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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	Exhibit C-3:	Affidavit of Publication

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

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 323.63-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.

Received by OCD: 2/28/2023 11:10:16 PM Page 11 of 186 COMPULSORY POOLING APPLICATION CHECKLIST ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS Case: 23368 APPLICANT'S RESPONSE Date: March 2, 2023 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 Formation/Pool Formation Name(s) or Vertical Extent: **Bone Spring Formation** Primary Product (Oil or Gas): Ex. A, Paras. 5&6; 4H Well: TVD apprx. 9059'; 8H Well: TVD Pooling this vertical extent: apprx. 9800' Pool Name and Pool Code: Mescalero Escarpe; Bone Spring [45793] Well Location Setback Rules: Statewide Rules apply Spacing Unit 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 and is

No

No

Nο

See Exhibit A-2

Skylark 34-3 Fed Com 1BS 4H (API Pending)

Completion Target: Bone Spring Well Orientation: North to South Standup, Standard location

Skylark 34-3 Fed Com 1BS 4H

FTP: 100' FNL, 660' FEL, 34-18S-R33E LTP: 100' FSL, 660' FEL, 3-19S-R33E

SHL: Unit P: 230' FSL & 1275' FEL of Section 27-18S-R33E BHL: Unit P: 50' FSL & 660' FEL of Section 3-19S-33E

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Horizontal Well First and Last Take Points

Depth Severance: Y/N. If yes, description

Proximity Defining Well: if yes, description

Proximity Tracts: If yes, description

Applicant's Ownership in Each Tract

approval of non-standard unit requested in this application?

Other Situations

Well(s) Well #1

Completion Target (Formation, TVD and MD)	Bone Spring formation; Skylark 34-3 Fed Com 1BS 4H: TVD: 9059'; TMD: 19,500'.
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Well #2	Skylark 34-3 Fed Com 2BS 8H (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
Horizontal Well First and Last Take Points	Standup, Standard location Skylark 34-3 Fed Com 2BS 8H
Honzontal Well First and East Take Foliits	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; Skylark 34-3 Fed Com 2BS 8H: TVD: 9800'; TMD: 20,600'
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	7500, Exhibit A
Production Supervision/Month \$	750, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%, Exhibit A
Notice of Hearing	
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
Ownership Determination	
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 Ownership Depth Severance (including percentage above & below	Exhibit A, Para 12 (None)
Ownership Depth Severance (including percentage above & belt	None, N/A
Joinder	
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
Geology	
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

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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
Forms, Figures and Tables	
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)	Exhbiit B-7
Cross Section (including Landing Zone)	Exhbits B-3, B-4
Additional Information	
Special Provisions/Stipulations	None
CERTIFICATION: I hereby certify that the information provide	d in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Darin C. Savage
Signed Name (Attorney or Party Representative):	/s/ Darín Savage
Date:	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.



- Under <u>Case No.</u> 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

2/23/2023

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 <u>District IV</u>

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

¹ API Numbe	er	² Pool Code	³ Pool Name	
		45793	MESCALERO ESCARPE, BO	NE SPRING
⁴ Property Code		⁵ Pr	operty Name	⁶ Well Number
		SKYLARK 3	4-3 FED COM 1BS	4H
⁷ OGRID No.		8 OI	perator Name	⁹ Elevation
		EARTHSTONE	E OPERATING, LLC	3,801.4'

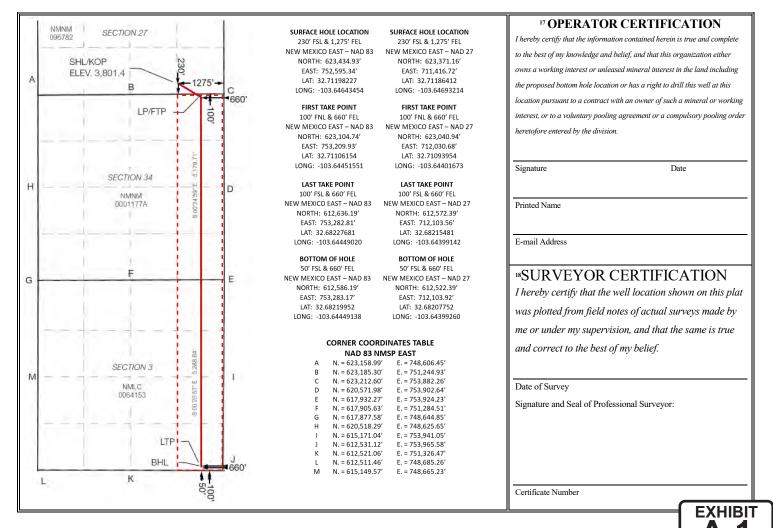
¹⁰ Surface Location

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

¹¹ Bottom Hole Location If Different From Surface

UL or lot no. P	Section 3	Township 19 S	Range 33 E	Lot Idn	Feet from the 50	North/South line SOUTH	Feet from the 660	East/West line EAST	County LEA
12 Dedicated Acres 323.63	13 Joint of	r Infill 14 C	Consolidation	Code 15 Or	der 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.



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II

<u>District II</u> 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720

<u>District III</u> 1000 Rio Brazos Road, Aztec, NM 87410

Phone: (505) 334-6178 Fax: (505) 334-6170 <u>District IV</u>
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

¹ API Numbe	er	² Pool Code	³ Pool Name	
		45793	MESCALERO ESCARPE, BO	NE SPRING
⁴ Property Code		⁵ Pr	operty Name	⁶ Well Number
		SKYLARK 3	4-3 FED COM 2BS	8H
⁷ OGRID No.		8 OI	perator Name	⁹ Elevation
		EARTHSTONI	E OPERATING, LLC	3,801.4'

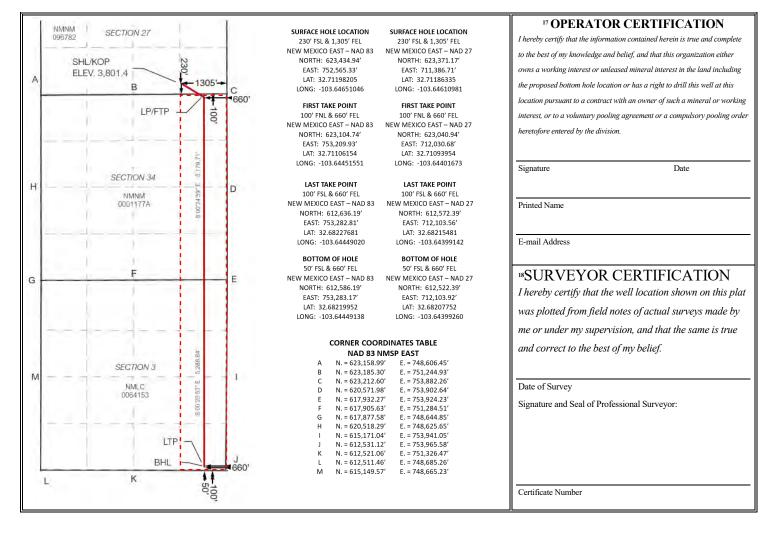
¹⁰ Surface Location

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

¹¹ Bottom Hole Location If Different From Surface

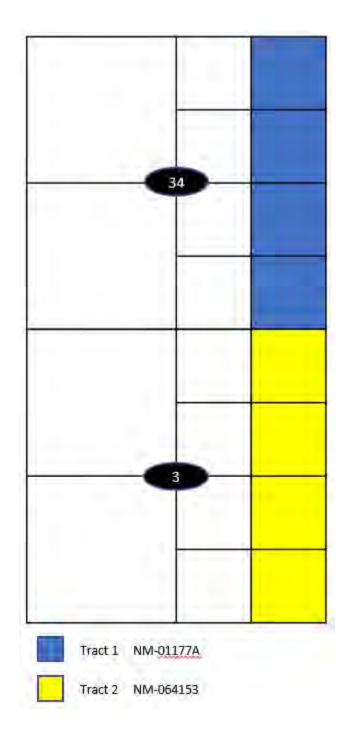
UL or lot no.	Section 3	Township 19 S	Range 33 E	Lot Idn	Feet from the 50	North/South line SOUTH	Feet from the 660	East/West line EAST	County LEA
12 Dedicated Acres 323.63	¹³ Joint of	r Infill 14 C	Consolidation	Code 15 Or	der No.				

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.



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





TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC 50.000000%
ConocoPhillips Company 50.000000%
100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 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'.



- **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@earthstonenergy.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:



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 1BS 4H Field Name: Ranger Location: Lea Co., NM **AFE #**: 22 - XX - XXXX

Project Description: 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.

ACCOUNT CODE	DRILLING INTANGIBLE				COMPLETION INTANGIBLE		
	ITEM DESCRIPTION		AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$	6,000	1432/ 10	LEASE / STAKE / PERMIT	\$	2,50
	NSPECTION	\$	10,000	1432/ 20	LOCATION AND ROADS	\$	17,50
	LOCATION AND ROADS	\$	65,000	1432/70	COMPLETION/WORKOVER RIG	\$	46,40
	SURFACE DAMAGES	\$	22,500	1432/ 90	FUEL, POWER & WATER	\$	358,40
	RIG MOBILIZATION	\$	80,000	1432/110	TRUCKING/VACUUM TRUCK	\$	15,00
	DAYWORK	\$	672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$	
		\$	·				3,50
	BITS/ REAMERS	_	84,000	1432/130	CEMENT AND PUMP SERVICE	\$	
	FUEL, POWER & WATER	\$	241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,80
1420/110	FRUCKING/VACUUM TRUCK	\$	55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$	490,68
1420/120	DRILLING/COMPLETION FLUIDS	\$	275,000	1432/171	COMPLETION HOUSING	\$	19,60
1420/130	CEMENT AND PUMP SERVICE	\$	230,000	1432/180	WELL STIMULATION	\$	3,316,60
1420/140	CASING CREWS AND TOOLS	\$	50,000	1432/181	WELL TEST SERVICES	\$	100,80
1420/150	ELECTRIC LOGGING/PERFORATING	\$	-	1432/183	DIAGNOSTIC SERVICES	\$	60,00
1420/160	MUD LOGGING	\$	20,000	1432/190	SLICKLINE SERVICES	\$	4,50
	EQUIPMENT/TOOL RENTALS	\$	113,000	1432/195	CONTRACT LABOR	\$	15,00
1	DOWNHOLE RENTALS	\$	72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$	10,01
		_	72,000				
	WELL STIMULATION / TESTING	\$		1432/230	COILED TUBING SERVICES	\$	18,00
	CLOSED LOOP SYS/CUTTINGS DISP	\$	144,000	1432/250	INSURANCE	\$	1,70
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$	65,000	1432/260	SUPERVISION/ENGINEERING	\$	62,00
1420/200	DIRECTION DRILLING/SURVEYING	\$	229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$	-
1420/250	NSURANCE	\$	10,000	1432/280	PIT REMEDIATION	\$	20,00
1420/260	SUPERVISION/ENGINEERING	\$	72,000	1432/290	MISCELLANEOUS	\$	12,50
1420/270	ADMINISTRATIVE/OVERHEAD	\$	7,000	1432/310	FRESH WATER TRANSFER	\$	28,00
	PARTS	\$	15,000	1432/350	COMMUNICATIONS	\$	3,80
	COMMUNICATIONS	\$	9,000	1432/412	ARTIFICIAL LIFT	\$	50,0
			·			+	50,0
1420/300	CONTINGENCY	\$	51,500	1432/417	FRAC INCIDENTAL	\$	
				1432/300	CONTINGENCY	\$	168,2
				COMPLE	TION INTANGIBLE TOTAL	\$	5,167,54
					COMPLETION TANCIPLE		
		1		ACCOUNT COST	COMPLETION TANGIBLE	1	AMC::N=
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
DRILLIN	IG INTANGIBLE TOTAL	\$	2,598,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,00
		Ť	2,000,000	1433/320	FLOWLINE	\$	9,00
				1433/370	TUBING	\$	131,30
	DRILLING TANGIBLE			1433/380	PUMPING UNIT	\$	-
ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT	1433/400	WELLHEAD EQUIPMENT	\$	65,00
+	CONDUCTOR CASING	\$	30,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,00
						_	
	SURFACE CASING	\$	130,000	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,00
1430/330	NTERMEDIATE CASING	\$	363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340	ORILLING LINERS	\$	-	COMPLI	ETION TANGIBLE TOTAL	\$	655,30
1430/350	PRODUCTION CASING	\$	536,000				
1430/400	CASING HANGER/WELLHEAD EQUIP	\$	55,000				
1430/405	DOWNHOLE TOOLS	\$	_		FACILITIES INTANGIBLE		
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
		1			LOCATION AND ROADS		13,50
				1450/ 20		s	.0,0
				1450/ 20	1	Ψ	1.00
				1450/ 90	FUEL, POWER & WATER	\$	
				1450/ 90 1450/110	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$	16,20
				1450/ 90	FUEL, POWER & WATER	\$	16,20
				1450/ 90 1450/110	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$	16,20 50,00
				1450/ 90 1450/110 1450/170	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL	\$ \$	16,20 50,00 70,00
				1450/90 1450/110 1450/170 1450/195 1450/260	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	16,20 50,00 70,00 25,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	16,20 50,00 70,00 25,00
				1450/90 1450/110 1450/170 1450/195 1450/260	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	16,2i 50,0i 70,0i 25,0i
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	16,20 50,00 70,00 25,00 - 10,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$ \$	16,20 50,00 70,00 25,00 - 10,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$ \$	16,2(50,0(70,0(25,0(- 10,0(185,70
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,0(70,0(25,0(- 10,0(185,70
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 15,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00 110,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 50,00
				1450/ 90 1450/10 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/355 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2t 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 50,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/365 1452/366 1452/380 1452/380	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2t 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00
DRILLI	ING TANGIBLE TOTAL	\$	1,114,000	1450/ 90 1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/360 1452/365 1452/380 1452/390 FACILI	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,21 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 50,00 680,00
				1450/ 90 1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/365 1452/360 1452/380 1452/390 FACILI	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,21 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 170,00 50,00 45,00 680,00
	ING TANGIBLE TOTAL DRILLING COSTS		1,114,000	1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/365 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL TANGIBLE TOTAL FACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,21 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 50,00 45,00 680,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/365 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 175,00 185,00 680,00
				1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/365 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL TANGIBLE TOTAL FACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2t 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 50,00
TOTAL			3,712,000	1450/ 90 1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/365 1452/366 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL TANGIBLE TOTAL FACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,2(50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 175,00 185,00 680,00
TOTAL		\$:	3,712,000	1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/366 1452/366 1452/380 1452/380 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL TANGIBLE TOTAL FACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16,21 50,00 70,00 25,00 10,00 185,70 AMOUNT 55,00 115,00 175,00 175,00 45,00 680,00 865,70 6,688,544



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 2BS 8H Field Name: Ranger Location: Lea Co., NM

AFE #: 22 - XX - XXXX

Project Description:

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.

-	DDU LING INTANGIDI E			COMPLETION INTANOIDIE		
ACCOUNT CODE	DRILLING INTANGIBLE ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	COMPLETION INTANGIBLE ITEM DESCRIPTION		AMOUNT
	LEASE / STAKE / PERMIT		000 1432/ 10	LEASE / STAKE / PERMIT	\$	AMOUNT 2,5
1420/ 10					\$	
	INSPECTION	1	000 1432/ 20	LOCATION AND ROADS		17,
1420/ 20	LOCATION AND ROADS		000 1432/70	COMPLETION/WORKOVER RIG	\$	46,4
1420/ 25	SURFACE DAMAGES	1	500 1432/ 90	FUEL, POWER & WATER	\$	358,
1420/ 30	RIG MOBILIZATION	1	000 1432/110	TRUCKING/VACUUM TRUCK	\$	15,0
1420/ 50	DAYWORK	\$ 672	000 1432/120	DRILLING/COMPLETION FLUIDS	\$	3,
1420/ 80	BITS/ REAMERS	\$ 84	000 1432/130	CEMENT AND PUMP SERVICE	\$	
1420/ 90	FUEL, POWER & WATER	\$ 241	000 1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,8
1420/110	TRUCKING/VACUUM TRUCK	\$ 55	000 1432/170	EQUIPMENT/TOOL RENTALS	\$	490,6
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275	000 1432/171	COMPLETION HOUSING	\$	19,6
1420/130	CEMENT AND PUMP SERVICE	\$ 230	000 1432/180	WELL STIMULATION	\$	3,316,6
1420/140	CASING CREWS AND TOOLS	\$ 50	000 1432/181	WELL TEST SERVICES	\$	100,8
	ELECTRIC LOGGING/PERFORATING	\$	- 1432/183	DIAGNOSTIC SERVICES	\$	60,0
1420/160	MUD LOGGING	1	000 1432/190	SLICKLINE SERVICES	\$	4,
		1				
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113		CONTRACT LABOR	\$	15,0
1420/174	DOWNHOLE RENTALS		000 1432/220	WELLHEAD REPAIR & SERVICEMAN	\$	
	WELL STIMULATION / TESTING	\$	- 1432/230	COILED TUBING SERVICES	\$	18,0
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144	000 1432/250	INSURANCE	\$	1,1
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65	000 1432/260	SUPERVISION/ENGINEERING	\$	62,0
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229	000 1432/270	ADMINISTRATIVE/OVERHEAD	\$	
1420/250	INSURANCE	\$ 10	000 1432/280	PIT REMEDIATION	\$	20,0
1420/260	SUPERVISION/ENGINEERING	\$ 72	000 1432/290	MISCELLANEOUS	\$	12,
	ADMINISTRATIVE/OVERHEAD	1	000 1432/310	FRESH WATER TRANSFER	\$	28,
	PARTS		000 1432/350	COMMUNICATIONS	\$	3,
1420/350	COMMUNICATIONS		000 1432/412	ARTIFICIAL LIFT	\$	50,
1420/300	CONTINGENCY	\$ 51	500 1432/417	FRAC INCIDENTAL	\$	
	<u>i</u>		1432/300	CONTINGENCY	\$	168,
			COM	MPLETION INTANGIBLE TOTAL	\$	5,167,
					I	
				COMPLETION TANGIBLE		
	<u> </u>		ACCOUNT CODE	E ITEM DESCRIPTION		AMOUNT
DDULL	NO INTANCIDI E TOTAL	¢ 2.500	1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,
DRILLI	NG INTANGIBLE TOTAL	\$ 2,598,	1433/320	FLOWLINE	\$	9,
			1433/370	TUBING	\$	147,
	DRILLING TANCIBLE		1433/380		-	,
	DRILLING TANGIBLE	1		PUMPING UNIT	\$	
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	1433/400	WELLHEAD EQUIPMENT	\$	50,
1430/310	CONDUCTOR CASING		000 1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,
1430/320	SURFACE CASING	\$ 130	000 1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,
1430/330	INTERMEDIATE CASING	\$ 363	000 1433/417	FRAC INCIDENTAL	\$	
1430/340	DRILLING LINERS	\$	- 00	MPLETION TANGIBLE TOTAL	\$	656,8
1430/350	PRODUCTION CASING	\$ 567	000	MI LETION TANGIBLE TOTAL	l w	050,0
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55	000			
1430/405	DOWNHOLE TOOLS	\$	-	FACILITIES INTANGIBLE		
			ACCOUNT COD	E ITEM DESCRIPTION		AMOUNT
			1450/ 20	LOCATION AND ROADS	_	13
			1450/ 90	EGOKTION / KIND I KONDO	\$	
				FUEL DOWED 8 WATER	\$	1
				FUEL, POWER & WATER	\$	
			1450/110	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	_	16
					\$	
			1450/110	TRUCKING/VACUUM TRUCK	\$	50
			1450/110 1450/170	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL	\$ \$ \$	50 70
			1450/110 1450/170 1450/195 1450/260	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	50 70
			1450/110 1450/170 1450/195 1450/260 1450/270	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	50 70 25
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$	50 70 25
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	50 70 25
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$	50 70 25 10 185,
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FA	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$	50 70 25 10 185,
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$	50 70 25 10 185,
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FA	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT
			1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55
			1450/110 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15
			1450/110 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15
			1450/110 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45
			1450/110 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 45
			1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/345 1452/345 1452/345 1452/366	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45
			1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/345 1452/345 1452/366 1452/366 1452/380	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45 110 70
			1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/360 1452/380 1452/390	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45 110 70 50
			1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/360 1452/380 1452/390	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	500 700 700 700 700 185, 450 450 600 700 700 700 700 700 700 700 700 70
DRILL	LING TANGIBLE TOTAL	\$ 1,145,	1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FA	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 45 110 70 45
	LING TANGIBLE TOTAL DRILLING COSTS	\$ 1,145,	1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/356 1452/360 1452/365 1452/380 1452/390 F.	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ACILITIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 115 45 110 70 50 45 505,
			1450/110 1450/170 1450/170 1450/195 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/380 1452/390 F.	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES FACILITIES ACILITIES TANGIBLE TOTAL FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	16 50 70 70 25 10 185, AMOUNT 55 15 115 45 505, 690, 6,515,0-10,258,0-10 10,258,0-10
TOTAL			1450/110 1450/170 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/380 1452/380 1452/390 F. TOTAL COI	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES INTERMISE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES FACILITIES TOTAL MPLETION/FACILITIES COSTS ESTIMATED WELL COST	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45 110 70 50 45 505, 690,
TOTAL		\$ 3,743,0	1450/110 1450/170 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/360 1452/390 F. OOO TOTAL COI TOTAL Participant Appro	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES INTERMISE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES FACILITIES TOTAL MPLETION/FACILITIES COSTS ESTIMATED WELL COST	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	500 700 700 700 700 700 700 700 700 700
			1450/110 1450/170 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/380 1452/380 1452/390 F. TOTAL COI	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES INTERMISE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES FACILITIES TOTAL MPLETION/FACILITIES COSTS ESTIMATED WELL COST	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 25 10 185, AMOUNT 55 15 115 45 110 70 50 45 505, 690,
TOTAL		\$ 3,743,0	1450/110 1450/170 1450/170 1450/170 1450/260 1450/270 1450/290 FA ACCOUNT CODI 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/360 1452/390 F. OOO TOTAL COI TOTAL Participant Appro	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS CILITIES INTANGIBLE TOTAL FACILITIES INTERMISE TOTAL FACILITIES TANGIBLE E ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES FACILITIES TOTAL MPLETION/FACILITIES COSTS ESTIMATED WELL COST	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50 70 28 10 185 AMOUNT 51 116 70 45 505 690 6,515,0

