



Earthstone Energy, Inc.
1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380
Office: 281-298-4246
Fax: 832-823-0478

May 18, 2023

VIA ONLINE FILING

Dean McClure
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application for Administrative Approval
Surface Commingle

Dear Mr. McClure:

Earthstone Operating, LLC (OGRID No. 331165), pursuant to 19.15.12.10 NMAC, seeks administrative approval to surface commingle (lease) diversely owned oil and gas production at the Cottonwood 29-32 West Battery for the wells listed below:

30-015-43702 Cottonwood 29-32 Fed 2BS 1H
30-015-43704 Cottonwood 29-32 Fed 2BS 2H
30-015-44919 Cottonwood 29-32Fed WCA 9H

Pursuant to Statewide rule 19.15.12.10 ©(4)(g) Earthstone Operating, LLC respectfully requests the option to include additional pools or leases and requests authority to add additional wells contained within the spacing units identified and approved in this application.

Thank you for your attention to this matter, and please feel free to call if you have any questions or require additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mikah Thomas", is written over a faint, larger version of the same signature.

Mikah Thomas

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: _____ **OGRID Number:** _____
Well Name: _____ **API:** _____
Pool: _____ **Pool Code:** _____

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

- 1) **TYPE OF APPLICATION:** Check those which apply for [A]
 A. Location – Spacing Unit – Simultaneous Dedication
 NSL NSP (PROJECT AREA) NSP (PRORATION UNIT) SD
- B. Check one only for [I] or [II]
 [I] Commingling – Storage – Measurement
 DHC CTB PLC PC OLS OLM
 [II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- 2) **NOTIFICATION REQUIRED TO:** Check those which apply.
 A. Offset operators or lease holders
 B. Royalty, overriding royalty owners, revenue owners
 C. Application requires published notice
 D. Notification and/or concurrent approval by SLO
 E. Notification and/or concurrent approval by BLM
 F. Surface owner
 G. For all of the above, proof of notification or publication is attached, and/or,
 H. No notice required

<u>FOR OCD ONLY</u>	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	Application Content Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

 Print or Type Name



 Signature

Date

Phone Number

e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Earthstone Operating, LLC (331165)
OPERATOR ADDRESS: 1400 Woodloch Forest Drive, Suite 300 The Woodlands, TX 77380
APPLICATION TYPE:

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Welch; Bone Springs [64010]	44/1257				
Purple Sage; Wolfcamp [98220]	45/1271				

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify)
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code.
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

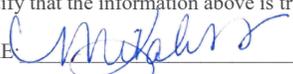
(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE:  TITLE: Regulatory Supervisor DATE: 5/18/23
TYPE OR PRINT NAME Mikah Thomas TELEPHONE NO.: 432-661-7106
E-MAIL ADDRESS: mthomas@earthstoneenergy.com



Earthstone Energy, Inc.
 1400 Woodloch Forest Drive, Suite 300
 The Woodlands, TX 77380
 Office: 281-298-4246
 Fax: 832-823-0478

APPLICATION FOR SURFACE POOL LEASE COMMINGLING

Earthstone Operating, LLC ("Earthstone") respectfully requests approval to surface pool lease commingle oil and gas from the following wells in Section 29 in Township 26 South, Range 26 East within the Bone Spring and Wolfcamp pools listed below.

This Commingle and Allocation Approval (CAA) will not negatively affect the royalty of the federal government. Any allocation meters (non-FMPs) will meet API measurement standard 14.1. All leases, unit PAs, or CAs in the proposed CAA are capable of production in paying quantities, defined at 1 bbl/day of oil or 10 MCF/day of gas. Gas analysis is not required because we are applying under 3173.14(a)(1)iii (Federal unit PA or CA where each unit PA or CA proposed for commingling has the same proportion of Federal interest, and which interest is subject to the same fixed royalty rate and revenue distribution).

The location of the FMP is on the lease. There is no new surface disturbance included as part of the proposed CAA. These spacing units are initially dedicated to the following wells:

Well Name	Location	API#	Pool	Oil BPD	Gravities	MSCFPD	BTU
Cottonwood 29-32 Fed Com 2BS 1H	D-29-26S-26E	30-015-43702	[64010] Welch; Bone Springs	6	44	159	1257
Cottonwood 29-32 Fed Com 2BS 2H	D-29-26S-26E	30-015-43704	[64010] Welch; Bone Springs	16	44	280	1278
Cottonwood 29-32 Fed Com WCA 9H	D-29-26S-26E	30-015-44919	[98220] Purple Sage; Wolfcamp	41	45	384	1271

The central tank battery to service the subject wells is located in SESW of Section 29 in Township 26 South, Range 26 East, Eddy County, New Mexico.

Notification to commingle production from the subject wells was submitted to the Bureau of Land Management, SLO and NMOCD.

Earthstone respectfully requests authority to add additional wells contained within the spacing units identified and approved in this application by filing a Subsequent Report Sundry to the Bureau of Land Management for Federal and filing a C103Z and C-102 with the NMOCD. Notice to owners shall not be required when amending the application to add wells contained within spacing units previously approved for commingling authority.

Pursuant to Statewide rule 19.15.12.10 ©(4)(g) Earthstone Operating, LLC respectfully requests the option to include additional pools or leases from within the following parameters:

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 **NM OIL CONSERVATION** Form C-102
Energy, Minerals & Natural Resources Department **ARTESIA DISTRICT** Revised August 1, 2011
OIL CONSERVATION DIVISION **AUG 08 2018** Submit one copy to appropriate District Office
1220 South St. Francis Dr.
Santa Fe, NM 87505 **RECEIVED** AMENDED REPORT AS DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-44919	² Pool Code 98220	³ Pool Name PURPLE SAGE; WOLFCAMP
⁴ Property Code 3193T 320659	⁵ Property Name COTTONWOOD 29-32 FED COM WCA	
⁷ OGRID No. 372137	⁸ Operator Name CHISHOLM ENERGY OPERATING, LLC	⁶ Well Number 9H ⁹ Elevation 3433'

