058  
LONG: -103.65726923

**SURFACE HOLE LOCATION**  
565' FSL & 1,660' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,675.64'  
EAST: 709,082.84'  
LAT: 32.71261479  
LONG: -103.65408764

**FIRST TAKE POINT**  
100' FNL & 660' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 623,001.79'  
EAST: 708,087.91'  
LAT: 32.71090406  
LONG: -103.65680539

**LAST TAKE POINT**  
100' FSL & 660' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,550.36'  
EAST: 708,164.97'  
LAT: 32.68217598  
LONG: -103.65677162

**BOTTOM OF HOLE**  
50' FSL & 660' FWL  
NEW MEXICO EAST - NAD 27  
NORTH: 612,500.36'  
EAST: 708,165.35'  
LAT: 32.68203855  
LONG: -103.65677143

**17 OPERATOR CERTIFICATION**  
*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**18 SURVEYOR CERTIFICATION**  
*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Date of Survey \_\_\_\_\_

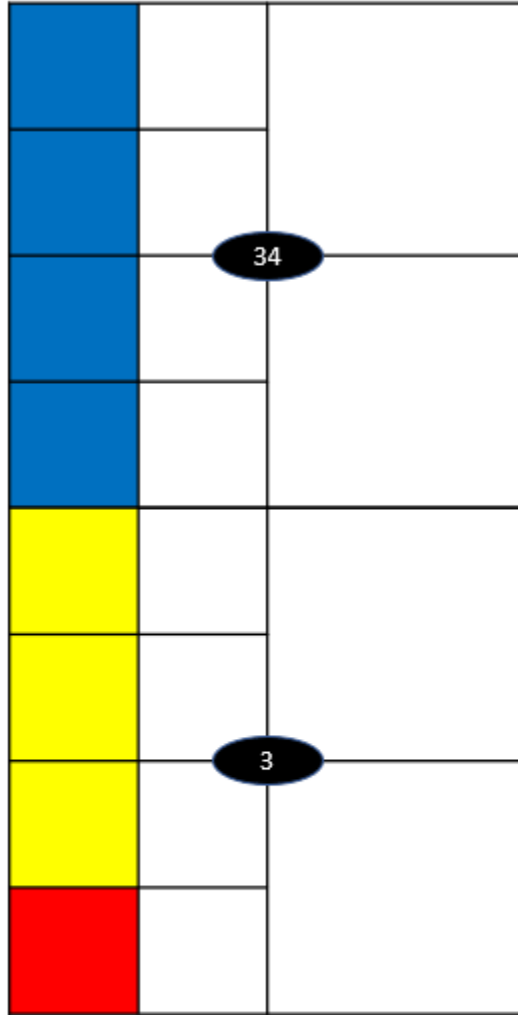
Signature and Seal of Professional Surveyor: \_\_\_\_\_

Certificate Number \_\_\_\_\_

**SKYLARK 34-3 FED COM 1BS 1H**

**SKYLARK 34-3 FED COM 2BS 5H**

W2W2 of Section 34, Township 18 South, Range 33 East  
Lot 4, SWNW, W2SW of Section 3, Township 19 South, Range 33 East  
Lea County, New Mexico



- Tract 1 NM-01177A
- Tract 2 NM-064153
- Tract 3 NM-064153

**EXHIBIT  
A-2**

TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian LLC	75.000000%
SITL Energy, LLC	8.333333%
Osprey Oil and Gas II, LLC	8.333333%
REB Resources, LLC	<u>8.333334%</u>
	100.000000%

TRACT 3 OWNERSHIP (NM-064153)

Earthstone Permian LLC	50.000000%
ConocoPhillips Company	<u>50.000000%</u>
	100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian LLC	59.511011%
ConocoPhillips Company	30.977975%
SITL Energy, LLC	3.170338%
Osprey Oil and Gas II, LLC	3.170338%
REB Resources, LLC	<u>3.170338%</u>
	100.000000%

WI Parties To Force Pool

Osprey Oil and Gas II, LLC



**EARTHSTONE** Operating, LLC  
1400 Woodloch Forest Drive, Suite 300  
The Woodlands, TX 77380  
Office: 281-298-4246  
Fax: 832-823-0478

December 1, 2022

VIA FED-X

SITL Energy, LLC  
308 N. Colorado, Ste 200  
Midland, TX 79701

**Re: Skylark 34-3 Fed Com 1BS 1H, Skylark 34-3 Fed Com 2BS 5H  
W2W2 of Section 34, T18S-R33E  
Lot 4, SWNW, W2SW of Section 3, T19S-R33E  
Lea County, New Mexico**

Dear Working Interest Partner:

Earthstone Operating, LLC ("Earthstone") proposes to drill and operate the subject wells to test the Bone Spring formation. Enclosed are Authorities for Expenditure ("AFE") reflecting estimated costs to drill, test, complete, and equip the wells.

In connection with the above:

- **Skylark 34-3 Fed Com 1BS 1H:** to be drilled from a proposed surface hole location of 565' FSL & 1630' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FWL of Section 3-19S-33E with an expected measured depth of 19,500'.
- **Skylark 34-3 Fed Com 2BS 5H:** to be drilled from a proposed surface hole location of 565' FSL & 1660' FWL of Section 27-18S-33E to a proposed bottom hole location of 50' FSL & 660' FWL of Section 3-19S-33E with an expected measured depth of 20,600'.

Earthstone hereby proposes the creation of a 322.81 acre working interest unit consisting of the W2W2 of Section 34, T18S-R33E and Lot 4, SWNW, W2SW of Section 3, T19S-R33E, to be governed by a modified 1989 AAPL Model Form Operating Agreement with the following general provisions:

- Limited to the Bone Spring Formation.
- 100/300 non-consent penalties
- \$7,500/\$750 fixed drilling and production overhead rates
- Earthstone Operating, LLC named as Operator

**EXHIBIT  
A-3**

Please indicate your election in the space provided below and return one copy of this letter to the undersigned. Should you elect to participate, please also sign and return one copy of each AFE, along with an executed copy of the Operating Agreement.

Sincerely,

Matt Solomon  
Senior Landman  
713-379-3083  
msolomon@earthstoneenergy.com

SITL Energy, LLC hereby elects to:

\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 1BS 1H**.

\_\_\_\_\_ Non-consent/farmout/assign its interest in **Skylark 34-3 Fed Com 1BS 1H**, subject to acceptable terms.


\_\_\_\_\_ Participate for its proportionate share in the drilling & completion of the **Skylark 34-3 Fed Com 2BS 5H**


\_\_\_\_\_ Non-consent/farmout/assign its interest in the **Skylark 34-3 Fed Com 2BS 5H** subject to acceptable terms.