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



TAB 3

Case No. 23368

Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist Exhibit B-1: Structure Map -1^{st} Bone Spring Sand Structure Exhibit B-2: Structure Map -2^{nd} Bone Spring Sand Structure Exhibit B-3: Stratigraphic Cross Section -1^{st} Bone Spring Sand Datum Exhibit B-4: Stratigraphic Cross Section -2^{nd} Bone Spring Sand Datum Exhibit B-5: Gross Isochore -1^{st} Bone Spring Sand Isopach Exhibit B-6: Gross Isochore -2^{nd} Bone Spring Sand Isopach

Gun Barrel View

Released to Imaging: 3/1/2023 8:09:19 AM

Exhibit B-7:

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 1st and 2nd 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



- 6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1st Bone Spring Ss and Top 2nd Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1st and 2nd 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 1st and 2nd 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:
 - 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]

Received by OCD: 2/28/2023 11:10:16 PM

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. Asmys]

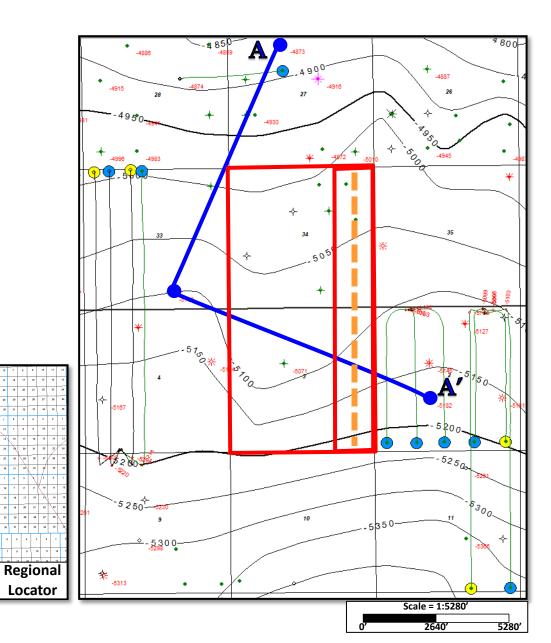
2/28/2023

Date Signed

- 1st Bone Spring Sand

- 2nd Bone Spring Sand

Exhibit B-1 1st Bone Spring Sand Structure (SSTVD): Contour Interval = 50'







Released to Imaging: 3/1/2023 8:09:19 AM

Exhibit B-2 2nd Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

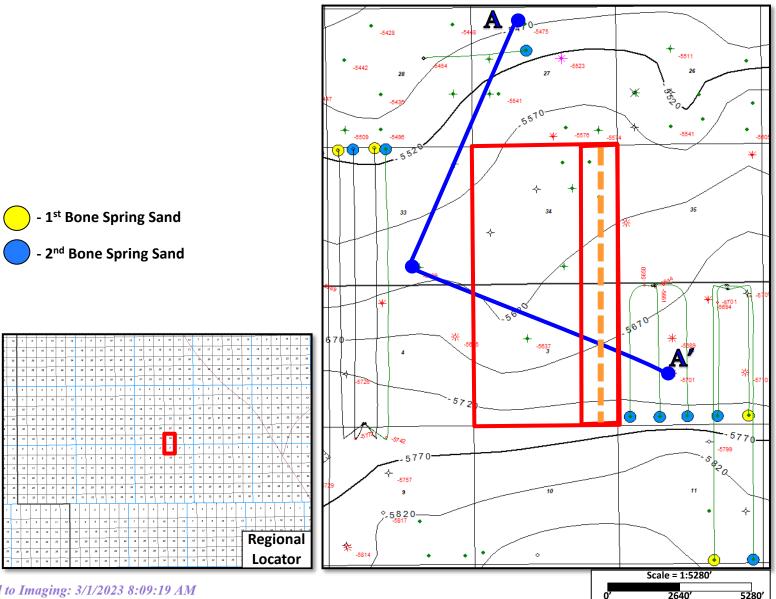






Exhibit B-3 Stratigraphic Cross Section A-A': 1st Bone Spring Sand Datum

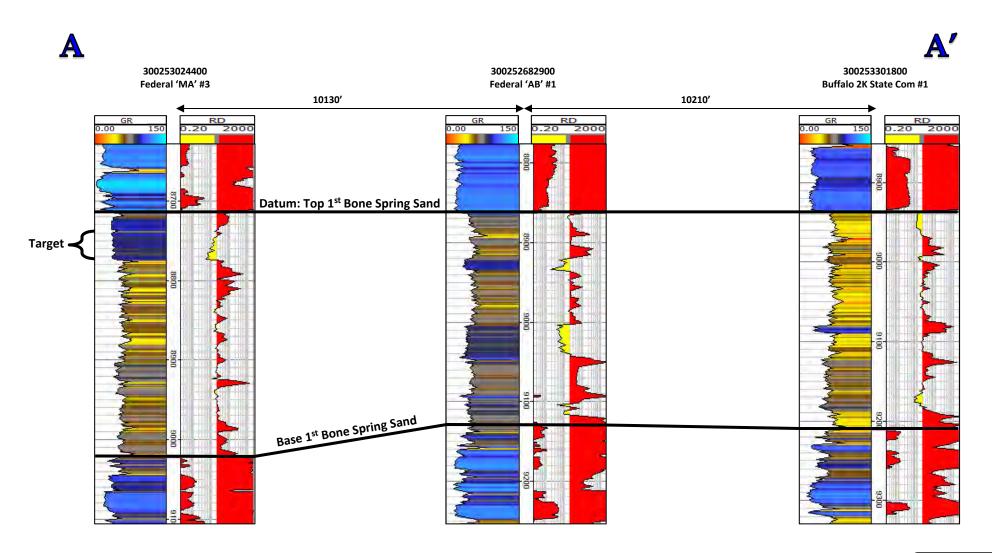






Exhibit B-4 Stratigraphic Cross Section A-A': 2nd Bone Spring Sand Datum

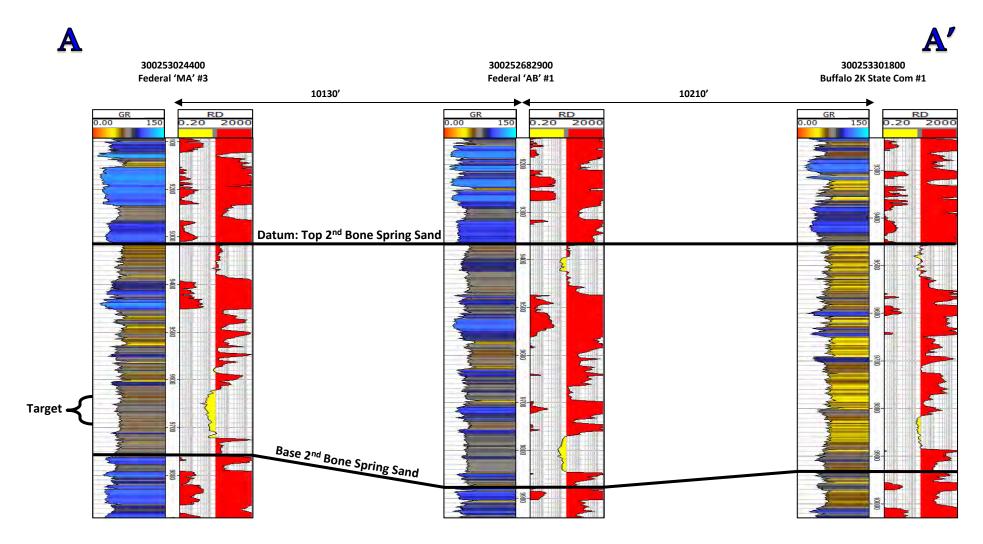


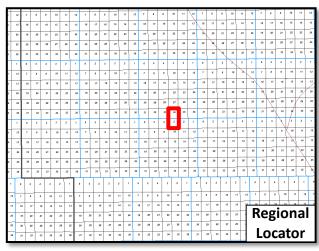




Exhibit B-5 1st Bone Spring Sand Isopach: Contour Interval = 50'



- 2nd Bone Spring Sand



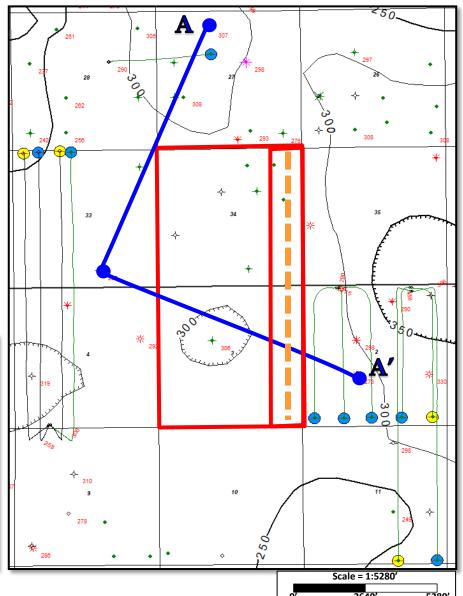


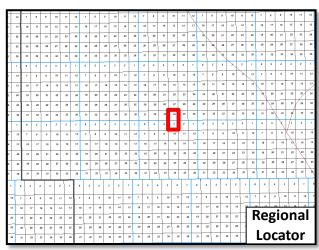


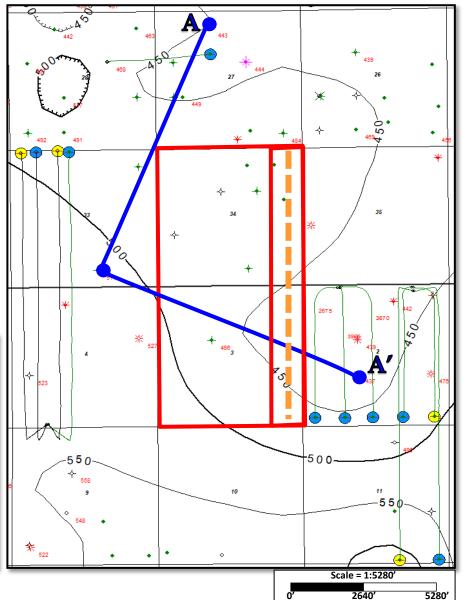


Exhibit B-6 2nd Bone Spring Sand Isopach: Contour Interval = 50'



- 2nd Bone Spring Sand



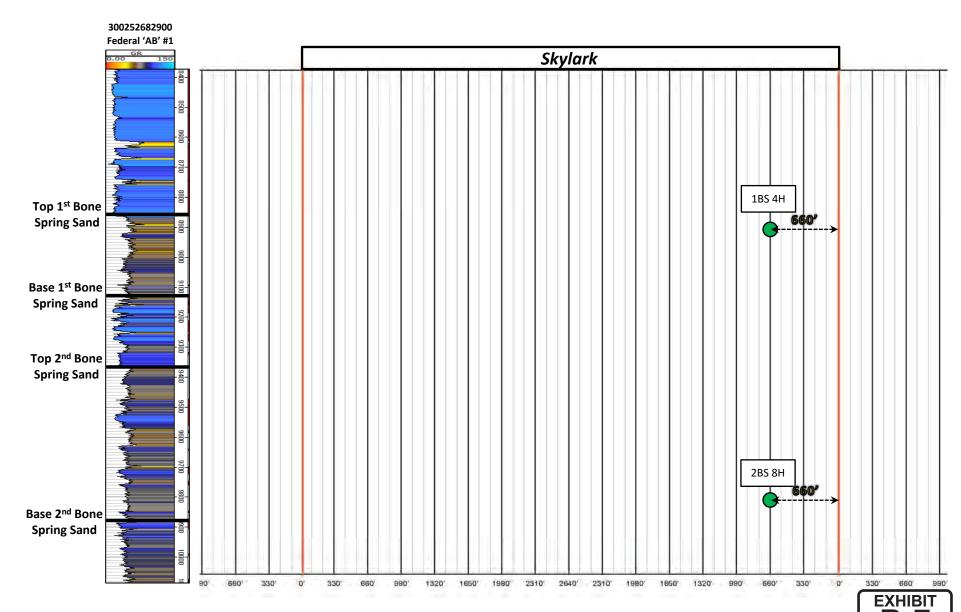






EARTHSTONE Energy, Inc.

Exhibit B-7 Gun Barrel



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



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

Notary Public

My Commission Expires:

110/2026

STATE OF NEW MEXICO NOTARY PUBLIC MARSHA DALTON COUCH COMMISSION #1077509 COMMISSION EXPIRES 02/10/2026



ABADIE I 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



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 Prehearing 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.

Sincerely,

Darin C. Savage

Attorney for Earthstone Operating, LLC

USPS Article Number 9314869904300104294675	Reference Number		Name 1 CONOCOPHILLIPS COMPANY	Address 1	Address 2		State	Zip 79701-4882		Mailing Status Delivered	Service Options 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 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: CONOCOPHILLIPS COMPANY

Shipment Details

Weight: 2.0oz

Destination Delivery Address

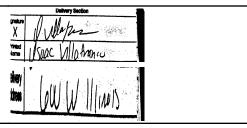
Street Address: 600 W ILLINOIS AVE

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. 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 CONCOPHILLIPS 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 D i v i s l o n's we b s l te at: https://www.emrrd.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 185 4H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27-T188-R33E; to a bottom hole location in the Skylark 34-3 Fed Com 285 8H Well, an oil well, to be horizontally drilled from a surface location in the Se/4 SE/4 (Unit P) of Section 27-T188-R33E; and hottom hole 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**

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 SU	JPPORTED BY SIGNED AFFIDAVITS
Case: 23369	APPLICANT'S RESPONSE
Date: March 2, 2023	
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
Formation/Pool	
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
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	323.09
Building Blocks:	quarter-quarter sections
Orientation:	North to South
Description: TRS/County Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is	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 Yes
approval of non-standard unit requested in this application?	
Other Situations	
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
Well(s)	
Well #1	Skylark 34-3 Fed Com 1BS 2H (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	Skylark 34-3 Fed Com 1BS 2H FTP: 100' FNL, 1,980' FEL, 34-18S-R33E LTP: 100' FSL, 1,980' FEL, 3-19S-R33E
Completion Target (Formation, TVD and MD) Released to Imaging: 3/1/2023 8:09:19 AM	Bone Spring formation; TVD: apprx. 8855'; TMD apprx. 19,500'

Released to Imaging: 3/1/2023 8:09:19 AM

Received by OCD: 2/28/2023 11:10:16 PM	Page 57 of 1
Well #2	Skylark 34-3 Fed Com 2BS 6H 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	Skylark 34-3 Fed Com 2BS 6H 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'
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$7,500
Production Supervision/Month \$	\$750
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
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
Ownership Determination	
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
Joinder	
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
Geology	
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
Forms, Figures and Tables	
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)	Exhbiit B-7
Cross Section (including Landing Zone)	Exhbits B-3, B-4
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provid	led in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Darin C. Savage
Signed Name (Attorney or Party Representative):	/s/ Darín Savage
Date:	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.



