

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

**APPLICATIONS OF EARTHSTONE OPERATING,
LLC FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

Case No. 23244

Case No. 23245

PRE-HEARING STATEMENT AND OBJECTION TO PROCEEDING BY AFFIDAVIT

Jalapeño Corporation (“Jalapeño”) objects to this matter proceeding by affidavit and provides this Pre-Hearing Statement for Case No. 23244 as required by Rule 19.15.4.13(B) NMAC.

APPEARANCES

APPLICANT

Earthstone Operating, LLC

ATTORNEYS

Dana S. Hardy
Jaclyn M. McLean
Yarithza Peña
Hinkle Shanor LLP
P.O. Box 2068
Santa Fe, NM 87504-2068
dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
ypena@hinklelawfirm.com

OPPONENT

Jalapeño Corporation

ATTORNEYS

Matthew M. Beck
Peifer, Hanson, Mullins & Baker,
P.A.
P.O. Box 25245
Albuquerque, NM 87125-5245
mbeck@peiferlaw.com

INTERESTED PARTY

MRC Delaware Resources, LLC

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
P.O. Box 2208
Santa Fe, NM 87504
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com
pmvance@hollandhart.com

STATEMENT OF THE CASE

Earthstone has not negotiated with Jalapeño in good faith. It decided to improperly use the Division's compulsory process to force Jalapeño to sign its propose joint operating agreement or face force pooling. But Jalapeño has agreed to pool its working interest within the Unit proposed in Case No. 23244, including agreeing to pay its proportional share of the drilling and completion costs in the AFEs Earthstone proposed. The Division, therefore, should dismiss Jalapeño from this compulsory pooling matter in case No. 23244.

Earthstone filed the force pooling applications in Case Nos. 23244 and 23245, which are currently set for hearing on January 5, 2023. Earthstone seeks an order from the Division force pooling all uncommitted interests and approving: (1) a 321.48-acre Bone Spring horizontal spacing unit comprised of Lot 1, SE/4 NE/4, and E/2 SE/4 of irregular Section 5 and the E/2 E/2 of Section 8, Township 19 South, Range 33 East, Lea County, New Mexico (Case No. 23244); and (2) a 321.27-acre Bone Spring horizontal spacing unit comprised of Lot 2, SW/4 NE/4 (W/2 E/2 equivalent) of irregular Section 5 and the W/2 E/2 of Section 8, Township 19 South, Range 33 East, Lea County, New Mexico (Case No. 23245). Earthstone proposes to drill the Bel-Air 5-8 Fed 1BSCom 4H, 2BS Com 8H, 1BS Com 3H, and 2BS Com 7H wells. Earthstone seeks an order "pooling all uncommitted interests," approving the wells proposed, designating Earthstone as the

operator of the unit, approving Earthstone's charges for the well, and imposing a 200% non-consent penalty "against any working interest owner who does not voluntarily participate in the drilling of the wells."

Jalapeño is the owner of an oil and gas working interest in the Unit proposed in Case No. 23244.

On November 2, 2022, Earthstone sent Jalapeño a package (Ex. 1) which included:

- A cover letter proposing to drill and operate the subject wells for the relevant acreage. *See* Ex. 1, at 1-2.
- An Authority for Expenditure (AFE) for each of the 2 Bel-Air wells at issue in Case No. 23244 with the amounts of \$10,229,108 and \$10,310,844. *See* Ex. 1, at 3-4.
- Within the Cover Letter, Earthstone "proposes the creation of a 321.48 acre working interest unit . . . to be governed by a modified 1989 AAPL Model Form Operating Agreement" ("Proposed Operating Agreement"), which includes "100/300 non-consent penalties." Ex. 1 at 1.
- Election forms for each of the Bel Air wells, which impermissibly requires working interest owners like Jalapeño to elect from the choices of submission to the JOA or "non-consent/farmout/assign[ment]":
 - "Participate for its proportionate share in the drilling & completion of the Bel-Air 5-8 Fed 1BS Com 4."
 - "Non-consent/farmout/assign its interest in the Bel-Air 5-8 Fed 2BS Com 8H."

Ex. 1 at 2.

On November 16, 2022, Jalapeño sent a response letter to Earthstone. Ex. 2. Jalapeño informed Earthstone that it consents to pool its interests, elects to participate in the proposed Bel-Air wells, and returned to Earthstone the elections to participate and signed copies of both of the AFEs for the proposed wells. Ex. 2, at 1; *see id.* at 4-6. Jalapeño informed Earthstone that it does not agree to the Proposed Operating Agreement, however, because of the unsupportable non-consent penalty. *Id.* at 1. Jalapeño wrote that it would be willing to enter into the Proposed Operating Agreement if Earthstone would amend the non-consent penalty to a 100/150 non-consent penalty or replace the drilling non-consent penalty with a farmout-in-lieu-of-non-consent-penalty provision, or that Jalapeño would be willing to enter into a separate letter agreement with Earthstone that evidences Jalapeño's willingness to pay its proportionate share of the drilling and completion cost of the wells, including drafts of the farmout agreement and simple letter agreement for Earthstone's review. *Id.*

On December 8, 2022, Earthstone's Senior Landman, Matt Solomon, e-mailed Jalapeño that Earthstone is unwilling to negotiate with Jalapeño, and, instead, would seek to use this compulsory pooling process improperly and unlawfully to have the Division force pool Jalapeño's interests under the Division's Order notwithstanding that Jalapeño agreed to pool its interest and participate: "I've heard back from the R.E. decision maker. He's decided that Earthstone would rather have Jalapeño as a partner under a forced pooling order rather than a JOA with a 25% back-in at pay-out . . . even if Jalapeño successfully argued at hearing for a reduced non-consent penalty." Ex. 3, at 1. Also on December 8, Earthstone's attorneys mailed to Jalapeño the notice of the force pooling application in Case No. 23244.

Thus, based on this e-mail from Earthstone, Jalapeño believes that Earthstone contends that Jalapeño has not sufficiently agreed to pool its interests because it has not agreed to the Proposed

Operating Agreement. Statutory force pooling is not available or authorized here, however, against Jalapeño, an owner in a spacing unit who has voluntarily agreed to pool its interest and to participate in its pro rata share of the cost of drilling and completing a subject well. NMSA 1978, § 70-2-17(C). Given that Jalapeño agrees to pool its interests, participate in the wells, and pay its pro rata share of the cost of drilling and completion of the wells, an order from this Division force pooling Jalapeño will not “avoid the drilling of unnecessary wells[,] . . . protect correlative rights[,] or prevent waste.” *Id.* The Division, therefore, cannot enter an order pooling Jalapeño’s interests in the proposed units. Indeed, instead of avoiding the drilling of unnecessary wells, protecting correlative rights, or preventing waste, an order from the Division forcing Jalapeño to pool its interests where Jalapeño has already agreed to do so – it just hasn’t agreed to a separate agreement that Earthstone proposes – would turn the Division’s equitable compulsory pooling administrative process into a tool and bludgeon for operators like Earthstone to force working interest owners like Jalapeño, and certainly those with fewer resources than Jalapeño, to sign operators’ one-sided agreements to avoid the Division’s force pooling orders. Under these circumstances, Jalapeño should therefore be dismissed from these force pooling applications.

JALAPEÑO’S OBJECTIONS TO THE FORCE POOLING APPLICATIONS

Jalapeño objects to this matter proceeding by affidavit. Jalapeño additionally contends that the applications for Case Nos. 23244 and 23245 should be denied for the following reasons:

1. Jalapeño has agreed to pool its interests in the affected acreage so that Earthstone can drill and complete the Bel-Air wells. NMSA 1978 § 70-2-17(C) authorizes the Division to approve a force pooling application only where an interest owner has “not agreed to pool their interests.” The Division therefore lacks the authority to force pool Jalapeño in these cases, because Jalapeño agreed to pool its interests.

2. Jalapeño has done everything necessary to agree to pool its interests and for purposes of § 70-2-17(C). Any contention that Jalapeño must agree to all the terms of Earthstone's Proposed Operating Agreement for Jalapeño's agreement to be effective lacks support in the law. The statute does not prescribe any specific method that an owner must follow to agree to pool its interests to develop the lands. The statute does not require an owner to accept an applicant's proposed joint operating agreement in order to agree to pool its interest. Rather, the statute provides the Division the equitable ability to pool interests in a spacing or proration unit only "to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste," none of which will be furthered here, where Jalapeño agreed to pool its interests, participate in the wells, and pay its pro rata share of the AFE costs of drilling and completion of all of the wells. Earthstone attempts to improperly use the force pooling procedure to strongarm Jalapeño into accepting Earthstone's non-consent penalty terms.

3. The proposed modifications to the 1989 model form joint operating agreement are objectionable. The 100%/300% non-consent penalty lacks support in the evidence. Earthstone's publicly-available information about its assets in the Bone Spring formation, including these proposed wells, state that this acreage is "significantly de-risked" and "highly economic and oil-rich," with the "Highest valued inventory . . . concentrated in the Northern Lea County acreage." Jalapeño agrees with Earthstone that acreage for these proposed Units is de-risked, oil rich and high value. Earthstone's applications propose four 2-mile lateral wells. Earthstone currently has 11 2-mile lateral wells in the direct vicinity of the proposed Bel-Air wells, all of which are successful and profitable. This 100% success rate of Earthstone's wells supports a 0% risk penalty, rather than the 200% risk penalty for which Earthstone requests that the Division issue in its force pooling order. Jalapeño's petroleum engineering expert, Cathy Norwood, P.E., will present

testimony that her modeling of the wells, using Earthstone's higher \$10.3 million cost, establishes that they will all payout and turn a profit. This also establishes that the proper risk penalty for a compulsory pooling order from the Division in these matters should be 0%.

4. The Division historically has imposed on compulsory pooling applicants an obligation to make a good faith effort to secure voluntary agreement of affected working interest owners. For years, Jalapeño has responded to well proposals like those that it received from Earthstone here with the exact same response: proposing to enter into a JOA with a reduced risk penalty, a farmout-in-lieu-of-non-consent-penalty for a 25% back-in after payout, or a separate letter agreement. Every operator reached a negotiated agreement with Jalapeño after the offer, except for Earthstone here. And Earthstone did not even attempt to negotiate, which is a first. Thus, Earthstone has failed to make such a good faith effort to secure an agreement with Jalapeño for operation of the well. This has forced Jalapeño to hire counsel to represent it in front of the Division, and engage a professional engineer to establish that any risk penalty in a force pooling order by the Division, let alone a 200% risk penalty, would be an improper and unlawful taking. Fortunately, Jalapeño, unlike other minor working interest owners, is in a position in which it is able to hire an attorney and petroleum engineer to present its case to the Division, exhibit how Earthstone is improperly using the Division's force pooling process to force working interest owners like Jalapeño to accept its one-sided Proposed Operating Agreement or face being force pooled, and establish that the evidence and law supports a 0% risk penalty in the Division's order.

5. The 2nd and 3rd Bone Spring formations underlying the acreage at issue is a resource play extensively developed by horizontal wells and presents a dependable low risk, highly favorable return on investment. Earthstone itself published this information on its website in relation to acquisition of assets in the area. And the fact that Earthstone intends to drill four

horizontal wells in these two simultaneous applications is a testament to the low risk that Earthstone anticipates in developing the acreage. Under these facts, a 200% non-consent penalty is not warranted. Earthstone cannot meet its burden to support such a non-consent penalty. Any non-consent penalty must be supported by evidence using an objective standard for the imposition of risk penalties. Application of a 200% non-consent penalty would result in a taking of their property interest rights in violation of the 5th and 14th Amendments to the United States Constitution.

PROPOSED EVIDENCE

Jalapeño will present evidence confirming the history of the parties' communications and Earthstone's position. Jalapeño will present evidence that it has agreed to pool its interests, and has offered terms accepted by other oil and gas operators to resolve the JOA issues. Earthstone has not acted in good faith in the negotiations and has not made a good faith effort to reach voluntary agreement. Jalapeño will also present expert evidence that a 200% non-consent penalty is unwarranted, and to establish that the evidence and the law supports that a 0% non-consent penalty is appropriate.

EXHIBITS

1. Earthstone's Bel-Air well proposal underlying Case No. 23244
2. Jalapeño's response agreeing to pool its interest for the proposed Bel-Air wells
3. Dec. 7-8 E-mail Correspondence between Earthstone and Jalapeño
4. Resume of Catherine H. Norwood, P.E.
5. Bel Air Force Pooling PowerPoint Presentation
6. Catherine Norwood, P.E. Oil & Gas Reserve Evaluation Report

WITNESSES	EST. TIME	EXHIBITS
Emmons Yates (practical oil man/landman)	45 min.	5 approx.
Catherine H. Norwood, P.E. (licensed engineer)	1 hour	5 approx.

PROCEDURAL ISSUES

Given the nature of the issues and Jalapeño’s objections, it will be important for the examiner to evaluate the credibility of the witnesses. In order to do that, cross-examination of the witnesses should be allowed. Jalapeño objects to having these cases presented and decided by affidavit.

Respectfully submitted,

PEIFER, HANSON, MULLINS & BAKER, P.A.

By: /s/ Matthew M. Beck

Matthew M. Beck

P.O. Box 25245

Albuquerque, NM 87125-5245

Tel: (505) 247-4800

Fax: (505) 243-6458

Email: mbeck@peiferlaw.com

Attorneys for Jalapeño Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail this 29th day of December, 2022.

Dana Hardy
Jaclyn M. McLean
Yarithza Peña
Hinkle Shanor LLP
P.O. Box 2068
Santa Fe, NM 87504-2068
dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
ypena@hinklelawfirm.com

Attorneys for Applicant Earthstone Operating, LLC

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
P.O. Box 2208
Santa Fe, NM 87504
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com
pmvance@hallandhart.com

Attorneys for MRC Delaware Resources, LLC

PEIFER, HANSON, MULLINS & BAKER, P.A.

/s/ Matthew M. Beck
Matthew M. Beck



EARTHSTONE

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

November 2, 2022

VIA FED-X

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103

Re: Bel-Air 5-8 Fed 1BS Com 4H - Bel-Air 5-8 Fed 2BS Com 8H
Lot 1, SENE, E2SE of Section 5
E2E2 of Section 8
Township 19 South, Range 33 East
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 find an Authority for Expenditure ("AFE") for each well reflecting estimated costs to drill, test, complete and equip the well.

In connection with the above:

- **Bel-Air 5-8 Fed 1BS Com 4H:** to be drilled from a proposed surface hole location of 125' FSL & 1655' FEL of Section 32-18S-R33E to a proposed bottom hole location of 100' FSL & 920' FEL of Section 8-19S-33E with an expected TVD of 8,902'.
- **Bel-Air 5-8 Fed 2BS Com 8H:** to be drilled from a proposed surface hole location of 225' FSL & 1655' FEL of 32-18S-33E to a proposed bottom hole location of 100' FSL & 920' FEL of Section 8-19S-33E with an expected TVD of 9,837'.

Earthstone hereby proposes the creation of a 321.48 acre working interest unit consisting of Lot 1, SENE, E2SE of Section 5 and the E2E2 of Section 8, Township 19 South, Range 33 East, to be governed by a modified 1989 AAPL Model Form Operating Agreement, which is also enclosed for your review and approval. This Operating Agreement contains the following general provisions:

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

EXHIBIT
1

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 the Operating Agreement.

Sincerely,



Matt Solomon

Senior Landman

713-379-3083

msolomon@earthstonenergy.com

Jalapeno Corporation hereby elects to:

_____ Participate for its proportionate share in the drilling & completion of the **Bel-Air 5-8 Fed 1BS Com 4H**.

_____ Non-consent/farmout/assign its interest in **Bel-Air 5-8 Fed 1BS Com 4H**, subject to acceptable terms.

_____ Participate for its proportionate share in the drilling & completion of the **Bel-Air 5-8 Fed 2BS Com 8H**.

_____ Non-consent/farmout/assign its interest in the **Bel-Air 5-8 Fed 2BS Com 8H**, subject to acceptable terms.

Jalapeno Corporation

By: _____

Name: _____

Title: _____

Date: _____



EARTHSTONE
Operating, LLC

Earthstone Operating, LLC
Statement of Estimated Well Cost

Well Name: Bel-Air 5-8 Fed Com 1BS 4H

Field Name: Ranger

Location: Lea Co., NM

AFE #: 22 - WC - XX

Project Description:

4 WELL PAD. Estimate is for the drilling of a 2.0 mile 1st Bone Spring Sand lateral in Lea County, NM. 10-3/4" Surface casing will be set at 1,600' MD. The 2nd Intermediate section will be drilled 9-7/8" and 8-5/8" Casing set at 5,400' MD. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 19,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.

DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/ 10	LEASE / STAKE / PERMIT	\$ 6,000	1432/ 10	LEASE / STAKE / PERMIT	\$ 2,500
1420/ 16	INSPECTION	\$ 10,000	1432/ 20	LOCATION AND ROADS	\$ 10,000
1420/ 20	LOCATION AND ROADS	\$ 50,000	1432/ 70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/ 25	SURFACE DAMAGES	\$ 22,500	1432/ 90	FUEL, POWER & WATER	\$ 308,000
1420/ 30	RIG MOBILIZATION	\$ 70,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/ 50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/ 80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/ 90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 15,714
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	\$ 162,049
			COMPLETION INTANGIBLE TOTAL		\$ 5,099,144
DRILLING INTANGIBLE TOTAL			COMPLETION TANGIBLE		
		\$ 2,573,000	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
			1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
			1433/320	FLOWLINE	\$ 5,200
			1433/370	TUBING	\$ 131,300
			1433/380	PUMPING UNIT	\$ -
			1433/400	WELLHEAD EQUIPMENT	\$ 65,000
			1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
			1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 92,500
			1433/417	FRAC INCIDENTAL	\$ -
			COMPLETION TANGIBLE TOTAL		\$ 664,000
DRILLING TANGIBLE			FACILITIES INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1450/ 20	LOCATION AND ROADS	\$ 13,500
1430/320	SURFACE CASING	\$ 130,000	1450/ 90	FUEL, POWER & WATER	\$ 1,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
1430/340	DRILLING LINERS	\$ -	1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
1430/350	PRODUCTION CASING	\$ 536,000	1450/195	CONTRACT LABOR	\$ 100,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1450/260	SUPERVISION/ENGINEERING	\$ 25,000
1430/405	DOWNHOLE TOOLS	\$ -	1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	MISCELLANEOUS	\$ 10,000
			FACILITIES INTANGIBLE TOTAL		\$ 215,700
DRILLING TANGIBLE TOTAL			FACILITIES TANGIBLE		
		\$ 1,114,000	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
			1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
			1452/315	METER EQUIPMENT	\$ 15,000
			1452/340	SEPARATORS	\$ 115,000
			1452/345	HEATER TREATER	\$ 30,000
			1452/355	GATHERING LINE	\$ 175,000
			1452/360	STOCK TANKS	\$ 90,000
			1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
			1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
			1452/390	FACILITIES	\$ 45,000
			FACILITIES TANGIBLE TOTAL		\$ 645,000
DRILLING TANGIBLE TOTAL			FACILITIES TOTAL		
		\$ 1,114,000			\$ 860,700
TOTAL DRILLING COSTS		\$ 3,687,000	TOTAL COMPLETION/FACILITIES COSTS		\$ 6,623,844
			TOTAL ESTIMATED WELL COST		\$ 10,310,844
Operator Approval			Participant Approval		
Prepared By:	Date:		Company:	Participant WI %:	
Approved By:	Date:		Approved By:	Date:	

Released to Imaging: 12/29/2022 4:36:30 PM

Received by OCD: 12/29/2022 4:26:36 PM



EARTHSTONE
Operating, LLC

Earthstone Operating, LLC
Statement of Estimated Well Cost

Well Name: Bel-Air 5-8 Fed Com 2BS 8H
Field Name: Ranger
Location: Lea Co., NM
AFE #: 22 - WC - XX

Project Description:
 4 WELL PAD. Estimate is for the drilling of a 2.0 mile 2nd Bone Spring Sand lateral in Lea County, NM. 10-3/4" Surface casing will be set at 1,600' MD. The 2nd Intermediate section will be drilled 9-7/8" and 8-5/8" Casing set at 5,400' MD. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.

DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/10	LEASE / STAKE / PERMIT	\$ 6,000	1432/10	LEASE / STAKE / PERMIT	\$ 2,500
1420/16	INSPECTION	\$ 10,000	1432/20	LOCATION AND ROADS	\$ 17,500
1420/20	LOCATION AND ROADS	\$ 50,000	1432/70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/25	SURFACE DAMAGES	\$ 22,500	1432/90	FUEL, POWER & WATER	\$ 309,000
1420/30	RIG MOBILIZATION	\$ 70,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 163,228
				COMPLETION INTANGIBLE TOTAL	\$ 5,112,108

DRILLING INTANGIBLE TOTAL			COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
		\$ 2,573,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
			1433/320	FLOWLINE	\$ 9,000
			1433/370	TUBING	\$ 159,800
			1433/380	PUMPING UNIT	\$ -
			1433/400	WELLHEAD EQUIPMENT	\$ 50,000
			1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
			1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 92,500
			1433/417	FRAC INCIDENTAL	\$ -
				COMPLETION TANGIBLE TOTAL	\$ 681,300

DRILLING TANGIBLE			FACILITIES INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1450/20	LOCATION AND ROADS	\$ 13,500
1430/320	SURFACE CASING	\$ 130,000	1450/90	FUEL, POWER & WATER	\$ 1,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
1430/340	DRILLING LINERS	\$ -	1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
1430/350	PRODUCTION CASING	\$ 564,000	1450/195	CONTRACT LABOR	\$ 100,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1450/260	SUPERVISION/ENGINEERING	\$ 25,000
1430/405	DOWNHOLE TOOLS	\$ -	1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	MISCELLANEOUS	\$ 10,000
				FACILITIES INTANGIBLE TOTAL	\$ 215,700

DRILLING TANGIBLE TOTAL			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
		\$ 1,142,000	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
			1452/315	METER EQUIPMENT	\$ 15,000
			1452/340	SEPARATORS	\$ 115,000
			1452/345	HEATER TREATER	\$ 45,000
			1452/355	GATHERING LINE	\$ -
			1452/360	STOCK TANKS	\$ 110,000
			1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
			1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
			1452/390	FACILITIES	\$ 45,000
				FACILITIES TANGIBLE TOTAL	\$ 505,000

DRILLING TANGIBLE TOTAL	\$ 1,142,000	FACILITIES TOTAL	\$ 720,700
TOTAL DRILLING COSTS	\$ 3,715,000	TOTAL COMPLETION/FACILITIES COSTS	\$ 6,514,108
		TOTAL ESTIMATED WELL COST	\$ 10,229,108

Operator Approval		Participant Approval	
Prepared By:	Date:	Company:	Participant Wt %:
Approved By:	Date:	Approved By:	Date:

➤ JALAPENO CORPORATION

P.O.BOX 1608
ALBUQUERQUE, NM 87103
PHONE: 505-242-2050
FAX: 505-242-8501

N O V E M B E R 1 6 , 2 0 2 2

Via Certified Mail #7021 2720 0003 2260 4200

Matt Solomon
Earthstone Operating, LLC
1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380

RE: Bel-Air 5-8 Fed 1BS Com 4H & Bel-Air 5-8 Fed 2BS Com 8H
E2E2 of Section 5 and 8
T19S R33E
Lea County, New Mexico

Mr. Solomon,

I am writing to respond to the recent mail package Jalapeno received regarding the Bel-Air wells and the related proposed JOA contract area terms that would cover the E2E2 of Sections 5 & 8 in 19S 33E. Jalapeno is willing to participate in the Bel-Air wells that will be drilled on our acreage or on acreage with which it is pooled. I have evidenced this by signing and returning the AFEs. However, in regards to the proposed JOA terms, we would not be willing to sign a JOA with non-consent terms that you have indicated will appear in your JOA covering the acreage for the above Bel-Air wells.

Jalapeno does not believe that a 100/300 non-consent penalty is appropriate in today's horizontal drilling world. The actual risk of drilling a horizontal well in the Delaware Basin, especially in this area, is much lower than 300%. Because of this fact, Jalapeno will not consent to sign a JOA with a 100/300 non-consent penalty for drilling. However, Jalapeno would be willing to sign a JOA with a 100/150 non-consent penalty. If that is not appealing to you, Jalapeno would also be willing to sign a JOA with a "farmout in lieu" of a non-consent penalty. This farmout would be for a 25% back-in after payout. We would also be willing to sign a simple letter agreement that evidences that we are willing to pay our proportionate share of the drilling and completion cost

In regards to the signed AFEs we sent back; you will notice we put time limits on them. We do this with every company from whom we receive AFEs so that we don't have open ended obligations which

EXHIBIT

2

continue for an indefinite period of time during which drilling costs may rise significantly or oil prices may drop precipitously.

With this letter, I have included a sample of the farmout in lieu of non-consent penalty language. I have also attached a sample letter agreement; in case we cannot reach an agreement on a JOA. We have been able to reach agreement with other companies on both of these options. I hope we can reach an agreement with Earthstone also.

We look forward to participating in these wells and anticipate seeing good results. Please feel free to contact me if you wish to discuss the wells in greater detail.

Sincerely,



H. Emmons Yates III

VICE PRESIDENT



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

November 2, 2022

VIA FED-X

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103

Re: Bel-Air 5-8 Fed 1BS Com 4H - Bel-Air 5-8 Fed 2BS Com 8H
Lot 1, SENE, E2SE of Section 5
E2E2 of Section 8
Township 19 South, Range 33 East
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 find an Authority for Expenditure ("AFE") for each well reflecting estimated costs to drill, test, complete and equip the well.

In connection with the above:

- **Bel-Air 5-8 Fed 1BS Com 4H:** to be drilled from a proposed surface hole location of 125' FSL & 1655' FEL of Section 32-18S-R33E to a proposed bottom hole location of 100' FSL & 920' FEL of Section 8-19S-33E with an expected TVD of 8,902'.
- **Bel-Air 5-8 Fed 2BS Com 8H:** to be drilled from a proposed surface hole location of 225' FSL & 1655' FEL of Section 32-18S-33E to a proposed bottom hole location of 100' FSL & 920' FEL of Section 8-19S-33E with an expected TVD of 9,837'.

Earthstone hereby proposes the creation of a 321.48 acre working interest unit consisting of Lot 1, SENE, E2SE of Section 5 and the E2E2 of Section 8, Township 19 South, Range 33 East, to be governed by a modified 1989 AAPL Model Form Operating Agreement, which is also enclosed for your review and approval. This Operating Agreement contains 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 the Operating Agreement.

Sincerely,



Matt Solomon
Senior Landman
713-379-3083

msolomon@earthstoneenergy.com

Jalapeno Corporation hereby elects to:

- Participate for its proportionate share in the drilling & completion of the **Bel-Air 5-8 Fed 1BS Com 4H**.
- Non-consent/farmout/assign its interest in **Bel-Air 5-8 Fed 1BS Com 4H**, subject to acceptable terms.
- Participate for its proportionate share in the drilling & completion of the **Bel-Air 5-8 Fed 2BS Com 8H**.
- Non-consent/farmout/assign its interest in the **Bel-Air 5-8 Fed 2BS Com 8H**, subject to acceptable terms.