SITL Energy, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 1BS 1H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 1st BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 19,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 131,300
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 536,000	1433/400	WELLHEAD EQUIPMENT	\$ 65,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,114,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 655,300</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1450/ 20	LOCATION AND ROADS	\$ 13,500	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
1450/ 90	FUEL, POWER & WATER	\$ 1,000	1452/315	METER EQUIPMENT	\$ 15,000
1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200	1452/340	SEPARATORS	\$ 115,000
1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000	1452/345	HEATER TREATER	\$ 45,000
1450/195	CONTRACT LABOR	\$ 70,000	1452/355	GATHERING LINE	\$ 175,000
1450/260	SUPERVISION/ENGINEERING	\$ 25,000	1452/360	STOCK TANKS	\$ 110,000
1450/270	ADMINISTRATIVE/OVERHEAD	\$ -	1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
1450/290	FACILITES MISCELLANEOUS	\$ 10,000	1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	1452/390	FACILITES	\$ 45,000
<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 680,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 865,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,712,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,688,548</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,400,548</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

			<h2 style="text-align: center;">Earthstone Operating, LLC</h2> <h3 style="text-align: center;">Statement of Estimated Well Cost</h3>		
<b>Well Name:</b> Skylark 34-3 Fed Com 2BS 5H		<b>Project Description:</b>			
<b>Field Name:</b> Ranger		4 WELL PAD. Estimate is for the drilling of a 2-Mile 2nd BSS lateral in Lea County, NM. 10-3/4" Surface casing will be preset at 1650' MD. The intermediate section will be a 9-7/8" hole drilled to 5,600' MD with 8-5/8" casing set. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,600 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.			
<b>Location:</b> Lea Co., NM					
<b>AFE #:</b> 22 - XX - XXXX					
DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 17,500
1420/ 20	LOCATION AND ROADS	\$ 65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 358,400
1420/ 30	RIG MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 168,268
<b>DRILLING INTANGIBLE TOTAL</b>		<b>\$ 2,598,000</b>	<b>COMPLETION INTANGIBLE TOTAL</b>		<b>\$ 5,167,548</b>
DRILLING TANGIBLE			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
1430/320	SURFACE CASING	\$ 130,000	1433/320	FLOWLINE	\$ 9,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/370	TUBING	\$ 147,800
1430/340	DRILLING LINERS	\$ -	1433/380	PUMPING UNIT	\$ -
1430/350	PRODUCTION CASING	\$ 567,000	1433/400	WELLHEAD EQUIPMENT	\$ 50,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
1430/405	DOWNHOLE TOOLS	\$ -	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 80,000
			1433/417	FRAC INCIDENTAL	\$ -
<b>DRILLING TANGIBLE TOTAL</b>		<b>\$ 1,145,000</b>	<b>COMPLETION TANGIBLE TOTAL</b>		<b>\$ 656,800</b>
FACILITIES INTANGIBLE			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1450/ 20	LOCATION AND ROADS	\$ 13,500	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
1450/ 90	FUEL, POWER & WATER	\$ 1,000	1452/315	METER EQUIPMENT	\$ 15,000
1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200	1452/340	SEPARATORS	\$ 115,000
1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000	1452/345	HEATER TREATER	\$ 45,000
1450/195	CONTRACT LABOR	\$ 70,000	1452/355	GATHERING LINE	\$ -
1450/260	SUPERVISION/ENGINEERING	\$ 25,000	1452/360	STOCK TANKS	\$ 110,000
1450/270	ADMINISTRATIVE/OVERHEAD	\$ -	1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
1450/290	FACILITES MISCELLANEOUS	\$ 10,000	1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
<b>FACILITIES INTANGIBLE TOTAL</b>		<b>\$ 185,700</b>	1452/390	FACILITES	\$ 45,000
<b>FACILITIES TANGIBLE TOTAL</b>		<b>\$ 505,000</b>	<b>FACILITIES TOTAL</b>		<b>\$ 690,700</b>
<b>TOTAL DRILLING COSTS</b>		<b>\$ 3,743,000</b>	<b>TOTAL COMPLETION/FACILITIES COSTS</b>		<b>\$ 6,515,048</b>
			<b>TOTAL ESTIMATED WELL COST</b>		<b>\$ 10,258,048</b>
<b>Operator Approval</b>			<b>Participant Approval</b>		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

Case 23371

Company	Contact	Date
Osprey Oil and Gas II, LLC	Mail	12/1/2022
		2/9/2023
	Email	2/8/2023
		2/9/2023
	Phone calls	2/23/2023

EXHIBIT  
**A-4**

## TAB 3

Case No. 23371

- Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist
- Exhibit B-1: Structure Map – 1<sup>st</sup> Bone Spring Sand Structure
- Exhibit B-2: Structure Map – 2<sup>nd</sup> Bone Spring Sand Structure
- Exhibit B-3: Stratigraphic Cross Section – 1<sup>st</sup> Bone Spring Sand Datum
- Exhibit B-4: Stratigraphic Cross Section – 2<sup>nd</sup> Bone Spring Sand Datum
- Exhibit B-5: Gross Isochore – 1<sup>st</sup> Bone Spring Sand Isopach
- Exhibit B-6: Gross Isochore – 2<sup>nd</sup> Bone Spring Sand Isopach
- Exhibit B-7: Gun Barrel View

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

**APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT  
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23371

**SELF-AFFIRMED STATEMENT OF JASON ASMUS**

I, Jason Asmus, being duly sworn on oath, state the following:

1. I am over the age of 18, and I have personal knowledge of the matters stated herein.
2. I am employed as a petroleum geologist for Earthstone Operating, LLC (“Earthstone”), and I am familiar with the subject application and the geology involved.
3. I graduated in 2012 from Western Michigan University with a master’s degree in Geology. I have worked at Earthstone Energy for approximately 1 year, and I have been working in New Mexico for 11 years. My credentials as a petroleum geologist have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This statement is submitted in connection with the filing by Earthstone of the above-referenced compulsory pooling application pursuant to 19.15.4.12.A(1) NMAC.
5. **Exhibit B-1** and **Exhibit B-2** are structure maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss with contour interval of 50’. The unit being pooled is outlined by red rectangle. The structure map shows that there is a regional down-dip to the S-SE. I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval

**EXHIBIT  
B**

6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1<sup>st</sup> Bone Spring Ss and Top 2<sup>nd</sup> Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss target zones. The landing zones are highlighted by black text and brackets.