¹⁰ Surface Location

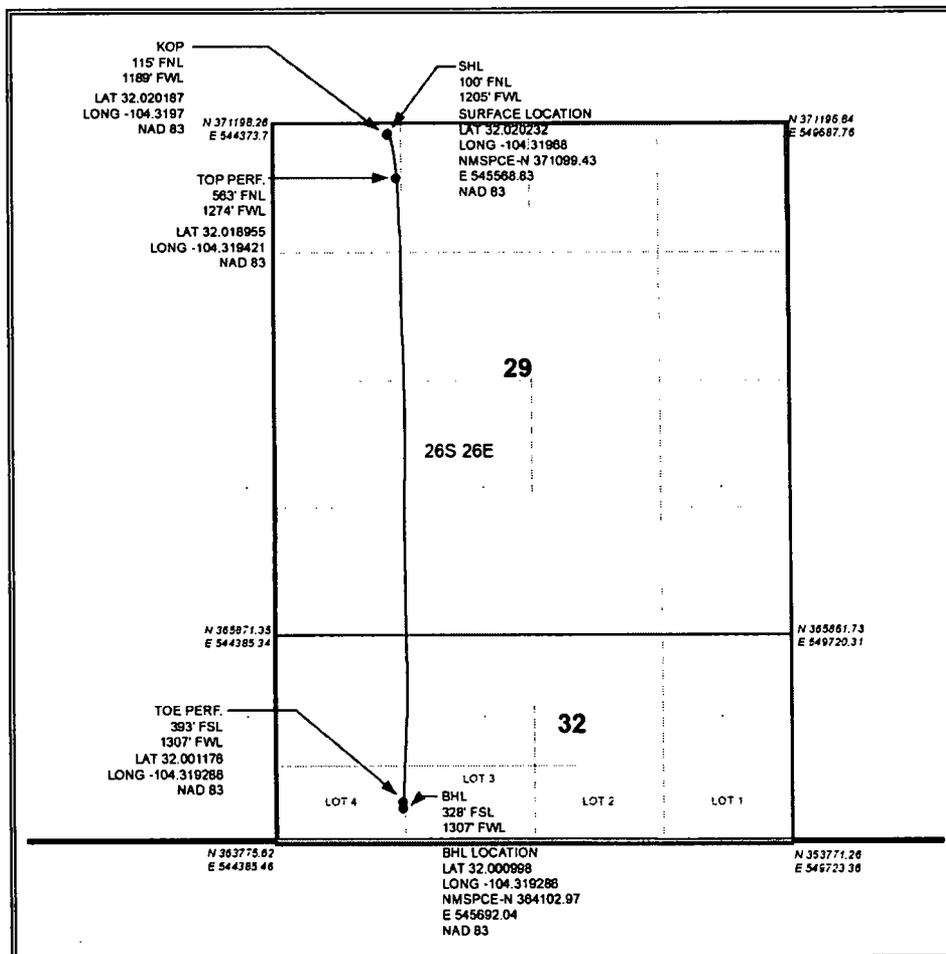
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	29	26S	26E		100	NORTH	1205	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	32	26S	26E		328	SOUTH	1307	WEST	EDDY

¹² Dedicated Acres 892.20	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. R-14561
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



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

Jennifer Elrod 8/6/18
Signature Date

JENNIFER ELROD
Printed Name

jelrod@chisholmenergy.com
E-mail Address

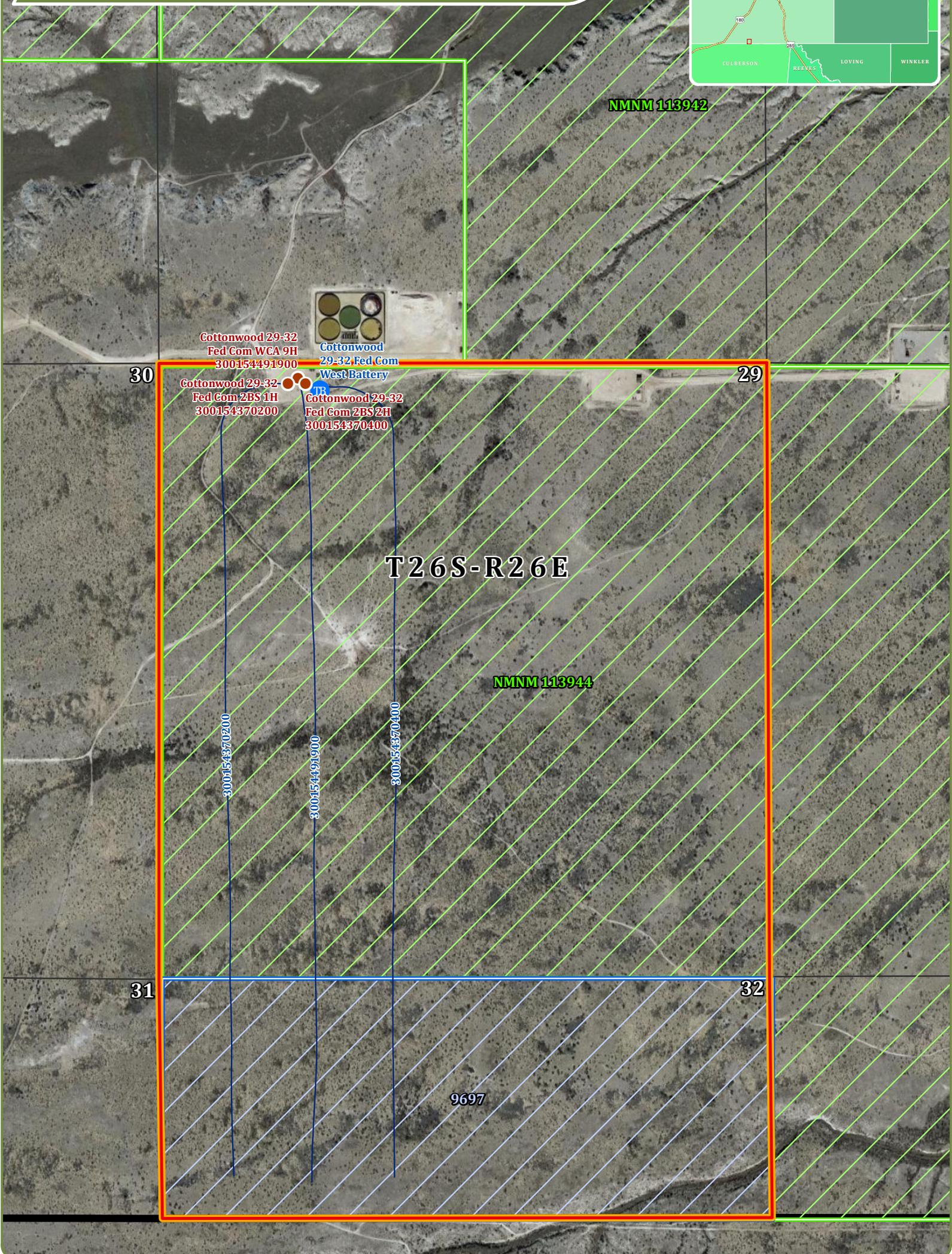
¹⁸ SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey
Signature and Seal of Professional Surveyor

Certificate Number

SURFACE COMMINGLING- COTTONWOOD

SECTION 29 & 32, TOWNSHIP 26 SOUTH, RANGE 26 EAST, EDDY COUNTY, NEW MEXICO



Cottonwood 29-32
Fed Com WCA 9H
300154491900

Cottonwood
29-32 Fed Com
West Battery

Cottonwood 29-32
Fed Com 2BS 1H
300154370200

Cottonwood 29-32
Fed Com 2BS 2H
300154370400

T26S-R26E

300154370200

300154491900

300154370400

9697

1:12,000



PERMIAN BASIN
PO Box 1754
Midland, TX 79702
CONTACT
Email: info@coosaconsulting.com
Office : (432) 631-4738

Coordinate System:
NAD 1983 StatePlane New Mexico East FIPS 3001 Feet
Projection: Transverse Mercator
Datum: North American 1983
False Easting: 541,337.5000
False Northing: 0.0000
Central Meridian: -104.3333
Scale Factor: 0.9999
Latitude Of Origin: 31.0000
Units: Foot US



Legend

● SHL

● TB

— Wellbore

□ State Lease

▨ Federal Lease

Communitization Agreement

□ Bone Spring

□ Wolfcamp

Cottonwood 29-32 Fed Com West Battery

OPERATOR:
EARTHSTONE ENERGY INC.



EARTHSTONE
Energy, Inc.

Allocation Methodology

PRORATED ALLOCATION

GAS ALLOCATION

Each well has a Wellhead (WH) meter and a Gas Lift (GL) meter. The CTB has a FC Meter that measures the volume of gas that leaves the CTB, this FC meter is considered an FMP. The INJ BB meter that measures off-lease gas coming on lease used for gas lift from the gathering line is considered an FMP.