- Under <u>Case No.</u> 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

2.23.2023

Date Signed

<u>District I</u> 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.

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Santa Fe, NM 87505

¹ API Numbe	¹ API Number		³ Pool Name		
		45793	MESCALERO ESCARPE, BONE SPRING		
⁴ Property Code		⁵ Pı	roperty Name	⁶ Well Number	
		SKYLARK 3	4-3 FED COM 1BS	2H	
⁷ OGRID No.		8 O ₁	perator Name	⁹ Elevation	
		EARTHSTONI	3,782.2'		

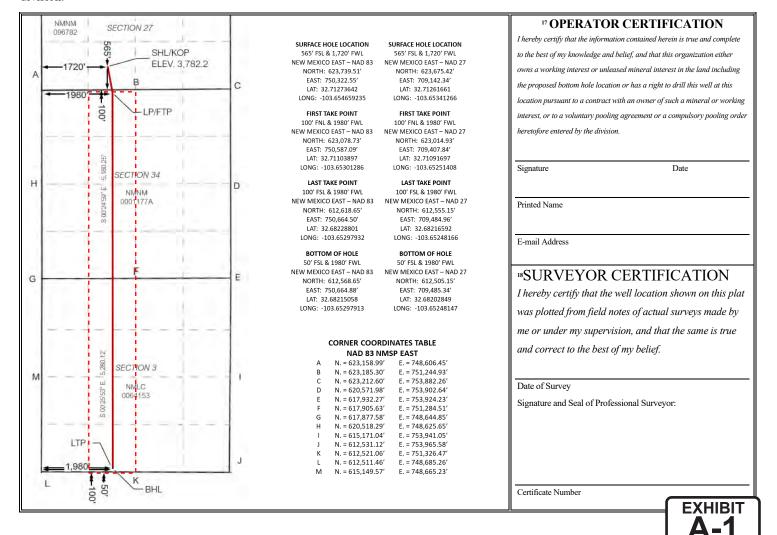
¹⁰ Surface Location

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

¹¹ Bottom Hole Location If Different From Surface

				ttelli i i e	e Eccamon n	Billerent From	ii suiiuee		
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
12 Dedicated Acre	3 Joint o	r Infill 14 C	Consolidation	Code 15 Or	der No.				
323.09									

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

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⁴ Property Code		⁵ P1	roperty Name	⁶ Well Number		
		SKYLARK 3	4-3 FED COM 2BS	6H		
⁷ OGRID No.		8 O _l	perator Name	⁹ Elevation		
		EARTHSTONI	E OPERATING, LLC	3,782.2'		

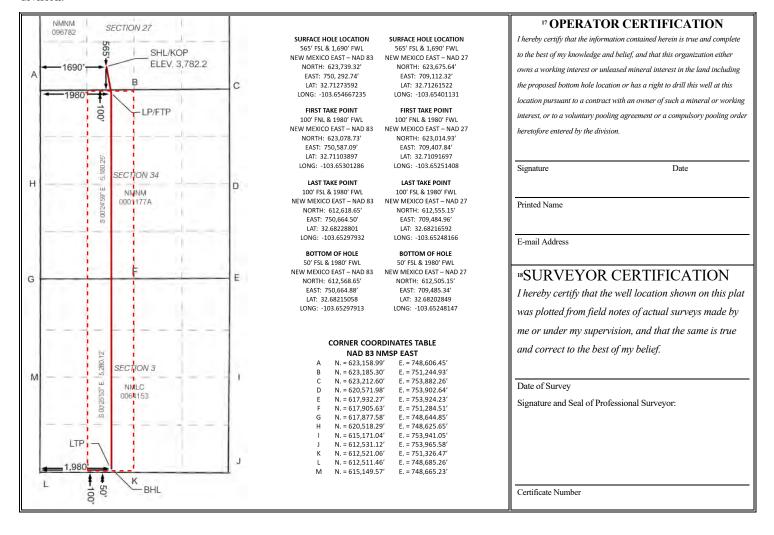
¹⁰ Surface Location

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

¹¹ Bottom Hole Location If Different From Surface

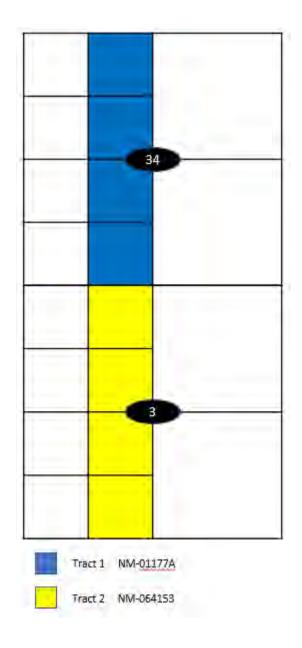
					C Economon II	Billerent Tron			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	19 S	33 E		50	SOUTH	1,980	WEST	LEA
12 Dedicated Acres	13 Joint or	· Infill 14 C	onsolidation	Code 15 Or	der No.				
323.09									

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.



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 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 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'.



- 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@earthstonenergy.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:



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 1BS 2H Field Name: Ranger Location: Lea Co., NM **AFE #**: 22 - XX - XXXX

Project Description: 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	1	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000		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		DRILLING/COMPLETION FLUIDS	\$	3,500
1420/ 80	BITS/ REAMERS	\$ 84,000		CEMENT AND PUMP SERVICE	\$	-
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1	ELECTRIC LOGGING/PERFORATING	\$	352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1	EQUIPMENT/TOOL RENTALS	\$	490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000		COMPLETION HOUSING	\$	19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1	WELL STIMULATION	\$	3,316,600
1420/140	CASING CREWS AND TOOLS				\$	
1420/140		\$ 50,000	1432/183	WELL TEST SERVICES	\$	100,800
	ELECTRIC LOGGING/PERFORATING		1	DIAGNOSTIC SERVICES	_	
1420/160	MUD LOGGING		1	SLICKLINE SERVICES	\$	4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000		CONTRACT LABOR	\$	15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1	WELLHEAD REPAIR & SERVICEMAN	\$	
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$	18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000		INSURANCE	\$	1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1	SUPERVISION/ENGINEERING	\$	62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	+	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
					_	5 407 540
			COMPLE	TION INTANGIBLE TOTAL	\$	5,167,548
					<u> </u>	
				COMPLETION TANGIBLE		
			ACCOUNT CODE	ITEM DESCRIPTION	1	AMOUNT
			1433/300	VALVES/CONNECTIONS/FITTINGS	\$	
DRILL	ING INTANGIBLE TOTAL	\$ 2,598,000	1433/320	FLOWLINE	\$	45,000 9,000
			1433/370	TUBING	\$	131,300
	DRILLING TANGIBLE		1433/380	PUMPING UNIT	\$	-
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	1433/400	WELLHEAD EQUIPMENT	\$	65,000
1430/310	CONDUCTOR CASING	\$ 30,000	1	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,000
1430/320	SURFACE CASING	\$ 130,000	1	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340	DRILLING LINERS	\$ -				055.000
			COMPL	ETION TANGIBLE TOTAL	\$	655,300
1430/350	PRODUCTION CASING	\$ 536,000	COMPL	ETION TANGIBLE TOTAL	\$	655,300
1430/350 1430/400	PRODUCTION CASING CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000		ETION TANGIBLE TOTAL	\$	655,300
1430/350		\$ 536,000		FACILITIES INTANGIBLE	\$	655,300
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000			\$	AMOUNT
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000		FACILITIES INTANGIBLE	\$	
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE	FACILITIES INTANGIBLE ITEM DESCRIPTION		AMOUNT
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$	AMOUNT 13,500
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER	\$	AMOUNT 13,500 1,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$ \$	AMOUNT 13,500 1,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL	\$ \$	AMOUNT 13,500 1,000 16,200 50,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR	\$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000 115,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000 115,000 45,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 115,000 45,000 175,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 15,000 115,000 45,000 110,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 115,000 45,000 175,000 110,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/110 1450/170 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/345 1452/366 1452/365	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 115,000 175,000 110,000 70,000 50,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 115,000 45,000 175,000 110,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/360 1452/365 1452/380 1452/390	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 115,000 175,000 110,000 70,000 50,000
1430/350 1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/360 1452/365 1452/380 1452/390	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 15,000 115,000 175,000 110,000 70,000 50,000 45,000
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP	\$ 536,000 \$ 55,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/380 1452/390 FACILI	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 15,000 115,000 175,000 110,000 70,000 50,000 45,000
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/380 1452/390 FACILI	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 15,000 15,000 175,000 110,000 50,000 45,000 680,000
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/365 1452/365 1452/380 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000 175,000 175,000 110,000 70,000 45,000 680,000 865,700
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/365 1452/365 1452/380 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 15,000 15,000 175,000 110,000 50,000 45,000 680,000
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/110 1450/170 1450/250 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 15,000 15,000 175,000 175,000 10,000 680,000 865,700
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/110 1450/170 1450/250 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000 175,000 175,000 110,000 70,000 45,000 680,000 865,700
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/110 1450/170 1450/250 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 15,000 15,000 175,000 175,000 10,000 680,000 865,700
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/110 1450/170 1450/250 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 15,000 15,000 175,000 175,000 10,000 680,000 865,700
1430/350 1430/400 1430/405	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/345 1452/365 1452/380 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 15,000 15,000 175,000 175,000 10,000 680,000 865,700
1430/350 1430/400 1430/405 DRILL TOTAL	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 10,000 185,700 15,000 15,000 175,000 175,000 175,000 45,000 680,000 865,700 6,688,548 10,400,548
1430/350 1430/400 1430/405 DRILL TOTAL	CASING HANGER/WELLHEAD EQUIP DOWNHOLE TOOLS LING TANGIBLE TOTAL	\$ 536,000	ACCOUNT CODE 1450/ 20 1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACILIT	FACILITIES INTANGIBLE ITEM DESCRIPTION LOCATION AND ROADS FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TOTAL CACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	AMOUNT 13,500 1,000 16,200 50,000 70,000 25,000 - 10,000 185,700 AMOUNT 55,000 15,000 115,000 175,000 110,000 680,000 865,700 6,688,548 10,400,548



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 2BS 6H Field Name: Ranger Location: Lea Co., NM

AFE #: 22 - XX - XXXX

Project Description: 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.

	DRILLING INTANGIBLE						
ACCOUNT CODE ITEM DESCRIPTION		AMOUNT		ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	
1420/ 10	LEASE / STAKE / PERMIT	\$	6,000	1432/ 10	LEASE / STAKE / PERMIT	\$	2,50
1420/ 16	INSPECTION	\$	10,000	1432/ 20	LOCATION AND ROADS	\$	17,50
1420/ 20	LOCATION AND ROADS	\$	65,000	1432/70	COMPLETION/WORKOVER RIG	\$	46,40
1420/ 25	SURFACE DAMAGES	\$	22,500	1432/ 90	FUEL, POWER & WATER	\$	358,40
1420/ 30	RIG MOBILIZATION	\$	80,000	1432/110	TRUCKING/VACUUM TRUCK	\$	15,00
1420/ 50	DAYWORK	\$	672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$	3,50
1420/ 80	BITS/ REAMERS	\$	84,000	1432/130	CEMENT AND PUMP SERVICE	\$	3,30
		_					050.00
1420/ 90	FUEL, POWER & WATER	\$	241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,80
1420/110	TRUCKING/VACUUM TRUCK	\$	55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$	490,68
1420/120	DRILLING/COMPLETION FLUIDS	\$	275,000	1432/171	COMPLETION HOUSING	\$	19,6
1420/130	CEMENT AND PUMP SERVICE	\$	230,000	1432/180	WELL STIMULATION	\$	3,316,6
1420/140	CASING CREWS AND TOOLS	\$	50,000	1432/181	WELL TEST SERVICES	\$	100,8
1420/150	ELECTRIC LOGGING/PERFORATING	\$	-	1432/183	DIAGNOSTIC SERVICES	\$	60,0
1420/160	MUD LOGGING	\$	20,000	1432/190	SLICKLINE SERVICES	\$	4,5
1420/170		\$	113,000	1432/195		\$	15,0
	EQUIPMENT/TOOL RENTALS				CONTRACT LABOR		
1420/174	DOWNHOLE RENTALS	\$	72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$	-
1420/180	WELL STIMULATION / TESTING	\$	-	1432/230	COILED TUBING SERVICES	\$	18,0
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$	144,000	1432/250	INSURANCE	\$	1,7
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$	65,000	1432/260	SUPERVISION/ENGINEERING	\$	62,0
1420/200	DIRECTION DRILLING/SURVEYING	\$	229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$	-
1420/250	INSURANCE	\$	10,000	1432/280	PIT REMEDIATION	\$	20,0
1420/260	SUPERVISION/ENGINEERING	\$	72,000	1432/290	MISCELLANEOUS	\$	12,5
1420/260		\$	7,000	1432/310		\$	28,0
	ADMINISTRATIVE/OVERHEAD		·		FRESH WATER TRANSFER	_	
1420/315	PARTS	\$	15,000	1432/350	COMMUNICATIONS	\$	3,8
1420/350	COMMUNICATIONS	\$	9,000	1432/412	ARTIFICIAL LIFT	\$	50,0
1420/300	CONTINGENCY	\$	51,500	1432/417	FRAC INCIDENTAL	\$	
				1432/300	CONTINGENCY	\$	168,2
				COMPLE	TION INTANGIBLE TOTAL	\$	5,167,5
		_					
					COMPLETION TANGIBLE		
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
DRILL	ING INTANGIBLE TOTAL	\$	2,598,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,0
DIVILL	ING INTENDED TO THE	Ψ	2,000,000	1433/320	FLOWLINE	\$	9,0
				1433/370	TUBING	\$	147,8
	DRILLING TANGIBLE			1433/380	PUMPING UNIT	\$	_
ACCOUNT CODE		T	AMOUNT	1433/400		+ -	F0.0
ACCOUNT CODE	ITEM DESCRIPTION	+	AMOUNT		WELLHEAD EQUIPMENT	\$	50,0
1430/310	CONDUCTOR CASING	\$	30,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,0
1430/320	SURFACE CASING	\$	130,000	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,0
1430/330	INTERMEDIATE CASING	\$	363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340	DRILLING LINERS	\$	-	COMBI	ETION TANGIBLE TOTAL	\$	656.00
1430/350	PRODUCTION CASING	\$	567,000	COMPL	ETION TANGIBLE TOTAL	Ф	656,80
1430/400	CASING HANGER/WELLHEAD EQUIP	\$	55,000				
1430/405	DOWNHOLE TOOLS	\$	-		FACILITIES INTANGIBLE		
1400/400	DOWN HOLE TOOLS	-		ACCOUNT CODE	ITEM DESCRIPTION	1	AMOUNT
	 	+				\$	
		+		1450/ 20	LOCATION AND ROADS	Ψ	13,5
	 	—		1450/ 90	FUEL, POWER & WATER	\$	1,0
				1450/110	TRUCKING/VACUUM TRUCK	\$	16,2
				1450/170	EQUIPMENT/TOOL RENTAL		50,0
	1			1450/195		\$	
_				1450/195	CONTRACT LABOR		
		-			CONTRACT LABOR SUPERVISION/ENGINEERING	\$	70,0
				1450/260	SUPERVISION/ENGINEERING	\$	70,0 25,0
				1450/260 1450/270	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$	70,0 25,0
				1450/260	SUPERVISION/ENGINEERING	\$	70,0 25,0
				1450/260 1450/270 1450/290	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$	70,0 25,0 - 10,0
				1450/260 1450/270 1450/290	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$	70,0 25,0 10,0
				1450/260 1450/270 1450/290 FACILIT	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$	70,0 25,0 10,0 185,7
				1450/260 1450/270 1450/290	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL	\$ \$ \$	70,0 25,0 - 10,0
				1450/260 1450/270 1450/290 FACILIT	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$	70,0 25,0 10,0 185,7
				1450/260 1450/270 1450/290 FACILIT	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 15,0
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 15,0 45,0
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,70 AMOUNT 55,0 115,0 45,0
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0
				1450/260 1450/270 1450/290 FACILITATION OF THE PROOF O	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 110,0 70,0
				1450/260 1450/270 1450/290 FACILITATION OF THE PROOF O	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 110,0 70,0
				1450/260 1450/270 1450/290 FACILITATION OF THE PROOF O	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 1110,0 70,0
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/360 1452/365 1452/380 1452/390	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,70
DRILL	LING TANGIBLE TOTAL	\$	1,145,000	1450/260 1450/270 1450/290 FACILITATION FACILITATION F	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 70,0 50,0 45,0
DRILL	LING TANGIBLE TOTAL	\$	1,145,000	1450/260 1450/270 1450/290 FACILITATION FACILITATION F	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 70,0 50,0 505,0
	LING TANGIBLE TOTAL DRILLING COSTS			1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/360 1452/380 1452/390 FACIL	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 110,0 50,0 45,0 690,7
			1,145,000	1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACIL TOTAL COMPL	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 70,0 50,0 690,7
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACIL TOTAL COMPL	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TANGIBLE TOTAL FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,70 AMOUNT 55,0 115,0 45,0 70,0 50,0 45,0 690,70
				1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACIL TOTAL COMPL	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,70 AMOUNT 55,0 115,0 45,0 70,0 50,0 45,0
TOTAL			3,743,000	1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACILIT	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70.0 25.0 10.0 185,7 AMOUNT 55.0 115.0 45.0 70.0 505.0 690,7
TOTAL		\$:	3,743,000	1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACIL TOTAL COMPL TOTAL ES	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES ITIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 70,0 50,0 690,7 6,515,04

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



TAB 3

Case No. 23369

Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist
Exhibit B-1: Structure Map – 1st Bone Spring Sand Structure
Exhibit B-2: Structure Map – 2nd Bone Spring Sand Structure
Exhibit B-3: Stratigraphic Cross Section – 1st Bone Spring Sand Datum
Exhibit B-4: Stratigraphic Cross Section – 2nd Bone Spring Sand Datum
Exhibit B-5: Gross Isochore – 1st Bone Spring Sand Isopach
Exhibit B-6: Gross Isochore – 2nd 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 1st and 2nd 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



- 6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1st Bone Spring Ss and Top 2nd Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1st and 2nd 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 1st and 2nd 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:
 - 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]

Received by OCD: 2/28/2023 11:10:16 PM

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.