Jalapeno Corporation

By: _____
 Name: Harvey S. Yates III
 Title: Vice President
 Date: 11/17/22



EARTHSTONE
Operating, LLC

Earthstone Operating, LLC
Statement of Estimated Well Cost

Well Name: Bel-Air 5-8 Fed Corn 2BS 8H
Field Name: Ranger
Location: Lea Co., NM

AFE #: 22 - WC - XX

Project Description:
4 WELL PAD. Estimate is for the drilling of a 2.0 mile 2nd Bone Spring Sand lateral in Lea County, NM. 10-3/4" Surface casing will be set at 1,600' MD. The 2nd Intermediate section will be drilled 9-7/8" and 8-5/8" Casing set at 5,400' MD. A production interval will be drilled with OBM as a 7-7/8" curve, and 7-7/8" lateral to TD at approximately 20,500 MD', ~10,400' VS. 5.5" production casing will be run to surface. Scheduled as 18 days to Rig Release.

DRILLING INTANGIBLE			COMPLETION INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1420/10	LEASE / STAKE / PERMIT	\$ 6,000	1432/10	LEASE / STAKE / PERMIT	\$ 2,500
1420/16	INSPECTION	\$ 10,000	1432/20	LOCATION AND ROADS	\$ 17,500
1420/20	LOCATION AND ROADS	\$ 50,000	1432/70	COMPLETION/WORKOVER RIG	\$ 46,400
1420/25	SURFACE DAMAGES	\$ 22,500	1432/90	FUEL, POWER & WATER	\$ 308,000
1420/30	RIG MOBILIZATION	\$ 70,000	1432/110	TRUCKING/VACUUM TRUCK	\$ 15,000
1420/50	DAYWORK	\$ 672,000	1432/120	DRILLING/COMPLETION FLUIDS	\$ 3,500
1420/80	BITS/ REAMERS	\$ 84,000	1432/130	CEMENT AND PUMP SERVICE	\$ -
1420/90	FUEL, POWER & WATER	\$ 241,000	1432/150	ELECTRIC LOGGING/PERFORATING	\$ 352,800
1420/110	TRUCKING/VACUUM TRUCK	\$ 55,000	1432/170	EQUIPMENT/TOOL RENTALS	\$ 490,680
1420/120	DRILLING/COMPLETION FLUIDS	\$ 275,000	1432/171	COMPLETION HOUSING	\$ 19,600
1420/130	CEMENT AND PUMP SERVICE	\$ 230,000	1432/180	WELL STIMULATION	\$ 3,316,600
1420/140	CASING CREWS AND TOOLS	\$ 50,000	1432/181	WELL TEST SERVICES	\$ 100,800
1420/150	ELECTRIC LOGGING/PERFORATING	\$ -	1432/183	DIAGNOSTIC SERVICES	\$ 60,000
1420/160	MUD LOGGING	\$ 20,000	1432/190	SLICKLINE SERVICES	\$ 4,500
1420/170	EQUIPMENT/TOOL RENTALS	\$ 113,000	1432/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 15,000
1420/174	DOWNHOLE RENTALS	\$ 72,000	1432/220	WELLHEAD REPAIR & SERVICEMAN	\$ -
1420/180	WELL STIMULATION / TESTING	\$ -	1432/230	COILED TUBING SERVICES	\$ 18,000
1420/186	CLOSED LOOP SYS/CUTTINGS DISP	\$ 144,000	1432/250	INSURANCE	\$ 1,700
1420/195	CONTRACT LABOR/CREW/ROUSTABOUT	\$ 65,000	1432/260	SUPERVISION/ENGINEERING	\$ 62,000
1420/200	DIRECTION DRILLING/SURVEYING	\$ 229,000	1432/270	ADMINISTRATIVE/OVERHEAD	\$ -
1420/250	INSURANCE	\$ 10,000	1432/280	PIT REMEDIATION	\$ 20,000
1420/260	SUPERVISION/ENGINEERING	\$ 72,000	1432/290	MISCELLANEOUS	\$ 12,500
1420/270	ADMINISTRATIVE/OVERHEAD	\$ 7,000	1432/310	FRESH WATER TRANSFER	\$ 28,000
1420/315	PARTS	\$ 15,000	1432/350	COMMUNICATIONS	\$ 3,800
1420/350	COMMUNICATIONS	\$ 9,000	1432/412	ARTIFICIAL LIFT	\$ 50,000
1420/300	CONTINGENCY	\$ 51,500	1432/417	FRAC INCIDENTAL	\$ -
			1432/300	CONTINGENCY	\$ 163,228
				COMPLETION INTANGIBLE TOTAL	\$ 5,112,108

DRILLING INTANGIBLE TOTAL		AMOUNT	COMPLETION TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
		\$ 2,573,000	1433/300	VALVES/CONNECTIONS/FITTINGS	\$ 45,000
			1433/320	FLOWLINE	\$ 9,000
			1433/370	TUBING	\$ 159,800
			1433/380	PUMPING UNIT	\$ -
			1433/400	WELLHEAD EQUIPMENT	\$ 50,000
			1433/410	DOWNHOLE ARTIFICIAL LIFT EQUIP	\$ 325,000
			1433/412	SURFACE ARTIFICIAL LIFT EQUIP	\$ 92,500
			1433/417	FRAC INCIDENTAL	\$ -
				COMPLETION TANGIBLE TOTAL	\$ 681,300

DRILLING TANGIBLE			FACILITIES INTANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
1430/310	CONDUCTOR CASING	\$ 30,000	1450/20	LOCATION AND ROADS	\$ 13,500
1430/320	SURFACE CASING	\$ 130,000	1450/90	FUEL, POWER & WATER	\$ 1,000
1430/330	INTERMEDIATE CASING	\$ 363,000	1450/110	TRUCKING/VACUUM TRUCK	\$ 16,200
1430/340	DRILLING LINERS	\$ -	1450/170	EQUIPMENT/TOOL RENTAL	\$ 50,000
1430/350	PRODUCTION CASING	\$ 564,000	1450/195	CONTRACT LABOR	\$ 100,000
1430/400	CASING HANGER/WELLHEAD EQUIP	\$ 55,000	1450/260	SUPERVISION/ENGINEERING	\$ 25,000
1430/405	DOWNHOLE TOOLS	\$ -	1450/270	ADMINISTRATIVE/OVERHEAD	\$ -
			1450/290	MISCELLANEOUS	\$ 10,000
				FACILITIES INTANGIBLE TOTAL	\$ 215,700

DRILLING TANGIBLE TOTAL			FACILITIES TANGIBLE		
ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT	ACCOUNT CODE	ITEM DESCRIPTION	AMOUNT
		\$ 1,142,000	1452/300	VALVES/CONNECTIONS/FITTINGS	\$ 55,000
			1452/315	METER EQUIPMENT	\$ 15,000
			1452/340	SEPARATORS	\$ 115,000
			1452/345	HEATER TREATER	\$ 45,000
			1452/355	GATHERING LINE	\$ -
			1452/360	STOCK TANKS	\$ 110,000
			1452/365	DIAGNOSTIC EQUIPMENT	\$ 70,000
			1452/380	ELECTRICAL EQUIPMENT & SUPPLIES	\$ 50,000
			1452/390	FACILITIES	\$ 45,000
				FACILITIES TANGIBLE TOTAL	\$ 505,000
				FACILITIES TOTAL	\$ 720,700

TOTAL DRILLING COSTS	\$ 3,715,000	TOTAL COMPLETION/FACILITIES COSTS	\$ 6,514,108
TOTAL DRILLING COSTS		TOTAL ESTIMATED WELL COST	
		\$ 10,229,108	

Operator Approval	Participant Approval
Prepared By: _____ Date: _____	Company: Jalapeno Corporation Participant WI %: 1.089296%
Approved By: _____ Date: _____	Approved By: [Signature] Date: 11/16/22

Harvey E. Yates III, Vice President
Valid until **May 1, 2023**

Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103
Phone: (505) 242-2050 Fax: (505) 242-8501

November 16, 2022

Earthstone Operating, LLC
Attn: Matt Solomon
1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380

Re: Letter Agreement
Farmout in Lieu of Non-Consent Penalty
Joint Operating Agreement dated November 1, 2022
Earthstone Operating, LLC, Operator
Lot 1, SENE, E2SE of Section 5 and E2E2 of Section 8, T19S-R33E
Lea County, New Mexico

Dear Mr. Solomon,

This letter agreement shall evidence the agreement between Earthstone Operating, LLC ("Earthstone") and Jalapeno Corporation ("Jalapeno") concerning the referenced Joint Operating Agreement ("JOA").

The Parties hereby agree as follows:

1. Jalapeno agrees to execute the JOA, subject to this letter agreement.
2. As between Earthstone and Jalapeno, the provisions of Article VI.B. of the JOA shall be subject to the provisions set forth below. To the extent that provisions set forth below do not apply, the provisions of Article VI.B of the JOA shall govern and control.
3. Should Jalapeno elect not to participate in the drilling of any well proposed under the JOA, its working interest in the wellbore of such well shall be farmed out to Earthstone on a produce to earn basis. In the event such well is thereafter drilled to its proposed measured depth and completed as a well capable of producing oil and/or gas, Earthstone shall earn assignment of Jalapeno's working interest in and to such well. Thereafter, upon receipt of a written request from Earthstone, Jalapeno shall execute and deliver to Earthstone an assignment of all its leasehold working interest in the Contract Area, without warranty of title, either express or implied, and expressly limited to the wellbore of such well and the production of oil and gas therefrom.

Such assignment shall reserve unto Jalapeno (a) an overriding royalty interest in and to the oil, gas, casinghead gas, condensate, and other liquid hydrocarbons produced, saved and marketed from such well equal to the positive difference between all existing lease royalty and overriding royalty burdens and 25% of 8/8ths, proportionately reduced to Jalapeno's interest in the assigned leasehold ("Retained ORRI"), delivering a 75% net revenue interest to Earthstone, and (b) the option, upon "Payout" of the such well (as hereinafter defined), to convert its Retained ORRI to a proportionate twenty-five percent (25%) working interest in the well bore of such well together with all equipment and other personal property in said well or used or obtained in connection with the operation of said well (such 25% working interest to be proportionately reduced to the assigned interest and hereinafter referred to as "Back-In Interest").

Earthstone Operating, LLC
November 16, 2022
Page 2

4. Payout shall be defined as the first day of the month after the point in time in which the actual cumulative proceeds from the sale of production from the well, after deducting severance/production taxes and all applicable royalties and overriding royalties (including the Retained ORRI) exceeds equals one hundred percent (100%) of the actual total cost of drilling, completing, equipping, and operating such well prior to Payout (including the actual cost of any workovers or re-working of the well). Such cumulative proceeds and total costs shall be calculated as to the working interest assigned pursuant to paragraph 3. above.
5. On a quarterly basis prior to Payout, Earthstone shall furnish Jalapeno with payout statements summarizing the proceeds and costs as set out in paragraph 5. above. Upon Payout, Earthstone shall notify Jalapeno in writing by certified mail, and Jalapeno shall have 15 days from receipt of such notice to make written election to Earthstone to exercise its option as set forth in paragraph 4 (b) above. Should Jalapeno elect to exercise said option, Earthstone shall thereafter execute and deliver to Jalapeno for its execution an assignment evidencing the conversion as described in paragraph 4 above.
6. The provisions of this letter agreement shall only apply to a well in which Jalapeno elects, or is deemed to have elected, not to participate pursuant to the provisions of the JOA. In the event Jalapeno elects not to participate in a well proposed under the JOA and such well is not timely commenced under the JOA, this letter agreement shall have no force an effect as to such well.
7. This letter agreement shall inure to the benefit of the parties hereto and their respective successors and assigns

Please sign in the space provided below to indicate your acceptance and agreement as to provisions set forth above, and return an executed copy of this letter agreement to the undersigned at your earliest convenience.

Best Regards,

Jalapeno Corporation

By: _____
Harvey E. Yates, III
Vice President

Accepted and Agreed to this _____ day of _____, 20_____.

Earthstone Operating, LLC

By: _____
Name: _____
Title: _____

JALAPENO CORPORATION

P.O.BOX 1608
ALBUQUERQUE, NM 87103
PHONE: 505-242-2050
FAX: 505-242-8501

November 16, 2022

Matt Solomon
Earthstone Operating, LLC
1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380

RE: Bel-Air 5-8 Fed 1BS Com 4H & Bel-Air 5-8 Fed 2BS Com 8H
E2E2 of Section 5 and 8, T19S, R33E
Lea County, New Mexico

Ladies and Gentlemen:

Earthstone Operating, LLC ("Earthstone") and Jalapeno Corporation ("Jalapeno") hereby agree to the following:

- 1) Jalapeno agrees to pool its working interest with that of other parties and participate in the drilling and completion of the above referenced wells in the unit described above.
- 2) Jalapeno agrees to pay its proportionate share of the Bel-Air wells JIBs within thirty (30) days of Jalapeno's receipt of the JIBs.
- 3) Jalapeno agrees to pay its proportionate share of overhead rates of \$7,500 per month for drilling and \$750 per month while producing for the above referenced well as the same may be adjusted from time to time pursuant to the standard 2005 COPAS accounting procedure.
- 4) This letter agreement and the signed AFEs for the Bel-Air wells will only be effective until May 1, 2023, unless a rig, capable of drilling to TD, has been moved onto location before that time and has commenced drilling. However, if the drilling has not commenced by May 1, 2023, Earthstone will need to resubmit the AFEs and a new letter agreement to Jalapeno for its review. If a well has been spudded while this letter agreement is still in effect, this letter agreement shall remain in effect, in regards to that well, until that well has been P&A.

This letter agreement will apply to the parties hereto and their respective successors and assigns. This letter agreement is effective for all purposes as of November 1, 2022.

Very truly yours,

JALAPENO CORPORATION
H. Emmons Yates III

JALAPENO CORPORATION

By: _____
H. Emmons Yates III
Vice President
Date: _____

EARTHSTONE OPERATING, LLC

By: _____
Name: _____
Title: _____
Date: _____

kreese@jalapenocorp.com

From: kreese@jalapenocorp.com
Sent: Thursday, December 8, 2022 1:15 PM
To: 'Matthew Solomon'
Cc: Emmons Yates
Subject: RE: Contact information

Hi Matt,

Thanks for getting back to me so quickly. We appreciate your quick response and we will let our attorneys know and let them handle the force pooling process.

We look forward to participating in the successful drilling of these wells!

Best regards,

Kathryn

Kathryn J. Reese, CPL
Landman
Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: 505.242.2050
Fax: 505.242.8501

From: Matthew Solomon <MSolomon@earthstoneenergy.com>
Sent: Thursday, December 8, 2022 11:23 AM
To: kreese@jalapenocorp.com
Subject: Contact information

Kathryn,

I've heard back from the R.E. decision maker. He's decided that Earthstone would rather have Jalapeno as a partner under a forced pooling order rather than a JOA with a 25% back-in at pay-out...even if Jalapeno successfully argued at hearing for a reduced non-consent penalty.

I'm happy to chew on any other ideas.

Thanks,

Matt Solomon
Senior Landman, CPL|JD



1400 Woodloch Forest Drive, Suite 300
The Woodlands, TX 77380

EXHIBIT
3

832-544-9492 (m)

713-379-3083 (o)

msolomon@earthstoneenergy.com

From: kreese@jalapenocorp.com <kreese@jalapenocorp.com>

Sent: Wednesday, December 7, 2022 5:03 PM

To: Matthew Solomon <MSolomon@earthstoneenergy.com>

Subject: Contact information

Matt,

Thanks for your phone call this afternoon. Contact information below.

Kathryn J. Reese, CPL

Landman

Jalapeño Corporation

P.O. Box 1608

Albuquerque, NM 87103-1608

Phone: 505.242.2050

Fax: 505.242.8501

Catherine H. Norwood, P.E.

EDUCATION

Bachelor of Science in Petroleum Engineering, Texas Tech University, 1985

LICENSES

Licensed Professional Engineer in the states of Texas and New Mexico

PROFESSIONAL EXPERIENCE

Hickman McClaine & Associates, Inc. – Midland, TX

Senior Consulting Engineer - 2015 to present – Reservoir Engineering & Property Evaluation

T. Scott Hickman & Associates, Inc. – Midland, TX

Senior Staff Engineer - 1986 to 2015 – Reservoir Engineering & Property Evaluation

APPOINTMENTS

Texas Board of Professional Engineers and Land Surveyors – Board Member

Appointed to six-year term in 2016 and a second six-year term in 2022 by Governor Greg Abbott.

Currently, Board Vice-Chairman and Chairman of Licensing Committee

University of Texas of the Permian Basin Engineering Advisory Board – Board Member

Appointed by Associate Dean Monica Gray, PhD, MPH, CPH, PE in March 2022

HONORS

Texas Tech University Academy of Petroleum Engineers - Inducted 2012

PROFESSIONAL AFFILIATIONS

Society of Petroleum Engineers

Chairman, Permian Basin Section Reservoir Study Group - 1995 to 1996

Member, U.S. Council Member Benefits Committee - 1994 to 1997

Introduce a Girl to Engineering Steering Committee - 2008 to 2010, 2016

Society of Petroleum Evaluation Engineers

Chairman, Midland Chapter - 1998

PUBLICATIONS

“Review of Professional Engineering in Petroleum Engineering”,

L. Kinney & C. Norwood, SPE 191431

EXHIBIT

4

BEL AIR FORCE POOLING

19S 33E

EXHIBIT
5

EARTHSTONE FORCE POOLING TIMELINE

- NOV 2ND-Received BEL AIR AFEs from Earthstone
- NOV 16TH-Sent response to Earthstone consenting to participate in the wells. Explained that Jalapeno would be willing to participate under a letter agreement or participate under the JOA if Earthstone changed the non consent penalty to 100/150 or replace the drilling non consent penalty for a farmout in lieu on non-consent penalty.
- DEC 8TH-Received email from Earthstone landman explaining that “Earthstone would rather have Jalapeno as a partner under a forced pooling order rather than a JOA with a 25% back-in at pay-out...even if Jalapeno successfully argued at hearing for a reduced non-consent penalty.”
- DEC 8TH-Received force pooling notice from Earthstone attorneys



EARTHSTONE
Energy, Inc.

Chisholm Energy Acquisition

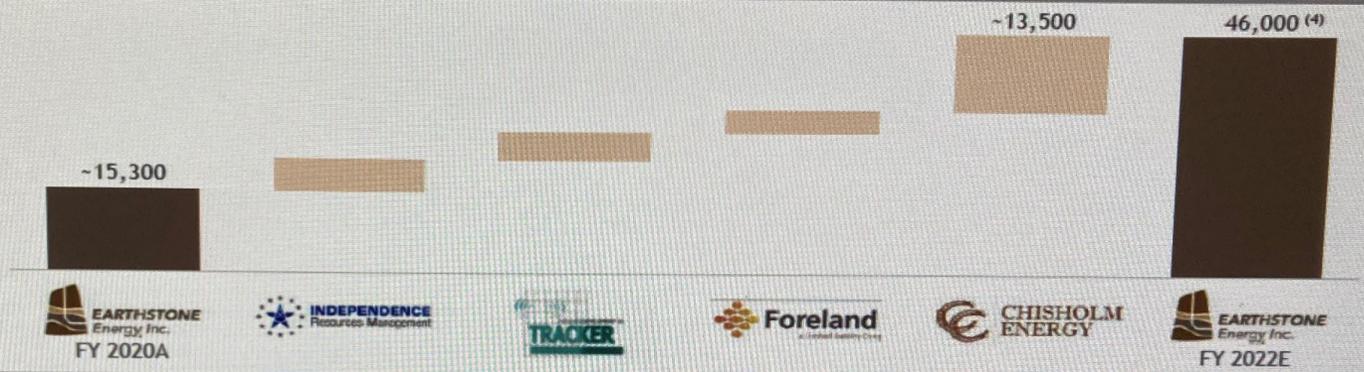
December 16, 2021



continued Pathway to Scale

- Entrance into the Delaware Basin provides additional avenues for continuing to add scale to our existing asset base
- Earthstone remains focused on building scale through acquisitions in the Permian

Pathway to Scale - Production (Boe/d)



	12/18/20	4/1/21	10/4/21	12/16/21
Date Announced	12/18/20	4/1/21	10/4/21	12/16/21
Acquisition Price (\$MM)⁽¹⁾	\$182.0	\$126.5	\$73.2	\$603.8
Consideration Mix (% Cash / % Stock)	72% / 28%	65% / 35%	67% / 33%	68% / 32%
Proved Developed PV-10 (\$MM)⁽²⁾	\$173	\$153	\$116	\$421
Acquired Net Acreage (000's)	43.4	20.3	10.0	36.1
Acquired Drilling Locations⁽³⁾	70	49	0	414

Note: See Appendix for details on footnotes.

Chisholm Asset Overview

Acquisition Highlights

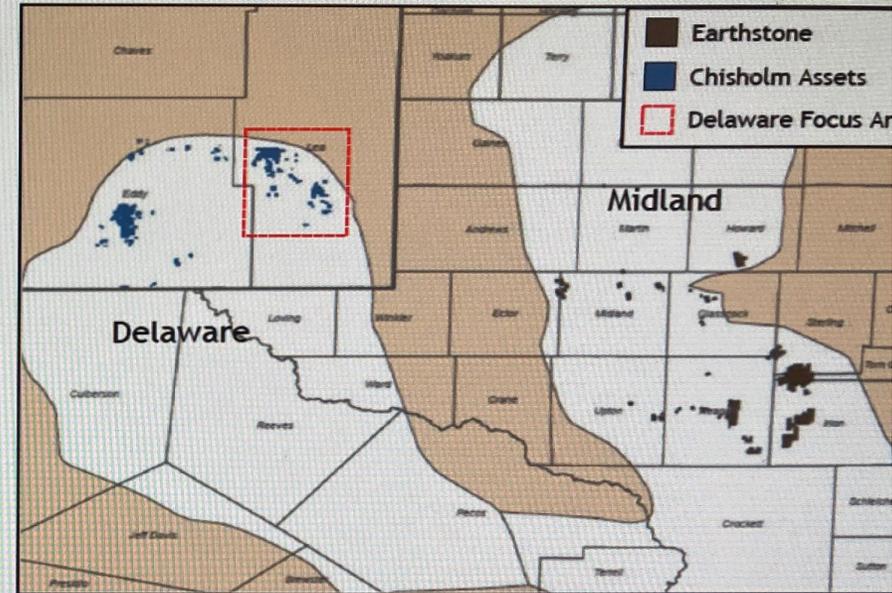
- ESTE's first acquisition in the Delaware Basin brings significant production and cash flow
- High quality drilling inventory with high-graded operated location count of 414 gross (237 net) locations with average IRR > 60% at NYMEX strip pricing as of 12/8/21
- ESTE plans to maintain Chisholm's 2-rig program on the Chisholm assets upon closing (in addition to ESTE's 2-rig program in the Midland Basin)
- 65 federal/state drilling permits already in place and another 56 permits in process to support a 2-rig drilling program for the next several years
- Increased scale further improves ESTE's leading LOE and G&A cost structure

Asset Highlights ⁽¹⁾

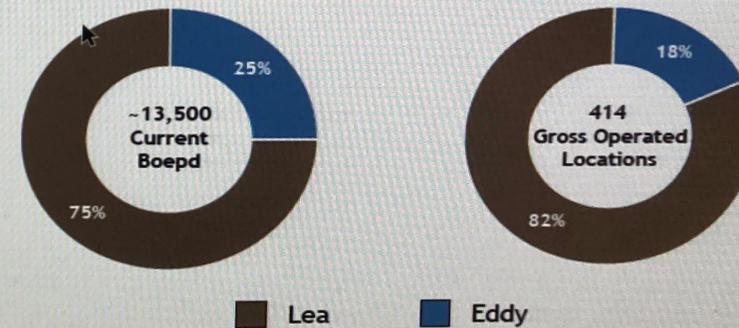
Current Production (Boepd)	~13,500
% Oil / % Liquids	61% / 79%
Proved Developed PV-10 (\$MM)	\$421
Proved Developed Reserves (MMBoe)	25.8
Total Net Acres	~36,100
% Operated / % HBP	92% / 85%
Avg. % WI / % NRI	55% / 44%

(1) Current Production is Earthstone management's estimate of Chisholm three stream sales volumes for the most recent available 30-day period. PV-10 is a non-GAAP measure that differs from a measure under GAAP known as "standardized measure of discounted future net cash flows" in that PV-10 is calculated without including future income taxes. Proved Developed PV-10 value based upon NYMEX strip pricing as of 12/8/21 and an effective date of 11/1/21.

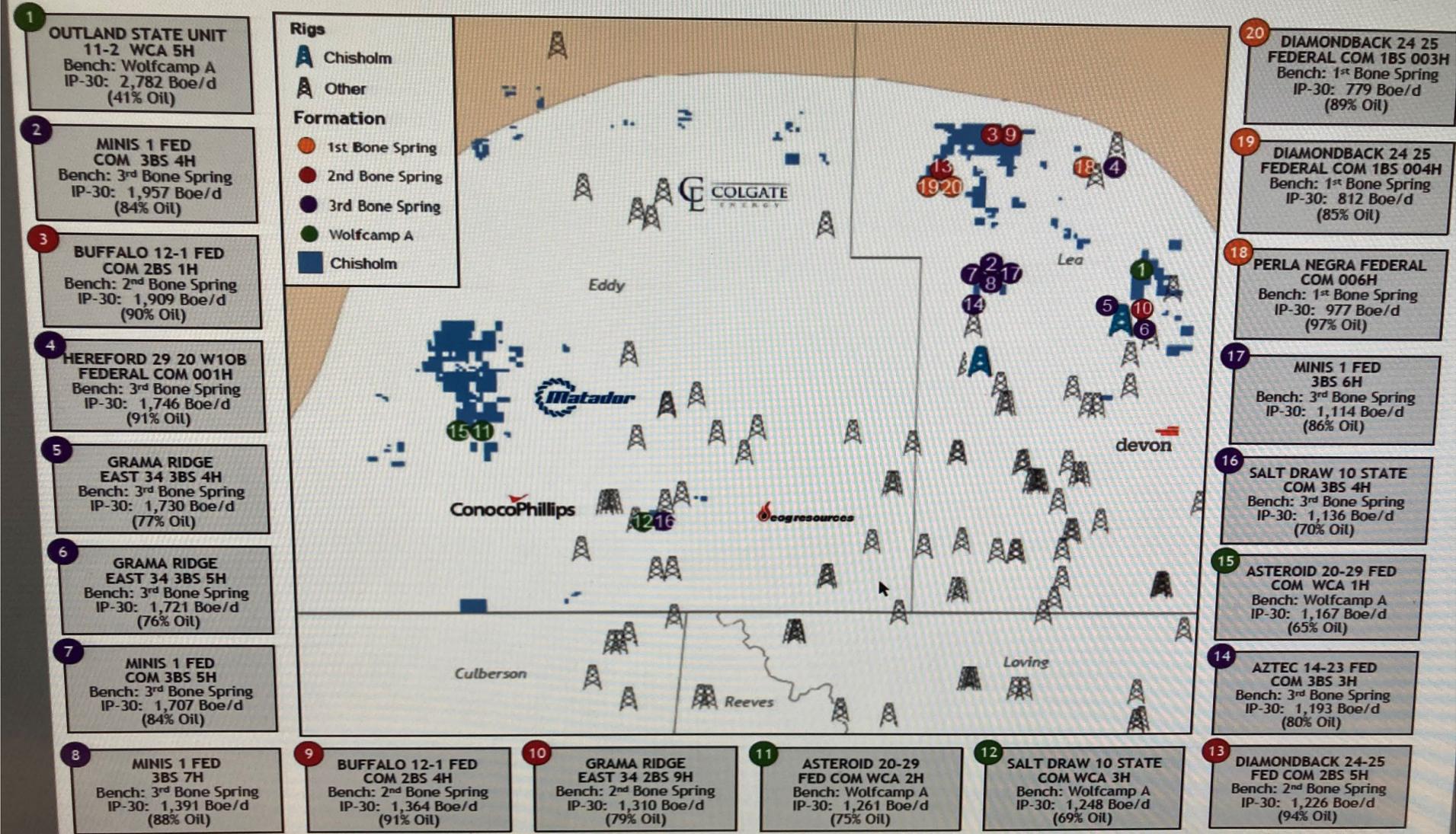
Permian Asset Overview



Chisholm Production and Drilling Inventory by County



Chisholm Well Results Demonstrate High Quality, De-Risked Inventory



Source: Enverus. All wells listed are operated by Chisholm.

