

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

**APPLICATIONS OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 23365

Case No. 23366

**APPLICATION OF EARTHSTONE OPERATING, LLC,
FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case No. 23475

Case No. 23477

EARTHSTONE OPERATING, LLC'S NOTICE OF FILING EXHIBIT E

Earthstone Operating, LLC, OGRID No. 331165 ("Earthstone"), in accordance with the Oil Conservation Division ("Division") Hearing Officer's admission of Exhibit E at the hearing on September 21, 2023, attaches Exhibit E to supplement its hearing exhibits.

Respectfully submitted,

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

By: /s/ Matthew M. Beck

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on September 22, 2023:

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

By: /s/ Matthew M. Beck
Matthew M. Beck

From: Amanda Redfearn <Amanda@earthstoneenergy.com>
Subject: RE: North Wilson Deep Unit
Date: April 14, 2023 at 1:59:13 PM MDT
To: "Dawson, Scott" <sdawson@slo.state.nm.us>, "amarks@slo.state.nm.us" <amarks@slo.state.nm.us>, "paul.kautz@emnrd.nm.gov" <paul.kautz@emnrd.nm.gov>, Adriana Salgado <asalgado@mewbourne.com>, "Travis Everson" <Travis@earthstoneenergy.com>
Cc: Darin Savage <darin@abadieschill.com>, "Jamesbruc@aol.com" <Jamesbruc@aol.com>

Hi Scott,

Thank you for your time and call today. As we briefly discussed, I have received the emails you sent to us that show your recent correspondence with Mewbourne Oil Company ("Mewbourne") and with Paul Kautz of the OCD, as well as some of the email exchanges Mewbourne has had with you.

Earthstone is concerned that you and the SLO are not receiving the full picture of this situation with the North Wilson Deep Unit ("NWDU"). This Unit was created with the express approval of the OCD based on specific terms and conditions to which Mewbourne agreed. Mewbourne has submitted pooling applications to the OCD, and Earthstone believes that the manner in which Mewbourne has proposed its units for the E/2 of Sections 7 and 18, T21S-R35E, appears to violate the terms and conditions under which the Unit was approved.

Chisholm was an original owner in the NWDU and withdrew its objection to the OCD's approval of the Unit only under the condition that Section 18 would be excluded from the Unit. It was only after Mewbourne agreed to this exclusion that Chisholm agreed to the approval of and participation in the Unit. We believe Earthstone, who succeeded to Chisholm's interest, has a right to address this condition before the OCD. Also, the fact that Earthstone is a party to the Unit Agreement as an interest owner does not appear to be fully reflected in the SLO records. We have asked Mewbourne to update the records of ownership to show Earthstone's succession.

As a result, and in order to protect the correlative rights of Earthstone and others, and to prevent waste, in the lands that are not part of the NWDU, such as Section 18 and parts of Section 7, Earthstone has filed competing applications with the OCD in order to address our concerns and protect our rights. I have attached Earthstone's applications for your review of the matter that also pertain to Mewbourne's compulsory pooling applications (case# 23365 & 23366) on the same acreage. Please see the attached compulsory pooling notice we received from Mewbourne for their cases for additional information on this matter.

As I understand, Mewbourne soon will be filing a Motion with the OCD in this matter, if it hasn't already, and Earthstone will be responding to that Motion which will address for the OCD the legal matters involved in this controversy. A motion hearing before the OCD should follow the pleadings which will provide the OCD an overview of the parties' positions and the opportunity to address the protection of correlative rights and the prevention of waste.

Earthstone has filed applications with the OCD that propose units in the W/2 of Sections 18 and 7, which are not in the NWDU at all and that propose units in the E/2 of Sections 18 and 7, which only overlap the Wilson Unit in part. We have not yet applied for permits with the OCD; therefore, we believe it is premature for any party, such as Mewbourne, to oppose the approval of permits at this time before the OCD has had an opportunity to consider this matter in full.

This controversy is complicated, and because it involves lands outside the NWDU that affect correlative rights and waste, Earthstone believes it falls squarely within the jurisdiction of the OCD and the Oil and Gas Act. Earthstone is represented by Darin Savage with Abadie & Schill in these proceedings, and Mewbourne is represented by Jim Bruce. We respectfully ask that you and the SLO reserve judgement and withhold taking a position in this controversy until the parties have had the opportunity to present their positions to the OCD.

We are available for questions and can provide additional information if requested.

Thank you for your consideration.

Regards,

Amanda Redfearn

Senior Landman

Earthstone Operating, LLC

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EXHIBIT
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