7. Additional exhibits for the benefit of the Division's review include **Exhibit B-5** and **Exhibit B-6**, gross isochore maps of the 1<sup>st</sup> and 2<sup>nd</sup> Bone Spring Ss formations, as well as **Exhibit B-7**. **Exhibit B-7** is a gun barrel representation of the unit and shows vertical and lateral spacing of the Skylark 34-3 Fed Com 1BS 1H, and the Skylark 34-3 Fed Com 2BS 5H. Exhibits B-1 through B-7 are the same for the applications in Case Nos. 23368, 23369 and 23370.

8. I conclude from the attached exhibits that:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the unit will contribute more or less equally to production.

9. The preferred well orientation in this area is North-South, or East-West so that the wells run sub-perpendicular to the inferred orientation of the maximum horizontal stress.

10. The Exhibits to this Statement were prepared by me or compiled from Earthstone's company business records under my direct supervision.

11. The granting of this Application is in the interests of conservation, the prevention of waste and the drilling of unnecessary wells, and the protection of correlative rights.

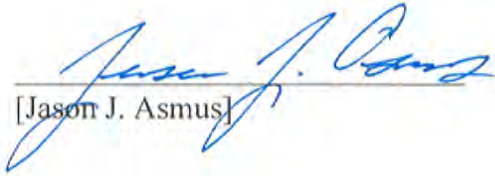
12. The foregoing is correct and complete to the best of my knowledge and belief.

13. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of [Jason J. Asmus]:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23371 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
[Jason J. Asmus]

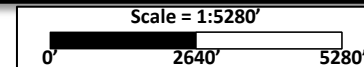
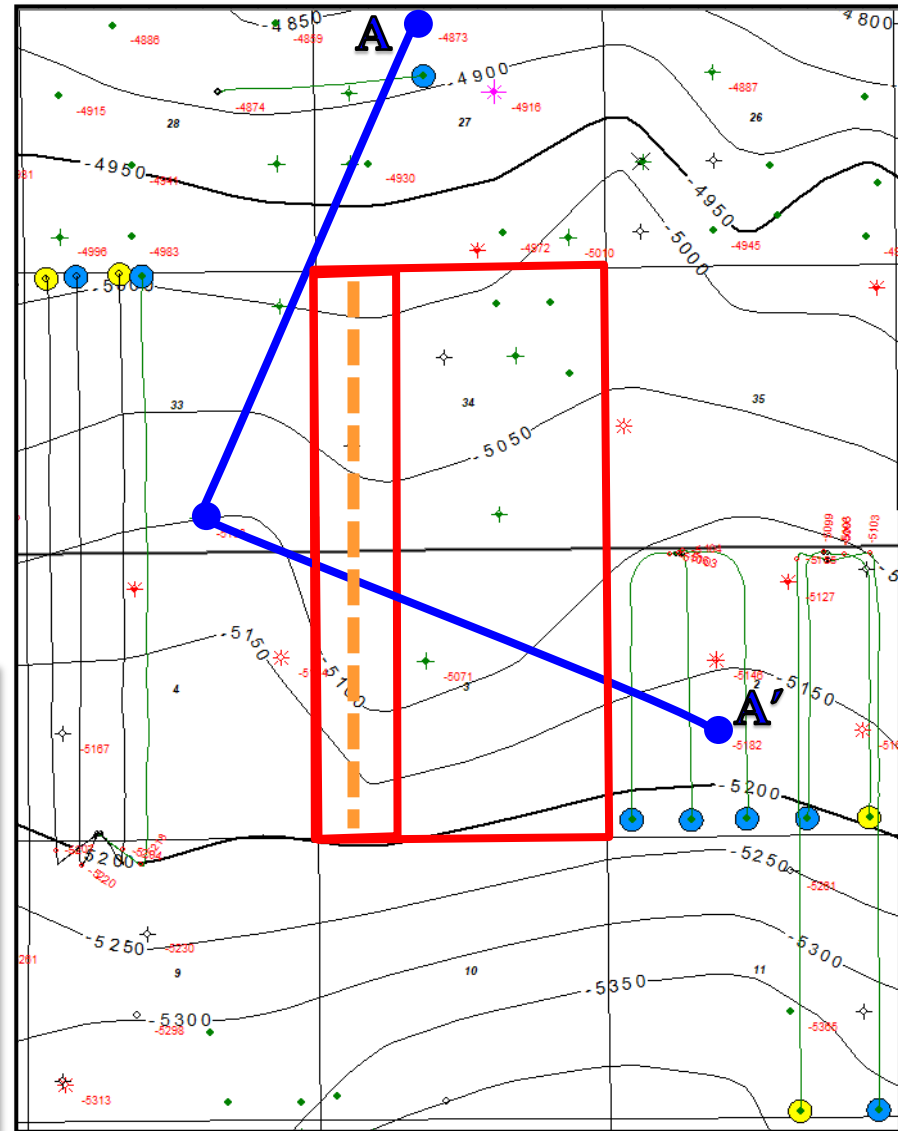
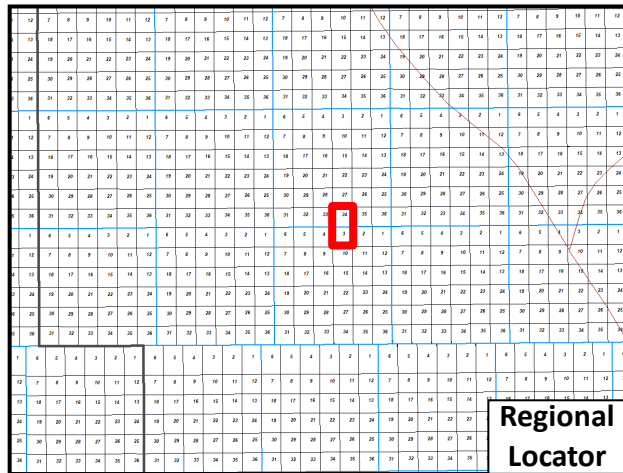
2/28/2023