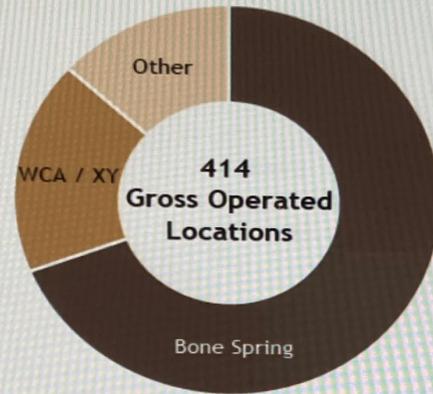


Deep Inventory of Highly Economic and Oil-Rich Locations Underwritten With a Conservative Spacing Model

Southeast NM Type Section

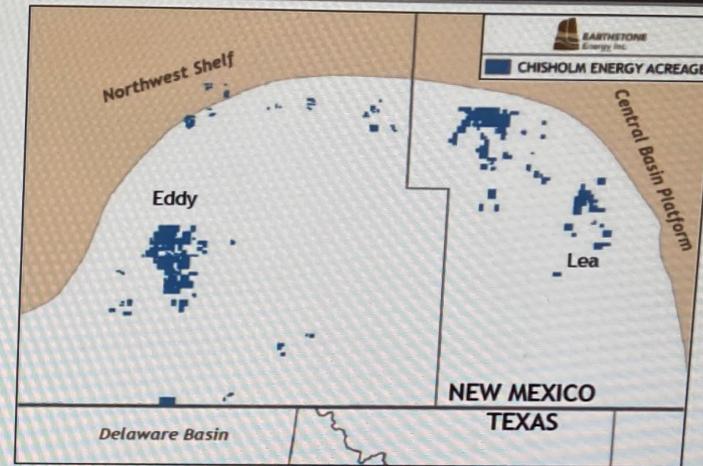


Target Zones	
Primary	Secondary



Location count based on conservative 3-4 wells per section per zone

Chisholm Northern Delaware Position



- The Northern Delaware is low GOR, high oil cut and lower water cut relative to the basin average
- Thick stacked pay interval allows for development of up to 8 potential landing zones
- The Wolfcamp A / XY, 2nd and 3rd Bone Spring Sands are the core targeted intervals across the position of which all have been significantly de-risked and delineated
- Highest valued inventory is concentrated in the Northern Lea County acreage block
- Secondary target intervals have been delineated by offset operators in most areas



2 MILE EARHSTONE WELL RESULTS

	WELL NAME	API #	LAT LENGTH	MONTHS PROD	OIL PROD	GAS PROD	H2O PROD	CURRENT OIL/MONTH	CURRENT GAS/MONTH	CURRENT H2O/MONTH	OIL EUR	GAS EUR
1	Buffalo 12/1 Fed 2BS #5H	30-025-45161	2	21	259205	322161	534675	6021	8683	10618	605	1.5
2	Buffalo 12/1 Fed 2BS #4H	30-025-45160	2	21	285128	380927	411867	6338	19423	9785	751	1.9
3	Buffalo 12/1 Fed 2BS # 1H	30-025-45128	2	37	583947	722110	312924	5866	1769	5414	1215	1.5
4	RAM 2/11 FED 2BS # 9H	30-025-49680	2	3	65014	54103	65504	30233	28345	21252	688	0.6
5	RAM 2/11 FED 2BS # 10H	30-025-49681	2	3	52832	46901	142292	25039	23130	50457	569	0.5
6	BEL AIR 5/8 FED 2BS #6H	30-025-49713	2	3	61439	32541	139462	20532	11137	30047	485	0.2
7	BEL AIR 5/8 FED 2BS #5H	30-025-49712	2	3	84657	49787	160027	31137	17982	38445	727	0.4
8	DIAMONDBACK 24/25 1BS #3H	30-025-45007	2	43	336060	558987	1211226	3511	9293	13448	680	1.4
9	DIAMONDBACK 24/25 2BS #5H	30-025-48038	2	18	223247	146275	240843	9304	7243	4892	858	0.6
10	DIAMONDBACK 24/25 2BS #4H	30-025-48037	2	19	154141	291822	624000	4086	17617	21406	438	1.2
11	DIAMONDBACK 24/25 2BS #1H	30-025-45006	2	44	445800	416353	685024	7825	7264	10012	1100	1.4
	AVG 2 MILE LAT BS WELL			19.55	231951.82	274724.27	411622.18	13626.55	13807.82	19616.00	737.82	1.02

KEY FACTS

- WE AGREE WITH EARTHSTONE, THE ACREAGE IS VERY DE-RISKED HIGH QUALITY ACREAGE
- AVG 2 MILE LATERAL HAS PRODUCED 231M BBLS OF OIL IN 19 MONTHS AND HAS AN EUR OF 737M BBLS WITH AN EUR OF 1 BCF
- ALL 11 EARTHSTONE 2 MILE LATERAL WELLS WILL PAYOUT AT THE NYMEX FUTURE PRICE SCHEDULE WHEN USING EARTHSTONES \$10.3MM AFE FIGURES=100% SUCCESS RATE
- DATA SUPPORTS A 0% RISK PENALTY FIGURE

IMPORTANT QUESTIONS

- Does the OCD have authority to force pool someone who has voluntarily agreed to pool their acreage? The only thing that Jalapeno has done is refused to sign a one sided contract.
- They say 300% is industry standard. What motivation does “industry” have to change if the OCD keeps automatically granting 300% (100% + 200%) for wells that have no real risk of being unsuccessful?
- Can most force pooled parties afford to hire a lawyer and engineer to argue their case at the OCD?

OVERALL EARTHSTONE WELL RESULTS

WELL NAME	API #	LAT LENGTH	MONTHS PROD	OIL PROD	GAS PROD	H2O PROD	CURRENT OIL/MONTH	CURRENT GAS/MONTH	CURRENT H2O/MONTH	OIL EUR	GAS EUR
1 Buffalo 12/1 Fed 2BS #5H	30-025-45161	2	21	259205	322161	534675	6021	8683	10618	605	1.5
2 Buffalo 12/1 Fed 2BS #4H	30-025-45160	2	21	285128	380927	411867	6338	19423	9785	751	1.9
3 Buffalo 12/1 Fed 2BS # 1H	30-025-45128	2	37	583947	722110	312924	5866	1769	5414	1215	1.5
4 RAM 2/11 FED 2BS # 9H	30-025-49680	2	3	65014	54103	65504	30233	28345	21252	688	0.6
5 RAM 2/11 FED 2BS # 10H	30-025-49681	2	3	52832	46901	142292	25039	23130	50457	569	0.5
6 BEL AIR 5/8 FED 2BS #6H	30-025-49713	2	3	61439	32541	139462	20532	11137	30047	485	0.2
7 BEL AIR 5/8 FED 2BS #5H	30-025-49712	2	3	84657	49787	160027	31137	17982	38445	727	0.4
8 DIAMONDBACK 24/25 1BS #3H	30-025-45007	2	43	336060	558987	1211226	3511	9293	13448	680	1.4
9 DIAMONDBACK 24/25 2BS #5H	30-025-48038	2	18	223247	146275	240843	9304	7243	4892	858	0.6
10 DIAMONDBACK 24/25 2BS #4H	30-025-48037	2	19	154141	291822	624000	4086	17617	21406	438	1.2
11 DIAMONDBACK 24/25 2BS #1H	30-025-45006	2	44	445800	416353	685024	7825	7264	10012	1100	1.4
12 Buffalo 12/1 Fed WCC#5H	30-025-45159	1.25	41	155367	171255	126596	1627	2410	804	452	0.5
13 Buffalo 2 State 1BS #6H	30-025-43833	1	53	188004	167185	246662	1000	1671	801	188	0.2
14 Buffalo 2 State 2BS #5H	30-025-43832	1	57	153216	154353	214397	1440	436	4742	254	0.4
15 Buffalo 2 State 2BS #4H	30-025-43831	1	56	96050	86808	93551	739	907	548	149	0.2
16 Buffalo 2 State 2BS #3H	30-025-43830	1	49	74158	88051	94706	595	1078	755	116	0.2
17 Buffalo 2 State 2BS #2H	30-025-38290	1	56	88339	107376	131639	670	952	988	136	0.2
18 Gazelle 32 1BS #3H	30-025-45131	1	31	160133	720177	490605	826	4327	3369	288	1.4
19 Gazelle 32 2BS #1H	30-025-43906	1	51	142330	122036	197485	631	1214	1014	224	0.4
20 Gazelle 32 2BS #2Y	30-025-44197	1	54	97808	67740	158574	1030	2390	935	153	0.1
21 Gazelle 32 1BS #4H	30-025-46271	1	36	61890	145390	387772	94	0	1062	110	0.4
OVERALL AVG		1.53571429	33.28571429	179465	231063.7143	317611	7549.714286	7965.285714	10990.19048	485.048	0.72381

Hickman McClaine & Associates, Inc.

PETROLEUM CONSULTANTS

December 29, 2022

Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103

Attn: Mr. Emmons Yates

Ladies & Gentlemen;

Re: Oil & Gas Reserve Evaluation
Select Earthstone Operating Wells
Effective December 1, 2022

In accordance with Mr. Emmons Yates' request we have projected the extent of and net income to be generated by estimated quantities of Proved Developed Producing (PDP) petroleum reserves as of December 1, 2022, in eleven select wells operated by Earthstone Operating LLC located in Lea County, New Mexico. The eleven select wells are in the vicinity of Earthstone's proposed Bel-Aire 5-8 Fed 1BS Com 4H and Bel-Aire 5-8 Fed 2BS Com 8H wells. Among the eleven select wells 10 are completed in the 2nd Bone Spring and one in the 1st Bone Spring.

Historical production through October 2022 gathered through public data sources was projected. Figures 1 through 11 are the Proved Developed Producing (PDP) engineering decline curves with projections. Note that the estimated ultimate recoveries shown on the decline curves are prior to the application of any economic parameters. For the purposes of this evaluation all of the decline curves were then set to a "time zero" of December 31, 2022, and actual historical production and the prior established projections were used to cash flow the wells. A 100% working and 75% royalty interest was assumed. Earthstone's estimated drilling and completion cost from the proposed Bel-Aire 5-8 AFEs of \$10,300,000 was applied to each well and a cash flow projection was run.

Table 1 is a one-line summary of the Proved Developed Producing (PDP) reserves and economics for the time zero case. Tables 2 through 12 are un-risked, individual well cash flow projections. Figures 12 through 22 are the time zero decline curves. Note that due to computer program limitations only the scheduled historical oil

EXHIBIT

6

Jalapeno Corporation
December 29, 2022
Page 2

production is shown. The gas and water production were handled the same as is evident on the cash flow projections but they do not show up on the curves.

Net hydrocarbon reserves are estimated quantities of petroleum attributable to the revenue interests being evaluated after the deduction of all royalty and/or overriding royalty interests burdening that interest. In the aggregate, our reserve classifications conform to the reserve definitions contained in the 2007 Petroleum Resource Management System sponsored by SPE, WPC, AAPG and SPEE. A summary of the definitions is attached as Attachment A. Future net revenue was adjusted for applicable operating costs, ad valorem taxes and wellhead taxes, but no consideration was given to Federal or State income taxes or any encumbrances that might exist against the evaluated interests. Present worth future net income shows the time value of money at certain discount rates but does not represent our estimate of fair market value.

Units for liquid hydrocarbons are expressed in thousands of standard 42 U.S. gallon barrels (MBBL) and gas volumes are expressed in millions of cubic feet (MMCF) based on official temperature and pressure bases of areas in which the reserves are located. Cash flows are shown in thousands of U.S. dollars (M\$). The reserve and cash flow projections were prepared using the R3 Asset Manager software package by OGRE Systems.

Reserves were determined using methodologies generally accepted by industry including extrapolation of established performance trends and analogy to similar wells. Where applicable, the evaluator's own experience was used to check the reasonableness of the results.

In the preparation of this report, we have accepted without independent verification information furnished by Jalapeno Corporation and trusted commercial databases with respect to the well selection and various other data. We have reviewed this information for reasonableness but cannot guarantee its accuracy. The price and expense escalation scheme and primary discount rate are in accord with the current commodity market's outlook.

Oil and gas prices were based on the NYMEX crude oil (West Texas Intermediate) and the NYMEX gas (Henry Hub) five-year strip futures prices as of December 1, 2022. The product pricing scheme is set forth on Attachment B. Both oil and gas prices were adjusted for the difference between the futures market commodity price and the wellhead net back price to account for product quality and transportation. This price differential data was taken from the New Mexico Taxation and Revenue Department's online database **We express no opinion as to future hydrocarbon products price.**

22.091

Jalapeno Corporation
December 29, 2022
Page 3

Lease operating expenses were estimated for existing conditions. General overhead was included. A fixed lease operating cost of \$25,000 per well per month was held constant for a period of three years then decrease by 20% per annum until the fixed expense reached \$10,240 per month. The cost was then held constant through the life of the well. An additional cost of \$0.50 per barrel for produced water was included through the life of the well. **No salvage value or abandonment costs were included for the properties.**

We are qualified to perform engineering evaluations and do not claim any expertise in accounting or legal matters. As is customary in the profession, no field inspection was made of the properties nor have we verified that all operations are in compliance with state and/or federal conservation, pricing and environmental regulations that may apply. Unless we have been provided with specific written information, it is assumed that the producing entities have been operated in a competent manner and there are no conditions such as the presence of hazardous substances that could have an adverse effect on future operations or the market value.

This study was performed using principles of engineering and evaluation generally accepted by industry that are predicated on established scientific concepts. However, the application of such principles involves extensive judgment and assumptions and is subject to changes in performance data, existing technical knowledge, economic conditions and/or statutory provisions. Consequently, our reserve estimates are furnished with the understanding that some revisions will probably be required in the future, particularly on new wells with little production history and reserve categories other than PDP. The restriction of production by mechanical, regulatory or market conditions also introduces uncertainty into reserve estimates and projections. Unless otherwise noted, we have based our reserve projections on current operating methods and well densities.

Hickman McClaine & Associates, Inc. is an independent, third-party petroleum consulting firm that has been providing consulting services since 1973. Neither we nor any of our employees have any financial interest in the subject properties or company. Our employment by Jalapeno Corp. to perform this evaluation nor the compensation is contingent on our estimate of reserves.

This report is solely for the information of and the assistance to Jalapeno Corporation; Peifer, Hanson, Muller & Baker, P.C.; and the New Mexico Oil Conservation Division in their evaluation of the subject properties and is not to be used, circulated, quoted or otherwise referred to for any other purpose without the express written consent of the undersigned except as required by law. Persons other than those

22.091

Jalapeno Corporation
December 29, 2022
Page 4

to whom this report is addressed or those authorized by the addressee shall not be entitled to rely upon the report unless it is accompanied by such consent. Data utilized in this report will be maintained in our files for a minimum of 5 years and is available for your use.

Yours very truly,

HICKMAN MCCLAIN & ASSOCIATES, INC.



Catherine H. Norwood, P.E.



22.091

Attachment A

RESERVE DEFINITIONS

(Condensed from 2018 Petroleum Resource Management System)

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves Category

Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Reserves in undeveloped locations may be classified as Proved provided that: The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the proved area and the applied development program.

Probable Reserves

Probable reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves. In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the Proved plus Probable estimate.

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved wells where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.

Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible, which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the Proved plus Probable plus Possible estimate.

Possible reserves may be assigned to areas of a reservoir adjacent to Probable areas where data control and interpretations of available data are progressively less certain. Frequently, this may be in

areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project.

Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Reserves Status

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves. Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves. Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Attachment B
Schedule of NYMEX Futures Prices
As of December 1, 2022

Date	Oil (\$/Bbl) Cushing Light Sweet	Gas (\$/MMBTU) HH
2022	81.22	6.738
2023	79.92	5.674
2024	75.24	4.779
2025	71.39	4.580
2026 & thaf	68.35	4.503

TABLE 1
SUMMARY OF PDP RESERVES & ECONOMICS
SELECT EARTHSTONE OPERATED WELLS
FOR JALAPENO CORP.
EFFECTIVE DECEMBER 1, 2022

Lease	Operator	Field	Reservoir	WI Decimal	NRI Decimal	Net Reserves		Future Net Revenue		BTAX Rate of Return %	BTAX Disc. Payout Years
						Oil	Gas	Undisc. BTAX	Disc @10% BTAX		
						MBBL	MMCF	M \$	M \$		
BEL-AIR 5 8 2BS FEDERAL COM 005H	EARTHSTONE OPERATING LLC	CORBIN SOUTH	BONE SPRING	1.00000	0.75000	409.771	279.927	15,072.86	10,026.54	100%	0.8
BEL-AIR 5 8 2BS FEDERAL COM 006H	EARTHSTONE OPERATING LLC	CORBIN SOUTH	BONE SPRING	1.00000	0.75000	265.856	134.201	5,361.75	2,719.33	34%	2.2
BUFFALO 12 1 FEDERAL 2BS COM 001H	EARTHSTONE OPERATING LLC	BUFFALO SOUTHEAST	BONE SPRING	1.00000	0.75000	782.605	688.814	41,358.07	28,251.20	100%	0.4
BUFFALO 12 1 FEDERAL 2BS COM 004H	EARTHSTONE OPERATING LLC	BUFFALO SOUTHEAST	BONE SPRING	1.00000	0.75000	439.006	905.849	17,649.77	11,668.75	100%	0.7
BUFFALO 12 1 FEDERAL 2BS COM 005H	EARTHSTONE OPERATING LLC	BUFFALO SOUTHEAST	BONE SPRING	1.00000	0.75000	365.700	541.975	12,370.11	8,106.78	100%	0.9
DIAMONDBACK 24 25 FEDERAL COM 1BS 003H	EARTHSTONE OPERATING LLC	LUSK EAST	BONE SPRING	1.00000	0.75000	434.847	922.852	16,361.04	9,470.79	77%	1.2
DIAMONDBACK 24 25 FEDERAL COM 2BS 001H	EARTHSTONE OPERATING LLC	LUSK EAST	BONE SPRING	1.00000	0.75000	622.680	714.181	29,316.68	17,694.19	100%	0.8
DIAMONDBACK 24 25 FEDERAL COM 2BS 004H	EARTHSTONE OPERATING LLC	LUSK EAST	BONE SPRING	1.00000	0.75000	232.996	856.928	3,574.85	1,053.55	17%	5.0
DIAMONDBACK 24 25 FEDERAL COM 2BS 005H	EARTHSTONE OPERATING LLC	LUSK EAST	BONE SPRING	1.00000	0.75000	487.321	365.645	19,886.75	11,498.08	86%	1.4
RAM 2 11 2BS FEDERAL COM 009H	EARTHSTONE OPERATING LLC	BUFFALO SOUTHEAST	BONE SPRING	1.00000	0.75000	253.307	285.354	5,005.99	2,662.62	38%	2.0
RAM 2 11 2BS FEDERAL COM 010H	EARTHSTONE OPERATING LLC	BUFFALO SOUTHEAST	BONE SPRING	1.00000	0.75000	277.150	313.965	6,329.25	3,503.39	45%	1.8

BEL-AIR 5 8 2BS FEDERAL COM 005H
 LEA, NM
 CORBIN SOUTH
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs,M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	18.143	11.398	13.607	8.549	82.96	2.09	1,146.713	80.270	66.308	10,300.000	-9,299.865	-9,262.326
01-23	205.087	135.646	153.816	101.735	81.66	1.76	12,739.529	891.767	427.132	0.000	11,420.630	1,681.310
01-24	72.995	51.096	54.746	38.322	76.98	1.48	4,271.124	298.979	341.497	0.000	3,630.648	4,820.892
01-25	44.318	31.023	33.239	23.267	73.13	1.42	2,463.793	172.466	319.668	0.000	1,971.660	6,368.417
01-26	31.555	22.089	23.667	16.567	70.09	1.40	1,681.919	117.734	253.518	0.000	1,310.667	7,302.805
01-27	24.366	17.056	18.274	12.792	70.09	1.40	1,298.705	90.909	202.315	0.000	1,005.481	7,954.101
01-28	19.770	13.839	14.827	10.379	70.09	1.40	1,053.731	73.761	162.009	0.000	817.961	8,435.536
01-29	16.587	11.611	12.440	8.708	70.09	1.40	884.096	61.887	132.310	0.000	689.899	8,804.621
01-30	14.258	9.980	10.693	7.485	70.09	1.40	759.940	53.196	130.986	0.000	575.759	9,084.597
01-31	12.482	8.737	9.361	6.553	70.09	1.40	665.294	46.571	129.976	0.000	488.747	9,300.631
01-32	11.085	7.760	8.314	5.820	70.09	1.40	590.852	41.360	129.182	0.000	420.310	9,469.494
01-33	9.957	6.970	7.468	5.227	70.09	1.40	530.699	37.149	128.540	0.000	365.010	9,602.821
01-34	8.954	6.268	6.715	4.701	70.09	1.40	477.246	33.407	127.970	0.000	315.868	9,707.710
01-35	8.059	5.641	6.044	4.231	70.09	1.40	429.521	30.066	127.461	0.000	271.993	9,789.823
01-36	7.253	5.077	5.439	3.808	70.09	1.40	386.569	27.060	127.003	0.000	232.506	9,853.632
01-37	6.527	4.569	4.896	3.427	70.09	1.40	347.912	24.354	126.591	0.000	196.968	9,902.782
01-38	5.875	4.112	4.406	3.084	70.09	1.40	313.121	21.918	126.220	0.000	164.983	9,940.212
01-39	5.287	3.701	3.965	2.776	70.09	1.40	281.809	19.727	125.886	0.000	136.197	9,968.306
01-40	4.758	3.331	3.569	2.498	70.09	1.40	253.628	17.754	125.585	0.000	110.289	9,988.989
01-41	4.283	2.998	3.212	2.248	70.09	1.40	228.265	15.979	125.315	0.000	86.972	10,003.822
01-42	3.854	2.698	2.891	2.024	70.09	1.40	205.439	14.381	125.071	0.000	65.987	10,014.057
01-43	3.469	2.428	2.602	1.821	70.09	1.40	184.895	12.943	124.852	0.000	47.100	10,020.702
01-44	3.122	2.185	2.342	1.639	70.09	1.40	166.405	11.648	124.655	0.000	30.102	10,024.567
01-45	2.810	1.967	2.107	1.475	70.09	1.40	149.765	10.484	124.477	0.000	14.804	10,026.302
01-46	1.507	1.055	1.131	0.791	70.09	1.40	80.347	5.624	72.537	0.000	2.186	10,026.540
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	10,026.540
Subtotal	546.361	373.236	409.771	279.927			31,591.318	2,211.392	4,007.064	10,300.000	15,072.862	10,026.540
Remain	0.000	0.000	-0.000	-0.000			-0.000	0.000	0.000	0.000	0.000	10,026.540
Total	546.361	373.236	409.771	279.927			31,591.318	2,211.392	4,007.064	10,300.000	15,072.862	10,026.540
Cum	0.000	0.000										
Ult.	546.361	373.236										

BTAX Rate of Return (Pct)	100.00	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	2.46	Project Life (Date)	July 01, 2046	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	1.98	Project Life (Years)	23.7	0.00	15,072.862	30.00	5,794.780
BTAX Payout	September 01, 2023	Discount Rate (Pct)	10.0	2.00	13,707.623	35.00	5,174.797
BTAX Payout (Disc)	September 15, 2023	Gross Wells	0.0	5.00	12,058.976	40.00	4,643.127
Net Oil Revenues (M\$)	31,153.871	Max Oil Price \$/BBL	82.960	8.00	10,755.209	45.00	4,180.230
Net Gas Revenues (M\$)	437.446	Max Gas Price \$/MCF	2.089	10.00	10,026.540	50.00	3,772.187
Total Revenues (M\$)	31,591.318			12.00	9,385.360	60.00	3,082.311
				15.00	8,554.173	70.00	2,517.722
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	7,845.999	80.00	2,044.331
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	7,428.284	90.00	1,639.898
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	6,531.529	100.00	1,289.172