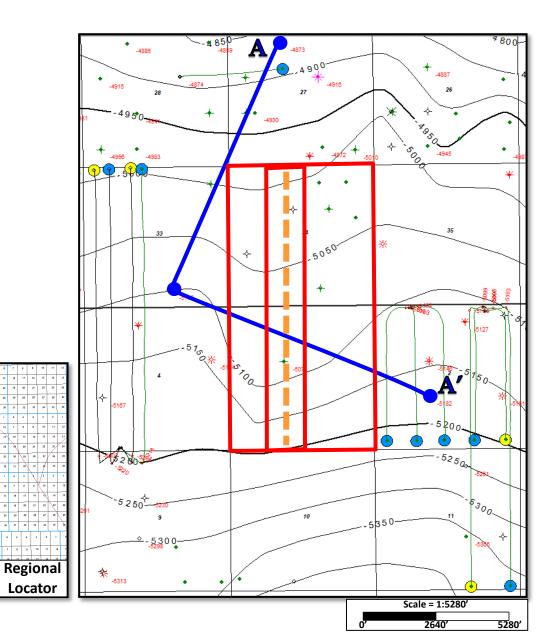
[Jason J. Asmys]

Date Signed

- 1st Bone Spring Sand

- 2nd Bone Spring Sand

Exhibit B-1 1st Bone Spring Sand Structure (SSTVD): Contour Interval = 50'



Released to Imaging: 3/1/2023 8:09:19 AM

EARTHSTONE Energy Inc.

EXHIBIT

1

Exhibit B-2 2nd Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

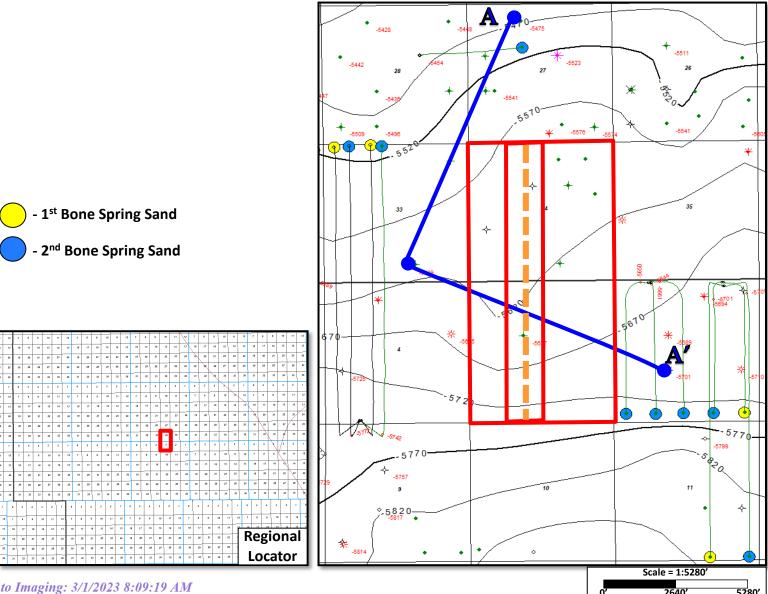






Exhibit B-3 Stratigraphic Cross Section A-A': 1st Bone Spring Sand Datum

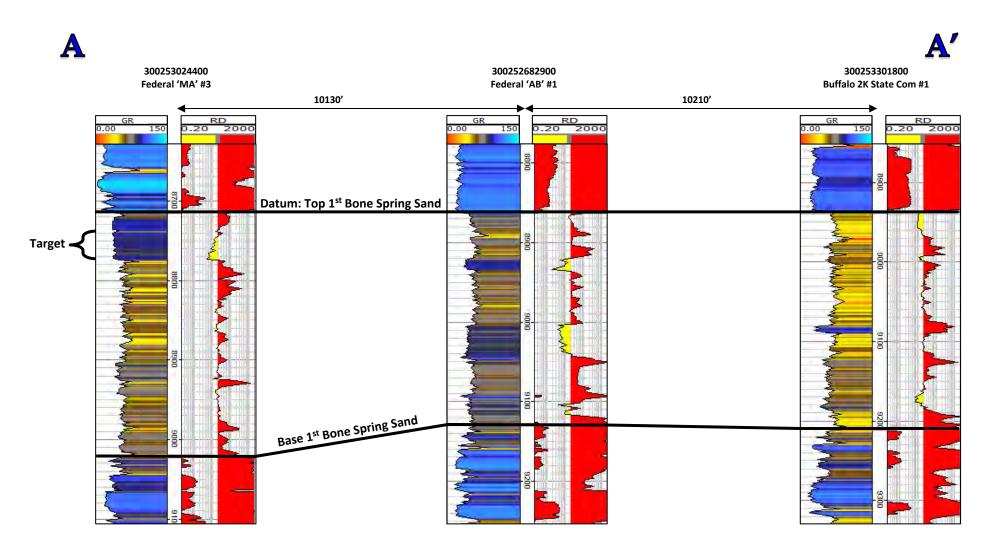






Exhibit B-4 Stratigraphic Cross Section A-A': 2nd Bone Spring Sand Datum

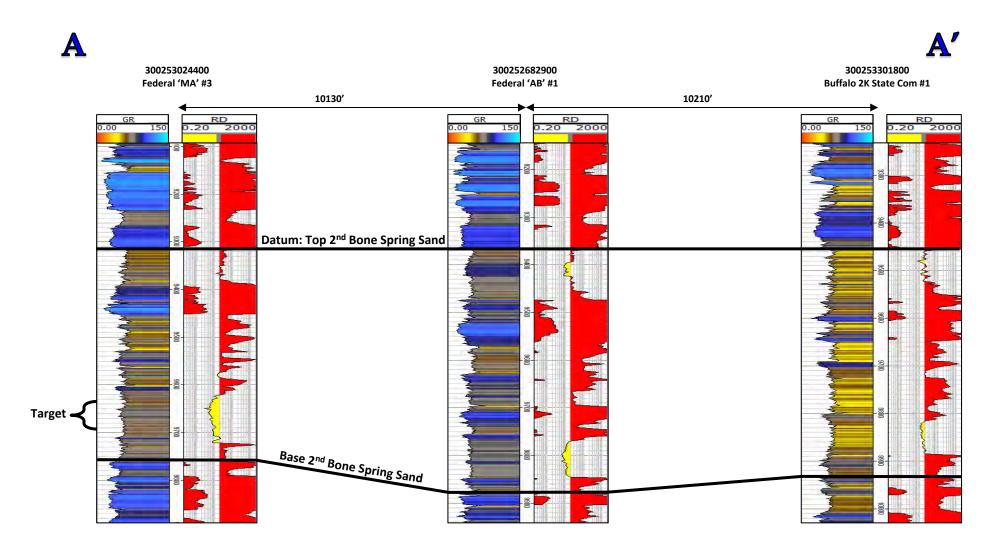


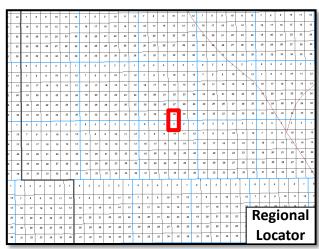




Exhibit B-5 1st Bone Spring Sand Isopach: Contour Interval = 50'



- 2nd Bone Spring Sand



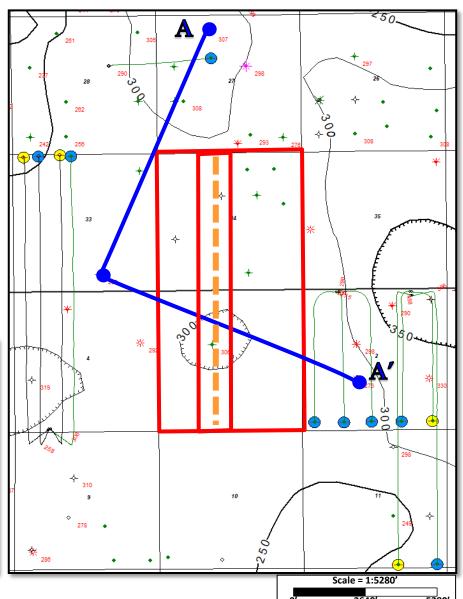


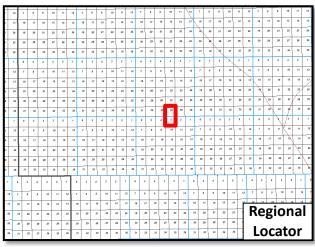




Exhibit B-6 2nd Bone Spring Sand Isopach: Contour Interval = 50'

- 1st Bone Spring Sand

- 2nd Bone Spring Sand



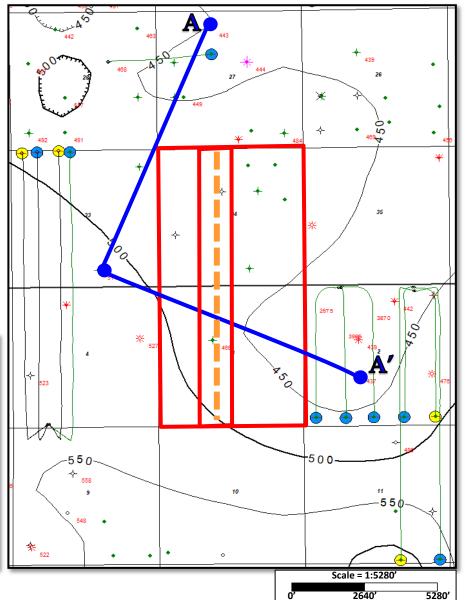
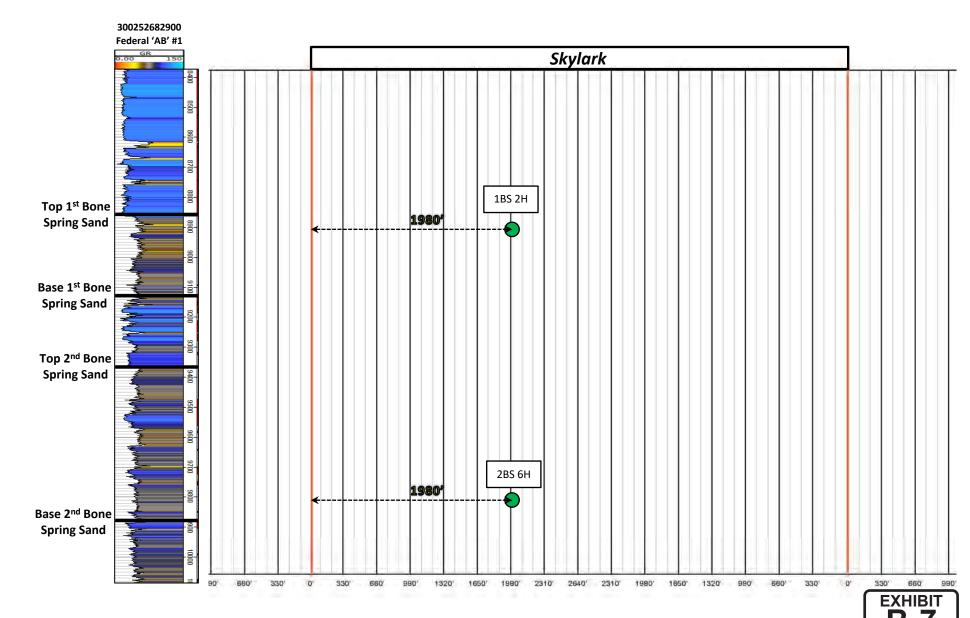






Exhibit B-7 Gun Barrel



EARTHSTONE Energy, Inc.

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

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

Notary Public

My Commission Expires:

9

STATE OF NEW MEXICO NOTARY PUBLIC MARSHA DALTON COUCH COMMISSION #1077509 COMMISSION EXPIRES 02/10/2026



ABADIE I 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



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 Prehearing 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.

Sincerely,

Darin C. Savage

Attorney for Earthstone Operating, LLC

			Mail Activity Report - Certified Mailed from 1/28/2023 to 2/2: User Name: abadieschill Generated: 2/27/2023 3:07:5	7/2023						
USPS Article Number 9314869904300104294675	Reference Numbe	r Date Mailed 2/9/23	Name 1 CONOCOPHILLIPS COMPANY	Address 1 600 W ILLINOIS AVE	Address 2	City MIDLAND	State TX	Zip 79701-4882	Mailing Status Delivered	Service Options 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 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: CONOCOPHILLIPS COMPANY

Shipment Details

Weight: 2.0oz

Destination Delivery Address

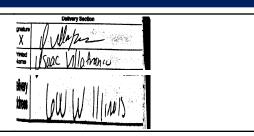
Street Address: 600 W ILLINOIS AVE

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. 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 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 D i v i s i o n 's we b s i t e a t: 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 323.09-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 SK/4 SW/4 (Init N) of Section 27-T18S-825 to a 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. 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. 30 miles west of Hobbs, New Mexico. #00275653

67115820

00275653

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

C-3

TAB 1

Reference for Case No. 23370 Application Case No. 23370:

NMOCD Checklist Case No. 23370

Skylark 34-3 Fed Com 1BS 3H Well Skylark 34-3 Fed Com 2BS 7H 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. 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 SU	JPPORTED BY SIGNED AFFIDAVITS
Case: 23370	APPLICANT'S RESPONSE
Date: March 2, 2023	
Applicant	Earthstone Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Earthstone Operating, LLC (331165)
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
Formation/Pool	
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
Spacing Unit	
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	Yes
approval of non-standard unit requested in this application?	
Other Situations 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
Well(s)	
Well #1	Skylark 34-3 Fed Com 1BS 3H (API Pending) 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
Horizontal Well First and Last Take Points	Standup, Standard location Skylark 34-3 Fed Com 1BS 3H 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.
Released to Imaging: 3/1/2023-8:09:19 AM	19,500'

<u>Kecewea by OCD: 2/28/2023 11:10:16 PM</u>	Page 103 of
Depth Severance Discussion	N/A
Forms, Figures and Tables	
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)	Exhbiit B-7
Cross Section (including Landing Zone)	Exhbits B-3, B-4
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information prov	ided in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Darin C. Savage
Signed Name (Attorney or Party Representative):	/s/ Darín Savage
Date:	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.



- Under <u>Case No.</u> 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

2-23.2023

Date Signed

1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720

<u>District II</u> 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.

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Santa Fe, NM 87505

		² Pool Code 45793	MESCALERO ESCARPE, BO	NE SPRING	
⁴ Property Code		⁵ P1	⁶ Well Number		
		SKYLARK 34-3 FED COM 1BS			
⁷ OGRID No.		8 O _l	perator Name	⁹ Elevation	
		EARTHSTONI	E OPERATING, LLC	3,801.4'	

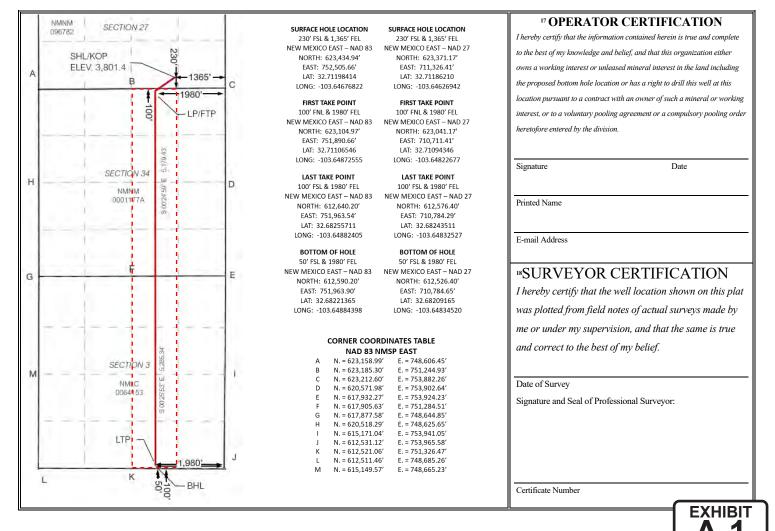
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	27	18 S	33 E		230	SOUTH	1,365	EAST	LEA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section 3	Township 19 S	Range 33 E	Lot Idn	Feet from the 50	North/South line SOUTH	Feet from the 1,980	East/West line EAST	County LEA
12 Dedicated Acres 323.35	13 Joint of	· Infill 14 C	Consolidation	Code 15 Or	der 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.



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

Santa Fe, NM 87505

¹ API Number		² Pool Code ³ Pool Name			
		45793 MESCALERO ESCARPE, BOY		IE SPRING	
⁴ Property Code		⁵ P1	⁶ Well Number		
		SKYLARK 34-3 FED COM 2BS			
⁷ OGRID No.		8 O _l	⁹ Elevation		
		EARTHSTONI	E OPERATING, LLC	3,801.4'	

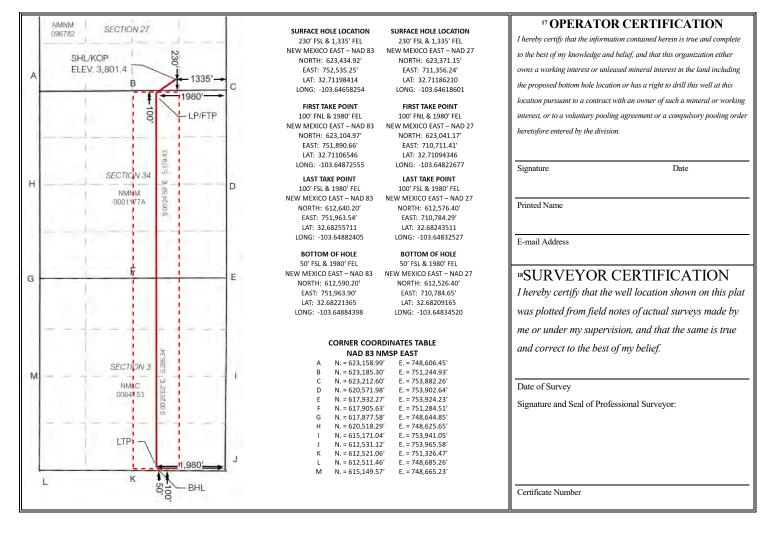
¹⁰ Surface Location

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

¹¹ Bottom Hole Location If Different From Surface

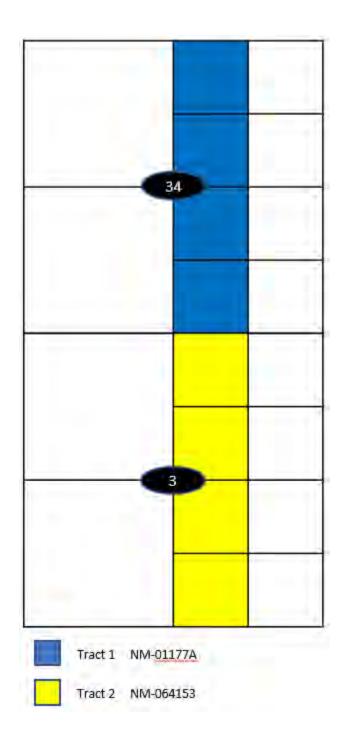
UL or lot no.	Section 3	Township 19 S	Range 33 E	Lot Idn	Feet from the 50	North/South line SOUTH	Feet from the 1,980	East/West line EAST	County LEA
12 Dedicated Acres 323.35	¹³ Joint or	r Infill 14 C	Consolidation	Code 15 Or	der No.				

