

Submit a Copy To Appropriate District Office
 District I – (575) 393-6161
 1625 N. French Dr., Hobbs, NM 88240
 District II – (575) 748-1283
 811 S. First St., Artesia, NM 88210
 District III – (505) 334-6178
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV – (505) 476-3460
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised July 18, 2013

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-025-49760
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name OUTLAND STATE UNIT
8. Well Number 12H
9. OGRID Number 331165
10. Pool name or Wildcat (28434) GRAMA RIDGE; BONE SPRING, NORTH

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐	
2. Name of Operator EARTHSTONE OPERATING, LLC	
3. Address of Operator 1400 WOODLOCH FOREST DR. SUITE 300 THE WOODLANDS, TX 77380	
4. Well Location Unit Letter <u>M</u> : <u>150</u> feet from the <u>SOUTH</u> line and <u>1295</u> feet from the <u>WEST</u> line Section <u>11</u> Township <u>21S</u> Range <u>34E</u> NMPM County <u>LEA</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3713	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK ☐	REMEDIAL WORK ☐
TEMPORARILY ABANDON ☐	ALTERING CASING ☐
PULL OR ALTER CASING ☐	COMMENCE DRILLING OPNS. ☐
DOWNHOLE COMMINGLE ☐	P AND A ☐
CLOSED-LOOP SYSTEM ☐	CASING/CEMENT JOB ☐
OTHER: ☐	OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

EARTHSTONE OPERATING, LLC REQUESTS TO REVISE CASING DESIGN

SURFACE

FROM: 17.5" HOLE, 13.375", 54.5# J-55 SET @ 1700'

TO: 14.75" HOLE, 10.75", 45.5# J-55 SET @ 1815'

950 TOTAL SXS CLASS C CMNT W/TOC @ SURFACE (SEE WBD ATTACHED)

INTERMEDIATE

FROM: 12.25" HOLE, 9.625", 40# J-55 SET @ 5475' W/DV TOOL @ 3600'

TO: 9.875" HOLE, 8.625", 32# L80EHC MO-FXL SET @ 5475' W/ DV TOOL @ 3600'

2 STAGE CEMENT JOB; 590 SXS W/ TOC @ SURFACE (SEE WBD ATTACHED)

PRODUCTION

FROM: 8.75" HOLE

TO: 7.875" HOLE W/ TOC @ 4165'

(SEE WBD ATTACHED)

Spud Date:

Rig Release Date:

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

SIGNATURE Jennifer Elrod TITLE SR. REGULATORY TECH DATE 08/23/2022

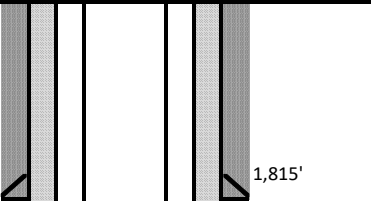
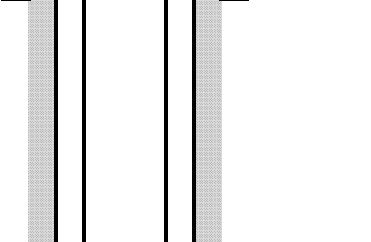
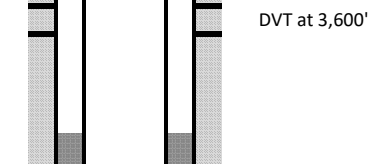
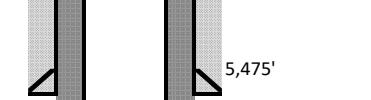
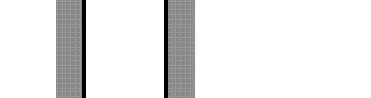
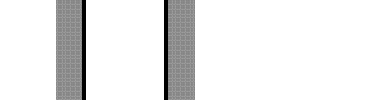
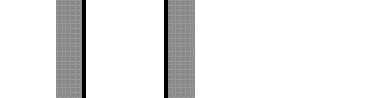
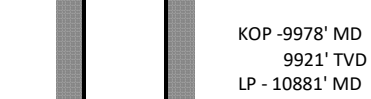
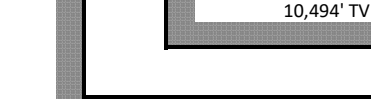
Type or print name JENNIFER ELROD E-mail address: JELROD@EARTHSTONENERGY.COM PHONE: 940-452-6214