BEL-AIR 5 8 2BS FEDERAL COM 006H
 LEA, NM
 CORBIN SOUTH
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	10.329	5.264	7.747	3.948	82.96	2.09	650.917	45.564	57.993	10,300.000	-9,752.640	-9,713.273
01-23	146.241	74.718	109.681	56.038	81.66	1.76	9,055.080	633.856	404.569	0.000	8,016.656	-2,013.639
01-24	45.831	22.915	34.373	17.186	76.98	1.48	2,671.492	187.004	329.217	0.000	2,155.270	-149.107
01-25	27.701	13.850	20.776	10.388	73.13	1.42	1,534.064	107.384	312.132	0.000	1,114.548	725.965
01-26	19.834	9.917	14.876	7.438	70.09	1.40	1,053.029	73.712	248.223	0.000	731.094	1,247.301
01-27	15.428	7.714	11.571	5.786	70.09	1.40	819.088	57.336	198.298	0.000	563.454	1,612.344
01-28	12.611	6.305	9.458	4.729	70.09	1.40	669.508	46.866	158.809	0.000	463.833	1,885.383
01-29	10.655	5.327	7.991	3.996	70.09	1.40	565.676	39.597	129.672	0.000	396.406	2,097.475
01-30	9.219	4.609	6.914	3.457	70.09	1.40	489.425	34.260	128.757	0.000	326.409	2,256.216
01-31	8.120	4.060	6.090	3.045	70.09	1.40	431.080	30.176	128.056	0.000	272.848	2,376.835
01-32	7.254	3.627	5.440	2.720	70.09	1.40	385.100	26.957	127.504	0.000	230.638	2,469.509
01-33	6.523	3.261	4.892	2.446	70.09	1.40	346.299	24.241	127.038	0.000	195.020	2,540.759
01-34	5.870	2.935	4.403	2.201	70.09	1.40	311.669	21.817	126.622	0.000	163.230	2,594.978
01-35	5.283	2.642	3.963	1.981	70.09	1.40	280.502	19.635	126.248	0.000	134.619	2,635.635
01-36	4.755	2.378	3.566	1.783	70.09	1.40	252.452	17.672	125.911	0.000	108.869	2,665.527
01-37	4.280	2.140	3.210	1.605	70.09	1.40	227.207	15.904	125.608	0.000	85.694	2,686.925
01-38	3.852	1.926	2.889	1.444	70.09	1.40	204.486	14.314	125.335	0.000	64.837	2,701.649
01-39	3.466	1.733	2.600	1.300	70.09	1.40	184.038	12.883	125.090	0.000	46.065	2,711.165
01-40	3.120	1.560	2.340	1.170	70.09	1.40	165.634	11.594	124.869	0.000	29.171	2,716.650
01-41	2.808	1.404	2.106	1.053	70.09	1.40	149.070	10.435	124.670	0.000	13.965	2,719.046
01-42	1.297	0.648	0.973	0.486	70.09	1.40	68.848	4.819	62.267	0.000	1.762	2,719.327
01-43	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,719.327
01-44	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,719.327
01-45	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,719.327
01-46	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,719.327
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,719.327
Subtotal	354.475	178.934	265.856	134.201			20,514.663	1,436.026	3,416.890	10,300.000	5,361.747	2,719.327
Remain	0.000	0.000	-0.000	-0.000			-0.000	-0.000	-0.000	0.000	0.000	2,719.327
Total	354.475	178.934	265.856	134.201			20,514.663	1,436.026	3,416.890	10,300.000	5,361.747	2,719.327
Cum	0.000	0.000										
Ult.	354.475	178.934										

BTAX Rate of Return (Pct)		34.49	Production Start Date		December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest		1.52	Project Life (Date)		June 01, 2042	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)		1.27	Project Life (Years)		19.6	0.00	5,361.747	30.00	327.003
BTAX Payout		September 27, 2024	Discount Rate (Pct)		10.0	2.00	4,670.564	35.00	-34.010
BTAX Payout (Disc)		February 15, 2025	Gross Wells		0.0	5.00	3,812.699	40.00	-345.246
Net Oil Revenues (M\$)		20,302.532	Max Oil Price \$/BBL		82.960	8.00	3,115.853	45.00	-617.373
Net Gas Revenues (M\$)		212.131	Max Gas Price \$/MCF		2.089	10.00	2,719.327	50.00	-858.093
Total Revenues (M\$)		20,514.663				12.00	2,366.327	60.00	-1,266.779
						15.00	1,903.248	70.00	-1,602.770
Initial W.I. Fraction		1.000000	Final W.I. Fraction		1.000000	18.00	1,504.095	80.00	-1,885.509
Initial Net OIL Fraction		0.750000	Final Net OIL Fraction		0.750000	20.00	1,266.793	90.00	-2,127.775
Initial Net Gas Fraction		0.750000	Final Net Gas Fraction		0.750000	25.00	753.058	100.00	-2,338.383

BUFFALO 12 1 FEDERAL 2BS COM 001H
 LEA, NM
 BUFFALO SOUTHEAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs,M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MMCF	Oil MBBL	Gas MMCF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	6.582	3.788	4.936	2.841	82.96	2.09	415.466	29.083	35.640	10,300.000	-9,949.256	-9,909.096
01-23	381.927	403.506	286.445	302.630	81.66	1.76	23,923.426	1,674.640	386.300	0.000	21,862.487	10,990.149
01-24	100.918	159.055	75.689	119.291	76.98	1.48	6,003.230	420.226	334.347	0.000	5,248.656	15,524.831
01-25	88.654	153.992	66.490	115.494	73.13	1.42	5,026.429	351.850	319.397	0.000	4,355.182	18,958.268
01-26	69.489	29.027	52.117	21.770	70.09	1.40	3,683.270	257.829	264.792	0.000	3,160.650	21,209.882
01-27	54.061	23.084	40.546	17.313	70.09	1.40	2,866.029	200.622	211.006	0.000	2,454.401	22,799.417
01-28	43.836	18.718	32.877	14.038	70.09	1.40	2,323.929	162.675	169.050	0.000	1,992.204	23,971.794
01-29	36.820	15.722	27.615	11.792	70.09	1.40	1,951.991	136.639	138.234	0.000	1,677.118	24,868.891
01-30	31.712	13.541	23.784	10.156	70.09	1.40	1,681.179	117.683	136.104	0.000	1,427.392	25,562.883
01-31	27.829	11.883	20.871	8.912	70.09	1.40	1,475.321	103.272	134.485	0.000	1,237.564	26,109.811
01-32	24.827	10.601	18.620	7.951	70.09	1.40	1,316.199	92.134	133.233	0.000	1,090.833	26,547.946
01-33	22.266	9.508	16.700	7.131	70.09	1.40	1,180.437	82.631	132.165	0.000	965.641	26,900.592
01-34	20.040	8.557	15.030	6.418	70.09	1.40	1,062.393	74.368	131.237	0.000	856.789	27,185.044
01-35	18.036	7.701	13.527	5.776	70.09	1.40	956.154	66.931	130.401	0.000	758.822	27,414.073
01-36	16.232	6.931	12.174	5.198	70.09	1.40	860.538	60.238	129.649	0.000	670.652	27,598.073
01-37	14.609	6.238	10.957	4.679	70.09	1.40	774.484	54.214	128.972	0.000	591.299	27,745.572
01-38	13.148	5.614	9.861	4.211	70.09	1.40	697.036	48.793	128.363	0.000	519.881	27,863.469
01-39	11.833	5.053	8.875	3.790	70.09	1.40	627.332	43.913	127.814	0.000	455.605	27,957.399
01-40	10.650	4.548	7.987	3.411	70.09	1.40	564.599	39.522	127.321	0.000	397.756	28,031.943
01-41	9.585	4.093	7.189	3.070	70.09	1.40	508.139	35.570	126.877	0.000	345.693	28,090.848
01-42	8.626	3.683	6.470	2.763	70.09	1.40	457.325	32.013	126.477	0.000	298.835	28,137.142
01-43	7.764	3.315	5.823	2.486	70.09	1.40	411.593	28.811	126.117	0.000	256.664	28,173.290
01-44	6.987	2.984	5.241	2.238	70.09	1.40	370.433	25.930	125.794	0.000	218.709	28,201.292
01-45	6.289	2.685	4.716	2.014	70.09	1.40	333.390	23.337	125.502	0.000	184.550	28,222.776
01-46	5.660	2.417	4.245	1.813	70.09	1.40	300.051	21.004	125.240	0.000	153.807	28,239.056
01-47	5.094	2.175	3.820	1.631	70.09	1.40	270.046	18.903	125.004	0.000	126.139	28,251.195
Subtotal	1,043.473	918.418	782.605	688.814			60,040.420	4,202.829	4,179.519	10,300.000	41,358.072	28,251.195
Remain	0.000	0.000	-0.000	0.000			-0.000	0.000	-0.000	0.000	-0.000	28,251.195
Total	1,043.473	918.418	782.605	688.814			60,040.420	4,202.829	4,179.519	10,300.000	41,358.072	28,251.195
Cum	0.000	0.000										
Ult.	1,043.473	918.418										

BTAX Rate of Return (Pct)		100.00	Production Start Date		December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest		5.02	Project Life (Date)		December 01, 2047	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)		3.75	Project Life (Years)		25.1	0.00	41,358.072	30.00	18,643.654
BTAX Payout		April 23, 2023	Discount Rate (Pct)		10.0	2.00	37,623.614	35.00	17,323.673
BTAX Payout (Disc)		April 25, 2023	Gross Wells		0.0	5.00	33,300.650	40.00	16,206.546
Net Oil Revenues (M\$)		58,954.095	Max Oil Price \$/BBL		82.960	8.00	30,026.531	45.00	15,244.328
Net Gas Revenues (M\$)		1,086.325	Max Gas Price \$/MCF		2.089	10.00	28,251.195	50.00	14,403.645
Total Revenues (M\$)		60,040.420				12.00	26,720.472	60.00	12,996.970
						15.00	24,778.502	70.00	11,857.982
Initial W.I. Fraction		1.000000	Final W.I. Fraction		1.000000	18.00	23,160.084	80.00	10,910.239
Initial Net OIL Fraction		0.750000	Final Net OIL Fraction		0.750000	20.00	22,220.357	90.00	10,104.965
Initial Net Gas Fraction		0.750000	Final Net Gas Fraction		0.750000	25.00	20,238.254	100.00	9,409.324

BUFFALO 12 1 FEDERAL 2BS COM 004H
 LEA, NM
 BUFFALO SOUTHEAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	13.469	8.056	10.102	6.042	82.96	2.09	850.662	59.546	60.853	10,300.000	-9,569.737	-9,531.109
01-23	219.398	255.901	164.548	191.926	81.66	1.76	13,774.616	964.223	440.536	0.000	12,369.857	2,275.500
01-24	75.070	178.207	56.302	133.655	76.98	1.48	4,532.161	317.251	356.558	0.000	3,858.351	5,606.043
01-25	48.881	134.913	36.661	101.185	73.13	1.42	2,824.688	197.728	336.448	0.000	2,290.512	7,404.001
01-26	34.424	95.009	25.818	71.257	70.09	1.40	1,909.039	133.633	265.138	0.000	1,510.268	8,480.680
01-27	26.507	73.160	19.880	54.870	70.09	1.40	1,470.014	102.901	211.225	0.000	1,155.888	9,229.373
01-28	21.515	59.383	16.137	44.537	70.09	1.40	1,193.186	83.523	169.246	0.000	940.417	9,782.857
01-29	18.084	49.911	13.563	37.433	70.09	1.40	1,002.866	70.201	138.409	0.000	794.257	10,207.750
01-30	15.581	43.005	11.686	32.254	70.09	1.40	864.101	60.487	136.260	0.000	667.354	10,532.248
01-31	13.678	37.750	10.258	28.312	70.09	1.40	758.515	53.096	134.625	0.000	570.794	10,784.533
01-32	12.205	33.687	9.154	25.265	70.09	1.40	676.872	47.381	133.361	0.000	496.130	10,983.825
01-33	10.947	30.212	8.210	22.659	70.09	1.40	607.063	42.494	132.280	0.000	432.289	11,141.714
01-34	9.852	27.191	7.389	20.393	70.09	1.40	546.357	38.245	131.340	0.000	376.772	11,266.821
01-35	8.867	24.472	6.650	18.354	70.09	1.40	491.721	34.420	130.494	0.000	326.807	11,365.476
01-36	7.980	22.025	5.985	16.519	70.09	1.40	442.549	30.978	129.733	0.000	281.838	11,442.817
01-37	7.182	19.822	5.387	14.867	70.09	1.40	398.294	27.881	129.047	0.000	241.366	11,503.041
01-38	6.464	17.840	4.848	13.380	70.09	1.40	358.465	25.093	128.431	0.000	204.942	11,549.531
01-39	5.817	16.056	4.363	12.042	70.09	1.40	322.618	22.583	127.875	0.000	172.160	11,585.038
01-40	5.236	14.451	3.927	10.838	70.09	1.40	290.357	20.325	127.376	0.000	142.656	11,611.785
01-41	4.712	13.005	3.534	9.754	70.09	1.40	261.321	18.292	126.926	0.000	116.102	11,631.580
01-42	4.241	11.705	3.181	8.779	70.09	1.40	235.189	16.463	126.522	0.000	92.204	11,645.875
01-43	3.817	10.534	2.863	7.901	70.09	1.40	211.670	14.817	126.158	0.000	70.695	11,655.842
01-44	3.435	9.481	2.576	7.111	70.09	1.40	190.503	13.335	125.830	0.000	51.338	11,662.425
01-45	3.092	8.533	2.319	6.400	70.09	1.40	171.453	12.002	125.535	0.000	33.916	11,666.383
01-46	2.782	7.680	2.087	5.760	70.09	1.40	154.307	10.802	125.269	0.000	18.237	11,668.323
01-47	2.105	5.810	1.579	4.357	70.09	1.40	116.735	8.171	104.208	0.000	4.356	11,668.750
Subtotal	585.341	1,207.799	439.006	905.849			34,655.322	2,425.873	4,279.681	10,300.000	17,649.768	11,668.750
Remain	0.000	-0.000	-0.000	0.000			0.000	-0.000	-0.000	0.000	-0.000	11,668.750
Total	585.341	1,207.799	439.006	905.849			34,655.322	2,425.873	4,279.681	10,300.000	17,649.768	11,668.750
Cum	0.000	0.000										
Ult.	585.341	1,207.799										

BTAX Rate of Return (Pct)	100.00	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	2.71	Project Life (Date)	October 01, 2047	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	2.14	Project Life (Years)	24.9	0.00	17,649.768	30.00	6,769.479
BTAX Payout	August 20, 2023	Discount Rate (Pct)	10.0	2.00	16,014.422	35.00	6,057.349
BTAX Payout (Disc)	September 01, 2023	Gross Wells	0.0	5.00	14,056.850	40.00	5,447.315
Net Oil Revenues (M\$)	33,303.112	Max Oil Price \$/BBL	82.960	8.00	12,521.859	45.00	4,916.575
Net Gas Revenues (M\$)	1,352.210	Max Gas Price \$/MCF	2.089	10.00	11,668.750	50.00	4,448.958
Total Revenues (M\$)	34,655.322			12.00	10,920.741	60.00	3,658.684
				15.00	9,954.525	70.00	3,012.075
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	9,134.106	80.00	2,469.898
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	8,651.269	90.00	2,006.617
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	7,617.087	100.00	1,604.750

BUFFALO 12 1 FEDERAL 2BS COM 005H
 LEA, NM
 BUFFALO SOUTHEAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	11.400	7.266	8.550	5.450	82.96	2.09	720.691	50.448	68.951	10,300.000	-9,698.709	-9,659.560
01-23	194.823	226.353	146.117	169.765	81.66	1.76	12,230.541	856.138	479.322	0.000	10,895.081	729.642
01-24	70.002	119.109	52.501	89.332	76.98	1.48	4,173.907	292.173	375.214	0.000	3,506.519	3,756.784
01-25	38.577	67.510	28.933	50.633	73.13	1.42	2,187.763	153.143	340.766	0.000	1,693.854	5,086.663
01-26	27.041	47.322	20.281	35.491	70.09	1.40	1,471.022	102.972	268.028	0.000	1,100.023	5,871.006
01-27	20.769	36.346	15.577	27.260	70.09	1.40	1,129.849	79.089	213.386	0.000	837.374	6,413.462
01-28	16.831	29.454	12.623	22.091	70.09	1.40	915.605	64.092	170.967	0.000	680.545	6,814.039
01-29	14.131	24.729	10.598	18.547	70.09	1.40	768.706	53.809	139.837	0.000	575.060	7,121.697
01-30	12.166	21.290	9.124	15.967	70.09	1.40	661.803	46.326	137.479	0.000	477.998	7,354.142
01-31	10.672	18.677	8.004	14.008	70.09	1.40	580.574	40.640	135.687	0.000	404.247	7,532.830
01-32	9.512	16.645	7.134	12.484	70.09	1.40	517.429	36.220	134.294	0.000	346.915	7,672.202
01-33	8.537	14.939	6.402	11.204	70.09	1.40	464.384	32.507	133.124	0.000	298.753	7,781.330
01-34	7.683	13.445	5.762	10.084	70.09	1.40	417.945	29.256	132.099	0.000	256.590	7,866.541
01-35	6.915	12.101	5.186	9.075	70.09	1.40	376.151	26.331	131.177	0.000	218.643	7,932.554
01-36	6.223	10.890	4.667	8.168	70.09	1.40	338.536	23.697	130.348	0.000	184.490	7,983.191
01-37	5.601	9.801	4.201	7.351	70.09	1.40	304.682	21.328	129.601	0.000	153.753	8,021.563
01-38	5.041	8.821	3.781	6.616	70.09	1.40	274.214	19.195	128.929	0.000	126.090	8,050.175
01-39	4.537	7.939	3.402	5.954	70.09	1.40	246.792	17.275	128.324	0.000	101.193	8,071.054
01-40	4.083	7.145	3.062	5.359	70.09	1.40	222.113	15.548	127.780	0.000	78.786	8,085.835
01-41	3.675	6.431	2.756	4.823	70.09	1.40	199.902	13.993	127.290	0.000	58.619	8,095.838
01-42	3.307	5.788	2.480	4.341	70.09	1.40	179.912	12.594	126.849	0.000	40.469	8,102.121
01-43	2.976	5.209	2.232	3.907	70.09	1.40	161.921	11.334	126.452	0.000	24.134	8,105.533
01-44	2.679	4.688	2.009	3.516	70.09	1.40	145.728	10.201	126.095	0.000	9.433	8,106.753
01-45	0.420	0.734	0.315	0.551	70.09	1.40	22.830	1.598	20.984	0.000	0.248	8,106.783
01-46	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	8,106.783
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	8,106.783
Subtotal	487.599	722.633	365.700	541.975			28,712.999	2,009.910	4,032.980	10,300.000	12,370.109	8,106.783
Remain	-0.000	0.000	0.000	-0.000			0.000	0.000	-0.000	0.000	-0.000	8,106.783
Total	487.599	722.633	365.700	541.975			28,712.999	2,009.910	4,032.980	10,300.000	12,370.109	8,106.783
Cum	0.000	0.000										
Ult.	487.599	722.633										

BTAX Rate of Return (Pct)	100.00	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	2.20	Project Life (Date)	February 01, 2045	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	1.79	Project Life (Years)	22.2	0.00	12,370.109	30.00	4,334.741
BTAX Payout	October 19, 2023	Discount Rate (Pct)	10.0	2.00	11,237.805	35.00	3,763.817
BTAX Payout (Disc)	November 09, 2023	Gross Wells	0.0	5.00	9,850.566	40.00	3,270.146
Net Oil Revenues (M\$)	27,882.186	Max Oil Price \$/BBL	82.960	8.00	8,736.519	45.00	2,837.202
Net Gas Revenues (M\$)	830.813	Max Gas Price \$/MCF	2.089	10.00	8,106.783	50.00	2,453.108
Total Revenues (M\$)	28,712.999			12.00	7,548.197	60.00	1,798.423
				15.00	6,817.573	70.00	1,257.643
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	6,189.021	80.00	800.758
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	5,815.557	90.00	407.957
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	5,006.733	100.00	65.510

DIAMONDBACK 24 25 FEDERAL COM 1BS 003H
 LEA, NM
 LUSK EAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	3.116	2.802	2.337	2.102	82.96	2.09	198.267	13.879	53.418	10,300.000	-10,169.030	-10,127.982
01-23	179.031	206.995	134.273	155.246	81.66	1.76	11,237.822	786.648	613.510	0.000	9,837.665	-776.715
01-24	78.246	203.473	58.684	152.605	76.98	1.48	4,743.615	332.053	432.590	0.000	3,978.972	2,663.456
01-25	49.555	90.769	37.166	68.077	73.13	1.42	2,814.623	197.024	390.037	0.000	2,227.563	4,392.721
01-26	38.951	91.233	29.214	68.425	70.09	1.40	2,143.098	150.017	302.904	0.000	1,690.178	5,595.768
01-27	32.467	89.318	24.351	66.988	70.09	1.40	1,800.241	126.017	249.891	0.000	1,424.333	6,518.338
01-28	26.160	71.966	19.620	53.974	70.09	1.40	1,450.507	101.536	200.265	0.000	1,148.707	7,194.432
01-29	21.797	59.964	16.348	44.973	70.09	1.40	1,208.596	84.602	164.120	0.000	959.874	7,707.947
01-30	18.612	51.202	13.959	38.401	70.09	1.40	1,031.995	72.240	158.094	0.000	801.661	8,097.771
01-31	16.192	44.544	12.144	33.408	70.09	1.40	897.806	62.846	153.515	0.000	681.445	8,398.976
01-32	14.295	39.326	10.721	29.495	70.09	1.40	792.642	55.485	149.927	0.000	587.230	8,634.895
01-33	12.799	35.211	9.600	26.409	70.09	1.40	709.702	49.679	147.097	0.000	512.926	8,822.223
01-34	11.485	31.594	8.614	23.696	70.09	1.40	636.800	44.576	144.609	0.000	447.615	8,970.847
01-35	10.336	28.435	7.752	21.326	70.09	1.40	573.120	40.118	142.436	0.000	390.565	9,088.742
01-36	9.303	25.591	6.977	19.194	70.09	1.40	515.808	36.107	140.481	0.000	339.221	9,181.825
01-37	8.372	23.032	6.279	17.274	70.09	1.40	464.227	32.496	138.720	0.000	293.011	9,254.929
01-38	7.535	20.729	5.651	15.547	70.09	1.40	417.804	29.246	137.136	0.000	251.421	9,311.957
01-39	6.782	18.656	5.086	13.992	70.09	1.40	376.024	26.322	135.711	0.000	213.991	9,356.086
01-40	6.103	16.791	4.578	12.593	70.09	1.40	338.421	23.689	134.428	0.000	180.304	9,389.888
01-41	5.493	15.112	4.120	11.334	70.09	1.40	304.579	21.321	133.273	0.000	149.986	9,415.455
01-42	4.944	13.600	3.708	10.200	70.09	1.40	274.121	19.188	132.234	0.000	122.699	9,434.472
01-43	4.449	12.240	3.337	9.180	70.09	1.40	246.709	17.270	131.298	0.000	98.141	9,448.303
01-44	4.004	11.016	3.003	8.262	70.09	1.40	222.038	15.543	130.456	0.000	76.039	9,458.047
01-45	3.604	9.915	2.703	7.436	70.09	1.40	199.834	13.988	129.699	0.000	56.147	9,464.592
01-46	3.244	8.923	2.433	6.692	70.09	1.40	179.851	12.590	129.017	0.000	38.245	9,468.648
01-47	2.919	8.031	2.189	6.023	70.09	1.40	161.866	11.331	128.403	0.000	22.132	9,470.786
Subtotal	579.796	1,230.469	434.847	922.852			33,940.118	2,375.808	4,903.268	10,300.000	16,361.042	9,470.786
Remain	0.000	-0.000	-0.000	0.000			-0.000	-0.000	0.000	0.000	0.000	9,470.786
Total	579.796	1,230.469	434.847	922.852			33,940.118	2,375.808	4,903.268	10,300.000	16,361.042	9,470.786
Cum	0.000	0.000										
Ult.	579.796	1,230.469										

BTAX Rate of Return (Pct)	76.97	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	2.59	Project Life (Date)	December 01, 2047	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	1.92	Project Life (Years)	25.1	0.00	16,361.042	30.00	4,155.067
BTAX Payout	January 26, 2024	Discount Rate (Pct)	10.0	2.00	14,443.148	35.00	3,415.897
BTAX Payout (Disc)	March 03, 2024	Gross Wells	0.0	5.00	12,178.933	40.00	2,790.596
Net Oil Revenues (M\$)	32,579.388	Max Oil Price \$/BBL	82.960	8.00	10,430.774	45.00	2,252.736
Net Gas Revenues (M\$)	1,360.730	Max Gas Price \$/MCF	2.089	10.00	9,470.786	50.00	1,783.739
Total Revenues (M\$)	33,940.118			12.00	8,636.483	60.00	1,001.849
				15.00	7,569.825	70.00	372.360
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	6,674.606	80.00	-148.201
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	6,152.550	90.00	-587.695
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	5,047.158	100.00	-964.918

DIAMONDBACK 24 25 FEDERAL COM 2BS 001H
 LEA, NM
 LUSK EAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MMCF	Oil MBBL	Gas MMCF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	0.372	0.000	0.279	0.000	82.96	0.00	23.146	1.620	45.444	10,300.000	-10,323.918	-10,282.245
01-23	226.623	153.416	169.967	115.062	81.66	1.76	14,081.913	985.734	431.974	0.000	12,664.205	1,739.021
01-24	120.060	134.544	90.045	100.908	76.98	1.48	7,081.158	495.681	367.762	0.000	6,217.715	7,089.231
01-25	53.643	69.212	40.232	51.909	73.13	1.42	3,015.885	211.112	387.363	0.000	2,417.410	8,959.870
01-26	63.082	83.492	47.312	62.619	70.09	1.40	3,403.491	238.244	282.838	0.000	2,882.408	11,005.779
01-27	55.420	77.366	41.565	58.024	70.09	1.40	2,994.266	209.599	230.914	0.000	2,553.753	12,660.537
01-28	42.709	59.621	32.032	44.716	70.09	1.40	2,307.512	161.526	183.485	0.000	1,962.501	13,815.823
01-29	34.716	48.464	26.037	36.348	70.09	1.40	1,875.671	131.297	149.472	0.000	1,594.902	14,669.139
01-30	29.226	40.800	21.920	30.600	70.09	1.40	1,579.073	110.535	145.267	0.000	1,323.270	15,312.618
01-31	25.224	35.213	18.918	26.410	70.09	1.40	1,362.846	95.399	142.202	0.000	1,125.245	15,809.976
01-32	22.178	30.961	16.634	23.221	70.09	1.40	1,198.266	83.879	139.868	0.000	974.519	16,201.466
01-33	19.788	27.624	14.841	20.718	70.09	1.40	1,069.144	74.840	138.038	0.000	856.266	16,514.179
01-34	17.790	24.834	13.342	18.626	70.09	1.40	961.151	67.281	136.507	0.000	757.363	16,765.626
01-35	16.011	22.351	12.008	16.763	70.09	1.40	865.035	60.552	135.144	0.000	669.339	16,967.651
01-36	14.410	20.116	10.807	15.087	70.09	1.40	778.532	54.497	133.918	0.000	590.117	17,129.559
01-37	12.969	18.104	9.726	13.578	70.09	1.40	700.679	49.048	132.814	0.000	518.817	17,258.980
01-38	11.672	16.294	8.754	12.220	70.09	1.40	630.611	44.143	131.821	0.000	454.648	17,362.087
01-39	10.505	14.664	7.878	10.998	70.09	1.40	567.550	39.728	130.926	0.000	396.895	17,443.916
01-40	9.454	13.198	7.091	9.898	70.09	1.40	510.795	35.756	130.122	0.000	344.917	17,508.560
01-41	8.509	11.878	6.382	8.909	70.09	1.40	459.715	32.180	129.398	0.000	298.138	17,559.364
01-42	7.658	10.690	5.743	8.018	70.09	1.40	413.744	28.962	128.746	0.000	256.036	17,599.030
01-43	6.892	9.621	5.169	7.216	70.09	1.40	372.369	26.066	128.159	0.000	218.144	17,629.755
01-44	6.203	8.659	4.652	6.494	70.09	1.40	335.132	23.459	127.631	0.000	184.042	17,653.320
01-45	5.583	7.793	4.187	5.845	70.09	1.40	301.619	21.113	127.156	0.000	153.350	17,671.175
01-46	5.024	7.014	3.768	5.260	70.09	1.40	271.457	19.002	126.729	0.000	125.727	17,684.484
01-47	4.522	6.313	3.391	4.734	70.09	1.40	244.312	17.102	126.344	0.000	100.866	17,694.192
Subtotal	830.240	952.242	622.680	714.181			47,405.072	3,318.355	4,470.042	10,300.000	29,316.675	17,694.192
Remain	-0.000	-0.000	0.000	-0.000			-0.000	0.000	-0.000	0.000	0.000	17,694.192
Total	830.240	952.242	622.680	714.181			47,405.072	3,318.355	4,470.042	10,300.000	29,316.675	17,694.192
Cum	0.000	0.000										
Ult.	830.240	952.242										