1. Buyback FM is the volume of off-lease gas used for gas lift and to run the compressor, it is calculated by Buyback – Comp Fuel,
2. Net Well Production is base amount of production not used for gas lift and is calculated by subtracting Gas Lift (GL) volume from the wellhead (WH) meter reading.
3. Lease use is the volume of gas used by the equipment on the CTB allocated to the wells by Lease Use volume/total hours produced by all wells on CTB * each wells Hours On.
4. Theoretical % used for the allocation of production/sales is calculated by dividing the Net Well Production volume for each well into the sum of the Net Well Production.
5. CTB FC-INJ BB (Net CTB Gas) is volume of gas for royalty purposes, off lease gas is netted out of FMP meter volume. $FC\ Meter - (INJ\ BB\ Meter - GL\ Compressor)$. This gives you the volume of gas for royalty purposes that was produced/sold from the CTB.
6. Theoretical % for each well is multiplied by the Net CTB Gas.
7. HP Flare is volume of gas flared from the CTB, allocated to wells by Theoretical % for each well * HP FL volume.
8. VRU measures the gas from the oil tanks, is allocated based on allocated oil production for each well. VRU is an FMP. $VRU\ measured\ volume * theoretical\ \%\ of\ oil\ produced$. Each well's oil measured volume/by sum of all oil measured volumes on CTB = theoretical oil volume.
9. Total Net FMP Volumes is total sold from the CTB to the gathering line and is calculated by Net CTB Gas + VRU.
10. Allocated Production is all gas produced by CTB and is calculated by adding Total Net FMP Volumes+ HP Flare + Lease Use.
11. Total Net FMP Volumes is total sold from the CTB to the gathering line and is calculated by Net CTB

OIL ALLOCATION

Each well has an oil meter measuring the volume of oil produced by the well. This volume is used as the allocation point to prorate Allocated Production and Total Sales Volume (FMP) back to each well.

1. Allocated production is volume of oil produced by the CTB and is calculated by Ending Tank Inventory + Pipeline LACT (FMP) – Beginning Tank Inventory.
2. Available oil for sale is calculated by Pipeline Lact (FMP) – Beginning Tank Inventory.
3. Theoretical % is calculated by dividing each oil meter volume into the sum of oil meters.
4. The Theoretical % for each well is multiplied by the Allocated Production and the Available Sales.
5. Total Sales Volume is the volume of oil sold through the FMP meter. It is calculated by adding available for sale to the beginning inventory for each well.
6. Beginning Inventory comes from previous accounting period's Ending Inventory for each well.
7. Ending Inventory for each well is calculated by adding Beginning Inventory + Allocated Production – Total Sales Volume.

WATER ALLOCATION

Each well has a water meter measuring the volume of water produced by the well. This volume is used as the allocation point to prorate Allocated Production and Total Transferred Volume back to each well.

1. Allocated production is volume of water produced by the CTB and is calculated by Ending Tank Inventory + Water Transfer – Beginning Tank Inventory.
2. Available Water to Transfer is calculated by Water Transfer – Beginning Tank Inventory.
3. Theoretical % is calculated by dividing each water meter volume into the sum of the water meters.
4. The Theoretical % for each well is multiplied by the Allocated Production and the Available Sales.
5. Total Transfer Volume is the volume of water transferred off the CTB. It is calculated by adding Available to Transfer to the beginning inventory for each well.
6. Beginning Inventory comes from previous accounting period's allocated Ending Inventory for each well.
7. Ending Inventory for each well is calculated by adding beginning inventory + Allocated Production – Total Transfer Volume.

Applied Allocation Spreadsheet Examples (Gas Stream)

Definition of Factors, Formulas, and Assets

Gas Out	Daily meter reading from a testing vessel (shared or designated by well) for an individual well used as the basis for prorating total produced volumes.
Gas In	Daily meter reading from a designated meter for an individual well for measuring the amount of gas injected into a well for gas lift purposes.
Formation Gas	The total gas produced from the formation. Calculated by subtracting Gas In from Gas Out.
Theoretical % of Production	Calculated by dividing the Formation Gas for the individual well into the sum of all Formation Gas. Not visualized in the production accounting program.
Allocated Gas Production	Total volume of gas sold, flared, utilized for lease operations, or utilized as fuel for compression equipment and less the gas metered through the Gas Buy Back. Reporting Volume to the OGOR.
Allocated Gas Sales	Total volume sold from the CTB less the gas metered through the Gas Buy Back Meter. Reporting Volume to the OGOR.
Allocated Flared Volume	Total volume flared from the CTB. Reporting Volume to the OGOR.
Gas Flare Meter	Metered volume of gas sent to combustion or flare for the CTB
Gas Lease Use Meter	Metered volume of gas utilized for lease operations for pneumatics, power generation, or other necessary operations to operate the CTB.
Gas Sales Meter	Metered volume of gas transferred at a custody exchange point to a midstream gatherer or direct purchaser.
Gas Compressor Factor	Total gas burned as fuel for operation of gas lift compression for purposes of injection for gas lift purposes. An hourly rate factored by the total Hours On of the compressor daily.
Hours On	Total hours the compressor was ran for the allocation period.
Gas Buy Back Meter	Metered volume of gas transferred from a custody exchange point to the operator for use as lease use, compression fuel, or injection volume.
Total Gas Basis	Sum of all gas utilized in the operation of the lease.

Individual Well Factors and Allocated Production

Well Name	Gas Out	Gas In	Formation Gas	Theoretical % of Production	Allocated Gas Production	Allocated Gas Sales	Allocated Flared Volume
xxxxx	2370.00	765.80	1604.20	0.61553	1817.67	1556.07	221.59
xxxxx	1763.00	761.00	1002.00	0.38447	1135.33	971.93	138.41
Totals	4133.00	1526.80	2606.20	1.00000	2953.00	2528.00	360.00

Total Gas Metered Out of CTB

Asset	Gas Production	Hours On
Gas Flare Meter	360.00	
Gas Lease Use Meter	0.00	
Gas Sales Meter	2528.00	
GL Compressor Factor	65.00	24.00
Gas Buy Back Meter	0.00	
Total Gas Basis	2953.00	

Applied Allocation Spreadsheet Examples (Oil Stream)

Definition of Factors, Formulas, and Assets

Oil Allocation Factor	Daily meter reading from a testing vessel (shared or designated by well) for an individual well used as the basis for prorating produced sellable volumes from the OMT.
Well Test Hours	Total hours that well test was conducted for. Used to adjust Oil Allocation Factor to a 24 hour rate. Well test hours can be more than or less than 24 hours but greater than 0.
Hours Flowed	Total hours that well was flowing produced fluids. Used to adjust Oil Allocation Factor to compensate for Oil Allocation Factor being adjusted to a 24 hour rate.
Oil Allocation Factor Basis	The Oil Allocation Factor adjusted to 24 hour basis and corrected for any downtime incurred for the well. Reporting volume to the OGOR.
Theoretical % of Production	Calculated by dividing the Oil Allocation Factor Basis for the individual well into the sum of all Basis' at the OMT. Not visualized in the production accounting program.
Allocated Oil Production	Volume of sold or stored volume produced in the time period ready to sell from the OMT allocated to each well. Reporting Volume to the OGOR.
Oil Master Tank (OMT)	Relative terminology synonymous with Central Tank Battery.
Beginning Oil	Inventory in bbls from the previous accounting periods calculated ending inventories. In the case of a new OMT, during any accounting period, Open inventory would be = 0.
Ending Oil	Inventory in bbls as measure for the date of accounting. Ending inventory can be positive, negative or neutral each day, but cannot sum to < 0.
Dispositions	A measured volume removed from a tank or moved through a LACT. Recorded from a ticket or direct meter read.
Oil Production	Total volume sold or available for sell for each asset at the OMT for accounting period. Calculated by subtracting Ending Oil from Beginning Oil and summing with Dispositions
OMT Totals	Formula to calculate the total volumes sold or available for sale at the OMT for the accounting period. Reporting Volume to the OGOR.
LACT	Measures in bbls the volume transferred at the LACT meter to custody of the midstream gatherer or direct to purchaser.
Oil Tank #	Physical tank count at the OMT. Tanks can vary in size by battery and volume requirements. BBL/Inch factors are calculated and applied at the asset level.