Date Signed



# Exhibit B-1 1<sup>st</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

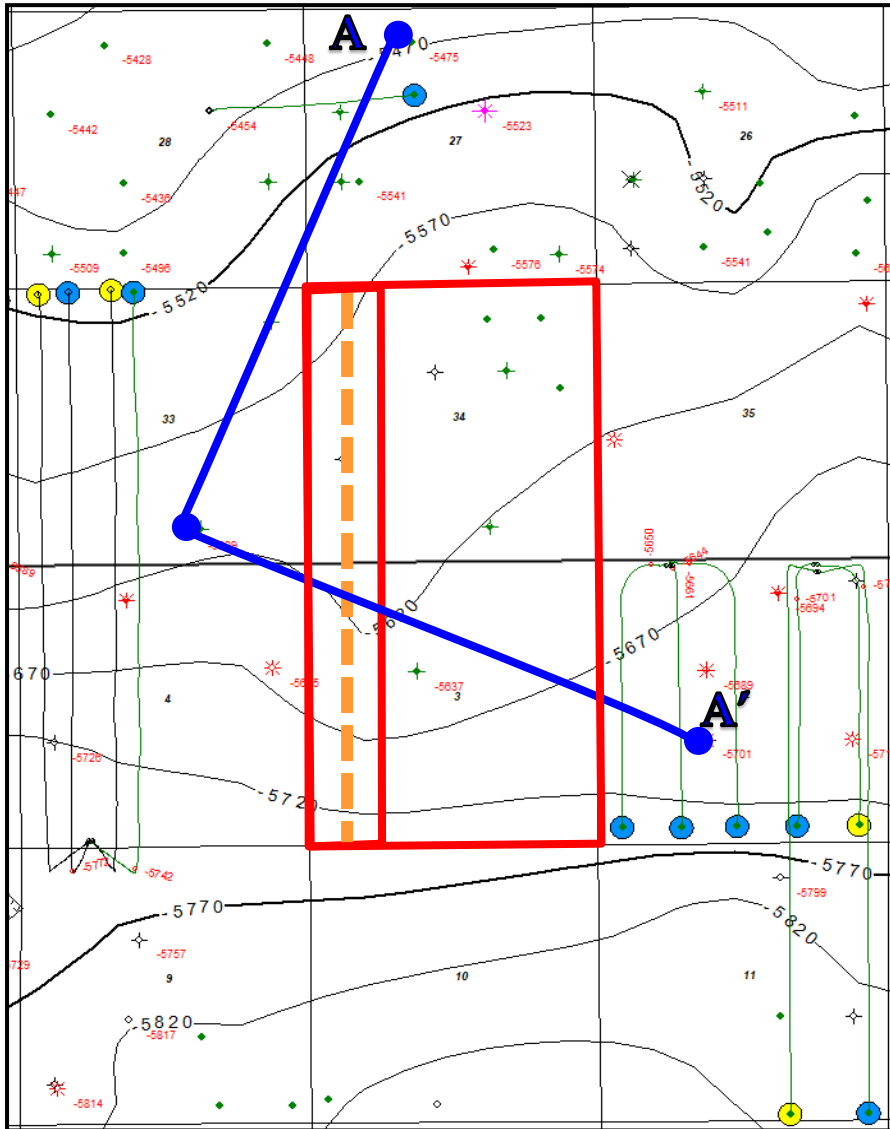
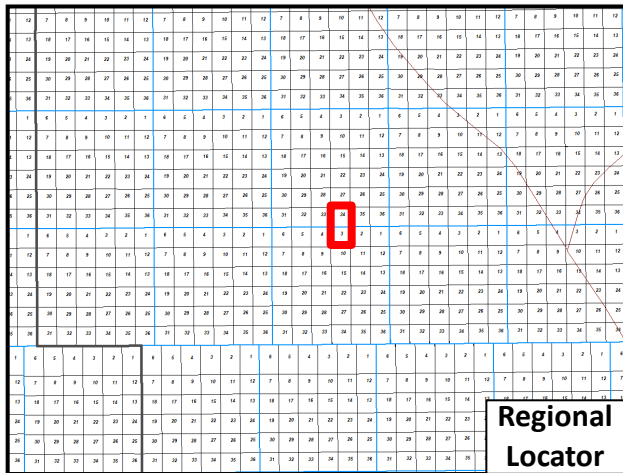
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT  
B-1**

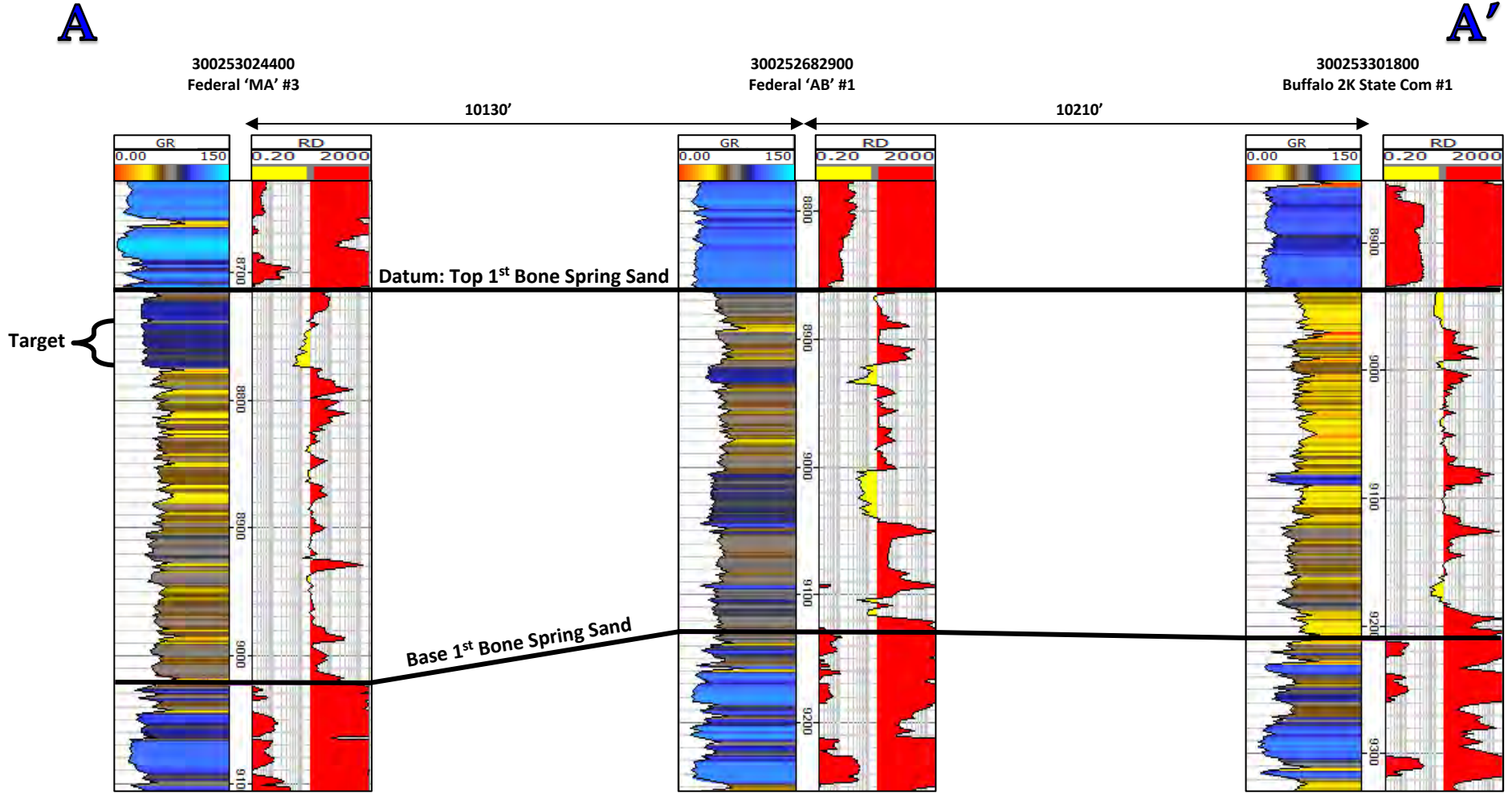
# Exhibit B-2 2<sup>nd</sup> Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