BTAX Rate of Return (Pct)	100.00	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	3.85	Project Life (Date)	December 01, 2047	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	2.72	Project Life (Years)	25.1	0.00	29,316.675	30.00	9,276.107
BTAX Payout	September 12, 2023	Discount Rate (Pct)	10.0	2.00	26,007.272	35.00	8,146.222
BTAX Payout (Disc)	September 25, 2023	Gross Wells	0.0	5.00	22,172.021	40.00	7,198.433
Net Oil Revenues (M\$)	46,356.483	Max Oil Price \$/BBL	82.960	8.00	19,267.401	45.00	6,389.116
Net Gas Revenues (M\$)	1,048.589	Max Gas Price \$/MCF	1.759	10.00	17,694.192	50.00	5,687.906
Total Revenues (M\$)	47,405.072			12.00	16,339.829	60.00	4,528.103
				15.00	14,625.973	70.00	3,602.539
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	13,203.102	80.00	2,842.389
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	12,379.951	90.00	2,204.090
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	10,653.280	100.00	1,658.573

DIAMONDBACK 24 25 FEDERAL COM 2BS 004H
 LEA, NM
 LUSK EAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	0.226	0.000	0.170	0.000	82.96	0.00	14.062	0.984	28.013	10,300.000	-10,314.936	-10,273.300
01-23	128.685	208.413	96.514	156.310	81.66	1.76	8,156.253	570.938	552.063	0.000	7,033.251	-3,552.570
01-24	43.803	159.722	32.852	119.792	76.98	1.48	2,706.448	189.451	403.770	0.000	2,113.227	-1,726.390
01-25	26.371	120.515	19.778	90.386	73.13	1.42	1,574.706	110.229	358.633	0.000	1,105.844	-858.029
01-26	18.498	94.510	13.874	70.883	70.09	1.40	1,071.351	74.995	280.584	0.000	715.772	-347.570
01-27	14.199	77.597	10.649	58.198	70.09	1.40	827.642	57.935	223.009	0.000	546.698	6.644
01-28	11.494	65.732	8.621	49.299	70.09	1.40	673.054	47.114	178.736	0.000	447.204	269.912
01-29	9.639	56.956	7.229	42.717	70.09	1.40	566.335	39.643	146.332	0.000	380.359	473.429
01-30	8.289	50.207	6.217	37.655	70.09	1.40	488.291	34.180	143.047	0.000	311.064	624.716
01-31	7.263	44.901	5.447	33.676	70.09	1.40	428.820	30.017	140.551	0.000	258.251	738.888
01-32	6.458	40.347	4.844	30.260	70.09	1.40	381.740	26.722	138.593	0.000	216.425	825.857
01-33	5.806	36.312	4.354	27.234	70.09	1.40	343.198	24.024	137.005	0.000	182.170	892.418
01-34	5.221	32.681	3.915	24.511	70.09	1.40	308.652	21.606	135.582	0.000	151.464	942.732
01-35	4.699	29.413	3.524	22.060	70.09	1.40	277.786	19.445	134.312	0.000	124.030	980.192
01-36	4.229	26.472	3.172	19.854	70.09	1.40	250.008	17.501	133.168	0.000	99.339	1,007.471
01-37	3.806	23.824	2.854	17.868	70.09	1.40	225.007	15.750	132.140	0.000	77.117	1,026.730
01-38	3.425	21.442	2.569	16.081	70.09	1.40	202.506	14.175	131.214	0.000	57.117	1,039.703
01-39	3.083	19.298	2.312	14.473	70.09	1.40	182.256	12.758	130.380	0.000	39.117	1,047.787
01-40	2.774	17.368	2.081	13.026	70.09	1.40	164.030	11.482	129.630	0.000	22.918	1,052.100
01-41	2.497	15.631	1.873	11.723	70.09	1.40	147.627	10.334	128.955	0.000	8.338	1,053.538
01-42	0.196	1.230	0.147	0.922	70.09	1.40	11.614	0.813	10.718	0.000	0.084	1,053.551
01-43	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	1,053.551
01-44	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	1,053.551
01-45	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	1,053.551
01-46	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	1,053.551
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	1,053.551
Subtotal	310.662	1,142.570	232.996	856.928			19,001.385	1,330.097	3,796.437	10,300.000	3,574.852	1,053.551
Remain	-0.000	-0.000	0.000	-0.000			-0.000	-0.000	0.000	0.000	0.000	1,053.551
Total	310.662	1,142.570	232.996	856.928			19,001.385	1,330.097	3,796.437	10,300.000	3,574.852	1,053.551
Cum	0.000	0.000										
Ult.	310.662	1,142.570										

BTAX Rate of Return (Pct)	17.03	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	1.35	Project Life (Date)	January 01, 2042	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	1.10	Project Life (Years)	19.2	0.00	3,574.852	30.00	-1,261.495
BTAX Payout	January 27, 2026	Discount Rate (Pct)	10.0	2.00	2,919.053	35.00	-1,612.862
BTAX Payout (Disc)	December 23, 2027	Gross Wells	0.0	5.00	2,101.515	40.00	-1,916.006
Net Oil Revenues (M\$)	17,736.025	Max Oil Price \$/BBL	82.960	8.00	1,434.393	45.00	-2,181.161
Net Gas Revenues (M\$)	1,265.360	Max Gas Price \$/MCF	1.759	10.00	1,053.551	50.00	-2,415.742
Total Revenues (M\$)	19,001.385			12.00	713.770	60.00	-2,813.932
				15.00	266.997	70.00	-3,141.071
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	-119.003	80.00	-3,416.078
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	-348.857	90.00	-3,651.428
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	-847.329	100.00	-3,855.743

DIAMONDBACK 24 25 FEDERAL COM 2BS 005H
 LEA, NM
 LUSK EAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMF	Oil MBBL	Gas MCMF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	0.994	0.000	0.746	0.000	82.96	0.00	61.847	4.329	26.710	10,300.000	-10,269.193	-10,227.741
01-23	167.026	99.668	125.270	74.751	81.66	1.76	10,360.990	725.269	401.949	0.000	9,233.772	-1,409.646
01-24	101.285	83.494	75.964	62.620	76.98	1.48	5,940.470	415.833	329.708	0.000	5,194.929	3,072.763
01-25	65.201	52.161	48.901	39.121	73.13	1.42	3,631.670	254.217	312.273	0.000	3,065.180	5,478.315
01-26	46.385	37.108	34.789	27.831	70.09	1.40	2,477.177	173.402	248.241	0.000	2,055.534	6,943.463
01-27	36.002	28.801	27.001	21.601	70.09	1.40	1,922.671	134.587	198.291	0.000	1,589.793	7,973.058
01-28	29.412	23.530	22.059	17.647	70.09	1.40	1,570.773	109.954	158.800	0.000	1,302.019	8,739.274
01-29	24.857	19.886	18.643	14.914	70.09	1.40	1,327.514	92.926	129.666	0.000	1,104.922	9,330.300
01-30	21.520	17.216	16.140	12.912	70.09	1.40	1,149.303	80.451	128.755	0.000	940.097	9,787.374
01-31	18.971	15.177	14.228	11.382	70.09	1.40	1,013.131	70.919	128.059	0.000	814.153	10,147.185
01-32	16.972	13.578	12.729	10.183	70.09	1.40	906.387	63.447	127.513	0.000	715.427	10,434.565
01-33	15.254	12.203	11.441	9.153	70.09	1.40	814.653	57.026	127.044	0.000	630.582	10,664.863
01-34	13.729	10.983	10.297	8.237	70.09	1.40	733.187	51.323	126.628	0.000	555.236	10,849.212
01-35	12.356	9.885	9.267	7.414	70.09	1.40	659.869	46.191	126.253	0.000	487.425	10,996.338
01-36	11.120	8.896	8.340	6.672	70.09	1.40	593.882	41.572	125.916	0.000	426.394	11,113.334
01-37	10.008	8.007	7.506	6.005	70.09	1.40	534.494	37.415	125.612	0.000	371.467	11,206.006
01-38	9.007	7.206	6.756	5.404	70.09	1.40	481.044	33.673	125.339	0.000	322.032	11,279.044
01-39	8.107	6.485	6.080	4.864	70.09	1.40	432.940	30.306	125.093	0.000	277.541	11,336.272
01-40	7.296	5.837	5.472	4.378	70.09	1.40	389.646	27.275	124.872	0.000	237.499	11,380.789
01-41	6.566	5.253	4.925	3.940	70.09	1.40	350.681	24.548	124.673	0.000	201.461	11,415.125
01-42	5.910	4.728	4.432	3.546	70.09	1.40	315.613	22.093	124.493	0.000	169.027	11,441.317
01-43	5.319	4.255	3.989	3.191	70.09	1.40	284.052	19.884	124.332	0.000	139.836	11,461.017
01-44	4.787	3.830	3.590	2.872	70.09	1.40	255.647	17.895	124.187	0.000	113.565	11,475.564
01-45	4.308	3.447	3.231	2.585	70.09	1.40	230.082	16.106	124.056	0.000	89.920	11,486.038
01-46	3.877	3.102	2.908	2.326	70.09	1.40	207.074	14.495	123.939	0.000	68.640	11,493.309
01-47	3.490	2.792	2.617	2.094	70.09	1.40	186.366	13.046	123.833	0.000	49.488	11,498.077
Subtotal	649.761	487.527	487.321	365.645			36,831.163	2,578.181	4,066.235	10,300.000	19,886.746	11,498.077
Remain	0.000	-0.000	-0.000	-0.000			0.000	-0.000	-0.000	0.000	0.000	11,498.077
Total	649.761	487.527	487.321	365.645			36,831.163	2,578.181	4,066.235	10,300.000	19,886.746	11,498.077
Cum	0.000	0.000										
Ult.	649.761	487.527										

BTAX Rate of Return (Pct)	85.80	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	2.93	Project Life (Date)	December 01, 2047	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	2.12	Project Life (Years)	25.1	0.00	19,886.746	30.00	5,224.209
BTAX Payout	February 26, 2024	Discount Rate (Pct)	10.0	2.00	17,523.589	35.00	4,365.709
BTAX Payout (Disc)	April 09, 2024	Gross Wells	0.0	5.00	14,761.137	40.00	3,642.497
Net Oil Revenues (M\$)	36,287.321	Max Oil Price \$/BBL	82.960	8.00	12,649.574	45.00	3,022.892
Net Gas Revenues (M\$)	543.842	Max Gas Price \$/MCF	1.759	10.00	11,498.077	50.00	2,484.708
Total Revenues (M\$)	36,831.163			12.00	10,501.981	60.00	1,592.491
				15.00	9,234.714	70.00	879.591
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	8,176.477	80.00	294.445
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	7,561.590	90.00	-195.954
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	6,265.064	100.00	-613.853

RAM 2 11 2BS FEDERAL COM 009H
 LEA, NM
 BUFFALO SOUTHEAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCMCF	Oil MBBL	Gas MCMCF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	7.317	5.758	5.488	4.319	82.96	2.09	464.284	32.500	34.561	10,300.000	-9,902.777	-9,862.804
01-23	154.308	163.373	115.731	122.530	81.66	1.76	9,666.134	676.629	359.581	0.000	8,629.924	-1,556.502
01-24	40.631	48.758	30.474	36.568	76.98	1.48	2,400.026	168.002	314.526	0.000	1,917.499	102.115
01-25	25.045	30.054	18.784	22.541	73.13	1.42	1,405.666	98.397	303.427	0.000	1,003.843	890.258
01-26	18.035	21.642	13.526	16.231	70.09	1.40	970.692	67.948	242.026	0.000	660.718	1,361.436
01-27	14.034	16.841	10.526	12.631	70.09	1.40	755.375	52.876	193.480	0.000	509.019	1,691.236
01-28	11.454	13.745	8.591	10.309	70.09	1.40	616.513	43.156	154.865	0.000	418.492	1,937.603
01-29	9.656	11.587	7.242	8.690	70.09	1.40	519.716	36.380	126.332	0.000	357.004	2,128.626
01-30	8.333	9.999	6.250	7.499	70.09	1.40	448.496	31.395	125.859	0.000	291.243	2,270.276
01-31	7.320	8.783	5.490	6.588	70.09	1.40	393.966	27.578	125.497	0.000	240.892	2,376.778
01-32	6.530	7.836	4.897	5.877	70.09	1.40	351.464	24.603	125.214	0.000	201.647	2,457.803
01-33	5.859	7.031	4.394	5.273	70.09	1.40	315.360	22.075	124.975	0.000	168.310	2,519.300
01-34	5.273	6.328	3.955	4.746	70.09	1.40	283.824	19.868	124.765	0.000	139.191	2,565.539
01-35	4.746	5.695	3.559	4.271	70.09	1.40	255.441	17.881	124.577	0.000	112.984	2,599.666
01-36	4.271	5.126	3.203	3.844	70.09	1.40	229.897	16.093	124.407	0.000	89.397	2,624.218
01-37	3.844	4.613	2.883	3.460	70.09	1.40	206.908	14.484	124.254	0.000	68.170	2,641.245
01-38	3.460	4.152	2.595	3.114	70.09	1.40	186.217	13.035	124.117	0.000	49.065	2,652.393
01-39	3.114	3.737	2.335	2.802	70.09	1.40	167.595	11.732	123.993	0.000	31.870	2,658.983
01-40	2.802	3.363	2.102	2.522	70.09	1.40	150.836	10.558	123.882	0.000	16.395	2,662.074
01-41	1.711	2.053	1.283	1.540	70.09	1.40	92.081	6.446	82.532	0.000	3.104	2,662.616
01-42	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
01-43	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
01-44	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
01-45	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
01-46	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	2,662.616
Subtotal	337.743	380.472	253.307	285.354			19,880.493	1,391.634	3,182.868	10,300.000	5,005.990	2,662.616
Remain	0.000	-0.000	-0.000	-0.000			0.000	-0.000	0.000	0.000	0.000	2,662.616
Total	337.743	380.472	253.307	285.354			19,880.493	1,391.634	3,182.868	10,300.000	5,005.990	2,662.616
Cum	0.000	0.000										
Ult.	337.743	380.472										

BTAX Rate of Return (Pct)		37.35	Production Start Date		December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest		1.49	Project Life (Date)		August 01, 2041	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)		1.26	Project Life (Years)		18.8	0.00	5,005.990	30.00	477.326
BTAX Payout		July 31, 2024	Discount Rate (Pct)		10.0	2.00	4,399.516	35.00	141.759
BTAX Payout (Disc)		November 27, 2024	Gross Wells		0.0	5.00	3,640.577	40.00	-148.855
Net Oil Revenues (M\$)		19,431.020	Max Oil Price \$/BBL		82.960	8.00	3,018.720	45.00	-403.993
Net Gas Revenues (M\$)		449.473	Max Gas Price \$/MCF		2.089	10.00	2,662.616	50.00	-630.529
Total Revenues (M\$)		19,880.493				12.00	2,344.188	60.00	-1,017.063
						15.00	1,924.402	70.00	-1,336.798
Initial W.I. Fraction		1.000000	Final W.I. Fraction		1.000000	18.00	1,560.654	80.00	-1,607.349
Initial Net OIL Fraction		0.750000	Final Net OIL Fraction		0.750000	20.00	1,343.548	90.00	-1,840.350
Initial Net Gas Fraction		0.750000	Final Net Gas Fraction		0.750000	25.00	871.314	100.00	-2,043.855

RAM 2 11 2BS FEDERAL COM 010H
 LEA, NM
 BUFFALO SOUTHEAST
 EARTHSTONE OPERATING LLC

Reserves and Economics

Date Dec 29, 2022
 Time 03:46 PM

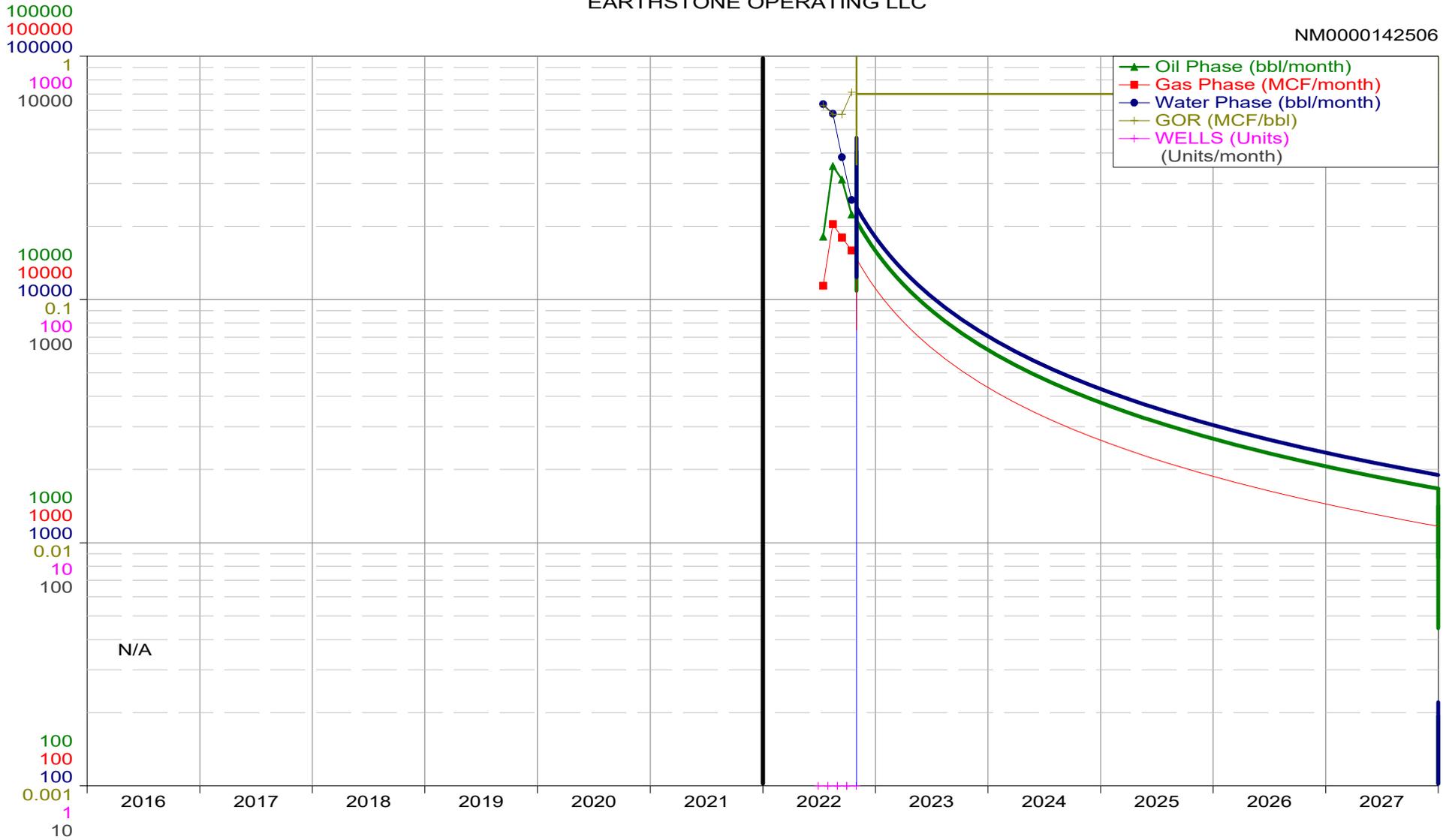
As of December 01, 2022

MO-YR	Gross Production		Net Production		Price		Operations M\$			Capital Costs, M\$	Cash Flow BTAX, M\$	10.0 Pct. Cum. Disc. BTAX, M\$
	Oil MBBL	Gas MCF	Oil MBBL	Gas MCF	Oil \$/B	Gas \$/M	Net Oper. Revenues	Sev + Adv Taxes	Net Oper. Expenses			
01-22	7.317	5.758	5.488	4.319	82.96	2.09	464.284	32.500	34.561	10,300.000	-9,902.777	-9,862.804
01-23	157.844	167.616	118.383	125.712	81.66	1.76	9,888.273	692.179	406.480	0.000	8,789.613	-1,409.456
01-24	45.501	54.601	34.126	40.951	76.98	1.48	2,687.681	188.138	342.544	0.000	2,157.000	455.816
01-25	28.419	34.103	21.314	25.577	73.13	1.42	1,595.021	111.651	321.045	0.000	1,162.325	1,368.200
01-26	20.599	24.718	15.449	18.539	70.09	1.40	1,108.699	77.609	254.838	0.000	776.252	1,921.677
01-27	16.091	19.309	12.068	14.482	70.09	1.40	866.059	60.624	203.507	0.000	601.928	2,311.623
01-28	13.165	15.798	9.874	11.849	70.09	1.40	708.613	49.603	163.080	0.000	495.930	2,603.548
01-29	11.118	13.342	8.338	10.006	70.09	1.40	598.409	41.889	133.275	0.000	423.245	2,829.996
01-30	9.607	11.528	7.205	8.646	70.09	1.40	517.083	36.196	131.862	0.000	349.025	2,999.735
01-31	8.447	10.137	6.336	7.603	70.09	1.40	454.675	31.827	130.778	0.000	292.069	3,128.850
01-32	7.548	9.057	5.661	6.793	70.09	1.40	406.254	28.438	129.937	0.000	247.879	3,228.441
01-33	6.769	8.122	5.076	6.092	70.09	1.40	364.314	25.502	129.209	0.000	209.604	3,305.016
01-34	6.092	7.310	4.569	5.483	70.09	1.40	327.883	22.952	128.576	0.000	176.355	3,363.593
01-35	5.483	6.579	4.112	4.934	70.09	1.40	295.095	20.657	128.006	0.000	146.432	3,407.814
01-36	4.934	5.921	3.701	4.441	70.09	1.40	265.585	18.591	127.494	0.000	119.501	3,440.623
01-37	4.441	5.329	3.331	3.997	70.09	1.40	239.027	16.732	127.032	0.000	95.263	3,464.408
01-38	3.997	4.796	2.998	3.597	70.09	1.40	215.124	15.059	126.617	0.000	73.448	3,481.084
01-39	3.597	4.317	2.698	3.237	70.09	1.40	193.612	13.553	126.243	0.000	53.816	3,492.197
01-40	3.237	3.885	2.428	2.914	70.09	1.40	174.250	12.198	125.907	0.000	36.146	3,498.989
01-41	2.914	3.496	2.185	2.622	70.09	1.40	156.825	10.978	125.604	0.000	20.243	3,502.455
01-42	2.414	2.897	1.811	2.173	70.09	1.40	129.941	9.096	114.897	0.000	5.948	3,503.392
01-43	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,503.392
01-44	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,503.392
01-45	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,503.392
01-46	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,503.392
01-47	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	3,503.392
Subtotal	369.534	418.621	277.150	313.965			21,656.709	1,515.970	3,511.494	10,300.000	6,329.245	3,503.392
Remain	0.000	-0.000	0.000	-0.000			-0.000	0.000	0.000	0.000	0.000	3,503.392
Total	369.534	418.621	277.150	313.965			21,656.709	1,515.970	3,511.494	10,300.000	6,329.245	3,503.392
Cum	0.000	0.000										
Ult.	369.534	418.621										

BTAX Rate of Return (Pct)	44.66	Production Start Date	December 01, 2022	Present Worth Profile			
BTAX Net Income/Invest	1.61	Project Life (Date)	November 01, 2042	Disc Rate	PW of Net BTAX, M\$	Disc Rate	PW of Net BTAX, M\$
BTAX Net Income/Invest (Disc)	1.34	Project Life (Years)	20.0	0.00	6,329.245	30.00	974.384
BTAX Payout	June 05, 2024	Discount Rate (Pct)	10.0	2.00	5,586.645	35.00	594.596
BTAX Payout (Disc)	September 03, 2024	Gross Wells	0.0	5.00	4,668.324	40.00	267.406
Net Oil Revenues (M\$)	21,165.694	Max Oil Price \$/BBL	82.960	8.00	3,925.159	45.00	-18.554
Net Gas Revenues (M\$)	491.015	Max Gas Price \$/MCF	2.089	10.00	3,503.392	50.00	-271.461
Total Revenues (M\$)	21,656.709			12.00	3,128.589	60.00	-700.857
				15.00	2,637.837	70.00	-1,054.037
Initial W.I. Fraction	1.000000	Final W.I. Fraction	1.000000	18.00	2,215.639	80.00	-1,351.477
Initial Net OIL Fraction	0.750000	Final Net OIL Fraction	0.750000	20.00	1,964.971	90.00	-1,606.601
Initial Net Gas Fraction	0.750000	Final Net Gas Fraction	0.750000	25.00	1,423.078	100.00	-1,828.649

FIGURE 1
 BEL-AIR 5 8 2BS FEDERAL COM 005H 30025497120000
 CORBIN SOUTH BONE SPRINGS
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000142506