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.



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





TRACT 1 OWNERSHIP (NM-01177A)

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 100.000000%

TRACT 2 OWNERSHIP (NM-064153)

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 100.000000%

SPACING UNIT OWNERSHIP

Earthstone Permian, LLC 50.000000% ConocoPhillips Company 50.000000% 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'.



- 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@earthstonenergy.com



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 1BS 3H Field Name: Ranger Location: Lea Co., NM

AFE #: 22 - XX - XXXX

Project Description:

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 LE	EASE / STAKE / PERMIT	\$ 6,00	1432/ 10	LEASE / STAKE / PERMIT	\$	2,500
1420/ 16 INS	SPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$	17,500
1420/ 20 LO	DCATION AND ROADS	\$ 65,00	1432/ 70	COMPLETION/WORKOVER RIG	\$	46,400
1420/ 25 SL	JRFACE DAMAGES	\$ 22,50	1432/ 90	FUEL, POWER & WATER	\$	358,40
1420/ 30 RIG	G MOBILIZATION	\$ 80,000	1432/110	TRUCKING/VACUUM TRUCK	\$	15,000
1420/ 50 DA	AYWORK	\$ 672,00	1432/120	DRILLING/COMPLETION FLUIDS	\$	3,50
1420/ 80 BIT	TS/ REAMERS	\$ 84,00		CEMENT AND PUMP SERVICE	\$	-
1420/ 90 FU	JEL, POWER & WATER	\$ 241,00	1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,80
	RUCKING/VACUUM TRUCK	\$ 55,000		EQUIPMENT/TOOL RENTALS	\$	490.68
	RILLING/COMPLETION FLUIDS	\$ 275,000		COMPLETION HOUSING	\$	19,60
	EMENT AND PUMP SERVICE	\$ 230,000		WELL STIMULATION	\$	3,316,60
	ASING CREWS AND TOOLS	\$ 50,000		WELL TEST SERVICES	\$	100,80
	LECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$	60,00
	UD LOGGING	\$ 20,000		SLICKLINE SERVICES	\$	4,50
					\$	
	QUIPMENT/TOOL RENTALS			CONTRACT LABOR	\$	15,00
	OWNHOLE RENTALS			WELLHEAD REPAIR & SERVICEMAN		
	ELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$	18,00
	LOSED LOOP SYS/CUTTINGS DISP	\$ 144,000		INSURANCE	\$	1,70
	ONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000		SUPERVISION/ENGINEERING	\$	62,00
	RECTION DRILLING/SURVEYING	\$ 229,00		ADMINISTRATIVE/OVERHEAD	\$	
	SURANCE	\$ 10,000		PIT REMEDIATION	\$	20,00
1420/260 SL	JPERVISION/ENGINEERING	\$ 72,00		MISCELLANEOUS	\$	12,50
1420/270 AD	DMINISTRATIVE/OVERHEAD	\$ 7,00	1432/310	FRESH WATER TRANSFER	\$	28,00
1420/315 PA	ARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$	3,80
1420/350 CC	OMMUNICATIONS	\$ 9,00	1432/412	ARTIFICIAL LIFT	\$	50,00
1420/300 CC	ONTINGENCY	\$ 51,50	1432/417	FRAC INCIDENTAL	\$	
		<u> </u>	1432/300	CONTINGENCY	\$	168,26
						5 407 54
			COMPLE	TION INTANGIBLE TOTAL	\$	5,167,54
				COMPLETION TANGIBLE		
			ACCOUNT CODE	ITEM DESCRIPTION	1	AMOUNT
			1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,00
DRILLING	G INTANGIBLE TOTAL	\$ 2,598,000	1433/320	FLOWLINE	\$	9,00
					\$	
			1433/370	TUBING	-	131,30
	DRILLING TANGIBLE		1433/380	PUMPING UNIT	\$	-
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	1433/400	WELLHEAD EQUIPMENT	\$	65,00
1430/310 CC	ONDUCTOR CASING	\$ 30,000		DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,00
	JRFACE CASING	\$ 130,000	1	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,00
1430/330 IN	TERMEDIATE CASING	\$ 363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340 DF	RILLING LINERS	\$ -	COMPL	ETION TANGIBLE TOTAL	\$	655,300
1430/350 PR	RODUCTION CASING	\$ 536,000)			
1430/400 CA	ASING HANGER/WELLHEAD EQUIP	\$ 55,000				
1430/405 DC	OWNHOLE TOOLS	\$ -		FACILITIES INTANGIBLE		
			ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
			1450/ 20	LOCATION AND ROADS	\$	13,50
			1450/ 90	FUEL, POWER & WATER	\$	1,00
			1450/110	TRUCKING/VACUUM TRUCK	\$	16,20
			1450/170	EQUIPMENT/TOOL RENTAL	\$	50,00
			1450/195	CONTRACT LABOR		
					_	70,00
			1450/260	SUPERVISION/ENGINEERING	\$	
			1450/260 1450/270	SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$	25,00
			1450/270	ADMINISTRATIVE/OVERHEAD	\$ \$ \$	25,00
					\$	25,00
			1450/270 1450/290	ADMINISTRATIVE/OVERHEAD	\$ \$ \$	25,00 - 10,00
			1450/270 1450/290	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$	25,00 - 10,00
			1450/270 1450/290	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL	\$ \$ \$	25,00 - 10,00
			1450/270 1450/290 FACILIT	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$	25,00 - 10,00 185,70
			1450/270 1450/290 FACILIT	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$	25,00 - 10,00 185,70 AMOUNT
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$	25,00 - 10,00 185,70 - AMOUNT 55,00 15,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 - AMOUNT - 55,00 15,00 115,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 115,00 45,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 115,00 45,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 115,00 45,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/340 1452/345	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 45,00 175,00 110,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00 110,00 70,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	10,00 185,700
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 - 185,70 AMOUNT - 55,00 - 15,00 - 175,00 - 110,00 - 70,00 - 50,00 - 45,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 185,70 45,00 115,00 175,00 110,00 70,00 50,00 45,00
			1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILI	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00 110,00 70,00 50,00 45,00 680,00
DRILLIN	IG TANGIBLE TOTAL	\$ 1,114,000	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILI	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00 110,00 70,00 50,00 45,00 680,00
DRILLIN	G TANGIBLE TOTAL	\$ 1,114,000	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILI	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 185,70 - AMOUNT 55,00 115,00 45,00 175,00 110,00 70,00 50,00 45,00
	IG TANGIBLE TOTAL DRILLING COSTS	\$ 1,114,000	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/365 1452/365 1452/365 1452/380 1452/390 FACILI	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 185,70 AMOUNT 55,00 15,00 175,00 170,00 70,00 45,00 680,00
		· · · ·	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILIT	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 175,00 170,00 50,00 45,00 680,00 865,70
TOTAL D		· · · ·	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/365 1452/380 1452/390 FACILIT TOTAL COMPL	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 175,00 170,00 50,00 45,00 680,000
TOTAL D		\$ 3,712,000	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILIT	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 175,00 175,00 45,00 680,00 6865,70 6,688,548 0,400,548
TOTAL D		· · · ·	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/365 1452/380 1452/390 FACILIT TOTAL COMPL	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 - 185,700 - AMOUNT - 55,00 - 115,00 - 45,00 - 175,00 - 110,00 - 70,00 - 50,00
TOTAL Department of the Control of t		\$ 3,712,000 Date:	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/360 1452/365 1452/380 1452/390 FACILI TOTAL COMPL TOTAL ES Participant Approval Company:	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25,00 - 10,00 185,70 AMOUNT 55,00 15,00 175,00 175,00 45,00 680,00 6865,70 6,688,548 0,400,548
TOTAL D		\$ 3,712,000	1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/345 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILIT	ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL FACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	25.0 10,0 185,7 AMOUNT 55,0 115,0 175,0 70,0 50,0 45,0 680,0 865,7



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 2BS 7H Field Name: Ranger Location: Lea Co., NM **AFE #**: 22 - XX - XXXX

Project Description: 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.

	DRILLING INTANGIBLE				COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
	ASE / STAKE / PERMIT	\$	6,000	1432/ 10	LEASE / STAKE / PERMIT	\$	2,50
	SPECTION	\$	10,000	1432/ 20	LOCATION AND ROADS	\$	17,50
	CATION AND ROADS	\$	65,000	1432/70	COMPLETION/WORKOVER RIG	\$	46,40
	JRFACE DAMAGES	\$	22,500	1432/ 90	FUEL, POWER & WATER	\$	358,40
	G MOBILIZATION	\$	80,000	1432/110	TRUCKING/VACUUM TRUCK	\$	15,00
	AYWORK	\$	672,000	1432/110	DRILLING/COMPLETION FLUIDS	\$	
	TS/ REAMERS	\$	84,000	1432/130	CEMENT AND PUMP SERVICE	\$	3,50
			·			-	
	IEL, POWER & WATER	\$	241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,80
	RUCKING/VACUUM TRUCK	\$	55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$	490,68
1420/120 DR	RILLING/COMPLETION FLUIDS	\$	275,000	1432/171	COMPLETION HOUSING	\$	19,60
1420/130 CE	MENT AND PUMP SERVICE	\$	230,000	1432/180	WELL STIMULATION	\$	3,316,60
1420/140 CA	ASING CREWS AND TOOLS	\$	50,000	1432/181	WELL TEST SERVICES	\$	100,80
1420/150 EL	ECTRIC LOGGING/PERFORATING	\$	-	1432/183	DIAGNOSTIC SERVICES	\$	60,00
1420/160 MU	JD LOGGING	\$	20,000	1432/190	SLICKLINE SERVICES	\$	4,50
1420/170 EQ	QUIPMENT/TOOL RENTALS	\$	113,000	1432/195	CONTRACT LABOR	\$	15,00
	DWNHOLE RENTALS	\$	72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$	-
	ELL STIMULATION / TESTING	\$	72,000	1432/230	COILED TUBING SERVICES	\$	18,00
		_	144.000		†	+	
	OSED LOOP SYS/CUTTINGS DISP	\$	144,000	1432/250	INSURANCE	\$	1,70
	ONTRACT LABOR/CREW/ROUSTABOUT	\$	65,000	1432/260	SUPERVISION/ENGINEERING	\$	62,00
1420/200 DIF	RECTION DRILLING/SURVEYING	\$	229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$	-
1420/250 INS	SURANCE	\$	10,000	1432/280	PIT REMEDIATION	\$	20,00
1420/260 SU	JPERVISION/ENGINEERING	\$	72,000	1432/290	MISCELLANEOUS	\$	12,50
1420/270 AD	OMINISTRATIVE/OVERHEAD	\$	7,000	1432/310	FRESH WATER TRANSFER	\$	28,00
	ARTS	\$	15,000	1432/350	COMMUNICATIONS	\$	3,80
	DMMUNICATIONS	\$	9,000	1432/412	ARTIFICIAL LIFT	\$	50,00
		_			†	-	50,00
1420/300 CC	ONTINGENCY	\$	51,500	1432/417	FRAC INCIDENTAL	\$	
		<u> </u>		1432/300	CONTINGENCY	\$	168,2
+				COMPLE	TION INTANGIBLE TOTAL	\$	5,167,54
					COMPLETION TANCIPLE		
		1		ACCOUNT COST	COMPLETION TANGIBLE		AMC::::
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
DRILLING	S INTANGIBLE TOTAL	\$	2,598,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,0
Dittellito	THE TANGET TO THE	Ÿ	2,000,000	1433/320	FLOWLINE	\$	9,00
				1433/370	TUBING	\$	147,80
	DRILLING TANGIBLE			1433/380	PUMPING UNIT	\$	-
A COCUME CODE		T	AMOUNT	1433/400		\$	50.04
ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT		WELLHEAD EQUIPMENT		50,00
	ONDUCTOR CASING	\$	30,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,00
	JRFACE CASING	\$	130,000	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,00
1430/330 INT	TERMEDIATE CASING	\$	363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340 DR	RILLING LINERS	\$	-	COMPL	ETION TANGIBLE TOTAL	\$	656,80
1430/350 PR	RODUCTION CASING	\$	567,000	COWIFE	ETION TANGIBLE TOTAL	φ	030,00
1430/400 CA	ASING HANGER/WELLHEAD EQUIP	\$	55,000				
	OWNHOLE TOOLS	\$	-		FACILITIES INTANGIBLE		
1430/405 DC	OWNHOLE TOOLS	à	-			1	
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
				1450/ 20	LOCATION AND ROADS	\$	13,50
				1450/ 90	FUEL, POWER & WATER	\$	1,00
				1450/110	TRUCKING/VACUUM TRUCK	\$	16,2
				1450/170	EQUIPMENT/TOOL RENTAL	\$	50,0
				1450/195	CONTRACT LABOR	\$	70,0
						-	
				1450/260	SUPERVISION/ENGINEERING	\$	25,00
				1450/270	ADMINISTRATIVE/OVERHEAD	\$	-
		L		1450/290	FACILITES MISCELLANEOUS	\$	10,00
				FACILIT	IES INTANGIBLE TOTAL	\$	185,70
					FACILITIES TANGIBLE	_	
				ACCOUNT CODE	FACILITIES TANGIBLE ITEM DESCRIPTION	L	AMOUNT
				ACCOUNT CODE 1452/300		\$	
					ITEM DESCRIPTION	\$	55,0
				1452/300 1452/315	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$	55,00 15,00
				1452/300 1452/315 1452/340	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$	55,00 15,00 115,00
				1452/300 1452/315 1452/340 1452/345	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$	55,00 15,00 115,00 45,00
				1452/300 1452/315 1452/340 1452/345 1452/355	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$	55,00 15,00 115,00 45,00
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$	55,00 15,00 115,00 45,00 - 110,00
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/365	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$	55,00 15,00 115,00 45,00 - 110,00
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$	55,0i 15,0i 115,0i 45,0i - 110,0i 70,0i
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/365	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$	55,00 15,00 115,00 45,00 - 110,00 70,00
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/360 1452/380 1452/390	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$	AMOUNT 55,00 15,00 115,00 110,00 - 110,00 70,00 45,00 45,00
DRILLING	G TANGIBLE TOTAL	\$	1,145,000	1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/365 1452/380 1452/390 FACILI	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	55,00 15,00 115,00 45,00 - 110,00 70,00 50,00 505,00
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/360 1452/380 1452/390 FACILI	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$	55,01 15,01 115,01 45,01 - 110,01 70,01 50,01 45,01 690,70
	G TANGIBLE TOTAL DRILLING COSTS		1,145,000	1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/360 1452/380 1452/390 FACILI	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL EACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$	55,01 15,01 115,01 45,01 45,01 70,01 50,00 45,01 690,70
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/360 1452/380 1452/390 FACILI	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$	55,01 15,00 115,00 45,00 110,00 50,00 45,00 690,70
				1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/360 1452/380 1452/390 FACILI	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL EACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$	55,00 15,00 115,00 115,00 45,00 - 110,00 70,00 50,00 45,00
TOTAL D			3,743,000	1452/300 1452/315 1452/340 1452/345 1452/345 1452/360 1452/365 1452/380 1452/390 FACILI TOTAL COMPL	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL EACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	55,01 15,01 115,01 45,01 45,01 70,01 50,00 45,01 690,70
TOTAL D		\$	3,743,000	1452/300 1452/315 1452/340 1452/345 1452/355 1452/360 1452/380 1452/380 FACILI TOTAL COMPL TOTAL ES	ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITIES TIES TANGIBLE TOTAL EACILITIES TOTAL ETION/FACILITIES COSTS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$	55,0 15,0 115,0 45,0 45,0 70,0 50,0 45,0 505,0 690,7 6,515,04

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



TAB 3

Case No. 23370

Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist Exhibit B-1: Structure Map -1^{st} Bone Spring Sand Structure Exhibit B-2: Structure Map -2^{nd} Bone Spring Sand Structure Exhibit B-3: Stratigraphic Cross Section -1^{st} Bone Spring Sand Datum Exhibit B-4: Stratigraphic Cross Section -2^{nd} Bone Spring Sand Datum Exhibit B-5: Gross Isochore -1^{st} Bone Spring Sand Isopach Exhibit B-6: Gross Isochore -2^{nd} Bone Spring Sand Isopach

Gun Barrel View

Released to Imaging: 3/1/2023 8:09:19 AM

Exhibit B-7:

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 1st and 2nd 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



- 6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1st Bone Spring Ss and Top 2nd Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1st and 2nd 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 1st and 2nd 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:
 - 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]

Received by OCD: 2/28/2023 11:10:16 PM

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.