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

Updated: 08/12/2022

TVD ft-RKB	Geological Tops	Wellbore Sketch	Hole Size	Casing	Drilling Fluids	Cement	OH Evaluation/Logs
1,000'			14-3/4"	Surface 10-3/4" 45.5# J55 BTC	FW Spud Mud 8.5 - 9.2 ppg 38 - 40 Vis 8 - 10 PV 8 - 10 YP	Top of Lead: Surface 12.0 ppg 1.86 cuft/sk 640 sks - 65% XS Top of Tail: 1,315' 14.8 ppg 1.35 cuft/sk 310 sks - 50% XS	NA
2,000'	1,790 Rustler 2214.5 Salado		9-7/8"	Intermediate 8-5/8"32# L80EHC MO-FXL	Brine 9.8 - 10.2 ppg 28 - 32 Vis 1 - 3 PV 1 - 3 YP	1st Stage Top of Lead: 3,600' 10.3 ppg 3.6 cuft/sk 170 sks - 100% XS Top of Tail: 4,975' 14.8 ppg 1.35 cuft/sk 100 sks - 45% XS 2nd Stage Top of Lead: Surface 11.0 ppg 2.4 cuft/sk 220 sks - 50% XS Top of Tail: 3,100' 14.8 ppg 1.35 cuft/sk 100 sks - 45% XS	NA
3,000'	3320.5 Yates		7-7/8" to KOP, Curve & Lateral	Production 5-1/2" 20# P110 RY VARN	Curve & Lateral OBM 9.3 - 9.5 ppg 15 - 20 PV 8 - 12 YP	Top of Lead: 4,165' 11.3 ppg 2.93 cuft/sk 390 sks - 25% XS Top of Tail: 9,536' 14.5 ppg 1.20 cuft/sk 1,360 sks - 25% XS	GR from Under Intermediate to TD
4,000'	4214.5 Capitan Reef						
5,000'	5,715 Cherry Canyon						
6,000'							
7,000'	6881.5 Brushy Canyon						
8,000'	8299.5 Top BSPG Lime						
9,000'							
10,000'	9664.5 1st BSPG Ss 9929.5 2nd BSPG Carb 10240 2nd BSPG Ss						
							
							

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State of New Mexico
Energy, Minerals and Natural Resources Department

Submit Electronically
Via E-permitting

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

NATURAL GAS MANAGEMENT PLAN

This Natural Gas Management Plan must be submitted with each Application for Permit to Drill (APD) for a new or recompleted well.

Section 1 – Plan Description

Effective May 25, 2021

I. Operator: EARTHSTONE OPERATING, LLC **OGRID:** 331165 **Date:** 01 / 06 / 2022

II. Type: ☐ Original ☒ Amendment due to ☐ 19.15.27.9.D(6)(a) NMAC ☐ 19.15.27.9.D(6)(b) NMAC ☒ Other.

If Other, please describe: ADDITIONAL WELL ADDED TO LOCATION

III. Well(s): Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	ULSTR	Footages	Anticipated Oil BBL/D	Anticipated Gas MCF/D	Anticipated Produced Water BBL/D
Outland State Unit 13H		M-11-21S-34E	195 FSL, 1270 FWL	1800	1800	6500
Outland State Unit 11H		M-11-21S-34E	190 FSL, 1240 FWL	1800	1800	6500
Outland State Unit 12H		M-11-21S-34E	190 FSL, 1300 FWL	1800	1800	6500

IV. Central Delivery Point Name: OUTLAND STATE UNIT WEST BATTERY [See 19.15.27.9(D)(1) NMAC]

V. Anticipated Schedule: Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	Spud Date	TD Reached Date	Completion Commencement Date	Initial Flow Back Date	First Production Date
Outland State Unit 13H		12/20/2022	01/15/2023	03/10/2023	04/12/2023	04/15/2023
Outland State Unit 11H		11/01/2022	11/29/2022	03/10/2023	04/12/2023	04/15/2023
Outland State Unit 12H		12/01/2022	12/29/2022	03/10/2023	04/12/2023	04/15/2023

VI. Separation Equipment: ☒ Attach a complete description of how Operator will size separation equipment to optimize gas capture.