Individual Well Factors and Allocated Production

Well Name	Oil Allocation Factor	Well Test Hours	Hours Flowed	Oil Allocation Factor Basis	Theoretical % of Production	Allocated Oil Production
xxxxx	817.59	24.00	24.00	817.59	0.62374	821.11
xxxxx	493.20	24.00	24.00	493.20	0.37626	495.33
Totals	1310.79	-	-	1310.79	1.00000	1316.44

Oil Master Tank (OMT)

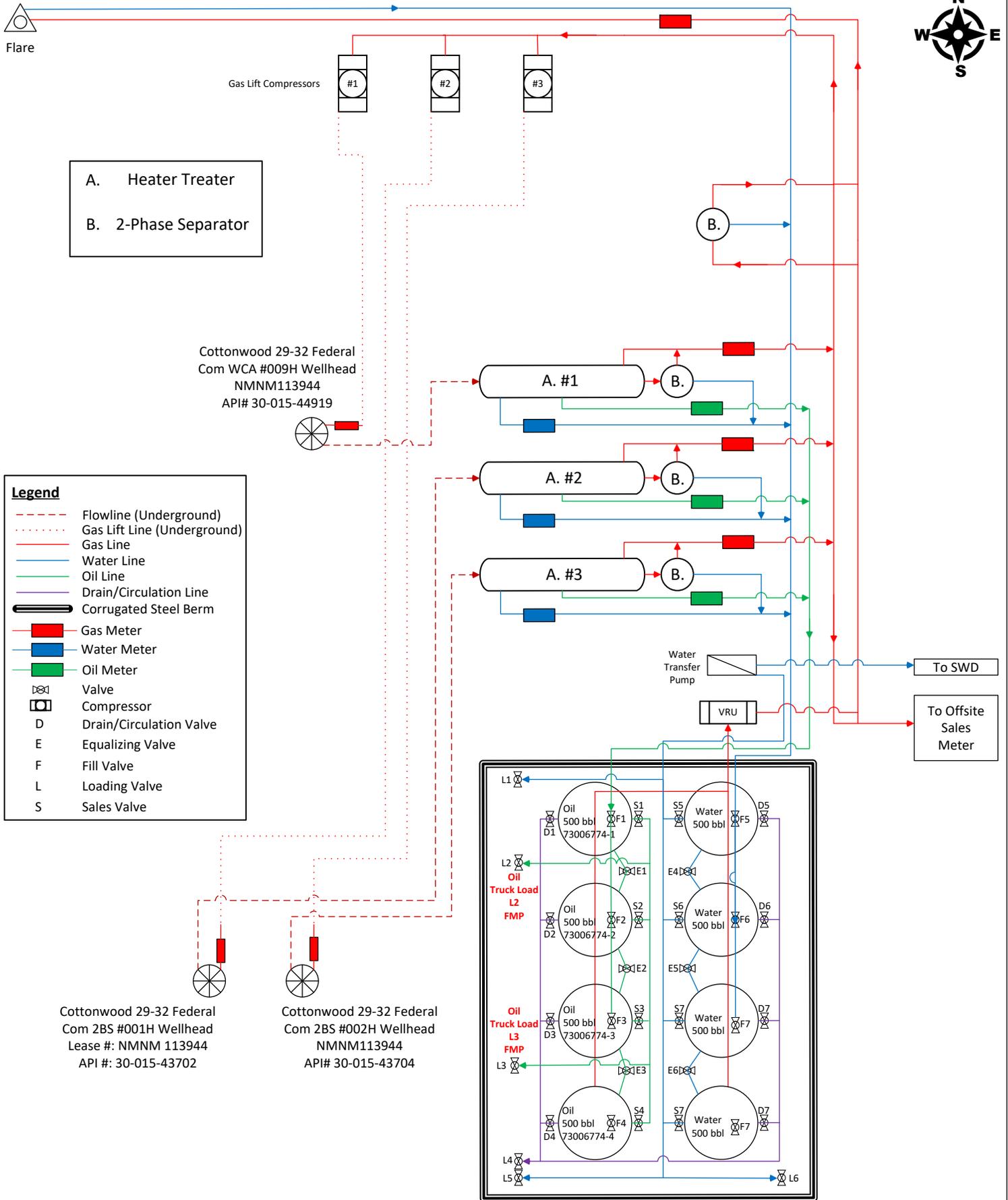
Asset	Beginning Oil	Ending Oil	Dispositions	Oil Production
Oil Tank 1 (OT1)	166.80	161.24		-5.56
Oil Tank 2 (OT2)	88.96	88.96		0.00
Oil Tank 3 (OT3)	63.94	63.94		0.00
LACT			1322.00	1322.00
OMT Totals	319.70	314.14		1316.44

Applied Allocation Spreadsheet Examples (Water Stream)

Definition of Factors, Formulas, and Assets	
Water Allocation Factor	Daily meter reading from a testing vessel (shared or designated by well) for an individual well used as the basis for prorating produced volumes from the WMT.
Well Test Hours	Total hours that well test was conducted for. Used to adjust Water Allocation Factor to a 24 hour rate. Well test hours can be more than or less than 24 hours but greater than 0.
Hours Flowed	Total hours that well was flowing produced fluids. Used to adjust Water Allocation Factor to compensate for Water Allocation Factor being adjusted to a 24 hour rate.
Water Allocation Factor Basis	The Water Allocation Factor adjusted to 24 hour basis and corrected for any downtime incurred for the well. Reporting volume to the OGOR.
Theoretical % of Production	Calculated by dividing the Water Allocation Factor Basis for the individual well into the sum of all Basis' at the WMT. Not visualized in the production accounting program.
Allocated Water Production	Volume of sold or stored volume produced in the time period ready to sell from the WMT allocated to each well. Reporting Volume to the OGOR.
Water Master Tank (WMT)	Relative terminology synonymous with Central Tank Battery.
Beginning Water	Inventory in bbls from the previous accounting periods calculated ending inventories. In the case of a new WMT, during any accounting period, Open inventory would be = 0.
Ending Water	Inventory in bbls as measure for the date of accounting. Ending inventory can be positive, negative or neutral each day, but cannot sum to < 0.
Dispositions	A measured volume removed from a tank or moved through a Water Transfer Meter. Recorded from a ticket or direct meter read.
Water Production	Total volume moved or available for each asset at the WMT for accounting period. Calculated by subtracting Ending Water from Beginning Water and summing with Dispositions
WMT Totals	Formula to calculate the total volumes sold or available for sale at the WMT for the accounting period. Reporting Volume to the OGOR.
Water Transfer Meter	Measures in bbls the volume transferred at the Water Transfer meter to custody of the midstream gatherer or direct to disposal.
Water Tank #	Physical tank count at the WMT. Tanks can vary in size by battery and volume requirements. BBL/Inch factors are calculated and applied at the asset level.