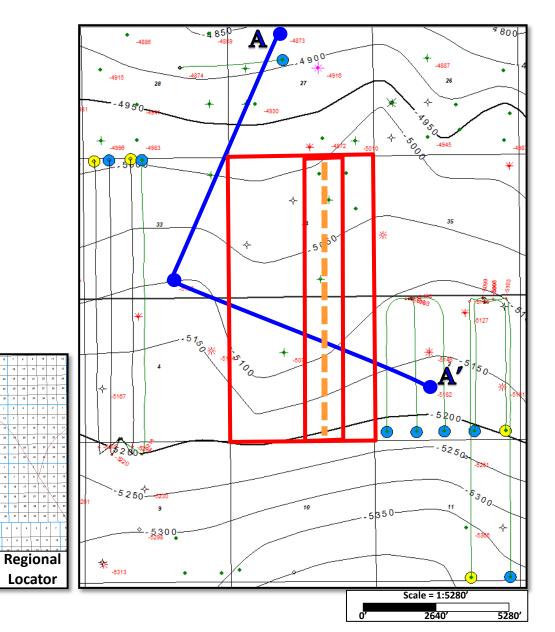
[Jason J. Asmus]

Date Signed

- 1st Bone Spring Sand

- 2nd Bone Spring Sand

Exhibit B-1 1st Bone Spring Sand Structure (SSTVD): Contour Interval = 50'



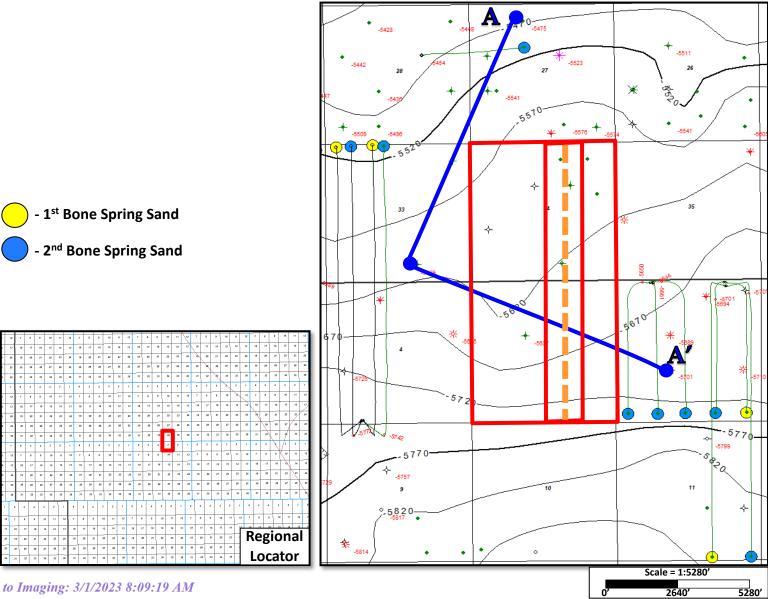
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EXHIBIT



Exhibit B-2 2nd Bone Spring Sand Structure (SSTVD): Contour Interval = 50'



EXHIBIT



Exhibit B-3 Stratigraphic Cross Section A-A': 1st Bone Spring Sand Datum

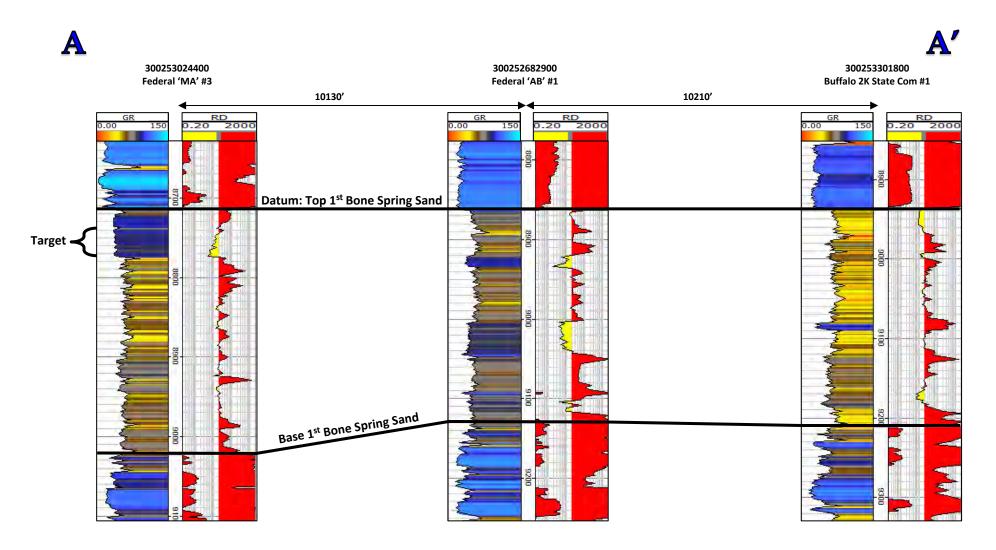






Exhibit B-4 Stratigraphic Cross Section A-A': 2nd Bone Spring Sand Datum

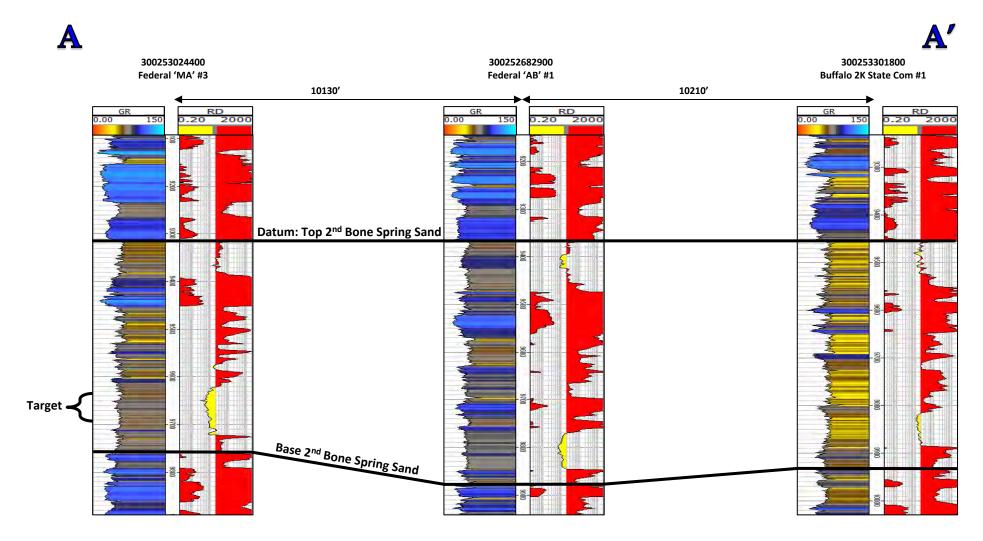


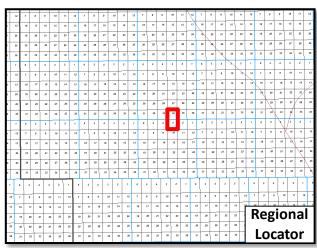


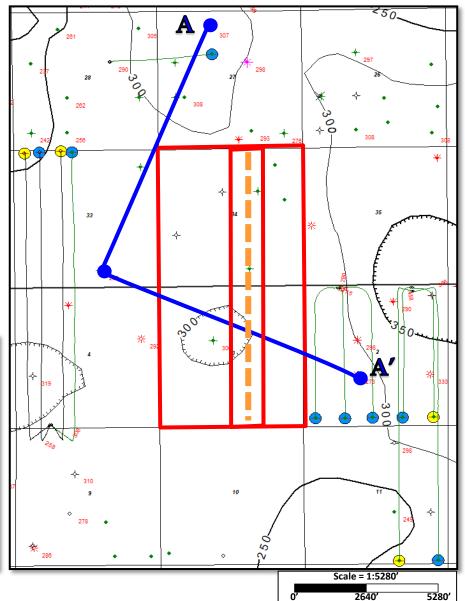


Exhibit B-5 1st Bone Spring Sand Isopach: Contour Interval = 50'



- 2nd Bone Spring Sand





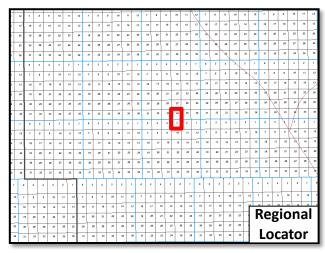
B-5

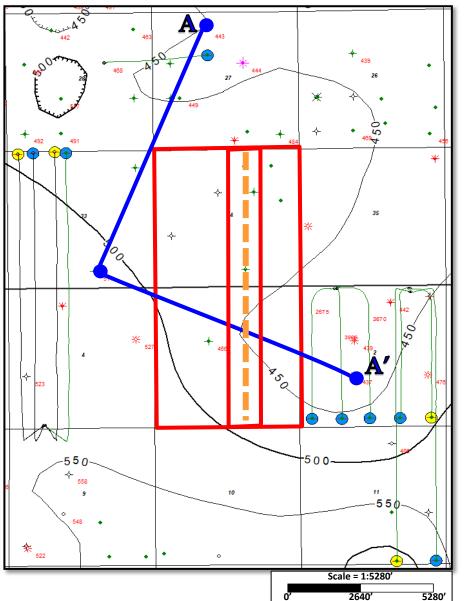


Exhibit B-6 2nd Bone Spring Sand Isopach: Contour Interval = 50'

- 1st Bone Spring Sand

- 2nd Bone Spring Sand



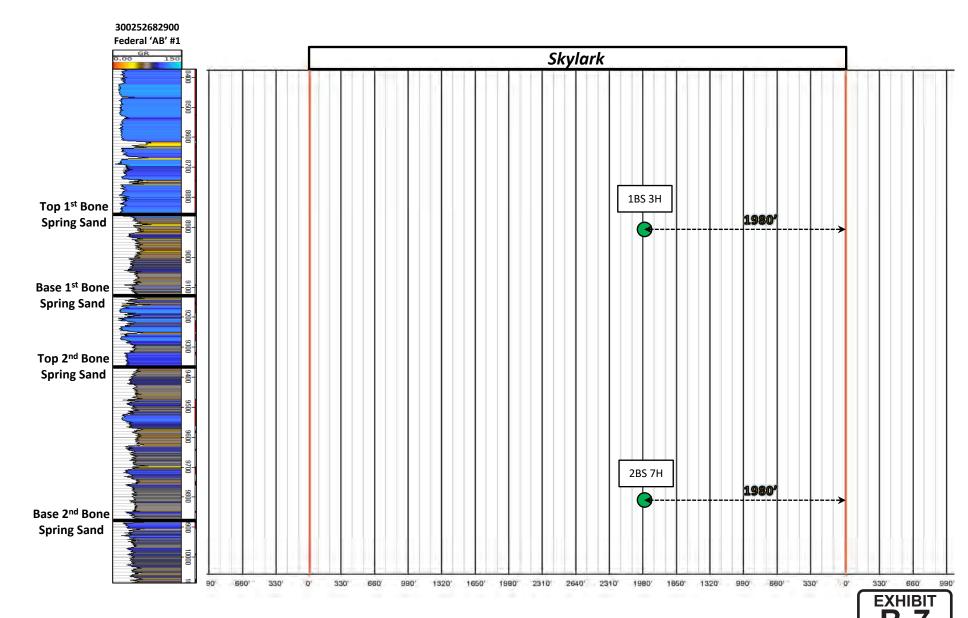


B-6



EARTHSTONE Energy, Inc.

Exhibit B-7 Gun Barrel



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

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



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

Notary Public

My Commission Expires:

02/10/2026

STATE OF NEW MEXICO NOTARY PUBLIC MARSHA DALTON COUCH COMMISSION #1077509 COMMISSION EXPIRES 02/10/2026

A

For the Pursuit of Energy

ABADIE I 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 Prehearing Statement at least four business daåys 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.

Sincerely,

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 9314869904300104294675	Reference Numbe	r Date Mailed 2/9/23	Name 1 CONOCOPHILLIPS COMPANY	Address 1 600 W ILLINOIS AVE	Address 2	City MIDLAND	State TX	Zip 79701-4882		Mailing Status Delivered	Service Options 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 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: CONOCOPHILLIPS COMPANY

Shipment Details

Weight: 2.0oz

Destination Delivery Address

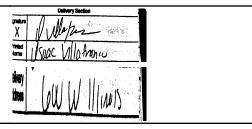
Street Address: 600 W ILLINOIS AVE

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. 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 CASE No. 23370: Notice to all affected parties Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote remotely online. For information about remote access and the status of the case, you can visit the D i v i s i o n 's we b s i t ë a t : https://www.emnrd.nm.gov/ocd/hearinginfo/ or call (505) 476-3441. Earthstone Operating.LEC., at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, TV 77390 2006 20 2007 from the Division; (41) 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 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 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; and 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 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

H Death manage

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

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 SU	JPPORTED BY SIGNED AFFIDAVITS
Case: 23371	APPLICANT'S RESPONSE
Date: March 2, 2023	
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
Formation/Pool	
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 apprx. 8855'; 5H Well: TVD apprx. 9800'
Pool Name and Pool Code:	Mescalero Escarpe; Bone Spring [45793]
Well Location Setback Rules:	Statewide Rules apply
Spacing Unit	
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	Yes
approval of non-standard unit requested in this application?	
Other Situations	
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
Well(s)	
Well #1	Skylark 34-3 Fed Com 1BS 1H (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	Skylark 34-3 Fed Com 1BS 1H FTP: 100' FNL, 660' FWL, 34-18S-R33E LTP: 100' FSL, 660' FWL, 3-19S-R33E

<u>Received by OCD: 2/28/2023 11:10:10 PM</u>	Page 148 of 1
HSU Cross Section	Exhibit B-7, B-3, B-4
Depth Severance Discussion	N/A
Forms, Figures and Tables	
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)	Exhbiit B-7
Cross Section (including Landing Zone)	Exhbits B-3, B-4
Additional Information	
Special Provisions/Stipulations	None
CERTIFICATION: I hereby certify that the information provi	ided in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Darin C. Savage
Signed Name (Attorney or Party Representative):	/s/ Darín Savage
Date:	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.



- Under <u>Case No.</u> 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.

220 South St. Francis I 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

¹ API Numbe	er	² Pool Code 45793	MESCALERO ESCARPE, BO	NE SRING
⁴ Property Code		⁵ Pr	operty Name	⁶ Well Number
		SKYLARK 3	4-3 FED COM 1BS	1H
⁷ OGRID No.		8 O _l	perator Name	⁹ Elevation
		EARTHSTONI	E OPERATING, LLC	3,782.2'

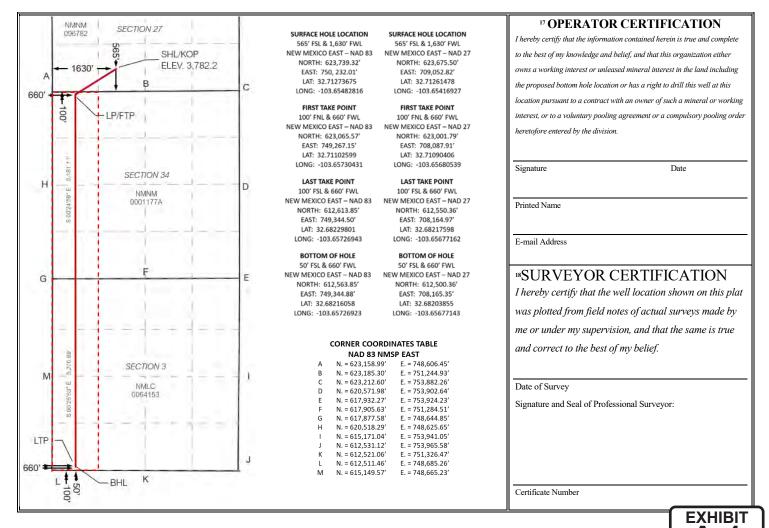
¹⁰ Surface Location

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	1,630	WEST	LEA

¹¹ Bottom Hole Location If Different From Surface

			20	ttom Ho	e Beeumen n	Billerent Tol	ii Suiiuee		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	3	19 S	33 E		50	SOUTH	660	WEST	LEA
12 Dedicated Acres 13 Joint or Infill 14 Consolidation Code 15			Code 15 Or	der No.					
322.81									

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.



<u>District I</u>
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

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Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Santa Fe, NM 87505

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

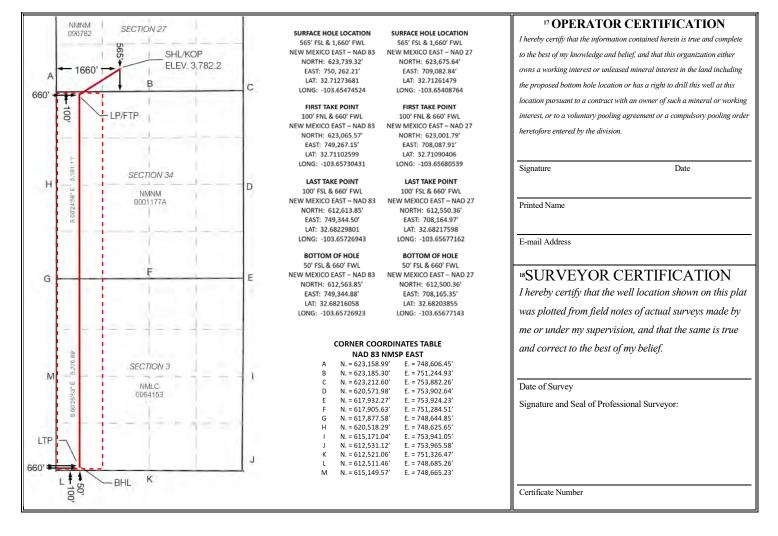
¹⁰ Surface Location

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	1,660	WEST	LEA

¹¹ Bottom Hole Location If Different From Surface

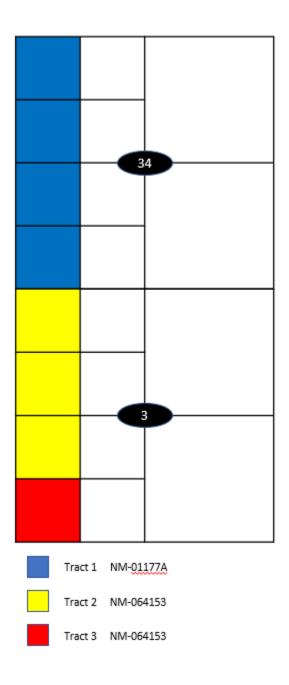
			2 0	**********					
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	3	19 S	33 E		50	SOUTH	660	WEST	LEA
12 Dedicated Acres 13 Joint or Infill 14 Consolidation Code 15 C			Code 15 Or	der No.					
322.81									

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.



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 OWNERSHIP (NM-01177A)

Earthstone Permian LLC	50.000000%
ConocoPhillips Company	50.000000%
	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	8.333334%
	100.000000%

TRACT 3 OWNERSHIP (NM-064153)

Earthstone Permian LLC	50.000000%
ConocoPhillips Company	50.000000%
	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	3.170338%
	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



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@earthstonenergy.com

111001011	
SITL Enei	rgy, LLC hereby elects to:
	articipate for its proportionate share in the drilling & completion of the Skylark 34-3 Fed Com 1BS 1H . on-consent/farmout/assign its interest in Skylark 34-3 Fed Com 1BS 1H , subject to acceptable terms.
	articipate for its proportionate share in the drilling & completion of the Skylark 34-3 Fed Com 2BS 5H on-consent/farmout/assign its interest in the Skylark 34-3 Fed Com 2BS 5H subject to acceptable terms.
SITL Enei	rgy, LLC
By: Name: Title: Date:	



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 1BS 1H Field Name: Ranger Location: Lea Co., NM **AFE #**: 22 - XX - XXXX

Project Description: 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.