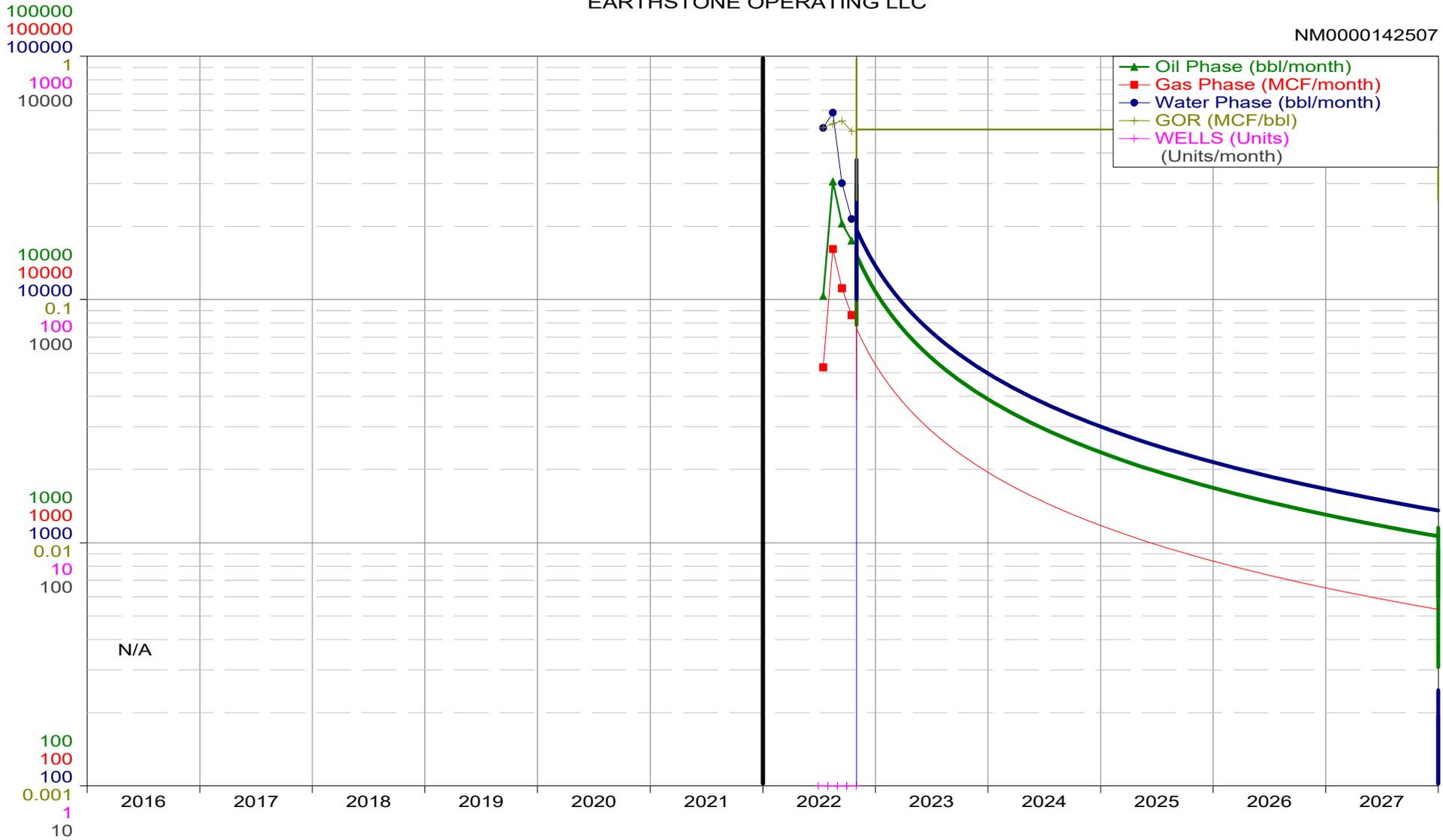
N/A

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	14701.510
Qe:	70.183
Limit:	02/15/2053 Date
Prior Cum.:	65.709
Ultimate:	382.194

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	90.649
De%:	85.119
Qi:	21002.157
Qe:	861.664
Limit:	09/21/2032 Date
Prior Cum.:	107.037
Ultimate:	559.034

FIGURE 2
 BEL-AIR 5 8 2BS FEDERAL COM 006H 30025497130000
 CORBIN SOUTH BONE SPRINGS
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000142507



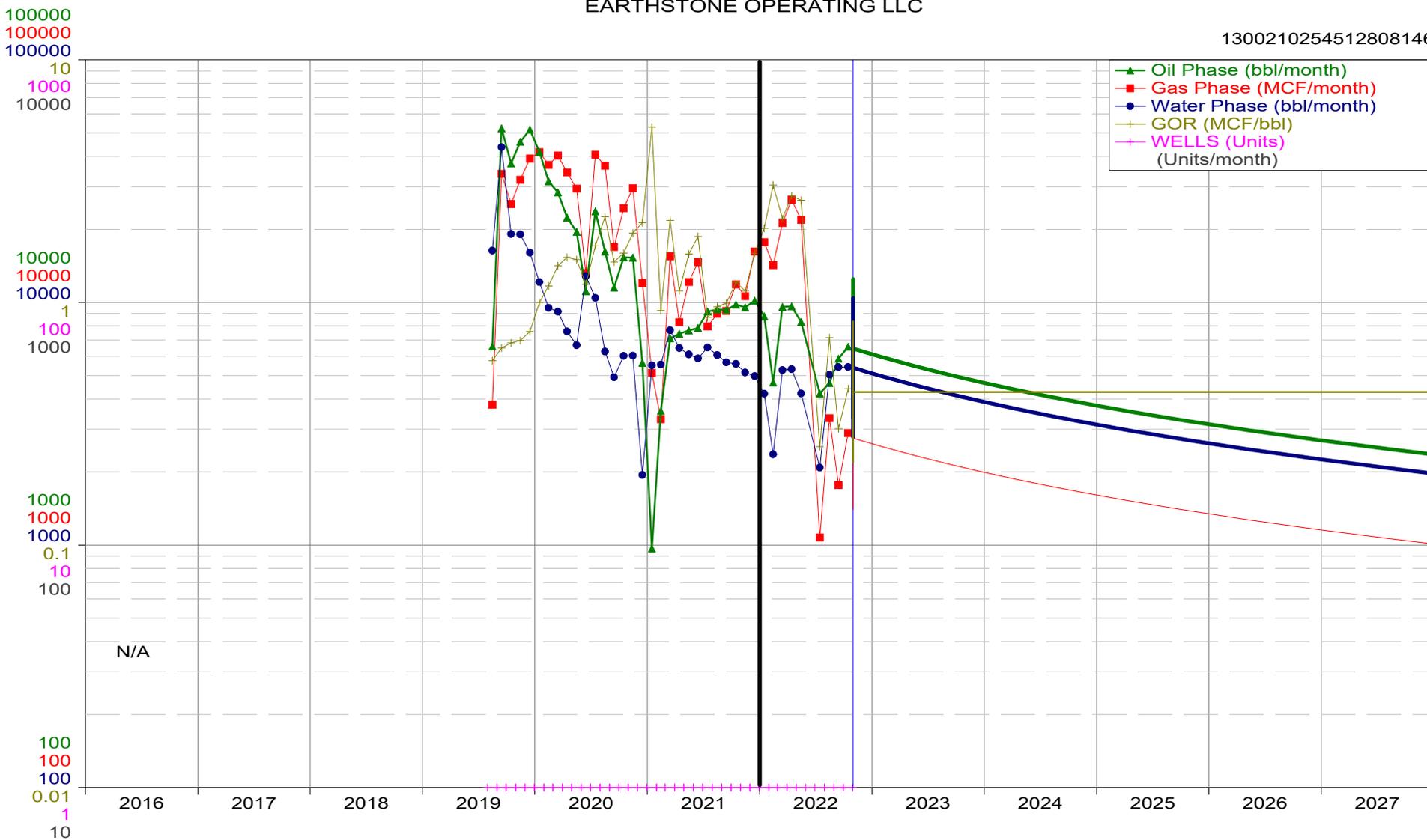
N/A

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	7597.974
Qe:	50.120
Limit:	02/10/2049 Date
Prior Cum.:	41.158
Ultimate:	185.239

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	96.709
De%:	91.089
Qi:	15195.948
Qe:	595.196
Limit:	03/20/2032 Date
Prior Cum.:	78.922
Ultimate:	367.081

FIGURE 3
BUFFALO 12 1 FEDERAL 2BS COM 001H 30025451280000
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

1300210254512808146

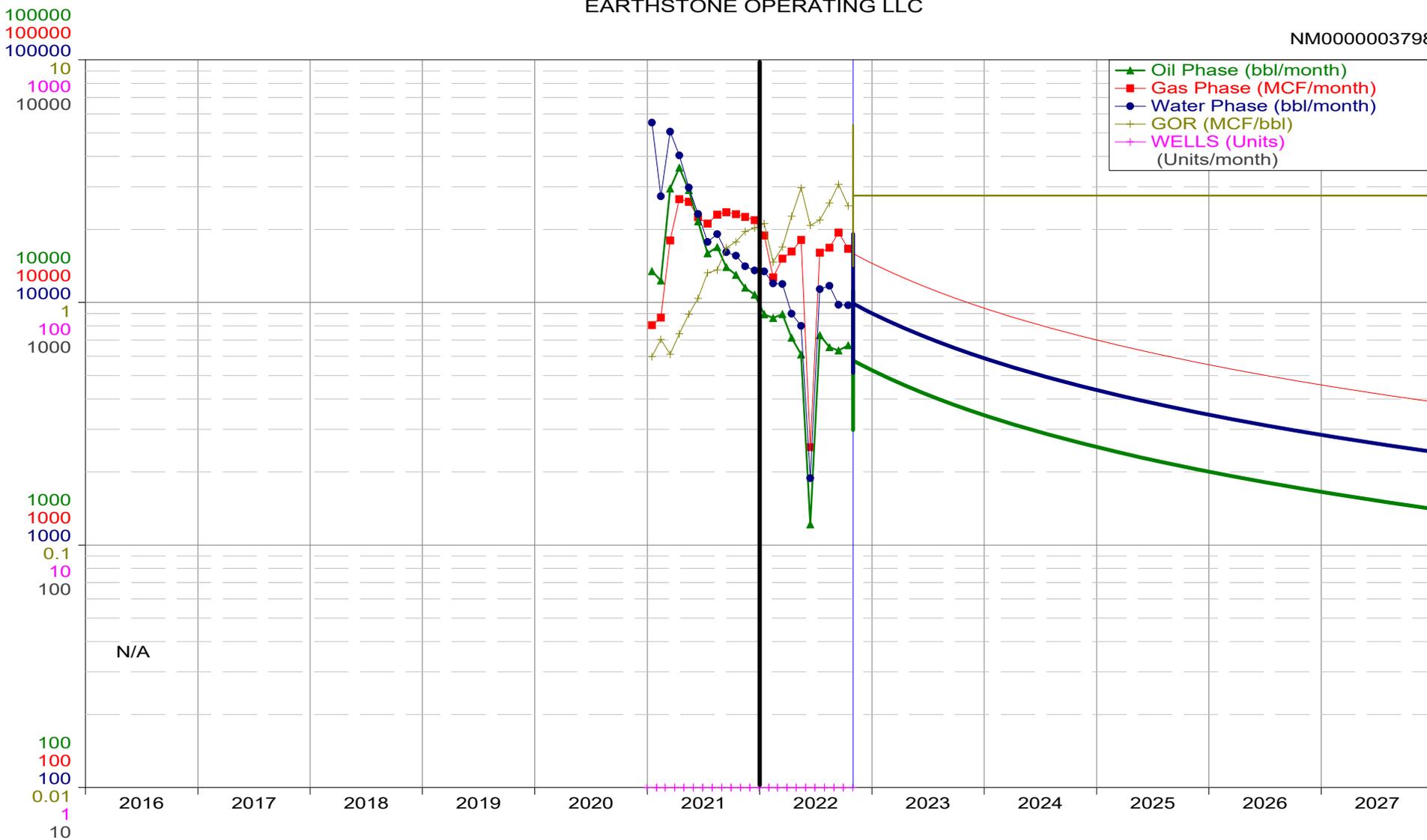


Gas Phase #1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	2758.696
Qe:	42.823
Limit:	11/06/2057 Date
Prior Cum.:	725.003
Ultimate:	933.386

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	95.589
De%:	27.835
Qi:	6453.152
Qe:	1978.083
Limit:	07/22/2029 Date
Prior Cum.:	590.510
Ultimate:	1077.950

FIGURE 4
 BUFFALO 12 1 FEDERAL 2BS COM 004H 30025451600000
 BUFFALO SOUTHEAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000003798

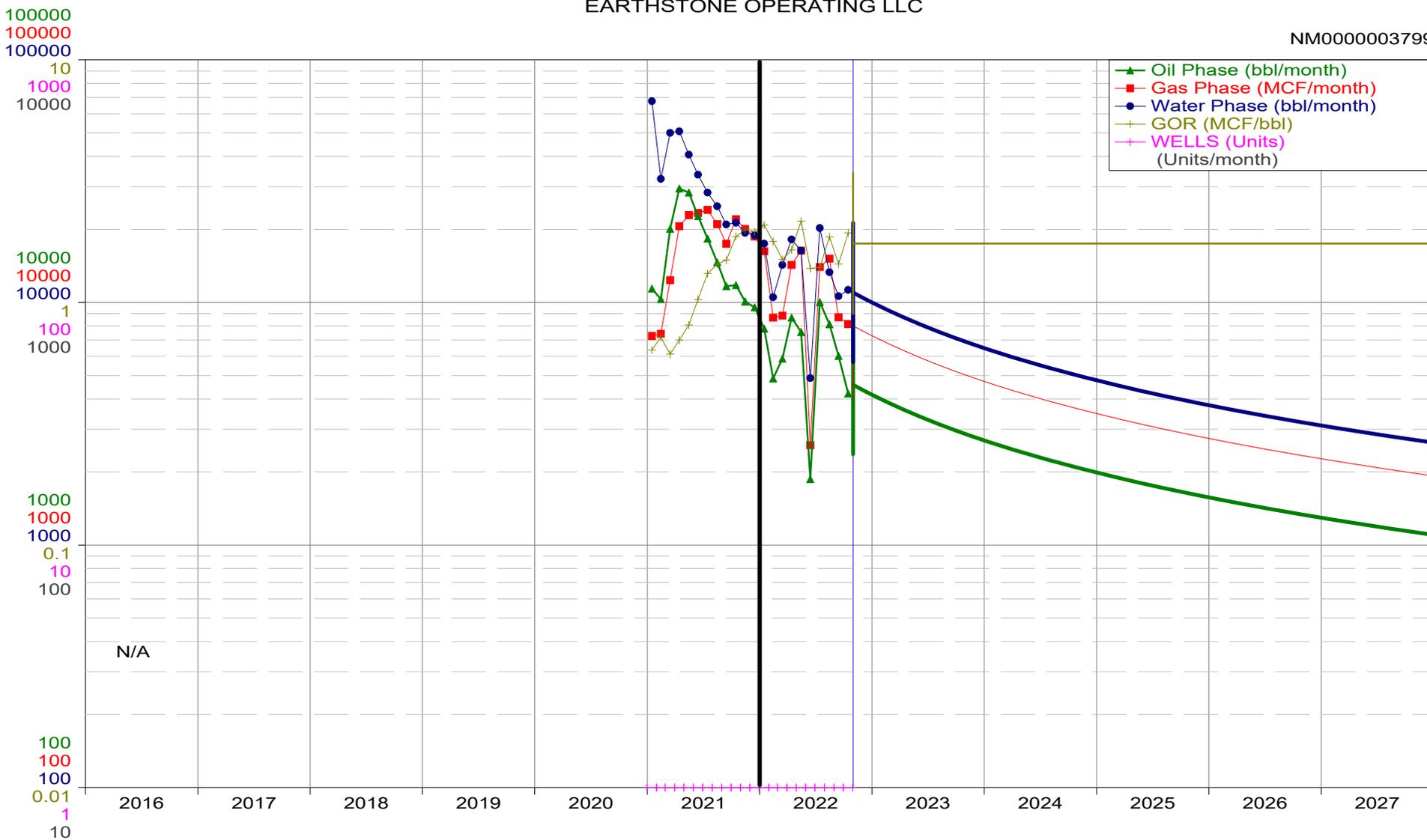


Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	15910.538
Qe:	276.729
Limit:	07/08/2052 Date
Prior Cum.:	397.571
Ultimate:	1239.856

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	95.353
De%:	43.702
Qi:	5764.471
Qe:	973.281
Limit:	12/17/2030 Date
Prior Cum.:	291.780
Ultimate:	596.810

FIGURE 5
BUFFALO 12 1 FEDERAL 2BS COM 005H 30025451610000
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

NM0000003799



Released to Imaging: 12/29/2022 4:36:30 PM

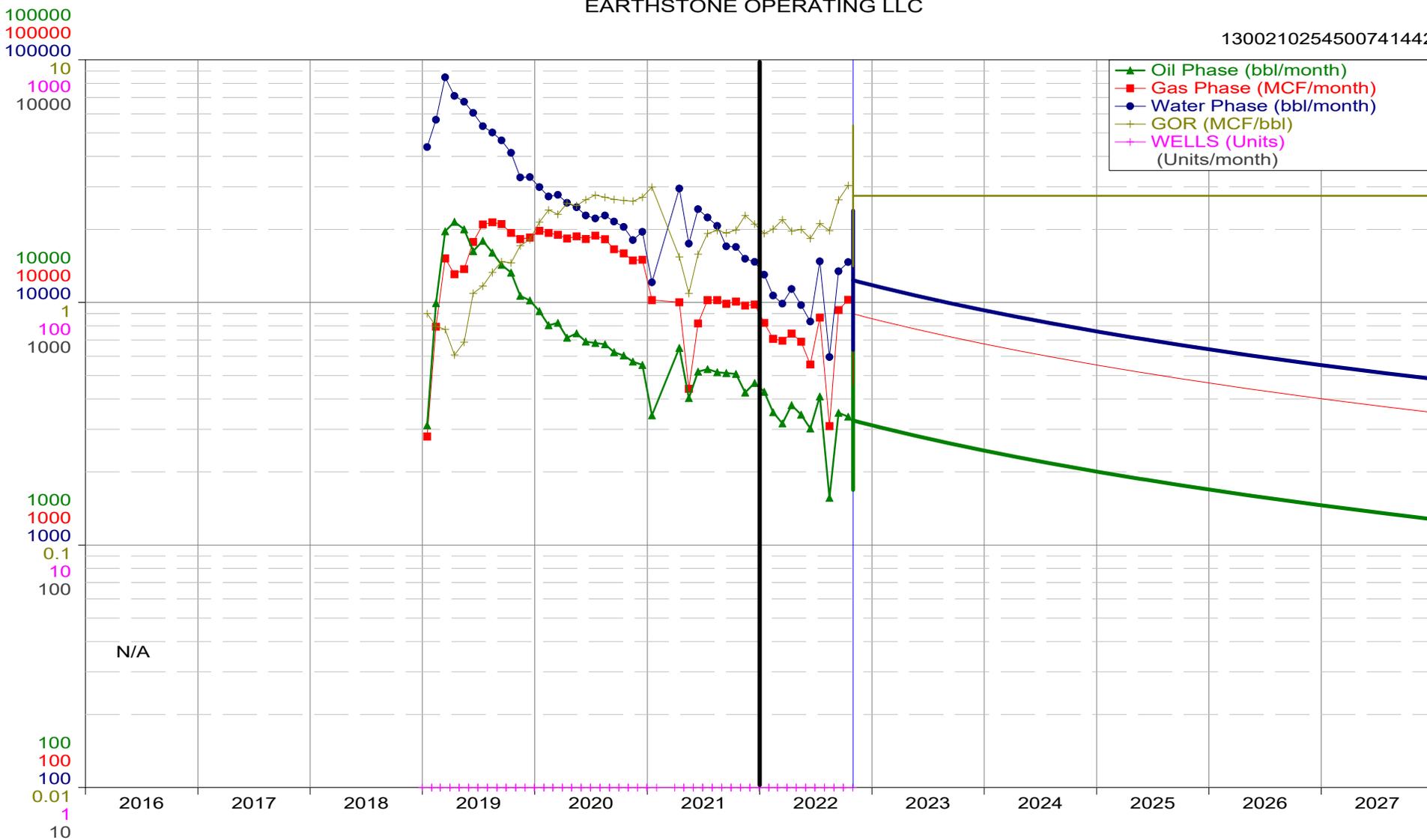
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	8009.772
Qe:	175.540
Limit:	03/01/2050 Date
Prior Cum.:	330.309
Ultimate:	744.449

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	95.435
De%:	44.387
Qi:	4577.013
Qe:	757.061
Limit:	12/29/2030 Date
Prior Cum.:	263.414
Ultimate:	499.959

FIGURE 6
 DIAMONDBACK 24 25 FEDERAL COM 1BS 003H 30025450070000
 LUSK EAST BONE SPRINGS
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

1300210254500741442



Released to Imaging: 12/29/2022 4:36:30 PM

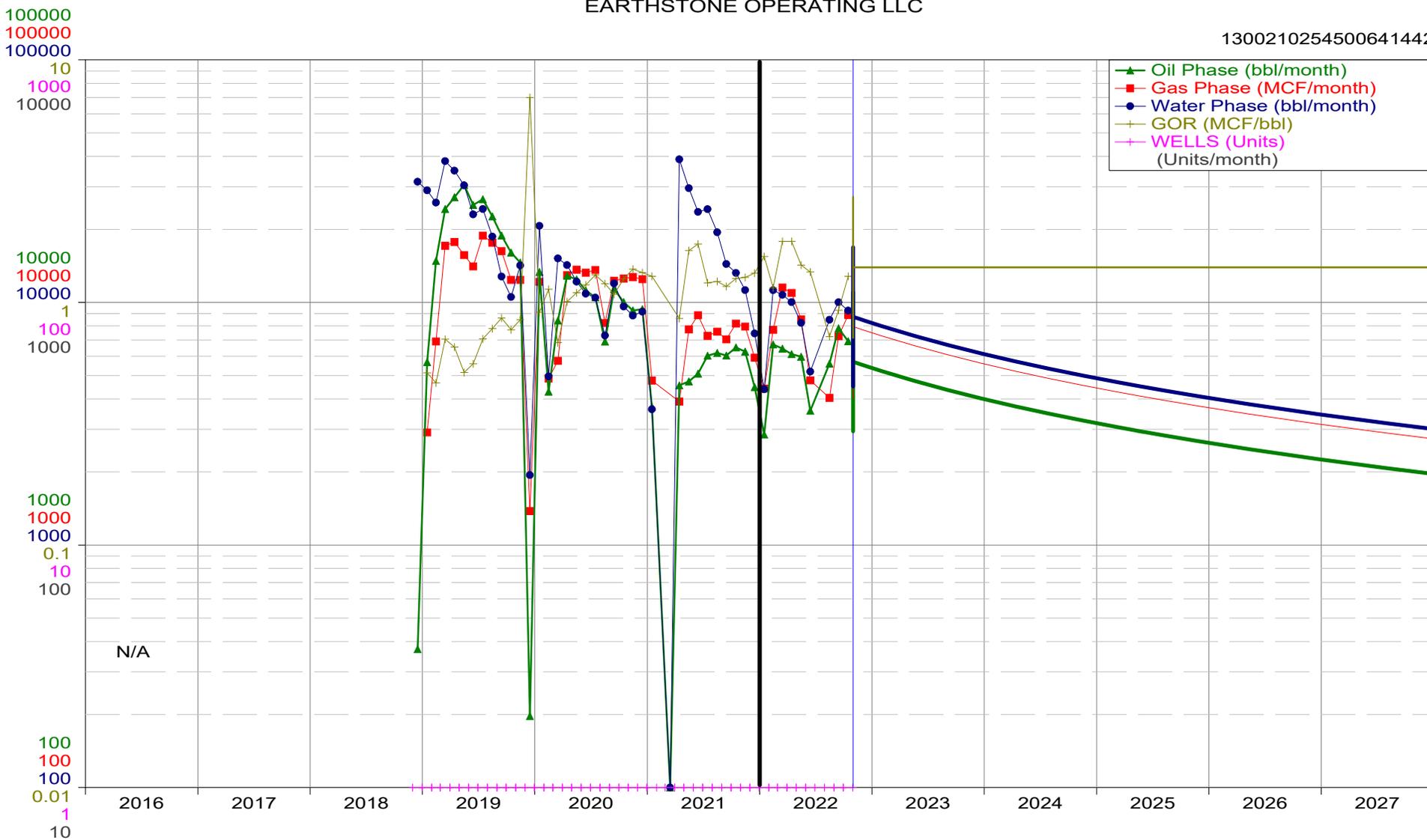
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	8973.326
Qe:	275.775
Limit:	12/27/2051 Date
Prior Cum.:	569.246
Ultimate:	1272.207

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	84.631
De%:	24.171
Qi:	3261.720
Qe:	1042.300
Limit:	10/11/2029 Date
Prior Cum.:	339.439
Ultimate:	594.809

FIGURE 7
DIAMONDBACK 24 25 FEDERAL COM 2BS 001H 30025450060100
LUSK EAST BONE SPRINGS
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

1300210254500641442

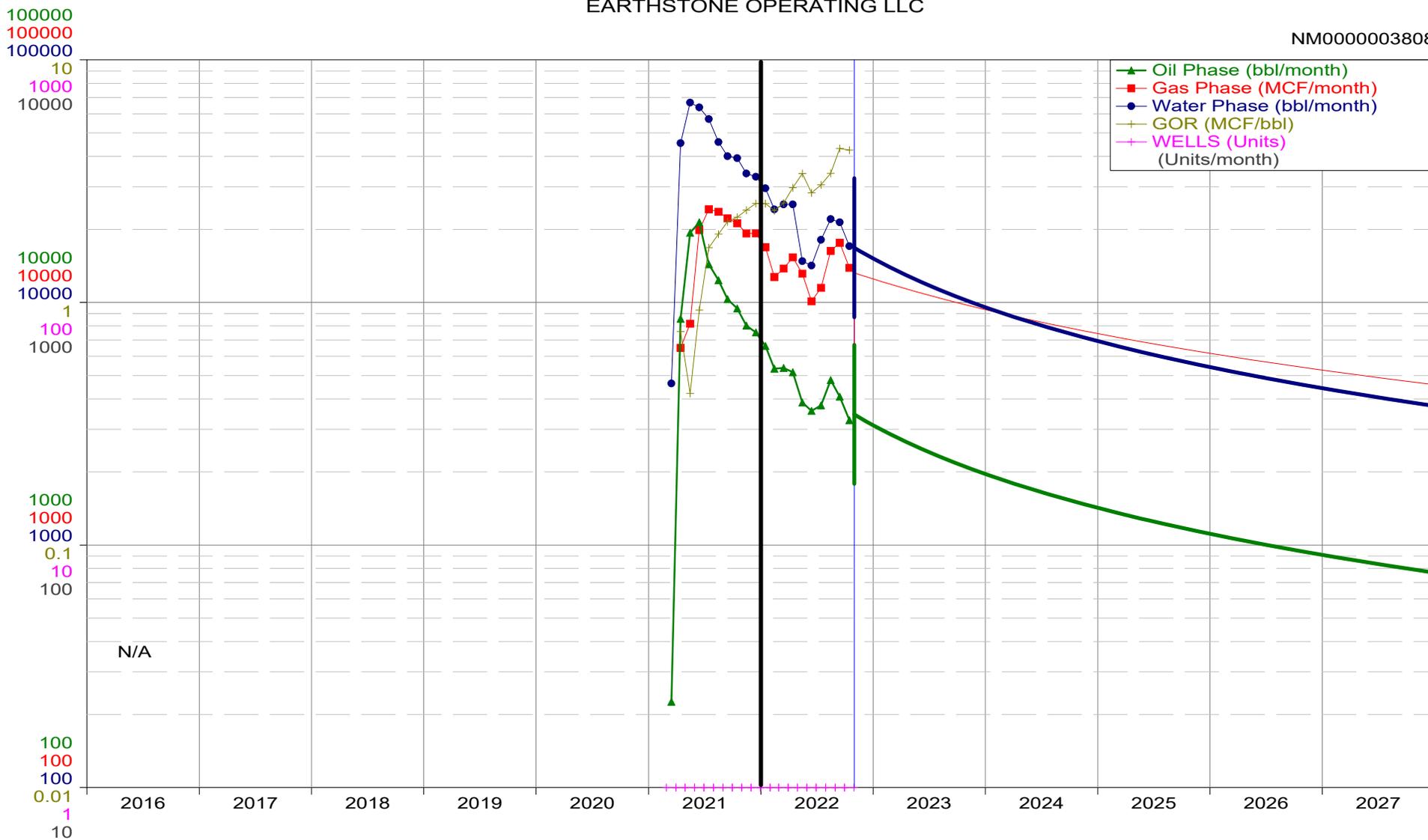


Gas Phase #1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	7949.792
Qe:	117.689
Limit:	09/08/2057 Date
Prior Cum.:	425.225
Ultimate:	993.205