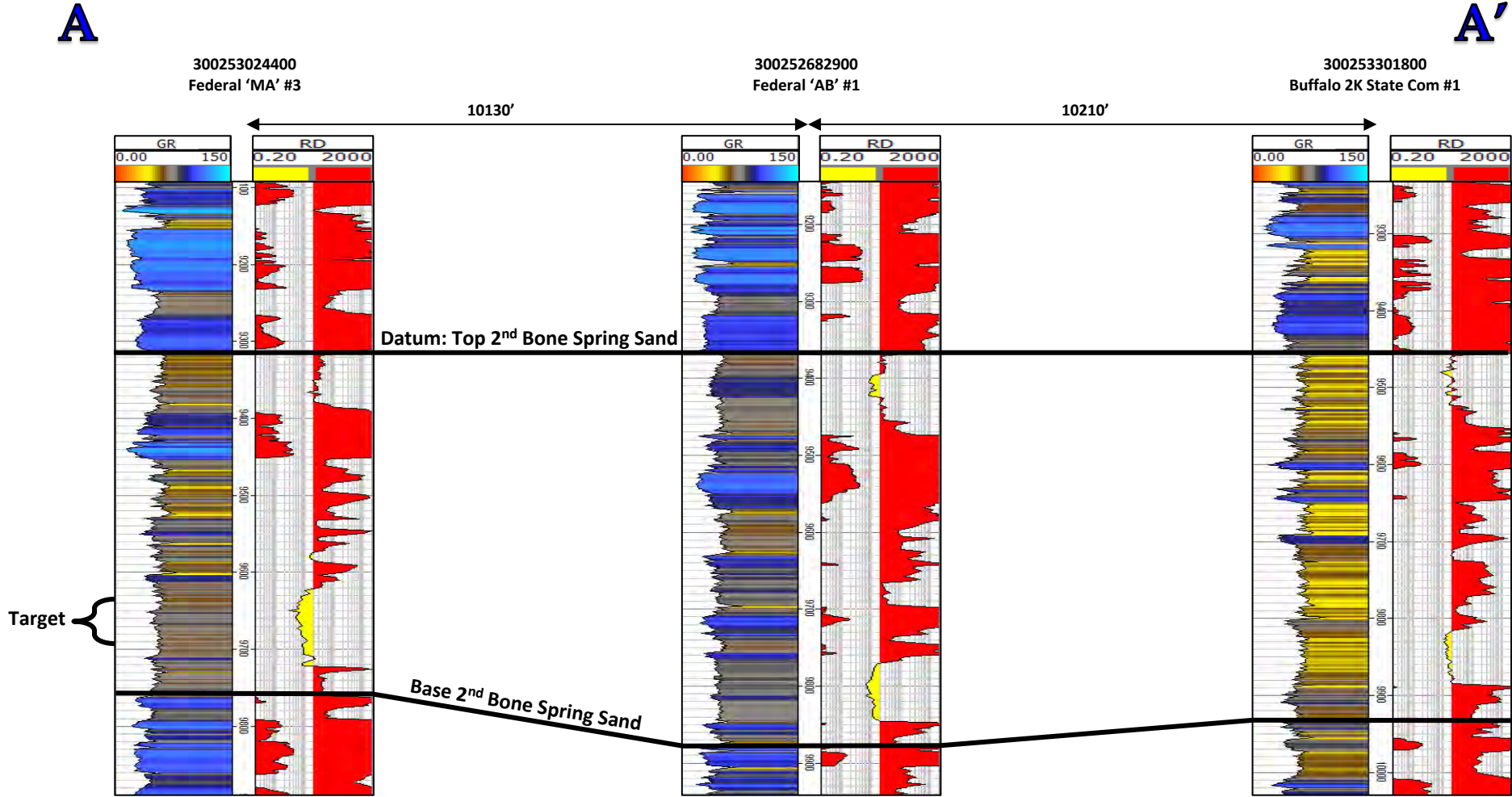
**EXHIBIT B-2**

# Exhibit B-3 Stratigraphic Cross Section A-A': 1<sup>st</sup> Bone Spring Sand Datum



**EXHIBIT B-3**

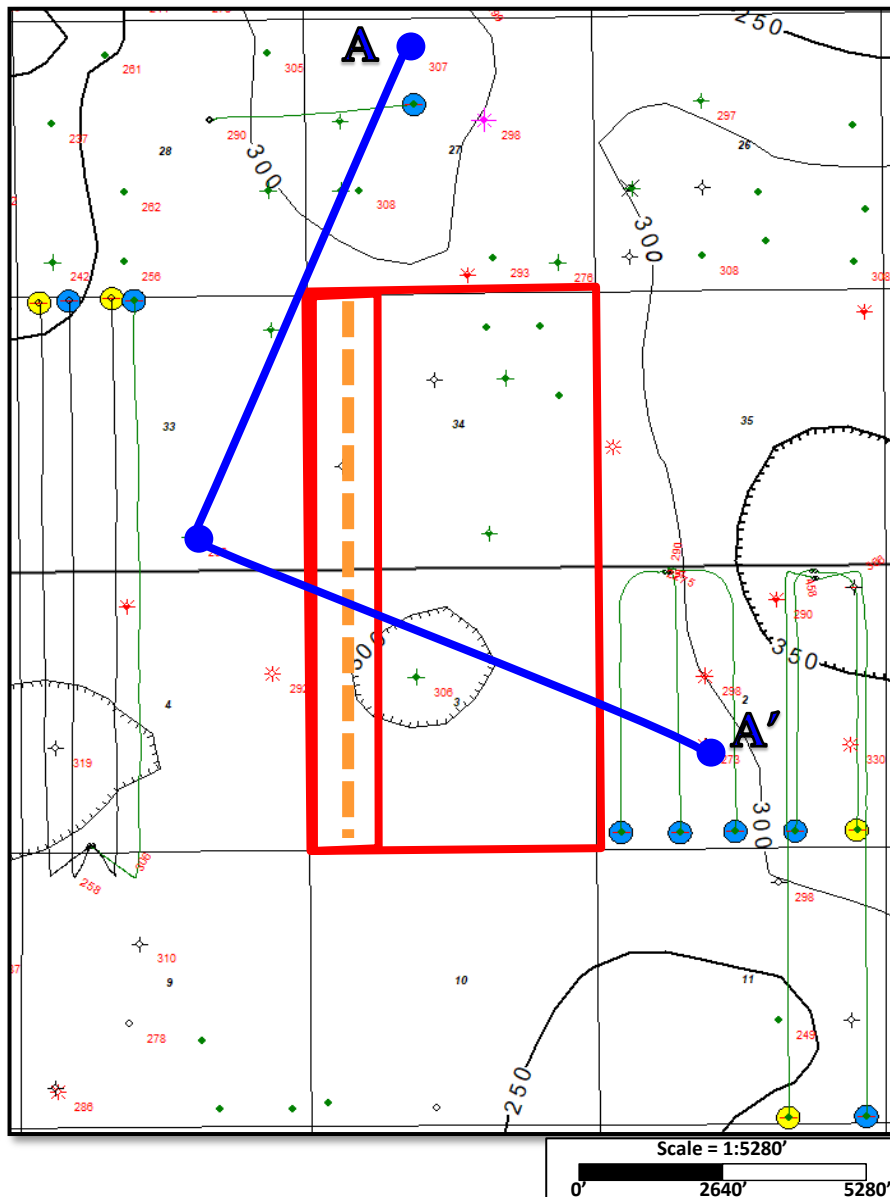
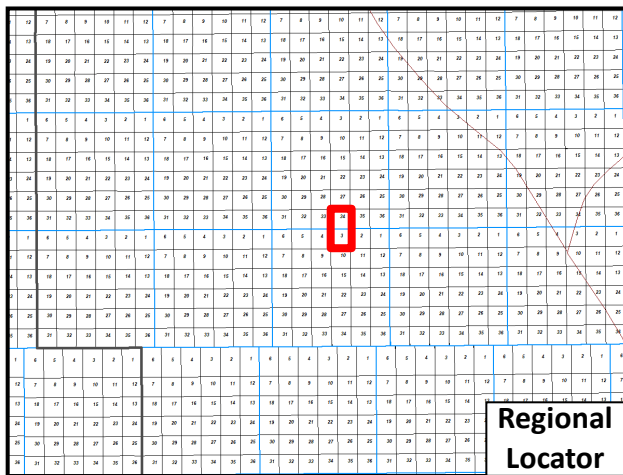
# Exhibit B-4 Stratigraphic Cross Section A-A': 2<sup>nd</sup> Bone Spring Sand Datum



**EXHIBIT  
B-4**