ACCOUNT CORE		DRILLING INTANGIBLE		COMPLETION INTANGIBLE					
1489 18 NOTIFICITION \$ 1,000 1482 78 OUNCATION AND ROUGHS \$ 1.75 1482 18 DEPERATION AND ROUGHS \$ 9,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1482 18 DEPERATION AND ROUGHS \$ 300,000 1432 79 OUNCATION AND ROUGHS \$ 300,000 1432 79 OUNCATI			AMOUNT		ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT		
1489-88 DECERTION AND INCOMES \$ 0.000 5449778 DIAMP FEDERAL PRIME SET \$ 0.000 142978 PRIME PRIME PRIME SET \$ 0.000 142978 PRIME PRIME PRIME SET \$ 0.000 142978 PRIME PRIME PRIME SET \$ 0.000 142978 PRIME	1420/ 10 LEA	ASE / STAKE / PERMIT	\$	6,000	1432/ 10	LEASE / STAKE / PERMIT	\$	2,50	
1489-88 MARINGED MARINGES \$ 22.00 1449-98 MALL PROPRIES WATER \$ 186.	1420/ 16 INS	SPECTION	\$	10,000	1432/ 20	LOCATION AND ROADS	\$	17,50	
1489 28 MARKED MANAGOS \$ 2200 1449 98 M.E. FORTR & NOTTR \$ 20.00	1420/ 20 LOC	CATION AND ROADS	\$	65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$	46,40	
1449-99			\$			FUEL, POWER & WATER	_	358,40	
1489 0			\$		1432/110			15,00	
4699 8 PTILIF_COMMERS								3,50	
148999								3,30	
1489119 TRACCHIOMONOLOMI FRICKS \$ 5,000 1482717 COUPRINITIONS REPORTED 5 2000 1482718 COUPRINITIONS \$ 1,000 1482719 COUPRINITIONS \$ 2,000 1482718 COUPRINITIONS \$ 2,000 1482728 COURRED COURRE								-	
1492709 SILLANGOODHETOR FLUOS \$ 250.00 1492711 COMPRETION FLOORISTO \$ 30.00		•							
1489190 CERRETT AND PURSE SERVICE \$ 28,000 1480791 NULL ET STRENGES \$ 1,000	1420/110 TRU	UCKING/VACUUM TRUCK		55,000	1432/170		_	490,68	
1449494	1420/120 DRI	ILLING/COMPLETION FLUIDS	\$	275,000	1432/171	COMPLETION HOUSING	\$	19,60	
1420198	1420/130 CEI	MENT AND PUMP SERVICE	\$	230,000	1432/180	WELL STIMULATION	\$	3,316,60	
1	1420/140 CAS	SING CREWS AND TOOLS	\$	50,000	1432/181	WELL TEST SERVICES	\$	100,80	
1	1420/150 ELE	ECTRIC LOGGING/PERFORATING	\$	-	1432/183	DIAGNOSTIC SERVICES	\$	60,00	
4989179 DOWNINGERITATION FIRSTALE 1 15,000 1499180 CONTROLECT ARROYS 5 15 15 15 15 15 15 15 15 15 15 15 15 1							-	4,50	
1429174							+		
1449999									
1439196 CURRENT LOCK PRIVACITY TRICES DIRPY 1439196 CORTANCT LANGUAGE PRIVACITY TRICES DIRPY 1439196 CORTANCT LANGUAGE 1439298 DIRPY TRICES 1439298 DIRPY TRICES 1439299 DIRPY T	1420/174 DO	WNHOLE RENTALS		72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	_	-	
1480998 OINTRACT AGRICKSPROVIDITAROUT S 6.500 1432298 SUFFINISHENDOMERPERION S 22.500 1432298 SUFFINISHENDOMERPERION S 22.500 1432298 PT REMEMBRATCH S 22.500 1422298 PT REMEMBRATCH S 22.500 1422299 PT REMEMBRATCH S 22.500 PT R	1420/180 WE	ELL STIMULATION / TESTING	\$	-	1432/230	COILED TUBING SERVICES	\$	18,0	
1492209	1420/186 CLC	OSED LOOP SYS/CUTTINGS DISP	\$	144,000	1432/250	INSURANCE	\$	1,7	
14802928 MISURANCE \$ 1,000 1420296 OFF REMEMBRICHON \$ 20, 1420296 MISCELLANGUOS \$ 12, 20, 1420296 MISCELLANGUOS \$ 2, 20, 1420296 MISCELLANGUOS \$ 2, 20, 1420296 MISCELLANGUOS \$ 3, 20, 1420296 OCAMAINICATORIS \$ 3, 30, 00 1420296 OCAMAINICATORIS \$ 3, 30, 00 MISCELLANGUATORIS	1420/195 CO	NTRACT LABOR/CREW/ROUSTABOUT	\$	65,000	1432/260	SUPERVISION/ENGINEERING	\$	62,0	
14820989 UNSURANCE \$ 10.000 1492096 PIT REMEMBATION \$ 20	1420/200 DIR	RECTION DRILLING/SURVEYING	\$	229 000	1432/270	ADMINISTRATIVE/OVERHEAD	¢.	-	
1498270							_		
MADMISTRATIVISHORISHEAD \$ 7.000 14:02396 COMMANDATIONS \$ 3.000						•	+		
1420305								12,50	
14200309 COMMINICATIONS \$ 5,000 14324472 SACE RECEIVED \$ 5,000 SACE RECEIVED \$ 5,0	1420/270 ADI	MINISTRATIVE/OVERHEAD		7,000	1432/310	FRESH WATER TRANSFER	_	28,00	
\$ 1,500	1420/315 PAF	RTS	\$	15,000	1432/350	COMMUNICATIONS	\$	3,8	
1432299 CONTINUENCY \$ 188.	1420/350 CO	MMUNICATIONS	\$	9,000	1432/412	ARTIFICIAL LIFT	\$	50,0	
1432299 CONTINUENCY \$ 188.	1420/300	NTINGENCY	\$	51.500	1432/417	FRAC INCIDENTAL	\$	-	
COMPLETION NTANGIBLE TOTAL \$ 5,167.5		-		. ,,,,,,			_	168,2	
ACCOUNT CODE					1432/300	CONTINGENCI	Ψ	100,20	
ACCOUNT CODE					COMPLE	TION INTANGIBLE TOTAL	\$	5,167,54	
ACCOUNT CODE							•		
DRILLING INTANGIBLE TOTAL \$ 2.568,000						COMPLETION TANGIBLE			
DRILLING INTANGIBLE					ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT	
1439239 FLOWLINE \$ 0.00					1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,00	
1433789	DRILLING	INTANGIBLE TOTAL	\$ 2	2,598,000	1433/320		_	9,00	
1433/380 PLURPING LINET 1433/380 PLURPING UNIT 5 65.5							-		
ACCOUNT CODE							+	131,30	
14302016 CONDUCTOR CASING \$ 30,000 1433410 DOWNNOLE ARTHFICIAL LIFT EQUIP \$ 325,		DRILLING TANGIBLE				PUMPING UNIT	-	-	
1430/220 SURFACE CASING \$ 130,000 1433/412 SURFACE ARTIFICIAL LIFT EQUIP \$ 90,1	ACCOUNT CODE	ITEM DESCRIPTION	AMC	DUNT	1433/400	WELLHEAD EQUIPMENT	\$	65,00	
1430/339 NTERMEDIATE CASING \$ 363.000 1433/417 FRAC INCIDENTAL \$	1430/310 CO	NDUCTOR CASING	\$	30,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,00	
1430/349 NITEMEDIATE CASING \$ 35.00 1433/417 FRAC INCIDENTAL \$	1430/320 SUI	RFACE CASING	\$	130,000	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,00	
1430/340 DRILLING LINERS \$ COMPLETION TANGIBLE TOTAL \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$.			\$		1433/417		_	-	
1430/359						[Ť		
1430/400 CASING HANGERWELLHEAD EQUIP \$ 55,000 1430/405 DOWNHOLE TOOLS \$					COMPLE	ETION TANGIBLE TOTAL	\$	655,30	
1430/405 DOWNHOLE TOOLS \$ - FACILITIES INTANGIBLE									
ACCOUNT CODE	1430/400 CAS	SING HANGER/WELLHEAD EQUIP		55,000					
1450/20 LOCATION AND ROADS \$ 13, 1450/20 FUEL, POWER & WATER \$ 1, 1450/20 FUEL, POWER & WATER \$ 16, 1450/20 FUEL, POWER & WATER & WAT	1430/405 DO	WNHOLE TOOLS	\$	-		FACILITIES INTANGIBLE			
1450/90 FUEL POWER & WATER \$ 1,1					ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT	
1450/110 TRUCKINGAVACUUM TRUCK \$ 16,								13,5	
1450/110 TRUCKINGVACUUM TRUCK \$ 16,					1450/ 20	LOCATION AND ROADS	\$		
1450/170 EQUIPMENT/TOOL RENTAL \$ 50) 1450/180 CONTRACT LABOR \$ 70. 1450/280 SUPERVISIONE/ERING \$ 25. 1450/270 ADMINISTRATIVE/OVERNEAD \$ 1450/270 1450/270 ADMINISTRATIVE/OVERNEAD \$ 10. FACILITIES INTANGIBLE TOTAL \$ 185,7 FACILITIES TANGIBLE \$ 45,7 FACILITIES TANGIBLE TOTAL \$ 185,7 FACILITIES TANGIBLE TOTAL \$ 185,7 FACILITIES TANGIBLE TOTAL \$ 185,7 FACILITIES TANGIBLE TOTAL \$ 180,7 FACILITIES TANGIBLE TOTAL \$ 880,7 FACILITIES TOTAL \$ 880,7 FACILITIE							Ÿ		
1450/195 CONTRACT LABOR \$ 70,					1450/ 90	FUEL, POWER & WATER	\$	1,0	
1450/260 SUPERVISIONIENGINEERING \$ 25,					1450/ 90 1450/110	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$	1,0 16,2	
1450/270 ADMINISTRATIVE/OVERHEAD \$ 1450/290 FACILITIES MISCELLANEOUS \$ 10,					1450/ 90 1450/110	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK	\$	1,0 16,2	
1450/290 FACILITIES MISCELLANEOUS \$ 10) FACILITIES INTANGIBLE TOTAL \$ 185,7					1450/ 90 1450/110 1450/170	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL	\$ \$ \$	1,0 16,2 50,0	
1450/290 FACILITIES MISCELLANEOUS \$ 10) FACILITIES INTANGIBLE TOTAL \$ 185,7					1450/90 1450/110 1450/170 1450/195	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR	\$ \$ \$	1,00 16,20 50,00 70,00	
FACILITIES INTANGIBLE TOTAL \$ 185,7					1450/90 1450/110 1450/170 1450/195 1450/260	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	1,00 16,20 50,00 70,00	
					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00	
ACCOUNT CODE ITEM DESCRIPTION AMOUNT 1452/300 VALVES/CONNECTIONS/FITTINGS \$ 55, 55, 1452/315 METER EQUIPMENT \$ 15, 15, 1452/340 SEPARATORS \$ 115, 1452/345 HEATER TREATER \$ 45, 1452/345 HEATER TREATER \$ 45, 1452/355 GATHERING LINE \$ 175, 1452/365 DIAGNOSTIC EQUIPMENT \$ 70, 1452/365 DIAGNOSTIC EQUIPMENT \$ 70, 1452/390 FACILITES TOTAL \$ 680, 1452/390 FACILITES TOTAL \$ 680, 1452/390 FACILITES TOTAL \$ 685, 7					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00	
ACCOUNT CODE ITEM DESCRIPTION AMOUNT					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS	\$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 -	
1452/300 VALVES/CONNECTIONS/FITTINGS \$ 556. 1452/315 METER EQUIPMENT \$ 15. 1452/340 SEPARATORS \$ 115. 1452/345 HEATER TREATER \$ 45. 1452/345 HEATER TREATER \$ 175. 1452/355 GATHERING LINE \$ 175. 1452/360 STOCK TANKS \$ 110. 1452/360 STOCK TANKS \$ 110. 1452/365 DIAGNOSTIC EQUIPMENT \$ 70. 1452/380 ELECTRICAL EQUIPMENT \$ 50. 1452/390 FACILITIES \$ 45. FACILITIES TANGIBLE TOTAL \$ 680. (DRILLING TANGIBLE TOTAL \$ 1,114,000 FACILITIES TOTAL \$ 865.7 TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 Departor Approval Participant Approval Participant Approval Participant Approval Company: Partipant Will (%)					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL	\$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00	
1452/315 METER EQUIPMENT \$ 15,					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70	
1452/340 SEPARATORS \$ 1150 1452/345 HEATER TREATER \$ 450 1452/355 GATHERING LINE \$ 1750 1452/360 STOCK TANKS \$ 1100 1452/365 DIAGNOSTIC EQUIPMENT \$ 700 1452/380 ELECTRICAL EQUIPMENT \$ 500 1452/390 FACILITIES TOTAL \$ 680,000					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70	
1452/340 SEPARATORS \$ 1150 1452/345 HEATER TREATER \$ 450 1452/355 GATHERING LINE \$ 1750 1452/360 STOCK TANKS \$ 1100 1452/365 DIAGNOSTIC EQUIPMENT \$ 700 1452/380 ELECTRICAL EQUIPMENT \$ 500 1452/390 FACILITIES TOTAL \$ 680,000					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70	
1452/345					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00	
1452/355 GATHERING LINE \$ 175,					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 15,00	
1452/360 STOCK TANKS \$ 110, 1452/365 DIAGNOSTIC EQUIPMENT \$ 70, 1452/380 ELECTRICAL EQUIPMENT & SUPPLIES \$ 50, 1452/390 FACILITIES \$ 45, FACILITIES TANGIBLE TOTAL \$ 680,0 DRILLING TANGIBLE TOTAL \$ 1,114,000 FACILITIES TOTAL \$ 865,7 TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/EMISEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00	
1452/365 DIAGNOSTIC EQUIPMENT \$ 70,0 1452/380 ELECTRICAL EQUIPMENT & SUPPLIES \$ 50,0 1452/390 FACILITIES \$ 45,0					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00	
TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Perpared By: Date: Discription of the participant Approval Company: Participant Williams Supplies \$ 50,000,1000,1000,1000,1000,1000,1000,10					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 175,00	
TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Perpared By: Date: Company: Partipant Wi %:					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 115,00 110,00	
FACILITIES TANGIBLE TOTAL \$ 680,0 DRILLING TANGIBLE TOTAL \$ 1,114,000 FACILITIES TOTAL \$ 865,7 TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Departor Approval Participant Approval Trepared By: Date: Company: Partipant Wi %:					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 45,00 115,00 110,00	
TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Departed By: Date: Company: Partipant WI %:					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00	
TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Departor Approval Prepared By: Date: Company: Partipant WI %:					1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/365 1452/360	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 16,20 50,000 70,000 25,000 10,000 185,700 AMOUNT 55,000 115,000 175,000 110,000 70,000 50,000	
TOTAL DRILLING COSTS \$ 3,712,000 TOTAL COMPLETION/FACILITIES COSTS \$ 6,688,54 TOTAL ESTIMATED WELL COST \$ 10,400,54 Departor Approval Prepared By: Date: Company: Partipant WI %:					1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 15,00 175,00 110,00 70,00 50,000 45,000	
TOTAL ESTIMATED WELL COST \$ 10,400,54 Operator Approval Prepared By: Participant Approval Company: Partipant WI %:	DRILLING	3 TANGIBLE TOTAL	\$	1,114,000	1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/360 1452/365 1452/380 1452/390 FACILI	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,000 16,20 50,000 70,000 25,000 185,700 AMOUNT 55,000 115,000 175,000 110,000 50,000 45,000 680,000	
Deerator Approval Participant Approval Prepared By: Date: Company: Partipant WI %:	DRILLING	S TANGIBLE TOTAL	\$	1,114,000	1450/ 90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/360 1452/365 1452/380 1452/390 FACILI	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 50,00 45,00	
Deerator Approval Prepared By: Date: Company: Participant Approval Partipant WI %:					1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/355 1452/365 1452/365 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 115,00 175,00 110,00 50,00 45,00 680,00	
Prepared By: Date: Company: Partipant WI %:					1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 680,00 865,70	
					1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 - 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 680,00 865,70	
upproved By: Date: Approved By: Date:	TOTAL D		\$ 3,7		1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 70,00 680,00 865,70 6,688,548	
Approved By: Date: Approved By: Date:	TOTAL D		\$ 3,7		1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 680,00 680,00 6865,70	
• · · · · · · · · · · · · · · · · · · ·	TOTAL D		\$ 3,7		1450/90 1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/380 1452/380 1452/390 FACILIT	FUEL, POWER & WATER TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS IES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL ACILITIES TOTAL ELECTRICAL EQUIPMENT & SUPPLIES FACILITES TIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,00 16,20 50,00 70,00 25,00 10,00 185,70 AMOUNT 55,00 115,00 175,00 110,00 680,00 680,00 6865,70	



Earthstone Operating, LLCStatement of Estimated Well Cost

Well Name: Skylark 34-3 Fed Com 2BS 5H Field Name: Ranger Location: Lea Co., NM

AFE #: 22 - XX - XXXX

Project Description: 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 present 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.