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	97.500
De%:	30.363
Qi:	5694.859
Qe:	1605.814
Limit:	09/26/2029 Date
Prior Cum.:	452.721
Ultimate:	859.582

FIGURE 8
 DIAMONDBACK 24 25 FEDERAL COM 2BS 004H 30025480370000
 LUSK EAST BONE SPRINGS
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000003808



Released to Imaging: 12/29/2022 4:36:30 PM

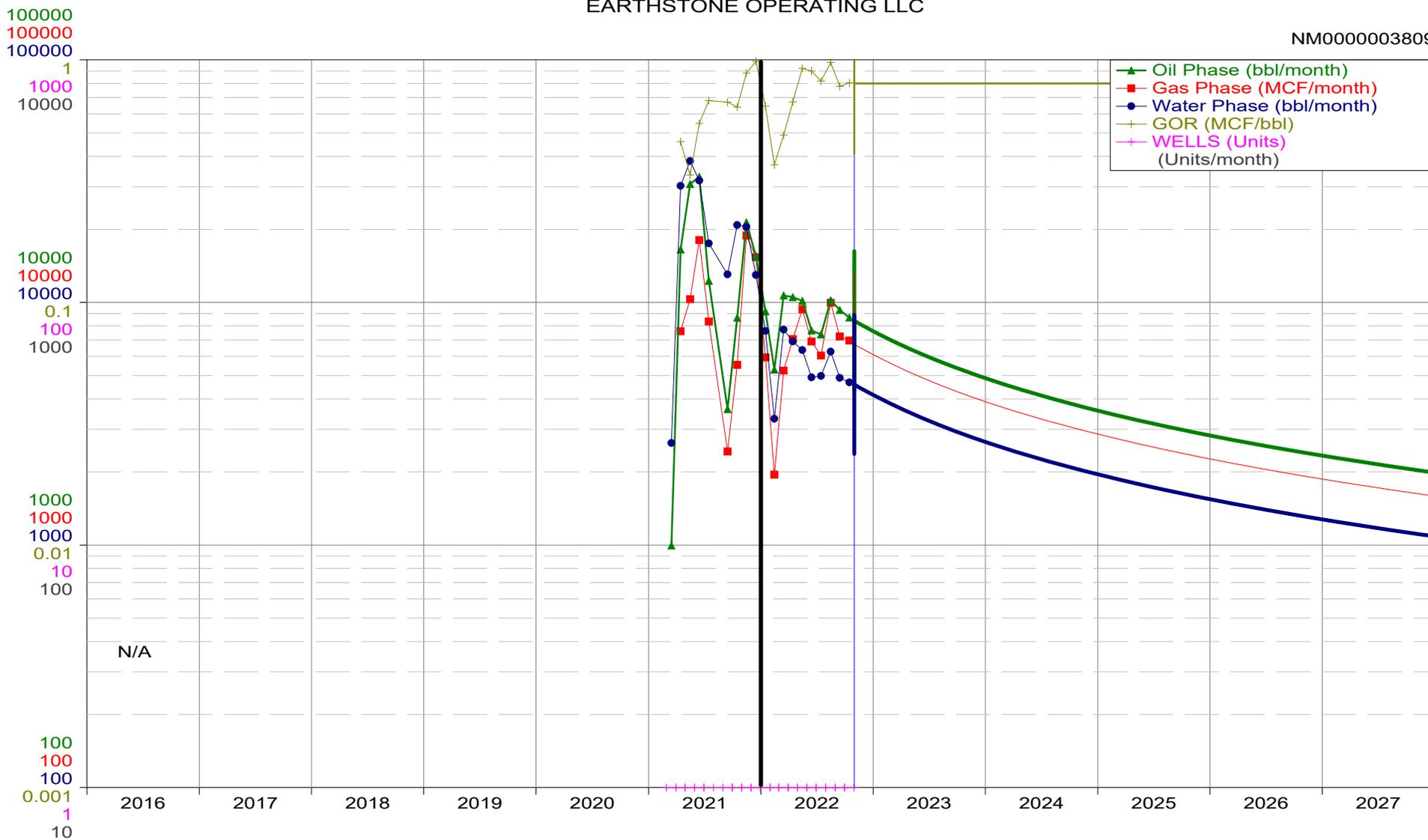
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase #1 Segment Information	
Type:	Hyperbolic
n%:	94.670
De%:	29.784
Qi:	13244.271
Qe:	3686.378
Limit:	11/14/2029 Date
Prior Cum.:	305.713
Ultimate:	1209.876

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	93.951
De%:	47.137
Qi:	3452.762
Qe:	508.218
Limit:	04/06/2031 Date
Prior Cum.:	157.412
Ultimate:	321.469

FIGURE 9
 DIAMONDBACK 24 25 FEDERAL COM 2BS 005H 30025480380000
 LUSK EAST BONE SPRINGS
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000003809



Released to Imaging: 12/29/2022 4:36:30 PM

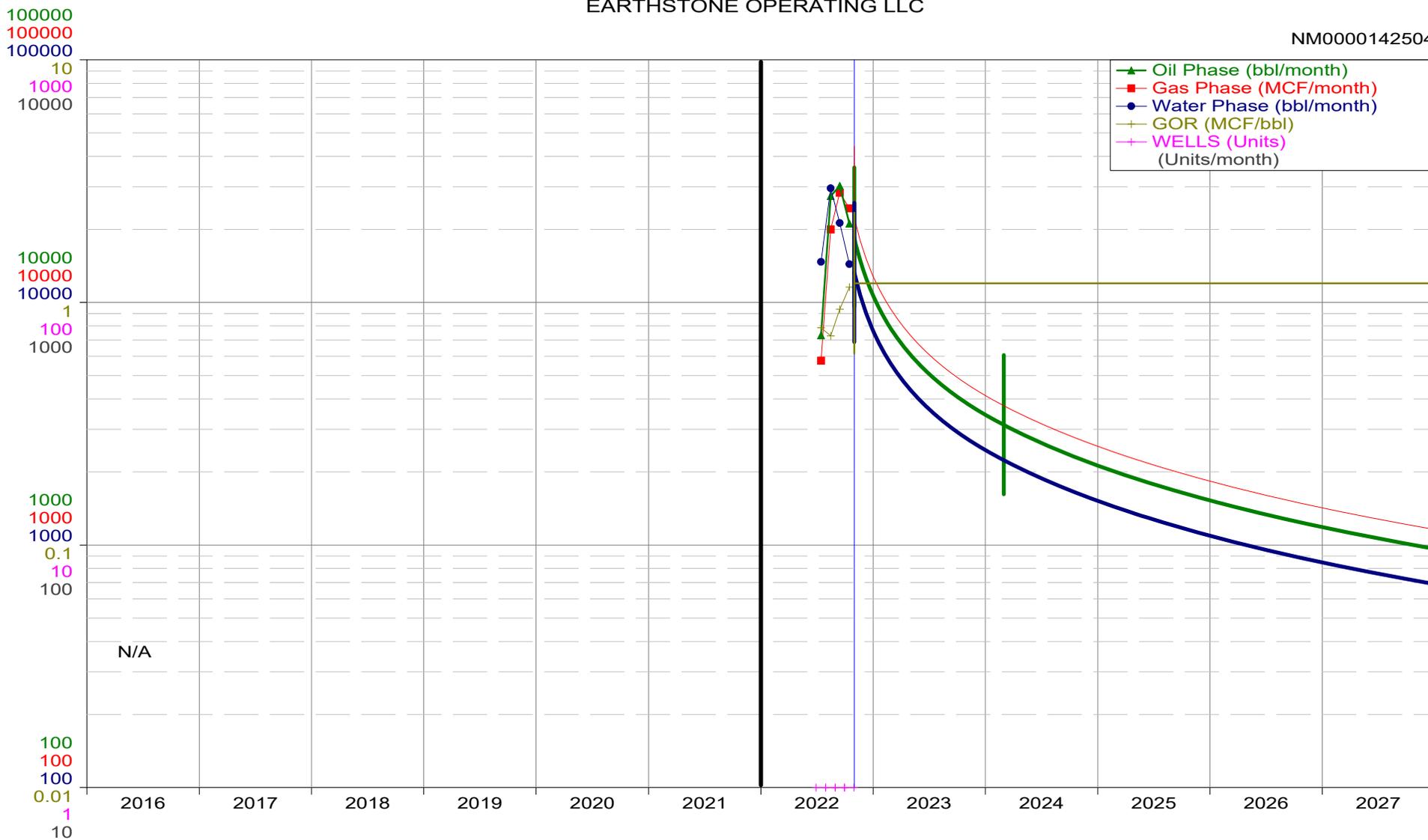
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	6722.951
Qe:	80.161
Limit:	11/03/2055 Date
Prior Cum.:	153.249
Ultimate:	503.534

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	98.786
De%:	46.043
Qi:	8403.688
Qe:	1404.249
Limit:	10/19/2030 Date
Prior Cum.:	231.914
Ultimate:	669.767

FIGURE 10
RAM 2 11 2BS FEDERAL COM 009H 3002549680000
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

NM0000142504



Released to Imaging: 12/29/2022 4:36:30 PM

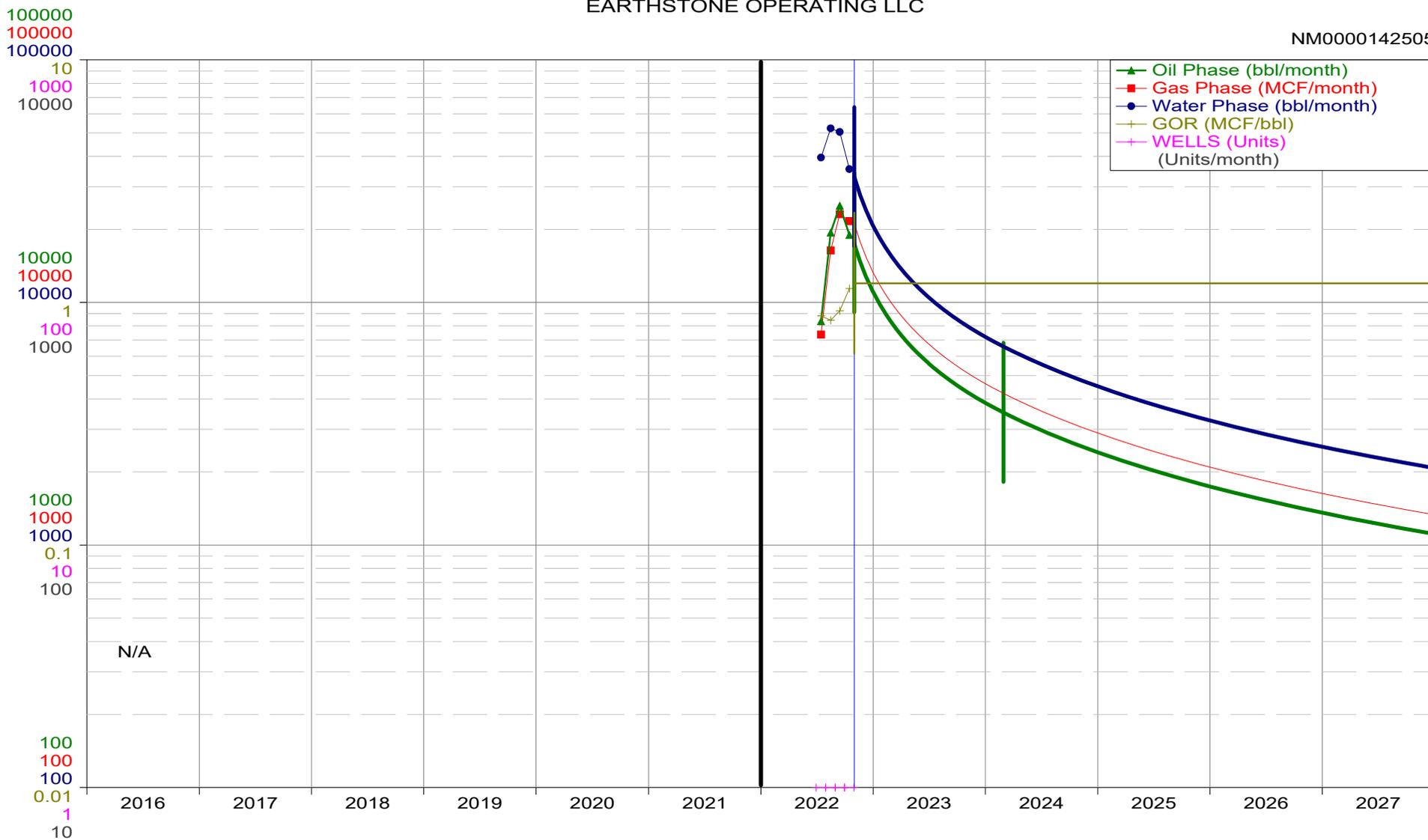
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	22313.710
Qe:	119.858
Limit:	04/30/2048 Date
Prior Cum.:	78.546
Ultimate:	396.758

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	120.000
De%:	99.075
Qi:	18594.758
Qe:	3127.416
Limit:	03/01/2024 Date
Prior Cum.:	86.138
Ultimate:	351.306

FIGURE 11
 RAM 2 11 2BS FEDERAL COM 010H 30025496810000
 BUFFALO SOUTHEAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

NM0000142505



Released to Imaging: 12/29/2022 4:36:30 PM

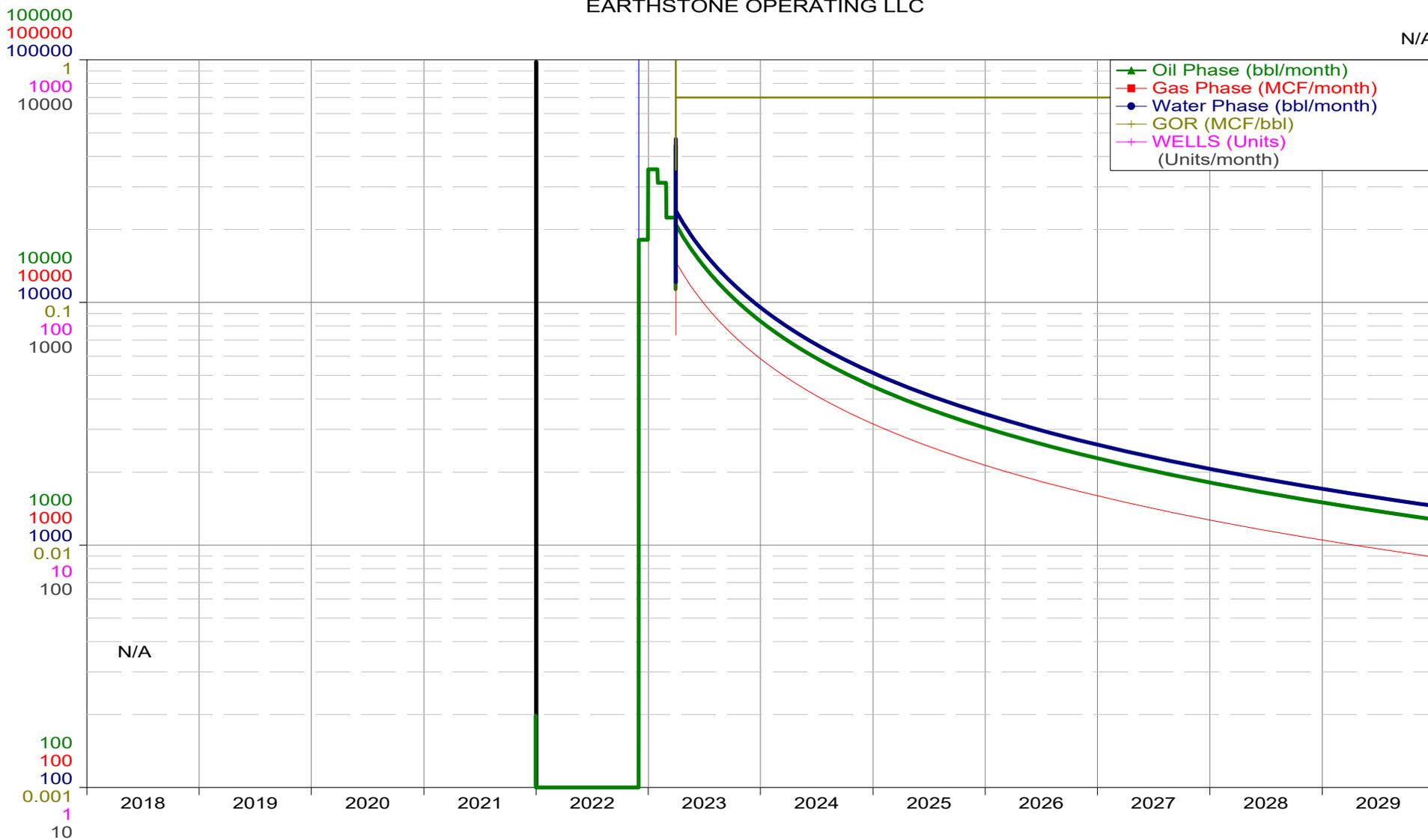
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase #1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	21145.203
Qe:	119.865
Limit:	07/22/2049 Date
Prior Cum.:	68.559
Ultimate:	424.024

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	120.000
De%:	97.538
Qi:	17621.002
Qe:	3515.781
Limit:	02/29/2024 Date
Prior Cum.:	71.818
Ultimate:	367.958

FIGURE 12
BEL-AIR 5 8 2BS FEDERAL COM 005H N/A
CORBIN SOUTH BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

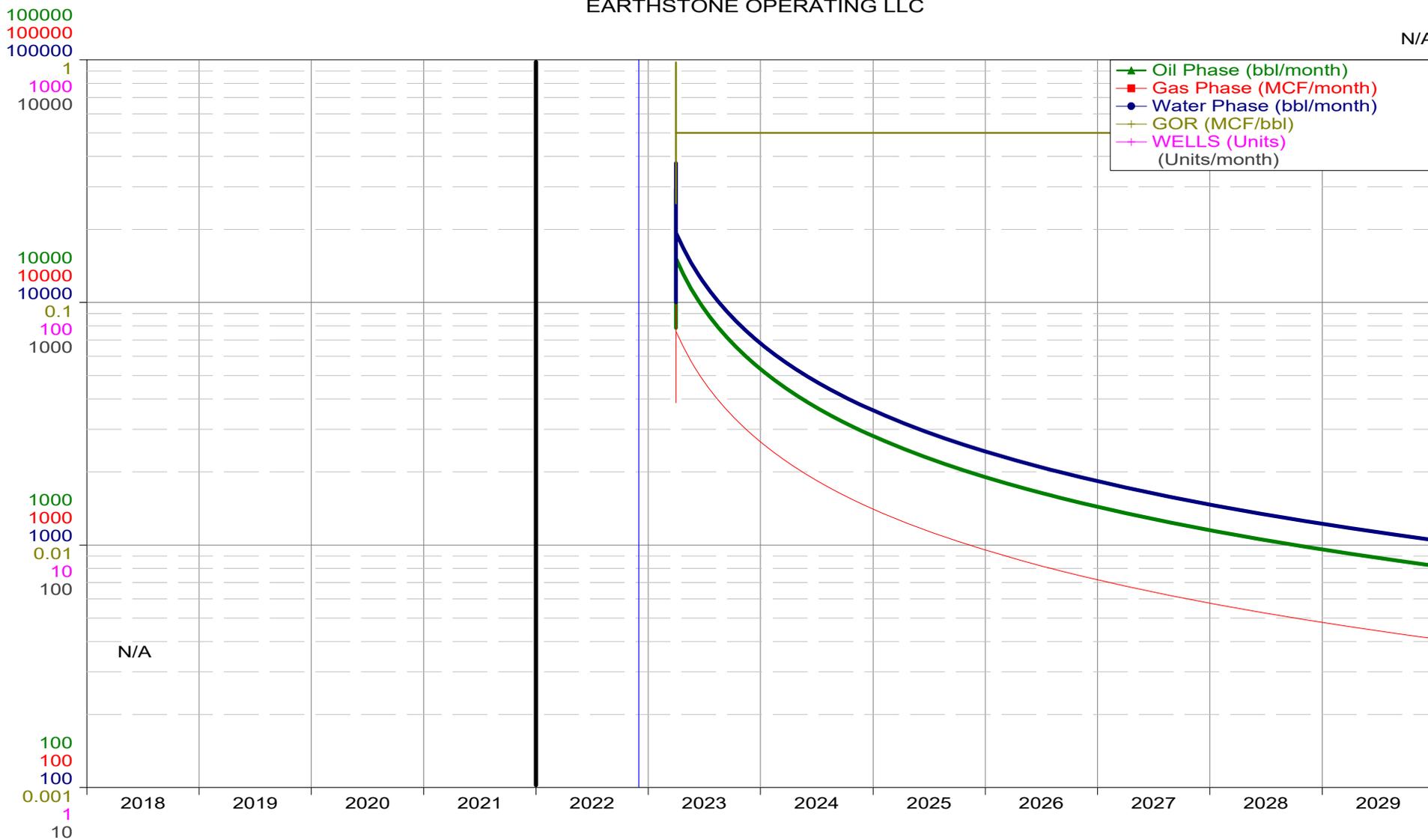
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	14701.762
Qe:	69.901
Limit:	07/27/2053 Date
Prior Cum.:	0.000
Ultimate:	316.271

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	90.600
De%:	85.119
Qi:	21002.517
Qe:	860.188
Limit:	02/22/2033 Date
Prior Cum.:	0.000
Ultimate:	558.847

FIGURE 13
BEL-AIR 5 8 2BS FEDERAL COM 006H N/A
CORBIN SOUTH BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

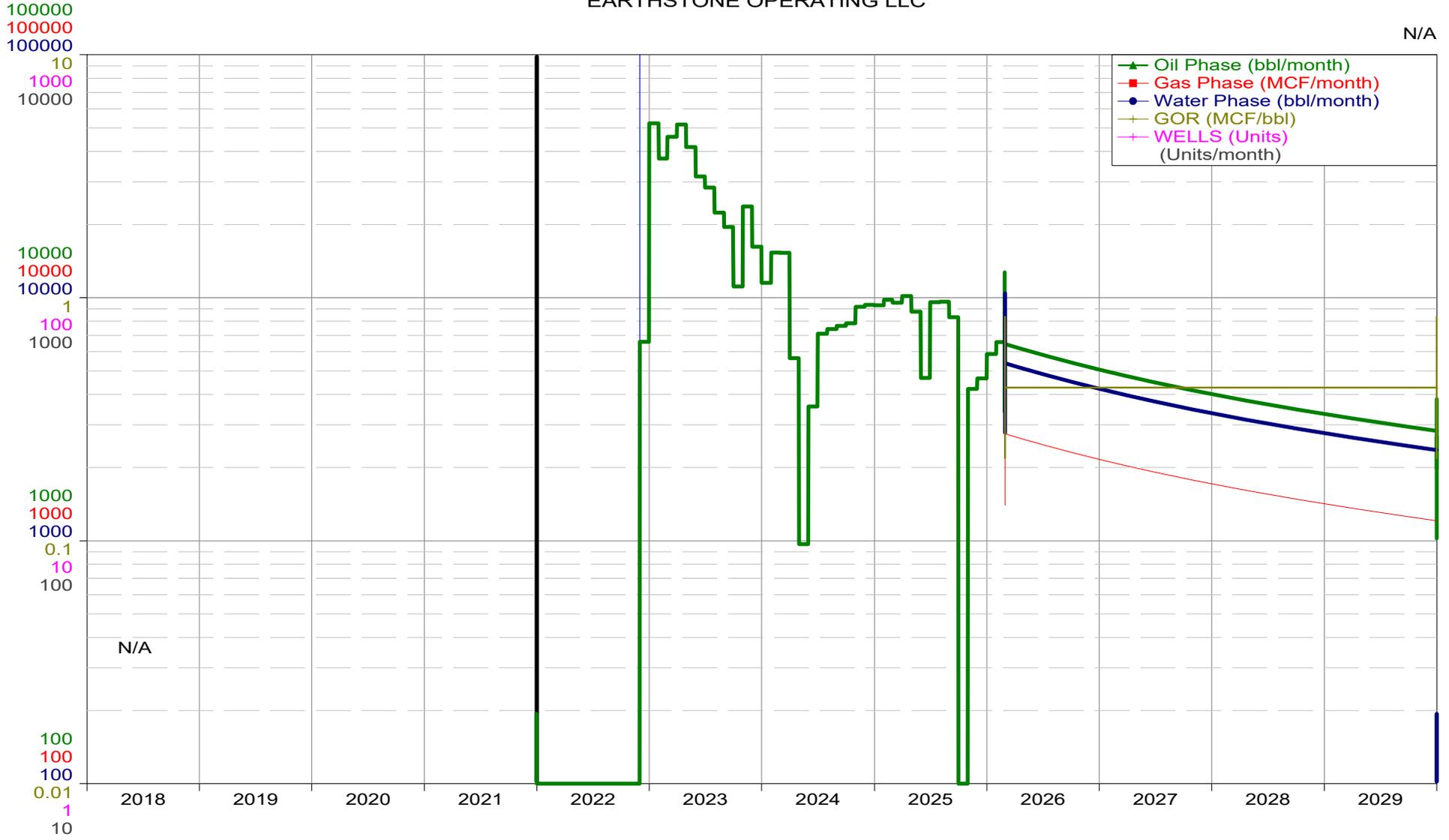
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	7597.974
Qe:	49.961
Limit:	07/24/2049 Date
Prior Cum.:	0.000
Ultimate:	144.108

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	96.700
De%:	91.089
Qi:	15195.948
Qe:	595.022
Limit:	08/21/2032 Date
Prior Cum.:	0.000
Ultimate:	288.216

FIGURE 14
BUFFALO 12 1 FEDERAL 2BS COM 001H N/A
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A