VII. Operational Practices: ☒ Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F of 19.15.27.8 NMAC.

VIII. Best Management Practices: ☒ Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

Section 2 – Enhanced Plan
EFFECTIVE APRIL 1, 2022

Beginning April 1, 2022, an operator that is not in compliance with its statewide natural gas capture requirement for the applicable reporting area must complete this section.

☒ Operator certifies that it is not required to complete this section because Operator is in compliance with its statewide natural gas capture requirement for the applicable reporting area.

IX. Anticipated Natural Gas Production:

Well	API	Anticipated Average Natural Gas Rate MCF/D	Anticipated Volume of Natural Gas for the First Year MCF

X. Natural Gas Gathering System (NGGS):

Operator	System	ULSTR of Tie-in	Anticipated Gathering Start Date	Available Maximum Daily Capacity of System Segment Tie-in

XI. Map. ☐ Attach an accurate and legible map depicting the location of the well(s), the anticipated pipeline route(s) connecting the production operations to the existing or planned interconnect of the natural gas gathering system(s), and the maximum daily capacity of the segment or portion of the natural gas gathering system(s) to which the well(s) will be connected.

XII. Line Capacity. The natural gas gathering system ☐ will ☐ will not have capacity to gather 100% of the anticipated natural gas production volume from the well prior to the date of first production.

XIII. Line Pressure. Operator ☐ does ☐ does not anticipate that its existing well(s) connected to the same segment, or portion, of the natural gas gathering system(s) described above will continue to meet anticipated increases in line pressure caused by the new well(s).

☐ Attach Operator's plan to manage production in response to the increased line pressure.

XIV. Confidentiality: ☐ Operator asserts confidentiality pursuant to Section 71-2-8 NMSA 1978 for the information provided in Section 2 as provided in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and attaches a full description of the specific information for which confidentiality is asserted and the basis for such assertion.

Section 3 - Certifications

Effective May 25, 2021

Operator certifies that, after reasonable inquiry and based on the available information at the time of submittal:

☒ Operator will be able to connect the well(s) to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system; or

☐ Operator will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system.

If Operator checks this box, Operator will select one of the following:

Well Shut-In. ☐ Operator will shut-in and not produce the well until it submits the certification required by Paragraph (4) of Subsection D of 19.15.27.9 NMAC; or

Venting and Flaring Plan. ☒ Operator has attached a venting and flaring plan that evaluates and selects one or more of the potential alternative beneficial uses for the natural gas until a natural gas gathering system is available, including:

- (a) power generation on lease;
- (b) power generation for grid;
- (c) compression on lease;
- (d) liquids removal on lease;
- (e) reinjection for underground storage;
- (f) reinjection for temporary storage;
- (g) reinjection for enhanced oil recovery;
- (h) fuel cell production; and
- (i) other alternative beneficial uses approved by the division.

Section 4 - Notices

1. If, at any time after Operator submits this Natural Gas Management Plan and before the well is spud:

(a) Operator becomes aware that the natural gas gathering system it planned to connect the well(s) to has become unavailable or will not have capacity to transport one hundred percent of the production from the well(s), no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 NMAC; or

(b) Operator becomes aware that it has, cumulatively for the year, become out of compliance with its baseline natural gas capture rate or natural gas capture requirement, no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised Natural Gas Management Plan for each well it plans to spud during the next 90 days containing the information specified in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and shall file an update for each Natural Gas Management Plan until Operator is back in compliance with its baseline natural gas capture rate or natural gas capture requirement.