					COMPLETION INTANGIBLE		
	DRILLING INTANGIBLE				AMOUNT		
ACCOUNT CODE	ITEM DESCRIPTION	4	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	-	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$	6,000	1432/ 10	LEASE / STAKE / PERMIT	\$	2,50
1420/ 16	INSPECTION	\$	10,000	1432/ 20	LOCATION AND ROADS	\$	17,50
1420/ 20	LOCATION AND ROADS	\$	65,000	1432/ 70	COMPLETION/WORKOVER RIG	\$	46,40
1420/ 25	SURFACE DAMAGES	\$	22,500	1432/ 90	FUEL, POWER & WATER	\$	358,40
1420/ 30	RIG MOBILIZATION	\$	80,000	1432/110	TRUCKING/VACUUM TRUCK	\$	15,00
1420/ 50	DAYWORK	\$	672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$	3,50
1420/ 80	BITS/ REAMERS	\$	84,000	1432/130	CEMENT AND PUMP SERVICE	\$	-
	FUEL, POWER & WATER	\$	241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$	352,80
		\$				\$	
	TRUCKING/VACUUM TRUCK		55,000		1432/170 EQUIPMENT/TOOL RENTALS		490,68
	DRILLING/COMPLETION FLUIDS	\$	275,000	1432/171	1432/171 COMPLETION HOUSING		19,60
1420/130	CEMENT AND PUMP SERVICE	\$	230,000	1432/180	WELL STIMULATION	\$	3,316,60
1420/140	CASING CREWS AND TOOLS	\$	50,000	1432/181	WELL TEST SERVICES	\$	100,80
1420/150	ELECTRIC LOGGING/PERFORATING	\$	-	1432/183	DIAGNOSTIC SERVICES	\$	60,0
1420/160	MUD LOGGING	\$	20,000	1432/190	SLICKLINE SERVICES	\$	4,5
	EQUIPMENT/TOOL RENTALS	\$	113,000	1432/195	CONTRACT LABOR	\$	15,0
Ť	DOWNHOLE RENTALS	\$	72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$.0,0
		-				+	
	WELL STIMULATION / TESTING	\$	-	1432/230	COILED TUBING SERVICES	\$	18,0
	CLOSED LOOP SYS/CUTTINGS DISP	\$	144,000	1432/250	INSURANCE	\$	1,7
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$	65,000	1432/260	SUPERVISION/ENGINEERING	\$	62,0
1420/200	DIRECTION DRILLING/SURVEYING	\$	229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$	-
1420/250	INSURANCE	\$	10,000	1432/280	PIT REMEDIATION	\$	20,0
1420/260	SUPERVISION/ENGINEERING	\$	72,000	1432/290	MISCELLANEOUS	\$	12,5
	ADMINISTRATIVE/OVERHEAD	\$	7,000	1432/310	FRESH WATER TRANSFER	\$	28,0
+	PARTS	\$	15,000	1432/350	COMMUNICATIONS	\$	3,8
		-					
	COMMUNICATIONS	\$	9,000	1432/412	ARTIFICIAL LIFT	\$	50,0
1420/300	CONTINGENCY	\$	51,500	1432/417	FRAC INCIDENTAL	\$	
				1432/300	CONTINGENCY	\$	168,2
		-		COMPLE	TION INTANGIBLE TOTAL	\$	5,167,5
					COMPLETION TANGIBLE		
				ACCOUNT CODE	ITEM DESCRIPTION		AMOUNT
DBILLIN	NG INTANGIBLE TOTAL	\$	2,598,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$	45,0
DRILLIN	NO INTANGIBLE TOTAL	φ	2,390,000	1433/320	FLOWLINE	\$	9,0
				1433/370	TUBING	\$	147,8
	DRILLING TANGIBLE			1433/380	PUMPING UNIT	\$	
A COCUMIT CORE		Т	AMOUNT	1433/400			50.0
ACCOUNT CODE	ITEM DESCRIPTION	+	AMOUNT		WELLHEAD EQUIPMENT	\$	50,0
1430/310	CONDUCTOR CASING	\$	30,000	1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$	325,0
	SURFACE CASING	\$	130,000	1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$	80,0
1430/330	INTERMEDIATE CASING	\$	363,000	1433/417	FRAC INCIDENTAL	\$	-
1430/340	DRILLING LINERS	\$	-	COMBI	ETION TANGIBLE TOTAL	\$	656,80
1430/350	PRODUCTION CASING	\$	567,000	COMPL	ETION TANGIBLE TOTAL	Ф	030,00
1430/400	CASING HANGER/WELLHEAD EQUIP	\$	55,000				
1	DOWNHOLE TOOLS	\$	-		FACILITIES INTANGIBLE		
1400/400	SOMMOLE 10020	-		ACCOUNT CODE		1	AMOUNT
		+		ACCOUNT CODE	ITEM DESCRIPTION	-	AMOUNT
		+		1450/ 20	LOCATION AND ROADS		13,5
		<u> </u>		1450/ 90		\$	1,0
					FUEL, POWER & WATER	\$	
				1450/110	TRUCKING/VACUUM TRUCK	+	16,2
		-				\$	
				1450/110 1450/170	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL	\$ \$ \$	50,0
				1450/110 1450/170 1450/195	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR	\$ \$ \$	50,0 70,0
				1450/110 1450/170 1450/195 1450/260	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	50,0 70,0
				1450/110 1450/170 1450/195 1450/260 1450/270	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	50,0 70,0 25,0
				1450/110 1450/170 1450/195 1450/260	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING	\$ \$ \$ \$	50,0 70,0 25,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD	\$ \$ \$ \$ \$	50,0 70,0 25,0 10,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL	\$ \$ \$ \$ \$	50,0 70,0 25,0 10,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE	\$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS	\$ \$ \$ \$ \$ \$ \$ \$	16,2 50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS	\$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0 15,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50.0 70.0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50.0 70.0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/355 1452/360 1452/365	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/355 1452/360	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 110,0 70,0
				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/340 1452/345 1452/360 1452/365 1452/360 1452/380	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITIES MISCELLANEOUS TIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50.0 70.0 25,0 10,0 185,7 AMOUNT 55,0 115,0 45,0 70,0 50,0,0
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				1450/110 1450/170 1450/195 1450/260 1450/270 1450/290 FACILIT ACCOUNT CODE 1452/300 1452/315 1452/345 1452/345 1452/365 1452/365 1452/390 FACILIT	TRUCKING/VACUUM TRUCK EQUIPMENT/TOOL RENTAL CONTRACT LABOR SUPERVISION/ENGINEERING ADMINISTRATIVE/OVERHEAD FACILITES MISCELLANEOUS FIES INTANGIBLE TOTAL FACILITIES TANGIBLE ITEM DESCRIPTION VALVES/CONNECTIONS/FITTINGS METER EQUIPMENT SEPARATORS HEATER TREATER GATHERING LINE STOCK TANKS DIAGNOSTIC EQUIPMENT ELECTRICAL EQUIPMENT & SUPPLIES FACILITES FACILITES ITIES TANGIBLE TOTAL FACILITIES TANGIBLE TOTAL	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	50,0 70,0 25,0 10,0 185,7 AMOUNT 55,0 15,0
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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



TAB 3

Case No. 23371

Exhibit B: Self-Affirmed Statement of Jason Asmus, Geologist Exhibit B-1: Structure Map -1^{st} Bone Spring Sand Structure Exhibit B-2: Structure Map -2^{nd} Bone Spring Sand Structure Exhibit B-3: Stratigraphic Cross Section -1^{st} Bone Spring Sand Datum Exhibit B-4: Stratigraphic Cross Section -2^{nd} Bone Spring Sand Datum Exhibit B-5: Gross Isochore -1^{st} Bone Spring Sand Isopach Exhibit B-6: Gross Isochore -2^{nd} 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 1st and 2nd 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



- 6. **Exhibit B-3** and **Exhibit B-4** are stratigraphic cross-sections flattened on the Top 1st Bone Spring Ss and Top 2nd Bone Spring Ss. Each well in the cross-section contains a gamma ray and resistivity log. The cross-section demonstrates continuity of both 1st and 2nd 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 1st and 2nd 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:
 - 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]

Received by OCD: 2/28/2023 11:10:16 PM

Released to Imaging: 3/1/2023 8:09:19 AM

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.

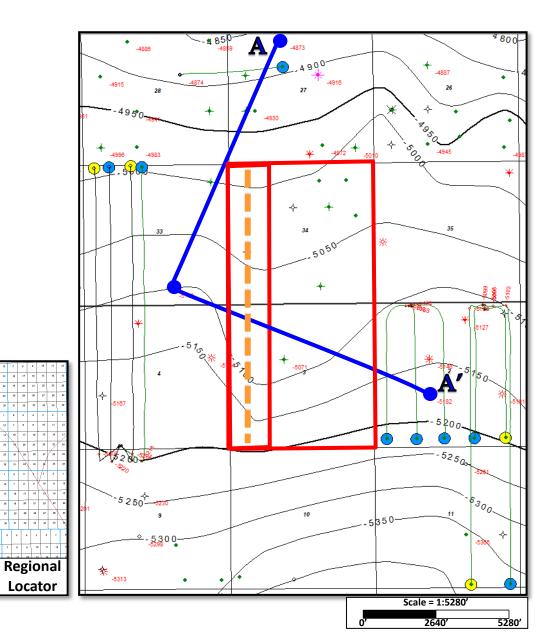
[Jason J. Asmus]

Date Signed

- 1st Bone Spring Sand

- 2nd Bone Spring Sand

Exhibit B-1 1st Bone Spring Sand Structure (SSTVD): Contour Interval = 50'







Released to Imaging: 3/1/2023 8:09:19 AM

Exhibit B-2 2nd Bone Spring Sand Structure (SSTVD): Contour Interval = 50'

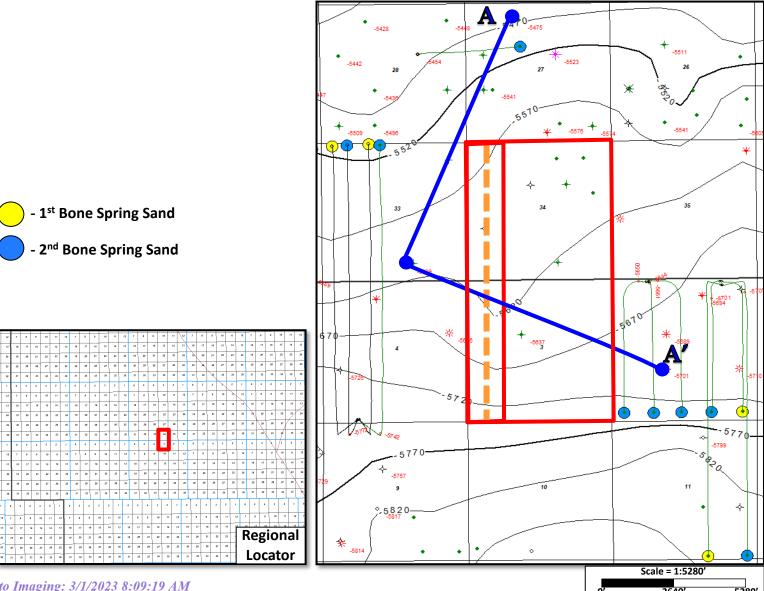






Exhibit B-3 Stratigraphic Cross Section A-A': 1st Bone Spring Sand Datum

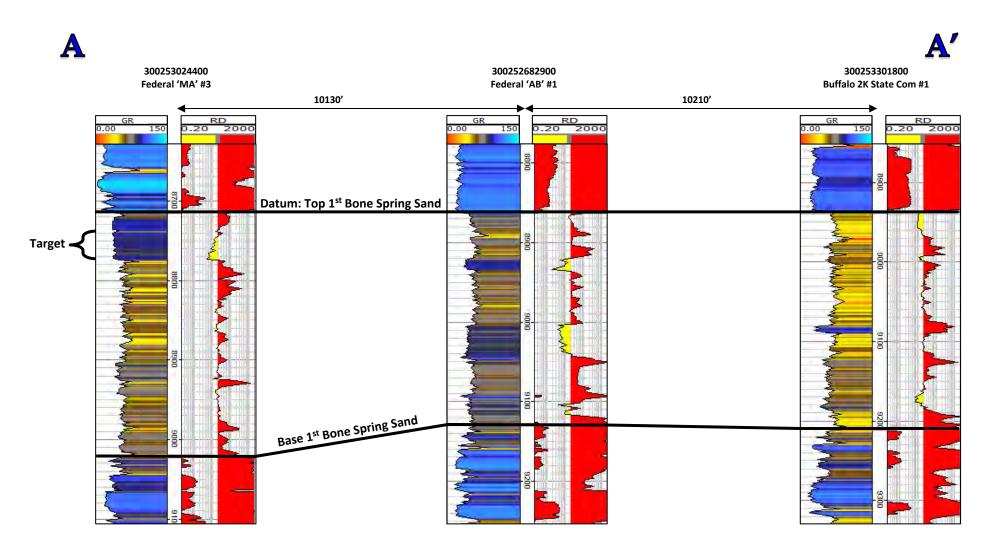






Exhibit B-4 Stratigraphic Cross Section A-A': 2nd Bone Spring Sand Datum

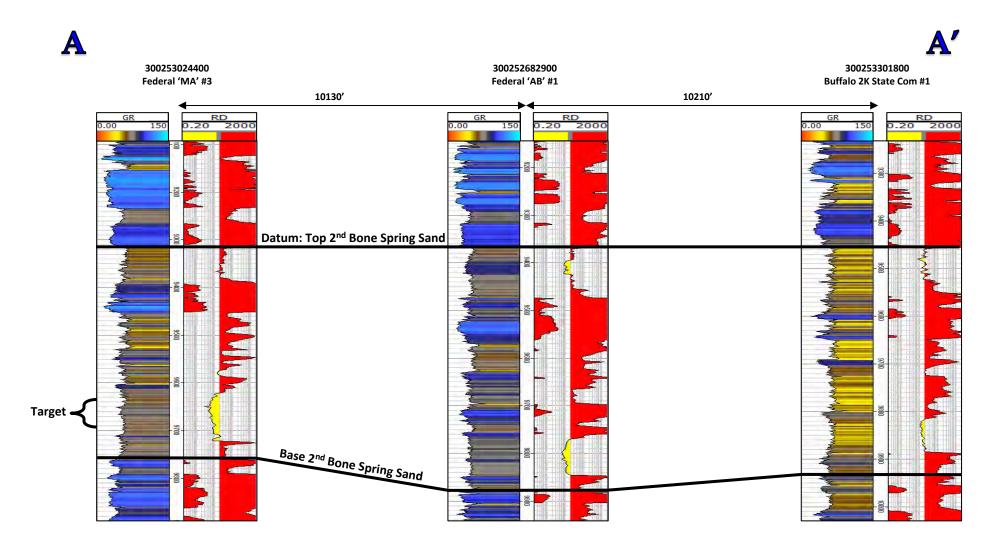
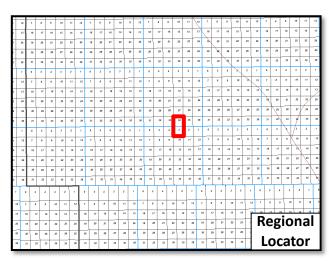


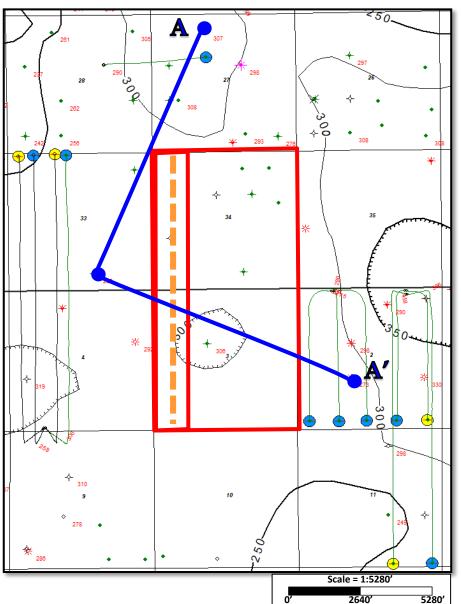




Exhibit B-5 1st Bone Spring Sand Isopach: Contour Interval = 50'







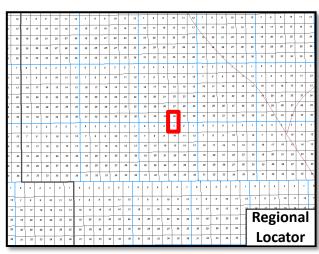
B-5



Exhibit B-6 2nd Bone Spring Sand Isopach: Contour Interval = 50'



- 2nd Bone Spring Sand



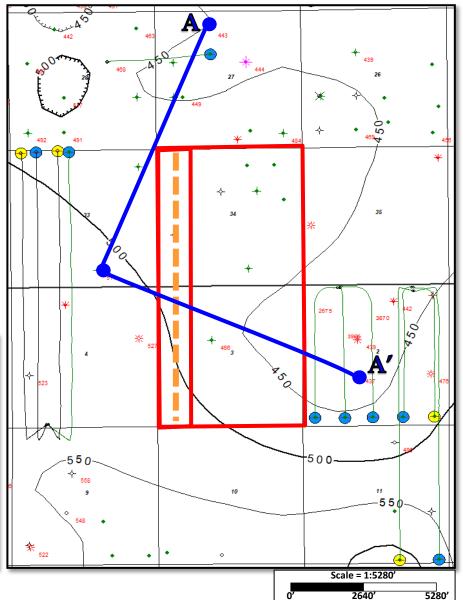
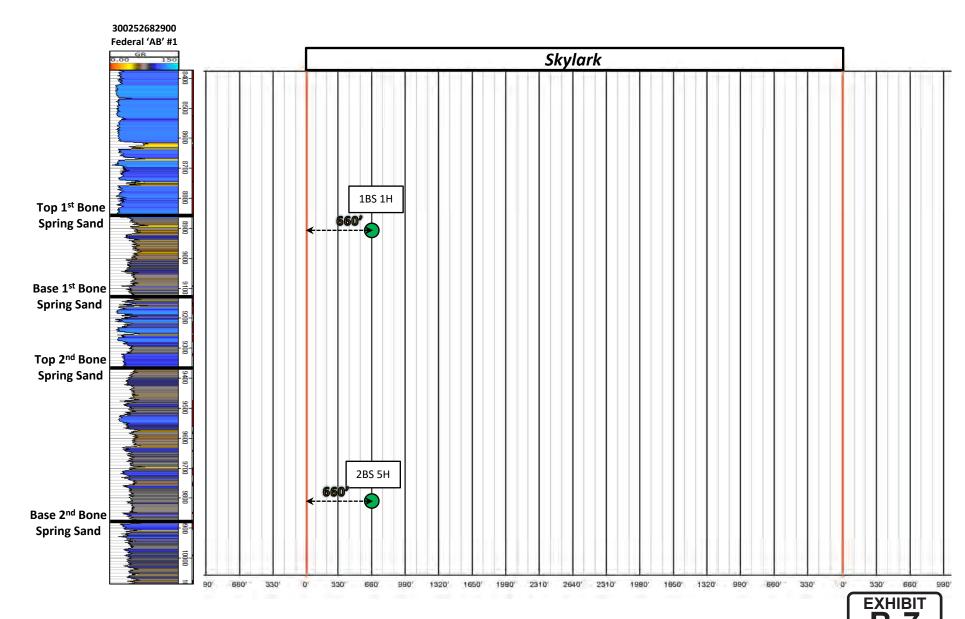






Exhibit B-7 Gun Barrel



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.
- 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



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

Notary Public

My Commission Expires:

02/10/2026

STATE OF NEW MEXICO NOTARY PUBLIC MARSHA DALTON COUCH COMMISSION #1077509 COMMISSION EXPIRES 02/10/2026

ABADIE I SCHILL PC



New Mexico Texas Kansas Wyoming 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



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 Prehearing 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.

Sincerely,

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 Numbe	r Date Mailed	Name 1	Address 1	Address 2	City	State	. Zip	UserID	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
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





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

Status: Delivered, Left with Individual Status Date / Time: February 13, 2023, 01:10 p.m.

Location:MIDLAND, TX 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: OSPREY OIL AND GAS II LLC

Shipment Details

Weight: 2.0oz

Destination Delivery Address

Street Address: 707 N CARRIZO ST

City, State ZIP Code: 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.



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 79701Postal 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.



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

Status: Delivered, Front Desk/Reception/Mail Room

Status Date / Time: February 13, 2023, 12:06 p.m.

Location:MIDLAND, TX 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: SITL ENERGY 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.



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 79701Postal Product:First-Class Mail®Extra Services:Certified Mail™

Return Receipt Electronic

Recipient Name: CONOCOPHILLIPS COMPANY

Shipment Details

Weight: 2.0oz

Destination Delivery Address

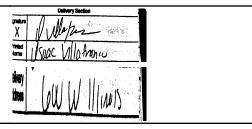
Street Address: 600 W ILLINOIS AVE

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.

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)

OMMISSION 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 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 gage your gost visit the Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the D i v i s i o n 's we b s i t e a t 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 N) 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. 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 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 Mayico. 30 miles west of Hobbs, New Mexico. #00275656

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