Individual Well Factors and Allocated Production						
Well Name	Water Allocation Factor	Well Test Hours	Hours Flowed	Water Allocation Factor Basis	Theoretical % of Production	Allocated Water
xxxxx	1571.00	24.00	24.00	1571.00	0.55512	1577.66
xxxxx	1259.00	24.00	24.00	1259.00	0.44488	1264.34
Totals	2830.00	-	-	2830.00	1.00000	2842.00

Water Master Tank (WMT)				
Asset	Beginning Water	Ending Water	Dispositions	Water Production
Water Tank 1 (WT1)	36.14	36.14		0.00
Water Tank 2 (WT2)	30.58	30.58		0.00
Water Tank 3 (WT3)	33.96	33.96		0.00
Water Transfer Meter			2842.00	2842.00
WMT Totals	100.68	100.68		2842.00



FACILITY DIAGRAM

Page 1 of 2

SCALE: Not to Scale

DATE: 02/20/2023

Project No. 049847.00

Earthstone Operating, LLC
 Cottonwood 29 West Battery
 Production Facility
 Eddy County, New Mexico

Notes:

- Site Coordinates (NAD 83)
32.019955 -104.31968
- Surface Location:
NWNW Sec. 29, T26S, R26E



1501 Bill Owens Pkwy
 Longview, TX 75604
 Phone: 903/297-4673
 www.sphere3env.com

FMP Location	FMP Product	Serial Number
Truck Loading	Oil	L2-Gauged
Truck Loading	Oil	L3-Gauged

Diagram Valve Legend	
F1, F2, F3, F4, F5, F6, F7, F8	Fill Valves
D1, D2, D3, D4, D5, D6, D7, D8	Drain/Circulation Valves
S1, S2, S3, S4, S5, S6, S7, S8	Sales Valves
E1, E2, E3, E4, E5, E6	Equalizing Valves
L1, L2, L3, L4, L5, L6	Truck Loading Valves

Oil Tank # 73006774-1	
Valve Positioning During Production	
Valve	Position
F1	Open
S1, D1, E1	Sealed Closed
Valve Positioning During Sales – Truck Loading-L2	
Valve	Position
S1, L2	Open
F1, D1, E1, L3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L3	
Valve	Position
S1, L3	Open
F1, D1, E1, L2	Sealed Closed
Valve Positioning During Dewater – Truck Loading	
Valve	Position
D1, L4	Open
S1, F1, E1	Sealed Closed

Oil Tank # 73006774-2	
Valve Positioning During Production	
Valve	Position
F2	Open
S2, D2, E1, E2	Sealed Closed
Valve Positioning During Sales – Truck Loading-L2	
Valve	Position
S2, L2	Open
F2, D2, E1, E2, L3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L3	
Valve	Position
S1, L3	Open
F1, D1, E1, E2, L2	Sealed Closed
Valve Positioning During Dewater – Truck Loading	
Valve	Position
D2, L4	Open
S2, F2, E1, E2	Sealed Closed

Oil Tank # 73006774-3	
Valve Positioning During Production	
Valve	Position
F3	Open
S3, D3, E2, E3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L2	
Valve	Position
S3, L2	Open
F3, D3, E2, E3, L3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L3	
Valve	Position
S1, L3	Open
F1, D1, E2, E3, L2	Sealed Closed
Valve Positioning During Dewater – Truck Loading	
Valve	Position
D3, L4	Open
S3, F3, E2, E3	Sealed Closed

Oil Tank # 73006774-4	
Valve Positioning During Production	
Valve	Position
F4	Open
S4, D4, E3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L2	
Valve	Position
S4, L2	Open
F4, D4, E3, L3	Sealed Closed
Valve Positioning During Sales – Truck Loading-L3	
Valve	Position
S1, L3	Open
F1, D1, E1, L2	Sealed Closed
Valve Positioning During Dewater – Truck Loading	
Valve	Position
D4, L4	Open
S4, F4, E3	Sealed Closed

FACILITY DIAGRAM

Page 2 of 2

SCALE: Not to Scale

Earthstone Operating, LLC
 Cottonwood 29 West Battery
 Production Facility
 Eddy County, New Mexico

DATE: 02/20/2023

Project No. 049847.00

Notes:

1. Site Coordinates (NAD 83)
32.019955 -104.31968
2. Surface Location:
NWNW Sec. 29, T26S, R26E



1501 Bill Owens Pkwy
 Longview, TX 75604
 Phone: 903/297-4673
 www.sphere3env.com

Form 3160-5
(June 2019)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: October 31, 2021

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2		5. Lease Serial No.
1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name
2. Name of Operator		7. If Unit of CA/Agreement, Name and/or No.
3a. Address	3b. Phone No. (include area code)	8. Well Name and No.
4. Location of Well (Footage, Sec., T.,R.,M., or Survey Description)		9. API Well No.
		10. Field and Pool or Exploratory Area
		11. Country or Parish, State

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)	Title
Signature	Date

THE SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C Section 1001 and Title 43 U.S.C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

GENERAL INSTRUCTIONS

This form is designed for submitting proposals to perform certain well operations and reports of such operations when completed as indicated on Federal and Indian lands pursuant to applicable Federal law and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local area or regional procedures and practices, are either shown below, will be issued by or may be obtained from the local Federal office.

SPECIFIC INSTRUCTIONS

Item 4 - Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult the local Federal office for specific instructions.

Item 13: Proposals to abandon a well and subsequent reports of abandonment should include such special information as is required by the local Federal office. In addition, such proposals and reports should include reasons for the abandonment; data on any former or present productive zones or other zones with present significant fluid contents not sealed off by cement or otherwise; depths (top and bottom) and method of placement of cement plugs; mud or other material placed below, between and above plugs; amount, size, method of parting of any casing, liner or tubing pulled and the depth to the top of any tubing left in the hole; method of closing top of well and date well site conditioned for final inspection looking for approval of the abandonment. If the proposal will involve **hydraulic fracturing operations**, you must comply with 43 CFR 3162.3-3, including providing information about the protection of usable water. Operators should provide the best available information about all formations containing water and their depths. This information could include data and interpretation of resistivity logs run on nearby wells. Information may also be obtained from state or tribal regulatory agencies and from local BLM offices.

NOTICES

The privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 351 et seq., 25 U.S.C. 396; 43 CFR 3160.

PRINCIPAL PURPOSE: The information is used to: (1) Evaluate, when appropriate, approve applications, and report completion of subsequent well operations, on a Federal or Indian lease; and (2) document for administrative use, information for the management, disposal and use of National Resource lands and resources, such as: (a) evaluating the equipment and procedures to be used during a proposed subsequent well operation and reviewing the completed well operations for compliance with the approved plan; (b) requesting and granting approval to perform those actions covered by 43 CFR 3162.3-2, 3162.3-3, and 3162.3-4; (c) reporting the beginning or resumption of production, as required by 43 CFR 3162.4-1(c) and (d) analyzing future applications to drill or modify operations in light of data obtained and methods used.

ROUTINE USES: Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions in connection with congressional inquiries or to consumer reporting agencies to facilitate collection of debts owed the Government.

