

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

**APPLICATION OF EARTHSTONE  
OPERATING, LLC FOR COMPULSORY  
POOLING, AND APPROVAL OF OVERLAPPING  
SPACING UNIT, LEA COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

Pursuant to NMSA 1978, Section 70-2-17, Earthstone Operating, LLC (OGRID No. 331165) (“Earthstone” or “Applicant”) applies for an order pooling all uncommitted interests in the First Bone Spring Interval of the Bone Spring formation, underlying a 644.37-acre, more or less, standard, overlapping horizontal spacing unit comprised of Lots 3 and 4, S/2 NW/4 and SW/4 of irregular Section 2, Township 22 South, Range 34 East, and the W/2 of Section 35, Township 21 South, Range 34 East, Lea County, New Mexico (“Unit”). In support of this application, Earthstone states the following.

1. Applicant is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the following wells (“Wells”):
  - a. **Squeeze 2 State Com 6H** well, which will be drilled from a first take point located in the SW/4 SW/4 (Unit M) of irregular Section 2, Township 22 South, to a last take point in NW/4 NW/4 (Unit D) of Section 35, Township 21 South; and
  - b. **Squeeze 2 State Com 7H** and **Squeeze 2 State Com 8H** wells, which will be drilled from a first take point located in the SE/4 SW/4 (Unit N) of irregular Section 2, Township 22 South, to a last take point in NE/4 NW/4 (Unit C) of Section 35, Township 21 South.
3. The completed intervals of the Wells will be orthodox.

4. The completed interval of the Squeeze 2 State Com 7H will be located within 330' of the quarter-quarter section line separating Lot 4, SW/4 NW/4 and W/2 SW/4 (W/2 W/2 equivalent), and Lot 3, Se/4 NW/4 and E/2 SW/4 (E/2 W/2 equivalent) of irregular Section 2, and the W/2 W/2 and E/2 W/2 of Section 35 to allow for the creation of a 644.37-acre, standard, overlapping horizontal spacing unit.

5. Earthstone only seeks to pool interests from the top of the First Bone Spring Interval of the Bone Spring formation, at a stratigraphic equivalent of approximately 9,423' TVD, to the base of the First Bone Spring Interval, at a stratigraphic equivalent of approximately 9,667' TVD, as shown on the Llano 3 State Com #1 (API No. 30-025-26690) well log.

6. The spacing unit for the Wells partially overlaps with the spacing units for the following wells, which produce from the Ojo Chiso; Bone Spring Pool (Code 96553):

- a. Squeeze 2 State Com #003H (API No. 30-025-49709) dedicated to the W/2 of Section 2, Township 22 South, Range 34 East;
- b. Squeeze 2 State Com #004H (API No. 30-025-49710) dedicated to the W/2 of Section 2, Township 22 South, Range 34 East; and
- c. Squeeze 2 State Com #005H (API No. 30-025-49711) dedicated to the W/2 of Section 2, Township 22 South, Range 34 East.

7. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Well but has been unable to obtain voluntary agreements from all interest owners.

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

9. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated as the operator of the Well and Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 4, 2026, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Well in the Unit;
- C. Approving the overlapping spacing unit;
- D. Designating Applicant as operator of the Unit and the Well to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping and completing the Well;
- F. Approving the actual operating charged and costs of supervision while drilling and after completion, together with a provision adjusting the rated pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Applicant in drilling and completing the Well against any working interest owner who does not voluntarily participate in the drilling of the Well.

Respectfully submitted,

HARDY MCLEAN LLC

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