# Exhibit B-5 1<sup>st</sup> Bone Spring Sand Isopach: Contour Interval = 50'

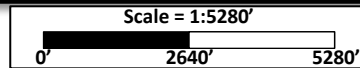
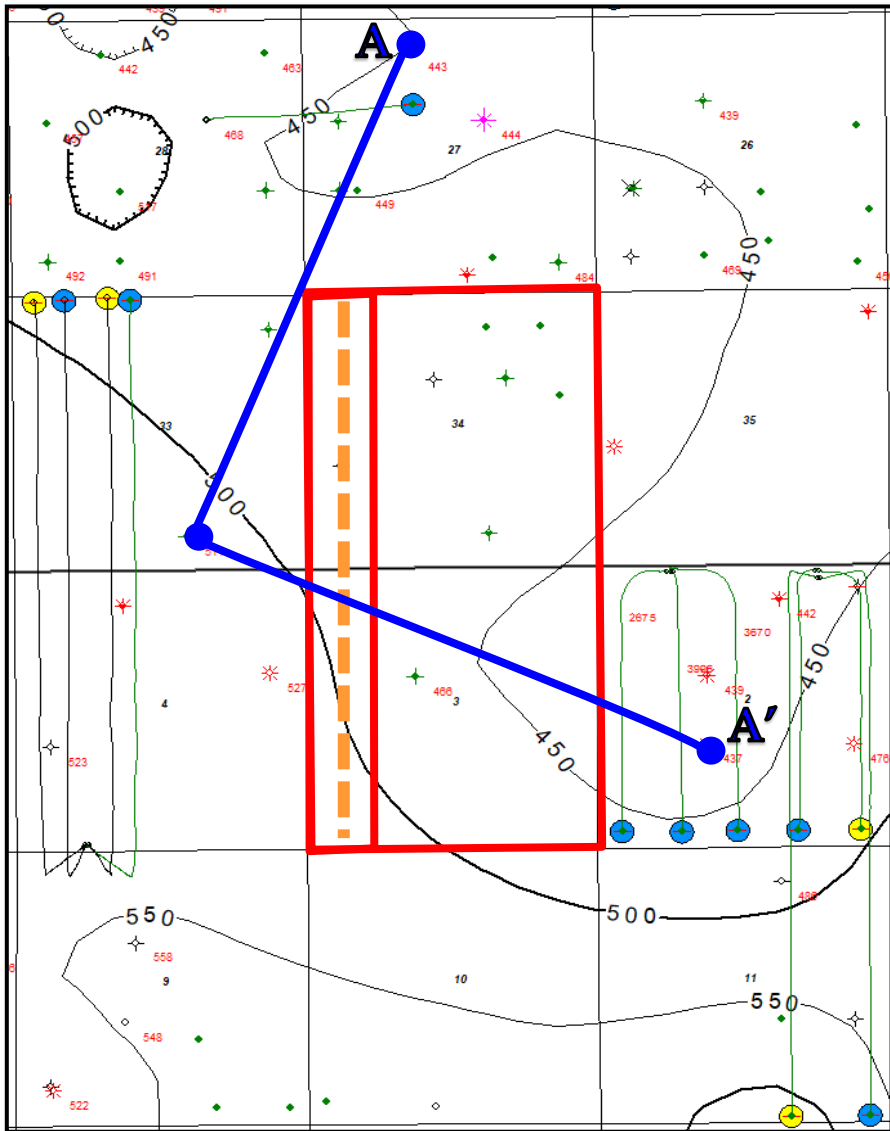
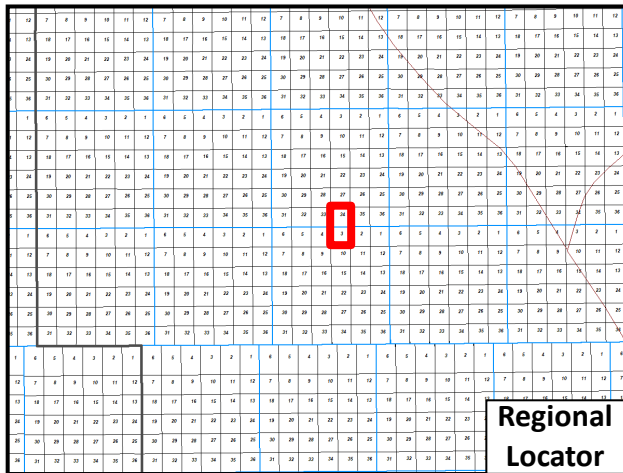
- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-5**