EFFECT OF NOT PROVIDING THE INFORMATION: Filing of this notice and report and disclosure of the information is mandatory for those subsequent well operations specified in 43 CFR 3162.3-2, 3162.3-3, 3162.3-4.

The Paperwork Reduction Act of 1995 requires us to inform you that:

The BLM collects this information to evaluate proposed and/or completed subsequent well operations on Federal or Indian oil and gas leases.

Response to this request is mandatory.

The BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 8 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0137), Bureau Information Collection Clearance Officer (WO-630), 1849 C St., N.W., Mail Stop 401 LS, Washington, D.C. 20240

Additional Information

Batch Well Data

COTTONWOOD 29 32 FED COM 2BS 1H, US Well Number: 300154370200S1, Case Number: NMNM138273, Lease Number: NMNM113944,
Operator:EARTHSTONE OPERATING LLC

COTTONWOOD 29 32 FED COM 2BS 2H, US Well Number: 300154370400S1, Case Number: NMNM138273, Lease Number: NMNM113944,
Operator:EARTHSTONE OPERATING LLC

COTTONWOOD 29-32 FED COM WCA 9H, US Well Number: 300154491900S1, Case Number: NMNM138274, Lease Number: NMNM113944,
Operator:EARTHSTONE OPERATING LLC

AUG 31 2018 PM 01:44



Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

30-015-43702

Chisholm Energy Operating, LLC
ATTN: Ms. Bettie Watson
801 Cherry St, Suite 1200-Unit 20
Fort Worth, TX 76102

August 27, 2018

Re: Request to Surface Commingle
Cottonwood 29-32 Fed Com: 2 BS #1H & #2H, WCA #9H
API: 30-015-43702, 30-015-43704, 30-015-44919
Welch; Bone Spring (Pool 64010), Purple Sage; Wolfcamp (Gas) (98220)
Eddy County, NM

Dear Ms. Watson:

We have received your \$150 application fee and request for surface commingling for the above-captioned wells.

Since it appears that all the rules and regulations for the New Mexico Oil Conservation Division and the State Land Office have been complied with and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved.

Our approval

- is subject to approval from all relevant agencies.
- does not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

If you have any questions or if we may be of further assistance, please contact Commingling Manager Marilyn Gruebel at 505.827.5791 or mgruebel@slo.state.nm.us.

Respectfully,



AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: OCD-Daniel Sanchez
OGMD and Units Reader Files

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Chisholm Energy Operating, LLC
Cottonwood 29-32 Fed Com 2BS #1H-4H
Vertical Extent: Bone Spring
Township: 26 South, Range: 26 East, NMPM
Section 29 : ALL
Section 32: ALL
Eddy County, New Mexico

There having been presented to the undersigned Commissioner of Public Lands of the State on New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated **October 30, 2017**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **1st Day of December, 2017**.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows, and as depicted on "Exhibit "A":

**Township 26 South, Range 26 East, N.M.P.M.
Section 29: All
Section 32: N2N2, Lots 1 - 4
Eddy County, New Mexico**

containing 892.2 acres, more or less, and this agreement shall include only the Bone Spring Formation underlying said lands and the crude oil and associated natural gas substances, hereinafter referred to as "communitized substances"), producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A", a plat designating the communitized area and Exhibit "B" designating the operator of the communitized area and showing

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the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.

5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement. All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and

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comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this agreement is October 30, 2017, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.

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EXHIBIT A

To Communitization Agreement dated October 30, 2017

Plat of communitized area covering the All of Section 29
and N2N2 and Lots 1 - 4 of Section 32,
T-26S-R-26E, N.M.P.M., Eddy County, NM

Operator of Communitized Area: Chisholm Energy Operating, LLC

Tract 1
NMNM-113944
640 acres

Tract 2
V0-9697
252.20 acres

EXHIBIT B

To Communitization Agreement dated October 30, 2017, Chisholm Energy Operating, LLC, Operator covering All of Section 29, T26S, R26E, N.M.P.M. and N2N2 and Lots 1 - 4 of Section 32, T26S, R26E, N.M.P.M., Eddy County, NM

DESCRIPTION OF LEASES COMMITTED

TRACT NO. 1

Lease Serial No.: NMNM-113944
 Lease Date: June 1, 2005
 Lease Term: Ten (10) years
 Lessor: The United States of America
 Original Lessee: Nearburg Exploration Company, LLC
 Present Lessee: Chisholm Energy Agent, LLC
 Description of Land Committed: All of Section 29, T26S, R26E, N.M.P.M, Eddy County, NM
 Number of Acres: 640.00
 Royalty Rate: 12 ½ %
 Name and Percent WI Owners: Chisholm Energy Agent, LLC – 100%

TRACT NO. 2

State Lease: V0-9697
 Lease Date: June 1, 2014
 Lease Term: Five (5) years
 Lessor: State of New Mexico
 Original Lessee: Nearburg Exploration Company, LLC
 Present Lessee: Eau Rouge, LLC
 Description of Land Committed: N2N2 and Lots 1 - 4 of Section 32, T26S, R26E, N.M.P.M., Eddy County, NM
 Number of Acres: 252.20
 Royalty Rate: 1/6
 Name and Percent WI Owners: Chisholm Energy Operating, LLC – 100%

RECAPITULATION

Tract No.	Acres Committed	% of Communitized Area
1	640.00	71.7328%
2	252.20	28.2672%
Total:	892.20	100.00%

2017 NOV 27 AM 8:23

Name	Address	City	State	Zip	USPS Tracking Number
DUANE A. DAVIS	6441 WAGGONER DRIVE	DALLAS	TX	75230	7022-0410-0002-4127-7654
NEW MEXICO STATE LAND OFFICE	P.O.BOX 1148	SANTA FE	NM	87504-1148	7022-0410-0002-4127-7661
NEARBURG PRODUCING COMPANY	P.O. BOX 823085	DALLAS	TX	75382-3085	7022-0410-0002-4127-7678
OFFICE OF NATURAL RESOURCES REVENUE	P.O. BOX 25627	DENVER	CO	80225	7022-0410-0002-4127-7685



Earthstone Energy, Inc.
1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380
Office: 281-298-4246
Fax: 832-823-0478

May 18, 2023

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Interest Owners

Re: Cottonwood 29-32 Fed Com West Battery

Location: NW/4 of Section 29, T26S R26E
Lease: NMNM113944
Pool: Welch; Bone Spring (64010), Purple Sage; Wolfcamp (Gas) (98220)
County: Eddy County

- 30-015-43702 Cottonwood 29-32 Fed 2BS 1H [64010] WELCH; BONE SPRING
- 30-015-43704 Cottonwood 29-32 Fed 2BS 2H [64010] WELCH; BONE SPRING
- 30-015-44919 Cottonwood 29-32Fed WCA 9H [98220] PURPLE SAGE; WOLFCAMP (GAS)

Dear Interest Owner:

This letter is to advise you that Earthstone Operating, LLC is filing an application with the New Mexico Oil Conservation Division seeking administrative approval the commingling of oil and gas at the Cottonwood 29-32 Fed Com West Battery.

This letter is simply a notification, and no action is required; however, any objections or requests that a hearing should be held regarding this application must be submitted to the New Mexico Oil Conservation Division Santa Fe office within twenty days from the date of this letter.

Subsequently drilled wells that produce from the subject pools and/or leases within the project areas approved by this order may be added to this commingling authority by submittal of a sundry notice.