2. OCD may deny or conditionally approve an APD if Operator does not make a certification, fails to submit an adequate venting and flaring plan which includes alternative beneficial uses for the anticipated volume of natural gas produced, or if OCD determines that Operator will not have adequate natural gas takeaway capacity at the time a well will be spud.

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I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Management Plan are true and correct to the best of my knowledge and acknowledge that a false statement may be subject to civil and criminal penalties under the Oil and Gas Act.

Signature:	<i>Jennifer Elrod</i>
Printed Name:	JENNIFER ELROD
Title:	SR. REGULATORY ANALYST
E-mail Address:	JELROD@CHISHOLMENERGY.COM
Date:	08/23/2022
Phone:	(817)953-3728
OIL CONSERVATION DIVISION (Only applicable when submitted as a standalone form)	
Approved By:	
Title:	
Approval Date:	
Conditions of Approval:	

**ESTE Natural Gas Management Plan
Items VI-VIII****VI. Separation Equipment: Attach a complete description of how Operator will size separation equipment to optimize gas capture.**

- Separation equipment will be sized to provide adequate separation for anticipated rates.
- Adequate separation relates to retention time for Liquid – Liquid separation and velocity for Gas-Liquid separation.
- Collection systems are appropriately sized to handle facility production rates on all (3) phases.
- Ancillary equipment and metering are selected to be serviced without flow interruptions or the need to release gas from the well.

VII. Operational Practices: Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F 19.15.27.8 NMAC.**Drilling Operations**

- All flare stacks will be properly sized. The flare stacks will be located at a minimum 100' from the nearest surface hole location on the pad.
- All-natural gas produced during drilling operations will be flared, unless there is an equipment malfunction and/or to avoid risk of an immediate and substantial adverse impact on safety and the environment, at which point the gas will be vented.

Completions/Recompletions Operations

- New wells will not be flowed back until they are connected to a properly sized gathering system.
- The facility will be built/sized for maximum anticipated flowrates and pressures to minimize waste.
- For flowback operations, multiple stages of separation will be used as well as excess VRU and blowers to make sure waste is minimized off the storage tanks and facility.
- During initial flowback, the well stream will be routed to separation equipment.
- At an existing facility, when necessary, post separation natural gas will be flared until it meets pipeline specifications, at which point it will be turned into a collection system.
- At a new facility, post separation natural gas will be vented until storage tanks can safely function, at which point it will be flared until it meets pipeline spec.

Production Operations

- Weekly AVOs will be performed on all facilities.
- All flares will be equipped with auto-ignition systems and continuous pilot operations.
- After a well is stabilized from liquid unloading, the well will be turned back into the collection system.
- All tanks will have sight glasses installed, but no electronic gauging equipment.
- Leaking thief hatches found during AVOs will be cleaned and properly re-sealed.
- There will be no gas re-injection for underground storage, temporary storage, or for enhanced oil recovery; however, gas injection will be used for gas lift applications in which the gas would be circulated through a closed loop system.
- If H₂S is encountered, gas will be treated to pipeline spec to avoid shut-in's and/or flaring.

Performance Standards

- Production equipment will be designed to handle maximum anticipated rates and pressure.

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- All flared gas will be combusted in a flare stack that is properly sized and designed to ensure proper combustion.
- Weekly AVOs will be performed on all wells and facilities that produce more than 50MCFPD.

Measurement & Estimation

- All volume that is flared or vented that is not measured will be estimated.
- All measurement equipment for flared volumes will conform to API 14.10.
- No meter bypasses will be installed.
- When metering is not practical due to low pressure/low rate, the vented or flared volume will be estimated.

VIII. Best Management Practices: Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

- During downhole well maintenance, ESTE will use best management practices to vent as minimally as possible.
- After downhole well maintenance, natural gas will be flared until it reaches pipeline specification.

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

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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

CONDITIONS

Action 137207

CONDITIONS

Operator: Earthstone Operating, LLC 1400 Woodloch Forest The Woodlands, TX 77380	OGRID: 331165
	Action Number: 137207
	Action Type: [C-103] NOI Change of Plans (C-103A)

CONDITIONS

Created By	Condition	Condition Date
pkautz	None	8/24/2022