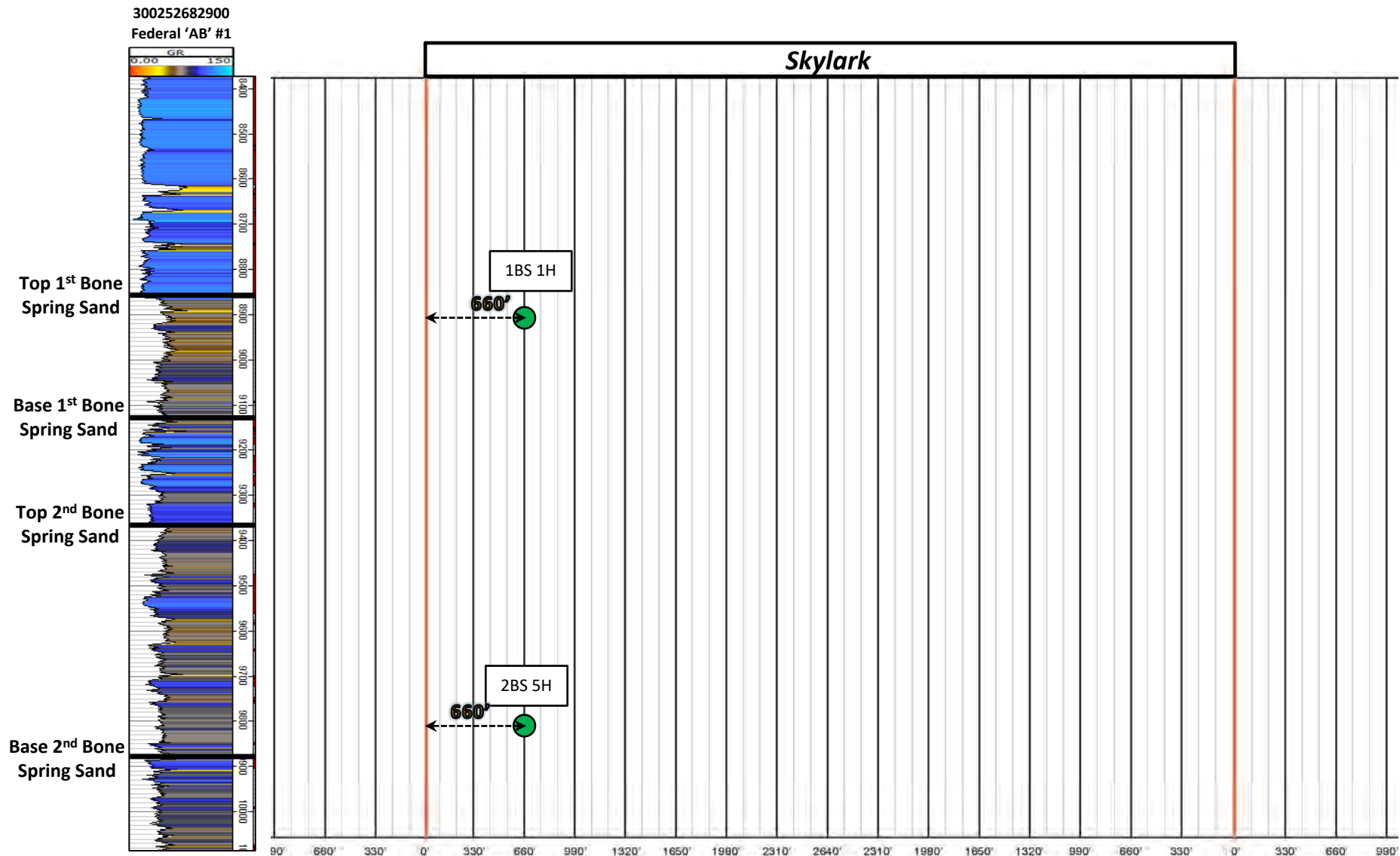
# Exhibit B-6 2<sup>nd</sup> Bone Spring Sand Isopach: Contour Interval = 50'

- - 1<sup>st</sup> Bone Spring Sand
- - 2<sup>nd</sup> Bone Spring Sand



**EXHIBIT B-6**

# Exhibit B-7 Gun Barrel



## **TAB 4**

Case No. 23371

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letter  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavit of Publication



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

**APPLICATIONS OF EARTHSTONE OPERATING, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

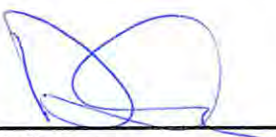
Case Nos. 23368, 23369, 23370, and 23371

**AFFIDAVIT OF NOTICE**

STATE OF NEW MEXICO )  
  ) ss.  
COUNTY OF SANTA FE )

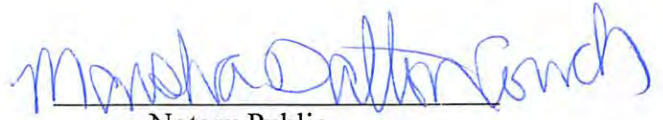
I, Darin C. Savage, attorney and authorized representative of Earthstone Operating, LLC (“Earthstone”), the Applicant herein, being first duly sworn, upon oath, states the following:

1. Notice of the applications and hearing in the above-reference cases was timely sent by certified mail, return receipt requested, through the United States Postal Service on February 9, 2023, to all uncommitted interest owners sought to be pooled in this proceeding. See Exhibit C-2, attached hereto. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits C-1 and C-2.
2. Notice was sent to the Hobbs Daily News-Sun, a newspaper of general circulation in Lea County, New Mexico, and timely published in said newspaper on February 9, 2023. See Exhibit C-3.
3. It is my understanding that Earthstone has made a reasonably diligent effort to find the names and addresses for the interest owners entitled to receive notice of the application and case herein.