If you have any questions about this application, please contact:

Mikah Thomas
Regulatory Supervisor
(432) 661-7106
mthomas@earthstoneenergy.com

Regards,

Mikah Thomas



Earthstone Energy, Inc.
 1400 Woodloch Forest Drive, Suite 300
 The Woodlands, TX 77380
 Office: 281-298-4246
 Fax: 832-823-0478

APPLICATION FOR SURFACE POOL LEASE COMMINGLING

Earthstone Operating, LLC ("Earthstone") respectfully requests approval to surface pool lease commingle oil and gas from the following wells in Section 29 in Township 26 South, Range 26 East within the Bone Spring and Wolfcamp pools listed below.

This Commingle and Allocation Approval (CAA) will not negatively affect the royalty of the federal government. Any allocation meters (non-FMPs) will meet API measurement standard 14.1. All leases, unit PAs, or CAs in the proposed CAA are capable of production in paying quantities, defined at 1 bbl/day of oil or 10 MCF/day of gas. Gas analysis is not required because we are applying under 3173.14(a)(1)iii (Federal unit PA or CA where each unit PA or CA proposed for commingling has the same proportion of Federal interest, and which interest is subject to the same fixed royalty rate and revenue distribution).

The location of the FMP is on the lease. There is no new surface disturbance included as part of the proposed CAA. These spacing units are initially dedicated to the following wells:

Well Name	Location	API#	Pool	Oil BPD	Gravities	MSCFPD	BTU
Cottonwood 29-32 Fed Com 2BS 1H	D-29-26S-26E	30-015-43702	[64010] Welch; Bone Springs	6	44	159	1257
Cottonwood 29-32 Fed Com 2BS 2H	D-29-26S-26E	30-015-43704	[64010] Welch; Bone Springs	16	44	280	1278
Cottonwood 29-32 Fed Com WCA 9H	D-29-26S-26E	30-015-44919	[98220] Purple Sage; Wolfcamp	41	45	384	1271

The central tank battery to service the subject wells is located in SESW of Section 29 in Township 26 South, Range 26 East, Eddy County, New Mexico.

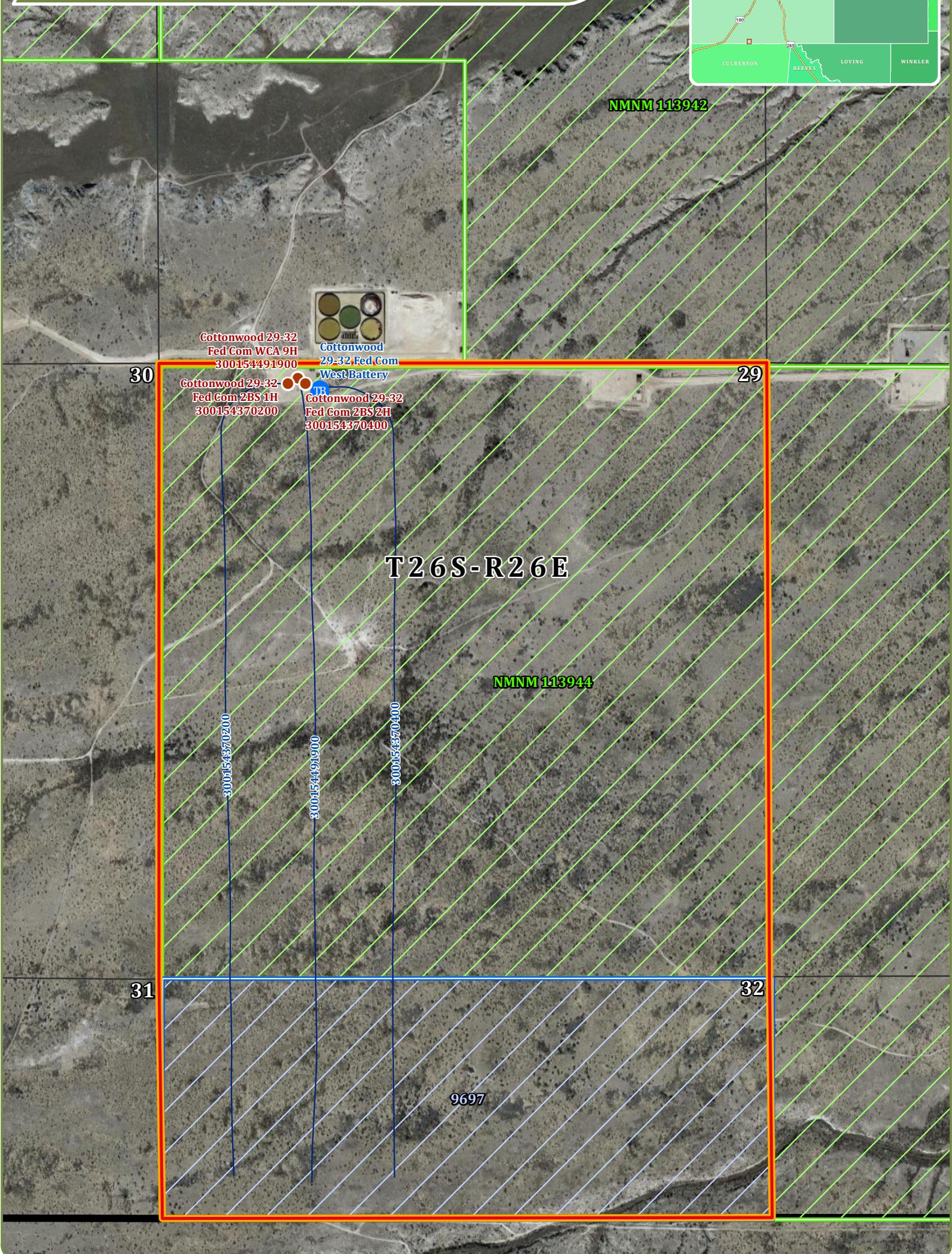
Notification to commingle production from the subject wells was submitted to the Bureau of Land Management, SLO and NMOCD.

Earthstone respectfully requests authority to add additional wells contained within the spacing units identified and approved in this application by filing a Subsequent Report Sundry to the Bureau of Land Management for Federal and filing a C103Z and C-102 with the NMOCD. Notice to owners shall not be required when amending the application to add wells contained within spacing units previously approved for commingling authority.

Pursuant to Statewide rule 19.15.12.10 ©(4)(g) Earthstone Operating, LLC respectfully requests the option to include additional pools or leases from within the following parameters:

SURFACE COMMINGLING- COTTONWOOD

SECTION 29 & 32, TOWNSHIP 26 SOUTH, RANGE 26 EAST, EDDY COUNTY, NEW MEXICO



Cottonwood 29-32
Fed Com WCA 9H
300154491900

Cottonwood
29-32 Fed Com
West Battery

Cottonwood 29-32
Fed Com 2BS 1H
300154370200

Cottonwood 29-32
Fed Com 2BS 2H
300154370400

T26S-R26E

300154370200

300154491900

300154370400

NMNM 113944

9697

1:12,000



PERMIAN BASIN
PO Box 1754
Midland, TX 79702
CONTACT
Email: info@coosaconsulting.com
Office : (432) 631-4738

Coordinate System:
NAD 1983 StatePlane New Mexico East FIPS 3001 Feet
Projection: Transverse Mercator
Datum: North American 1983
False Easting: 541,337.5000
False Northing: 0.0000
Central Meridian: -104.3333
Scale Factor: 0.9999
Latitude Of Origin: 31.0000
Units: Foot US



Legend

● SHL

● TB

— Wellbore

□ State Lease

▨ Federal Lease

Communitization Agreement

□ Bone Spring

□ Wolfcamp

Cottonwood 29-32 Fed Com West Battery

OPERATOR:
EARTHSTONE ENERGY INC.