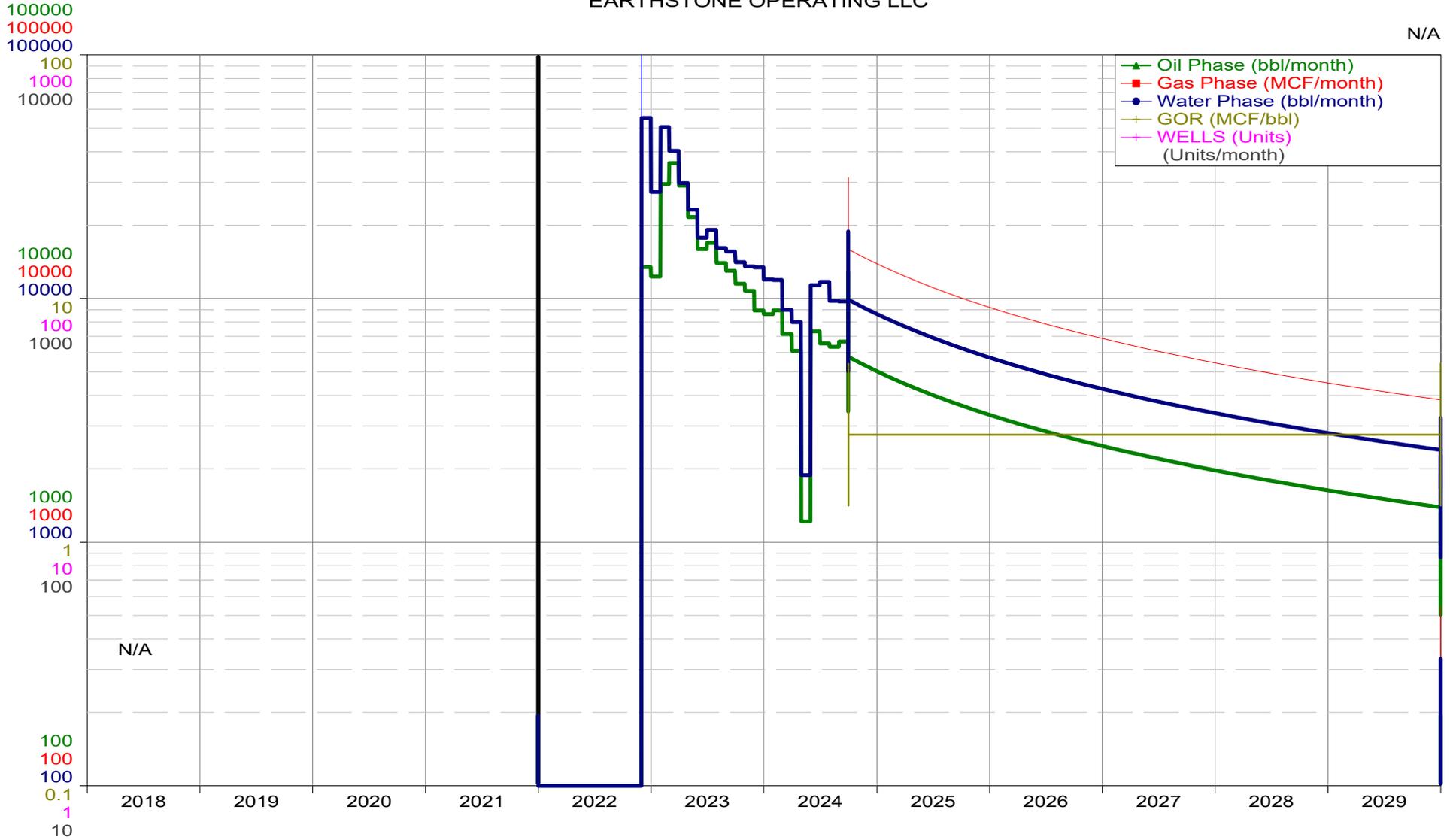


Gas Phase #1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	2755.496
Qe:	42.636
Limit:	03/19/2061 Date
Prior Cum.:	0.000
Ultimate:	208.325

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	95.600
De%:	27.835
Qi:	6453.152
Qe:	1978.589
Limit:	11/20/2032 Date
Prior Cum.:	0.000
Ultimate:	1078.117

FIGURE 15
BUFFALO 12 1 FEDERAL 2BS COM 004H N/A
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A



Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	15909.940
Qe:	275.687
Limit:	06/23/2054 Date
Prior Cum.:	0.000
Ultimate:	842.308

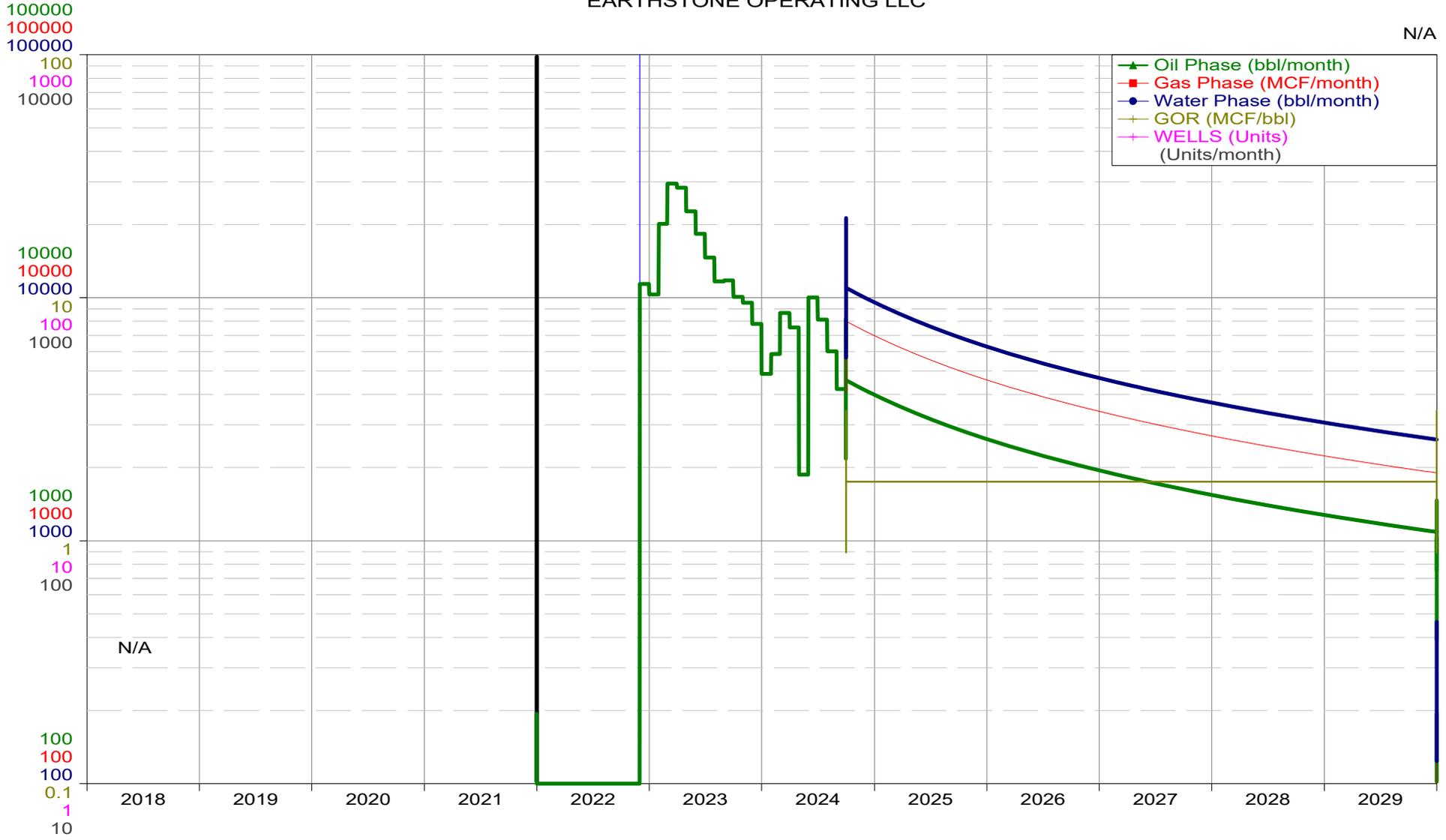
Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	95.400
De%:	43.702
Qi:	5764.471
Qe:	974.138
Limit:	11/15/2032 Date
Prior Cum.:	0.000
Ultimate:	596.953

Released to Imaging: 12/29/2022 4:36:30 PM

Received by OCD: 12/29/2022 4:26:36 PM

FIGURE 16
BUFFALO 12 1 FEDERAL 2BS COM 005H N/A
BUFFALO SOUTHEAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

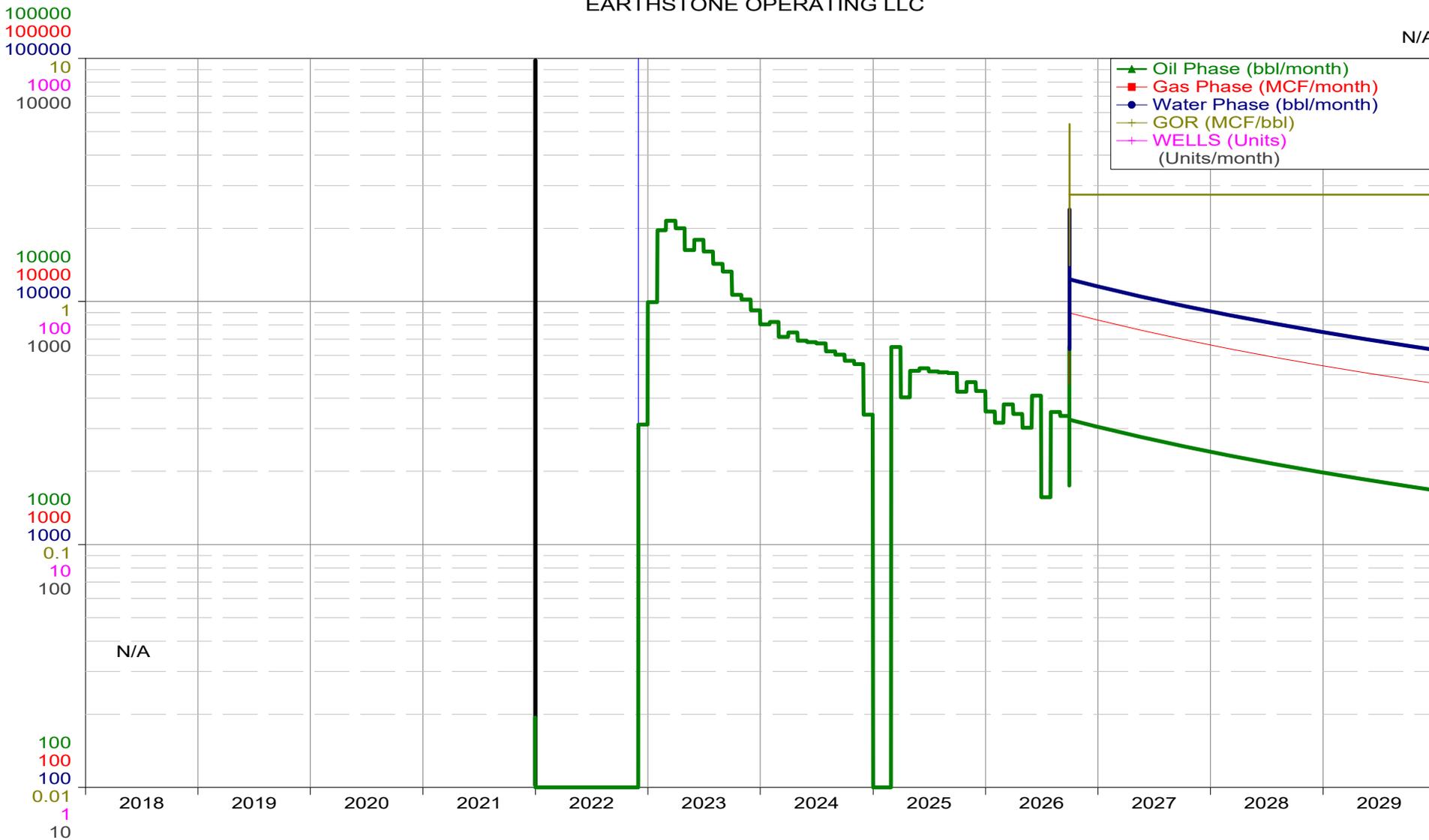
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	8009.773
Qe:	174.818
Limit:	02/12/2052 Date
Prior Cum.:	0.000
Ultimate:	413.955

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	95.400
De%:	44.387
Qi:	4577.013
Qe:	756.562
Limit:	11/29/2032 Date
Prior Cum.:	0.000
Ultimate:	499.955

FIGURE 17
DIAMONDBACK 24 25 FEDERAL COM 1BS 003H N/A
LUSK EAST BONE SPRING
LEA COUNTY, NM
EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

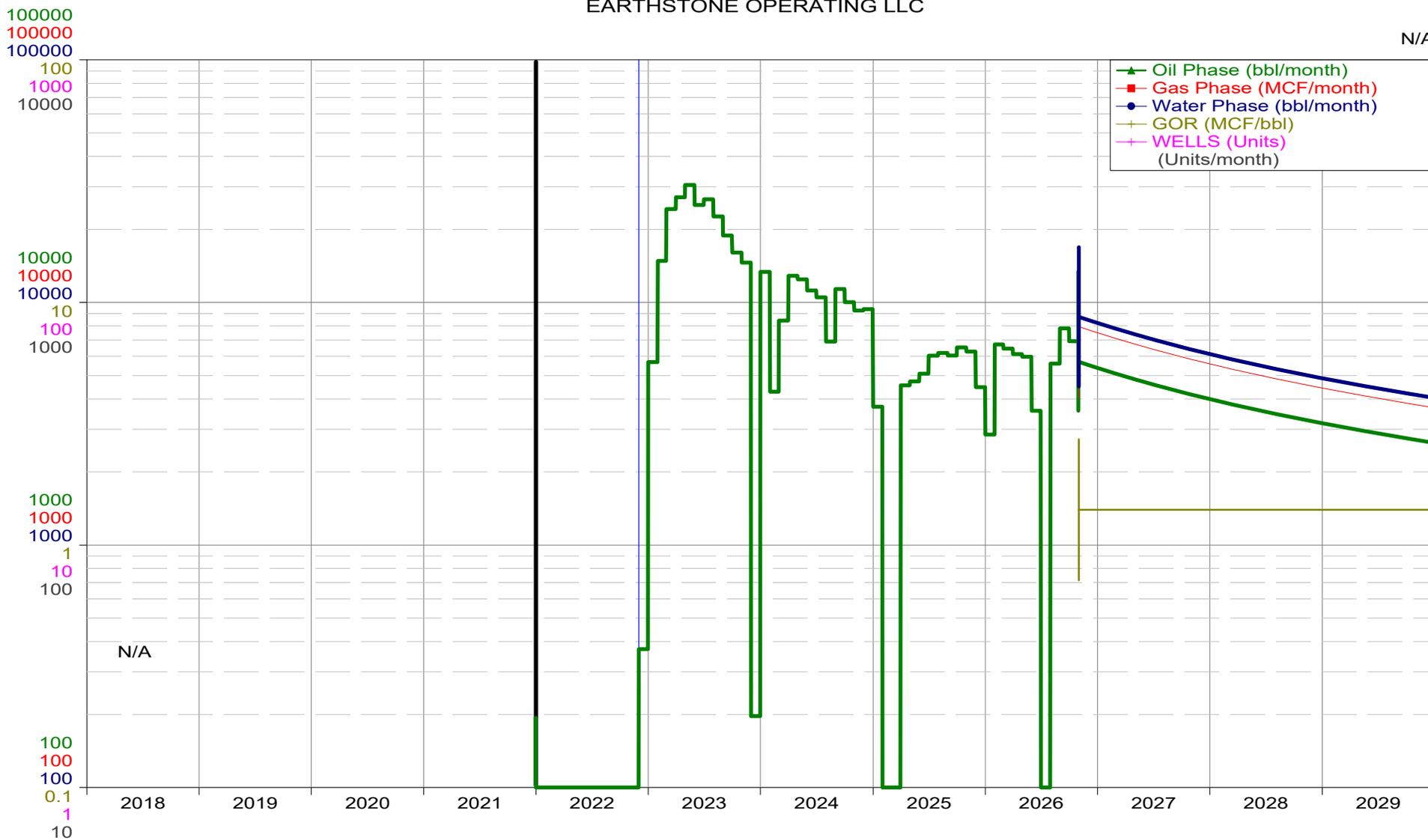
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	8972.992
Qe:	274.717
Limit:	12/07/2055 Date
Prior Cum.:	0.000
Ultimate:	702.731

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	84.500
De%:	24.171
Qi:	3261.720
Qe:	1040.438
Limit:	09/14/2033 Date
Prior Cum.:	0.000
Ultimate:	594.744

FIGURE 18
 DIAMONDBACK 24 25 FEDERAL COM 2BS 001H N/A
 LUSK EAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

N/A

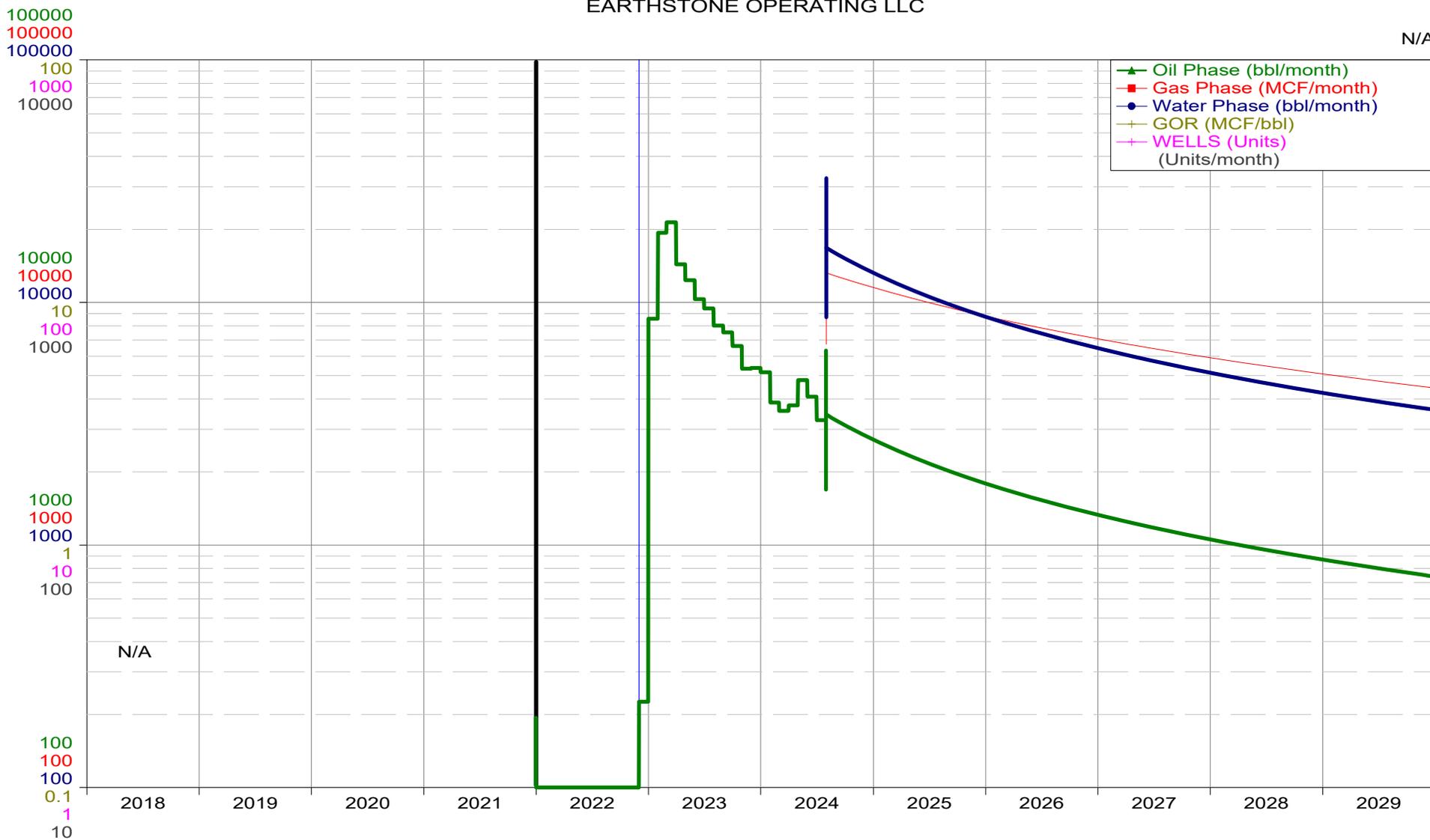


Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	7950.023
Qe:	139.317
Limit:	02/02/2060 Date
Prior Cum.:	0.000
Ultimate:	568.370

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	97.500
De%:	30.363
Qi:	5694.859
Qe:	1606.434
Limit:	09/25/2033 Date
Prior Cum.:	0.000
Ultimate:	859.643

FIGURE 19
 DIAMONDBACK 24 25 FEDERAL COM 2BS 004H N/A
 LUSK EAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

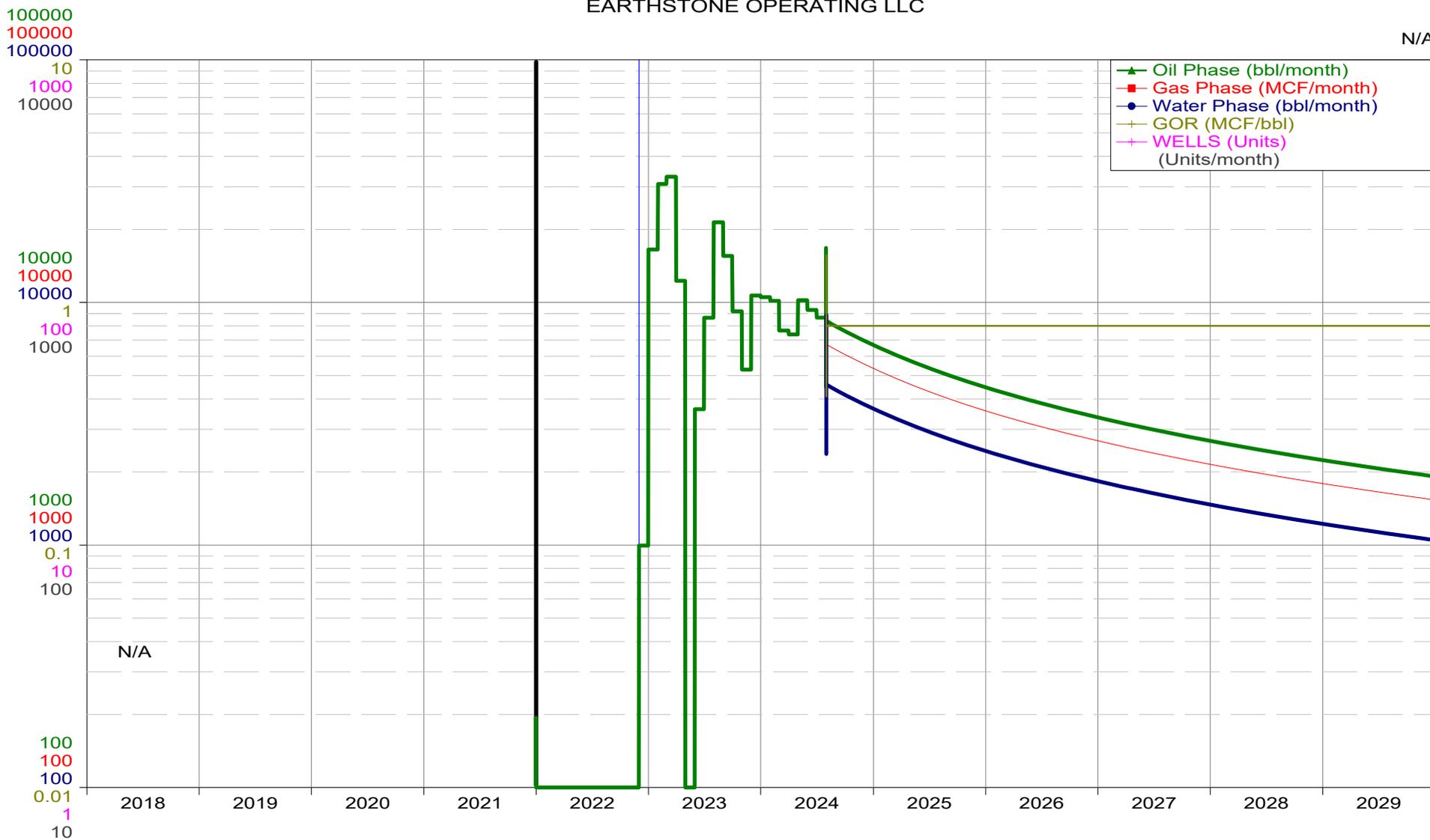
Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	94.700
De%:	29.784
Qi:	13244.271
Qe:	3687.844
Limit:	08/14/2031 Date
Prior Cum.:	0.000
Ultimate:	904.543

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	94.000
De%:	47.137
Qi:	3452.762
Qe:	508.729
Limit:	01/05/2033 Date
Prior Cum.:	0.000
Ultimate:	321.602

FIGURE 20
 DIAMONDBACK 24 25 FEDERAL COM 2BS 005H N/A
 LUSK EAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	6722.944
Qe:	79.858
Limit:	08/17/2057 Date
Prior Cum.:	0.000
Ultimate:	350.370

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	98.800
De%:	46.043
Qi:	8403.680
Qe:	1404.596
Limit:	07/19/2032 Date
Prior Cum.:	0.000
Ultimate:	669.864

FIGURE 21
 RAM 2 11 2BS FEDERAL COM 009H N/A
 BUFFALO SOUTHEAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase #1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	22313.710
Qe:	119.921
Limit:	07/17/2048 Date
Prior Cum.:	0.000
Ultimate:	317.175

Oil Phase #1 Segment Information	
Type:	Hyperbolic
n%:	120.000
De%:	99.075
Qi:	18594.758
Qe:	3127.295
Limit:	08/01/2024 Date
Prior Cum.:	0.000
Ultimate:	350.040

FIGURE 22
 RAM 2 11 2BS FEDERAL COM 010H N/A
 BUFFALO SOUTHEAST BONE SPRING
 LEA COUNTY, NM
 EARTHSTONE OPERATING LLC

N/A



Released to Imaging: 12/29/2022 4:36:30 PM

Received by OCD: 12/29/2022 4:26:36 PM

Gas Phase	
#1 Segment Information	
Type:	Linear Ratio
versus	0.000
De%:	0.000
Qi:	21145.202
Qe:	119.890
Limit:	11/30/2049 Date
Prior Cum.:	0.000
Ultimate:	355.185

Oil Phase	
#1 Segment Information	
Type:	Hyperbolic
n%:	120.000
De%:	97.538
Qi:	17621.002
Qe:	3515.701
Limit:	07/31/2024 Date
Prior Cum.:	0.000
Ultimate:	382.114

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 Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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

QUESTIONS
 Action 170711

QUESTIONS

Operator: JALAPENO CORPORATION P.O. Box 1608 Albuquerque, NM 87103	OGRID: 26307
	Action Number: 170711
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	2
Testimony time (in minutes)	105