  
\_\_\_\_\_  
Darin C. Savage

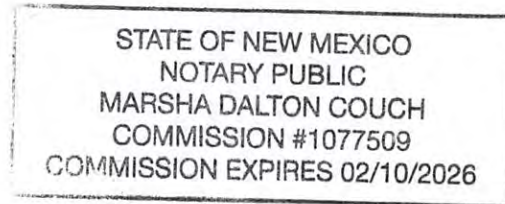
**EXHIBIT  
C**

SUBSCRIBED AND SWORN to before me this 28th day of February, 2023, by Darin C. Savage.

  
Notary Public

My Commission Expires:

02/10/2026





For the Pursuit of Energy

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

February 9, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Earthstone Operating, LLC, for a horizontal spacing unit and compulsory pooling, Lea County, New Mexico  
Skylark 34-3 Fed Com 1BS 1H Well (Case No. 23371)  
Skylark 34-3 Fed Com 2BS 5H Well (Case No. 23371)

Case Nos. 23371:

Dear Interest Owners:

This letter is to advise you that Earthstone Operating, LLC (“Earthstone”), has filed the enclosed application, Case No. 23371, with the New Mexico Oil Conservation Division (“Division”) for the compulsory pooling of units in the Bone Spring formation.

In Case No. 23371, Earthstone seeks to pool the Bone Spring formation underlying the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, a standard unit encompassing 322.81 acres, more or less, dedicated to the above-referenced 1H and 5H Wells.

A hearing has been requested before a Division Examiner on March 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

abadieschill.com

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

EXHIBIT  
C-1

You are being notified as an interest owner (subject to title examination) and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Matthew Solomon at (713) 379-3083 or at [msolomon@earthstoneenergy.com](mailto:msolomon@earthstoneenergy.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Earthstone Operating, LLC

Mail Activity Report - CertifiedPro.net  
Mailed from 1/28/2023 to 2/27/2023  
User Name: abadieschill  
Generated: 2/27/2023 3:07:59 PM

USPS Article Number	Reference Number	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	User ID	Mailing Status	Service Options
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9314869904300104294682	4221.1	2/9/23	SITL ENERGY, LLC	308 N COLORADO ST STE 200		MIDLAND	TX	79701-4631	21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300104294699	4221.1	2/9/23	R.E.B. RESOURCES, LLC	308 N COLORADO ST STE 200		MIDLAND	TX	79701-4631	21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300104294705	4221.1	2/9/23	OSPREY OIL AND GAS II, LLC	707 N CARRIZO ST		MIDLAND	TX	79701-3240	21902	Delivered	Return Receipt - Electronic, Certified Mail

EXHIBIT  
C-2



February 14, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2947 05.**

**Item Details**

<b>Status:</b>	Delivered, Left with Individual
<b>Status Date / Time:</b>	February 13, 2023, 01:10 p.m.
<b>Location:</b>	MIDLAND, TX 79701
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	OSPREY OIL AND GAS II LLC



**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

<b>Street Address:</b>	707 N CARRIZO ST
<b>City, State ZIP Code:</b>	MIDLAND, TX 79701-3240

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1



February 14, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 99.**

**Item Details**

**Status:** Delivered, Front Desk/Reception/Mail Room  
**Status Date / Time:** February 13, 2023, 12:06 p.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** R E B RESOURCES LLC



**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

**Street Address:** 308 N COLORADO ST STE 200  
**City, State ZIP Code:** MIDLAND, TX 79701-4631

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
 475 L'Enfant Plaza SW  
 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1



February 14, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 82.**

**Item Details**

<b>Status:</b>	Delivered, Front Desk/Reception/Mail Room
<b>Status Date / Time:</b>	February 13, 2023, 12:06 p.m.
<b>Location:</b>	MIDLAND, TX 79701
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	SITL ENERGY LLC



**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

<b>Street Address:</b>	308 N COLORADO ST STE 200
<b>City, State ZIP Code:</b>	MIDLAND, TX 79701-4631

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1





February 15, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0104 2946 75**.

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** February 14, 2023, 07:54 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** CONOCOPHILLIPS COMPANY

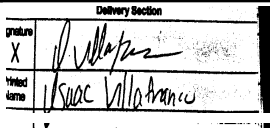
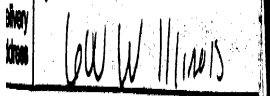
**Shipment Details**

**Weight:** 2.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
 475 L'Enfant Plaza SW  
 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4221.1

# Affidavit of Publication

STATE OF NEW MEXICO  
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated  
February 09, 2023  
and ending with the issue dated  
February 09, 2023.

  
\_\_\_\_\_  
Publisher

Sworn and subscribed to before me this  
9th day of February 2023.

  
\_\_\_\_\_  
Business Manager

My commission expires  
January 29, 2027

(Seal) STATE OF NEW MEXICO  
NOTARY PUBLIC  
GUSSIE RUTH BLACK  
COMMISSION # 1087526  
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

**LEGAL NOTICE**  
February 9, 2023

**CASE No. 23371: Notice to all affected parties and persons having any right, title, interest or claim to this case, including owners of working interest, overriding royalty interest, and record title, among others, as well as the known and unknown heirs, devisees, assigns and successors of CONOCOPHILLIPS COMPANY; SITL ENERGY, LLC; OSPREY OIL AND GAS II, LLC; and R.E.B. RESOURCES, LLC, of Earthstone Operating, LLC's application for approval of a spacing unit and compulsory pooling, Lea County, New Mexico.** The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on March 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441. Earthstone Operating, LLC., at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, TX 77380, seeks an order from the Division: (1) establishing a standard 322.81-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 18 South, Range 33 East, NMPM, and Lot 4 (NW/4 NW/4 equivalent), SW/4 NW/4, and the W/2 SW/4 of Section 3, Township 19 South, Range 33 East, NMPM, all in Lea County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the **Skylark 34-3 Fed Com 1BS 1H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E; and the **Skylark 34-3 Fed Com 2BS 5H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 27-T18S-R33E, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 3-T19S-R33E. The wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 30 miles west of Hobbs, New Mexico.  
#00275656

67115820

00275656

DAVID SESSIONS  
ABADIE SCHILL  
555 RIVERGATE LANE 84-180  
DURANGO, CO 81301

**EXHIBIT**  
**C-3**