

Midstream Operations Plan

for

Natural Gas Gathering

in

New Mexico

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Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	

This plan has been reviewed and approved by the management of Salt Creek Midstream. This plan is incorporated into the operations of the Salt Creek Midstream pipeline systems. Third party resources may be deployed for efficient, effective plan implementation and administration.

Revision Log

Changes to this document shall be managed through the Company Management of Change (MOC) process. Annual reviews shall be documented below.

Date	Revision Description	Approver
8/23/21	Rev 0 – Initial draft	J Harris

Salt Creek Midstream	NMOCD Midstream Operations Plan	Revision: 08/23/2021
Table of Content		
	em Overview	1
-	duction	
	ral Overview	
	or low pressure	
-	SA/NMPRC Regulated/Non-Regulated I	
	t or Sour Natural Gas	
	truction	
	e Operations & Maintenance	
	cal pipeline marking and identification	
7 -	of Way patrols, Leak surveys	
	ne Integrity - Routine pipeline inspect	
	ne Pigging	
-	ne maintenance program	
•	ure test guidelines and schedule	
	odic Protection, CorrosionControl and	
	odic Protection	
	nical treatments	
	management	
	Operations and Maintenance	
	dures to ReduceReleases	
4.1 Proc	edures to reduce venting and flaring on each malfunctions	during maintenance,
	edures for reporting scheduled mainte	_
4.3 Emerg	ency Response Plan	

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Salt Creek Midstream

SECTION 1 – System Overview

1.1 Introduction

This manual includes procedures and references for assets owned by Salt Creek Midstream, LLC and operated by SCM Operations, LLC (collectively, "SCM") in the state of New Mexico.

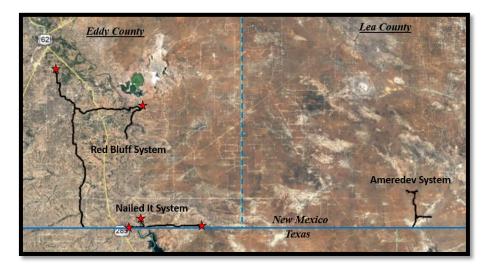
1.2 General Overview

SCM is a natural gas gatherer and processor in the Delaware Basin. SCM gathers natural gas from producers in New Mexico and Texas and transports the gathered gas to an SCM gas processing plant in Reeves County, Texas.

The New Mexico production is located in Lea and Eddy counties. The production in Eddy County is gathered by SCM through the Red Bluff and Nailed It system laterals that feed SCM's west trunkline. The production in Lea County is gathered by SCM through the Ameredev system laterals that feed SCM's east trunkline.

There are three contiguous SCM natural gas gathering pipeline systems in New Mexico as follows:

- Red Bluff System
- Nailed It System
- Ameredev System



SCM compressor stations are located on the Red Bluff and Nailed It gathering Systems.

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	Revision. 08/23/2021

1.3 High or low pressure

SCM's natural gas pipelines in New Mexico are primarily located downstream of compression and are rated at 1,440 psi Maximum Allowable Operating Pressure (MAOP). The SCM system also includes certain short, low pressure gathering lines, located between the receipt point and the suction of the compressor station, which are designed and tested for MAOP's of at least 285 psi.

1.4 PHMSA/NMPRC Regulated/Non-Regulated lines

The SCM natural gas pipelines in New Mexico are classified as gathering lines and are situated exclusively in Class I locations; therefore, as Class I gas gathering pipelines they are not within the scope of 49 CFR 192. As a result, SCM's natural gas pipeline systems in New Mexico are classified as Non-Regulated.

1.5 Sweet or Sour Natural Gas

The SCM Red Bluff and Nailed It systems gather exclusively sweet gas. The contractual limit for H2S composition at the receipt points is less than 4 ppm.

The SCM Ameredev system has the capability to gather sour gas, however it is currently in sweet gas service. The current contractual limit for H2S composition at the receipt points is less than 4 ppm.

1.6 Construction

The SCM natural gas pipelines in New Mexico are constructed below ground with a minimum of 3 feet of cover, with the exception of various above ground facilities that are located at receipt points, compressor stations, mainline block valves, and pig traps.

The SCM natural gas pipelines were placed in service in New Mexico from 2018 through 2021 and are all constructed of steel.

