District I 1625 N. French Dr., Hobbs, NM 88240 District II 811 S. First St., Artesia, NM 88210	Energ	State of New Mexico Energy, Minerals and Natural Resources Department						
District III 1000 Rio Brazos Road, Aztec, NM 874	10	Oil Conservation Division						
District IV		1220 South St. Francis Dr.						
1220 S. St. Francis Dr., Santa RINNEROCONSERVATION Santa Fe, NM 87505								
ARTESIA DISTRICT								
Date: <u>10-10-2018</u>	NOV 29 2018	GAS CAPTURE PLAN						
Original Amended - Reason for Amended - R	RECEIVED	Operator & OGRID No.: Seguro Oil & Gas, LLC	372066					

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomplete to new zone, re-frac) activity.

Note: Form C-129 must be submitted and approved prior to exceeding 60 days allowed by Rule (Subsection A of 19.15.18.12 NMAC).

Well(s)/Production Facility - Name of facility

The well(s) that will be located at the production facility are shown in the table below.

Well Name	API	Well Location (ULSTR)	Footages	Expected MCF/D	Flared or Vented	Comments
West Square Lake 34 Fed H #1	1040003196 9	Lot H, Sec 34, T16S, R30E	1152 FNL 928 FEL	150	Flared	Flared while testing if any is encountered.
30.015	.45528					Sales to DCP at time of production.

Gathering System and Pipeline Notification

Well(s) will be connected to a production facility after flowback operations are complete, if gas transporter system is in place. The gas produced from production facility is dedicated to <u>Gas Transporter</u> and will be connected to <u>Gas Transporter</u> low/high pressure gathering system located in <u>Eddy</u> County, New Mexico. It will require <u>12,923'</u> of pipeline to connect the facility to low/high pressure gathering system. <u>Operator</u> provides (periodically) to <u>Gas Transporter</u> a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, <u>Operator</u> and <u>Gas Transporter</u> have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at <u>Gas Transporter</u> Processing Plant located in Sec. <u>19</u>, Twn. <u>19S</u>, Rng. <u>32E</u>, <u>Eddy</u> County, New Mexico. The actual flow of the gas will be based on compression operating parameters and gathering system pressures.

Flowback Strategy

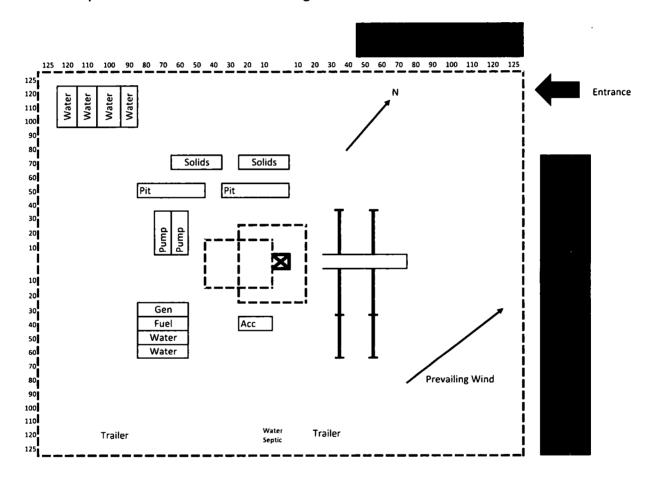
After the fracture treatment/completion operations, well(s) will be produced to temporary production tanks and gas will be flared or vented. During flowback, the fluids and sand content will be monitored. When the produced fluids contain minimal sand, the wells will be turned to production facilities. Gas sales should start as soon as the wells start flowing through the production facilities, unless there are operational issues on <u>Gas Transporter</u> system at that time. Based on current information, it is <u>Operator's</u> belief the system can take this gas upon completion of the well(s).

Safety requirements during cleanout operations from the use of underbalanced air cleanout systems may necessitate that sand and non-pipeline quality gas be vented and/or flared rather than sold on a temporary basis.

Alternatives to Reduce Flaring

Below are alternatives considered from a conceptual standpoint to reduce the amount of gas flared.

- Power Generation On lease
 - o Only a portion of gas is consumed operating the generator, remainder of gas will be flared
- Compressed Natural Gas On lease
 - o Gas flared would be minimal, but might be uneconomical to operate when gas volume declines
- NGL Removal On lease
 - o Plants are expensive, residue gas is still flared, and uneconomical to operate when gas volume declines



West Square Lake 34 Fed H # 1 - United Rig # 35