

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

**APPLICATION OF EARTHSTONE OPERATING,
LLC FOR COMPULSORY POOLING IN
LEA COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION FOR COMPULSORY POOLING

EARTHSTONE OPERATING, LLC (OGRIG#173413) applies for an order pooling all mineral interests within the Lea Bonespring Pool (Pool Code 37570) underlying E2 of Section 23, Township 19 south, Range 34 East, Lea County, New Mexico. In support of this application, Applicant states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above referenced horizontal spacing unit to the following six initial wells:

A. Thunderball 23 Fed 1BS Com 1H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 26-19S-34E and a proposed bottom hole location in the NW4NE4 of Section 23-19S-34E. The well will have a target interval within the 1st Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~15,000' to a Measured Depth of approximately 5,400'. This well will target the 1st Bone Spring zone with dedicated acreage consisting of the E2 of Section 23.

B. Thunderball 23 Fed 1BS Com 2H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 26-19S-34E and a proposed bottom hole location in the NE4NE4 of Section 23-19S-34E. The well will have a target interval within the 1st Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~15,000' to a Measured Depth of approximately 5,400'. This well will target the 1st Bone Spring zone with dedicated acreage consisting of the E2 of Section 23.

C. Thunderball 23 Fed 2BS Com 5H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 23-19S-34E and a proposed bottom hole location in the NW4NE4 of Section 23-19S-34E. The well will have a target interval within the 2nd Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~15,750' to a Measured Depth of approximately 5,400'. This well will target the 2nd Bone Spring zone with dedicated acreage consisting of the E2E2 of Section 23.

D. Thunderball 23 Fed 2BS Com 6H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 23-19S-34E and a proposed bottom hole location in the NE4NE4 of Section 23-19S-34E. The well will have a target interval within the 2nd Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~15,750' to a Measured Depth of approximately 5,400'. This well will target the 2nd Bone Spring zone with dedicated acreage consisting of the E2E2 of Section 23.

E. Thunderball 23 Fed 3BS Com 3H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 23-19S-34E and a proposed bottom hole location in the NE4NE4 of Section 23-19S-34E. The well will have a target interval within the 3rd Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~16,500' to a Measured Depth of approximately 5,400'. This well will target the 3rd Bone Spring zone with dedicated acreage consisting of the E2E2 of Section 23.

F. Thunderball 23 Fed 3BS Com 4H

To be drilled from a proposed surface hole location in the NW4NE4 of Section 23-19S-34E and a proposed bottom hole location in the NE4NE4 of Section 23-19S-34E. The well will have a target interval within the 3rd Bone Spring formation, drilled horizontally with a Total Vertical Depth of ~16,500' to a Measured Depth of approximately 5,400'. This well will target the 3rd Bone Spring zone with dedicated acreage consisting of the E2E2 of Section 23.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

5. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should

be pooled and Applicant should be designated the operator of these proposed horizontal wells and the proposed spacing unit.

WHEREFORE, Applicant, requests after notice and hearing, the Division enter its order:

- A. Pooling all uncommitted interests in this horizontal spacing unit;
- B. Approving six initial horizontal wells in this spacing unit;
- C. Authorizing an extension of the 120-day requirement to drill and complete the initial wells on this horizontal spacing unit;
- D. Designating Applicant operator of this spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping and completing the wells;
- F. Approving the actual operating charges and costs of supervision while drilling and after completing, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and;
- G. Imposing a 200% charge for risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

PADILLA LAW FIRM, P.A.

By: /s/ Ernest L. Padilla
Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577
padillalawnm@outlook.com