EARTHSTONE
Energy, Inc.

From: [Kania Schlichting](#)
To: [Clelland, Sarah, EMNRD](#)
Subject: [EXTERNAL] RE: -EXTERNAL- Action ID 219720 PLC-1084
Date: Friday, February 6, 2026 10:22:52 AM
Attachments: [image001.png](#)

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

Sarah,

The summary has the incorrect aliquot. It should be NWNW, Section 29, T26S, R26E, Unit D.

Thank you,



Kania Schlichting | Regulatory Specialist
 O 432.400.0185 | M 432-232-2875 | kania.schlichting@permianres.com
 300 N Marienfeld St., Suite 1000 | Midland, TX 79701
permianres.com

From: Clelland, Sarah, EMNRD <Sarah.Clelland@emnrd.nm.gov>
Sent: Thursday, February 5, 2026 3:32 PM
To: Kania Schlichting <kania.schlichting@permianres.com>
Cc: Cassie Evans <cassie.evans@permianres.com>; Stephanie Rabadue <stephanie.rabadue@permianres.com>
Subject: -EXTERNAL- Action ID 219720 PLC-1084

To whom it may concern (c/o Kania Schlichting for Earthstone Operating, LLC),

The Division is reviewing the following application:

Action ID	219720
Admin No.	PLC-1084
Applicant	Earthstone Operating, LLC
Title	Cottonwood 29-32 West CTB
Sub. Date	05/23/2023

Please provide the following additional supplemental documents:

-

Please provide additional information regarding the following:

- Please verify the location of the CTB. The summary and Facility Diagram do not share common location data.

Additional notes:

-

All additional supplemental documents and information may be provided via email and should be done by replying to this email. The produced email chain will be uploaded to the file for this application.

Please note that failure to take steps to address each of the requests made in this email within 10 business days of receipt of this email may result in the Division rejecting the application requiring the submittal of a new application by the applicant once it is prepared to address each of the topics raised.

COMMENT

Approval from Division is required prior to conducting work which modifies the well design.

Please contact the Environmental Bureau at OCD.Enviro@emnrd.nm.gov for instructions regarding the submittal process for applications of this type.

Thanks,

Sarah Clelland

Petroleum Specialist

State of New Mexico

Energy, Minerals, and Natural Resources Department

Oil Conservation Division

Cell: (505) 537-0627

Sarah.Clelland@emnrd.nm.gov

CAUTION: This email originated from outside of the organization. If it appears to be internal, check directly with assumed source

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY EARTHSTONE OPERATING, LLC**

ORDER NO. PLC-1084

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Earthstone Operating, LLC (“Applicant”) submitted a complete application to surface commingle the oil and gas production from the pools and leases described in Exhibit A (“Application”).
2. Applicant included a complete list of the wells currently dedicated to each pool and lease.
3. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
4. Applicant certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.
5. Applicant in the notice for the Application stated that it sought authorization to prospectively include additional pools and leases in accordance with 19.15.12.10(C)(4)(g) NMAC.
6. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease as described in Exhibit A.
7. Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
8. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.

CONCLUSIONS OF LAW

9. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.

10. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2) NMAC, 19.15.12.10(C)(4)(c) NMAC, and 19.15.12.10(C)(4)(e) NMAC, as applicable.
11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9(A)(5) NMAC and 19.15.23.9(A)(6) NMAC, as applicable.
12. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) NMAC or 19.15.12.10(C)(1) NMAC, as applicable.
13. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) NMAC and 19.15.12.10(C)(4)(h) NMAC.
14. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10(C)(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.
15. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle oil and gas production from the pools and leases as described in Exhibit A.

Applicant is authorized to surface commingle oil and gas production from the wells included in Exhibit A provided that they produce from a pool and lease described in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease, as applicable, from the pools and leases as described in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

Applicant is authorized to surface commingle oil and gas production from wells not included in Exhibit A but that produce from a pool and lease as described in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease, as applicable, from wells not included in Exhibit A but that produce from a pool and lease as described in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

2. This Order supersedes Order PC-1323.
3. The allocation of oil and gas production to wells not included in Exhibit A but that produce from a pool and lease as described in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more

than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil and gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.

4. The oil and gas production for each well identified in Exhibit A shall be separated and metered prior to commingling it with production from another well.
5. If Applicant recovers oil or gas production from produced water prior to Applicant injecting it or transferring custody of it, then that production shall be allocated to each well in the proportion that it contributed to the total produced water.
6. If Applicant recovers gas production using a vapor recovery unit (VRU), then that gas production shall be allocated to each well in the proportion that it contributed to the total oil production.
7. Applicant shall measure and market the commingled oil at a central tank battery described in Exhibit A in accordance with this Order and 19.15.18.15 NMAC or 19.15.23.8 NMAC.
8. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9 NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8(B) NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8(E) NMAC.
9. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
10. Applicant shall install and utilize vessels that are appropriately designed to ensure sufficient separation of the fluids and to accurately measure oil and gas production.
11. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
12. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10(C)(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.

13. If a well is not included in Exhibit A but produces from a pool and lease as described in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of oil and gas production to it, and the location(s) that commingling of its production will occur.
14. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
15. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
16. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ALBERT C. S. CHANG
DIRECTOR**

DATE: 2/13/26

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-1084
Operator: Earthstone Operating, LLC (331165)
Central Tank Battery: Cottonwood 29-32 West Central Tank Battery
Central Tank Battery Location: UL D, Section 29, Township 26 South, Range 26 East
Gas Title Transfer Meter Location: UL D, Section 29, Township 26 South, Range 26 East

Pools

Pool Name	Pool Code
WELCH;BONE SPRING	64010
PURPLE SAGE;WOLFCAMP (GAS)	98220

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
CA Bone Spring NMNM 105696015 (138273)	ALL	29-26S-26E
	N2	32-26S-26E
CA Wolfcamp NMNM 105696018 (138274)	ALL	29-26S-26E
	N2	32-26S-26E
CA Bone Spring SLO 203704 PUN 1368888	ALL	29-26S-26E
	N2	32-26S-26E
CA Wolfcamp SLO 203705 PUN 1368897	ALL	29-26S-26E
	N2	32-26S-26E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-015-43702	COTTONWOOD 29 32 FEDERAL	ALL	29-26S-26E	64010
	COM 2BS #001H	N2	32-26S-26E	
30-015-43704	COTTONWOOD 29 32 FEDERAL	ALL	29-26S-26E	64010
	COM 2BS #002H	N2	32-26S-26E	
30-015-44919	COTTONWOOD 29 32 FEDERAL	ALL	29-26S-26E	98220
	COM WCA #009H	N2	32-26S-26E	

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
<https://www.emnrd.nm.gov/ocd/contact-us>

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 219720

CONDITIONS

Operator: Earthstone Operating, LLC 300 N. Marienfeld St Ste 1000 Midland, TX 79701	OGRID: 331165
	Action Number: 219720
	Action Type: [C-107] Surface Commingle or Off-Lease (C-107B)

CONDITIONS

Created By	Condition	Condition Date
sarah.clelland	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please email us at OCD.Engineer@emnrd.nm.gov .	2/16/2026