Salt Creek	NMOCD	
Midstream	Midstream Operations Plan	

Section 2 - Routine Operations & Maintenance

2.1 Physical pipeline marking and identification

Pipeline markers are located on SCM's natural gas pipeline right of ways at distances to be seen by line of sight, as well as at each public road crossing, railroad crossing, and are installed in sufficient number along the remainder of each buried line so that its location is accurately known and where the line is above ground in areas accessible to the public.

The pipeline markers follow DOT guidelines and examples in API 1109. The labels have black letters on yellow background with red highlights. The labels include the following:

- Operator Name
- The word "Warning," "Caution," or "Danger" followed by the words "Gas Pipeline", or in the event of sour gas "Caution Poison Gas".
- Telephone number (including area code) where the operator can be reached at all times.

2.2 Right of Way patrols, Leak surveys

Right of Way Patrols

Aerial patrols are utilized to regularly patrol the Right of Way. Patrols are scheduled 26 times per calendar year not to exceed three weeks.

The location of possible leaks or discharges, right of way activity, and any observable damage to the right of way or pipeline system is captured and reported to SCM with the associated GPS coordinates. When possible, photographs are taken of such observations.

SCM records the date, time, method, and findings of each aerial patrol. Records of the patrols are maintained for at least five years. Pilots hold valid commercial certificates, airman ratings and licensing, certification, waivers and other requirements of governmental authorities. Pilots shall also be part of the Operator Qualification program.

Walking, driving, riding or other methods of right of way patrols may also be performed. SCM personnel or designated third party representatives may observe and report any observations and conditions of the right of way. The reporting of observations and record keeping of such shall be performed in the same manner as aerial inspections/patrols.

Compressor Station AVO Surveys

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	Revision. 06/23/2021

SCM will conduct weekly Audio, Visual, and Olfactory (AVO) inspections of its compressors, dehydrators and treatment facilities in New Mexico to confirm they are operating properly and there are no leaks or releases except as allowed in Section 4 below (and detailed in Subsection B of 19.15.28.8 NMAC).

During an AVO inspection SCM will inspect all components, including flare stacks, thief hatches, closed vent systems, pumps, compressors, pressure relief devices, valves, lines, flanges, connectors, and associated piping to identify defects, leaks, and releases by:

- comprehensive external visual inspection;
- \circ $\;$ listening for pressure and liquid leaks
- smelling for unusual and strong odors.

SCM will make and keep a record of each AVO inspection for no less than five years and will make such records available for inspection by the division upon request.

Compressor Station OOOOa Surveys

SCM conducts an initial monitoring survey within 90 days of the startup of a new compressor.

SCM also conducts a monitoring survey program which surveys the collection of fugitive emissions components at its compressor stations at least semiannually after the initial survey. Consecutive semiannual monitoring surveys are conducted at least 4 months apart and no more than 7 months apart.

2.3 Pipeline Integrity - Routine pipeline inspections

Exposed Pipe Examination

When a section of SCM's pipeline is exposed it is inspected for general pipe condition and any signs of coating disbanding or damage. The date, location of the segment, and the observed pipe conditions are recorded. If no visible pipe or coating issues are identified the inspection is completed. If potential issues are identified, the Integrity Manager will be consulted for any necessary corrective actions.

Inspecting Pipe Removed from Service

When segment of pipe is removed from the pipeline, the internal surface is inspected for evidence of internal corrosion. When active internal corrosion is found, and if the surface of the pipe is generally pitted or if internal corrosion has caused a leak, further investigation will be conducted to determine the extent of the internal corrosion. Remedial actions will follow if necessary.

Internal Corrosion Monitoring

Corrosion coupons are used to monitor internal corrosion of the pipeline. They are removed from the test locations and forwarded to an appropriate certified laboratory for corrosion analysis at least twice each calendar year, and not

Salt Creek	NMOCD	Povision, 08/22/2021
Midstream	Midstream Operations Plan	Revision: 08/23/2021

exceeding intervals of 7 $\frac{1}{2}$ months. New internal Corrosion coupons are installed at this time.

The corrosion coupon program is managed in conjunction with the corrosion inhibitor program described in Section 3.2. The corrosion analysis is used to determine the effectiveness of the inhibitor treatments and the potential extent of any internal corrosion.

Liquids Sampling

Samples of liquid and particulate received during maintenance pigging operations may be sent for laboratory analysis as deemed necessary. Particulate analysis may include solid deposition analysis (SDA) and X-ray fluorescence (XRF). Analysis may include iron, manganese, dissolved H2S and CO2, chlorides, total dissolved Solids (TDS) and bacteria if water is present.

2.4 Pipeline Pigging

A maintenance pigging program is utilized by SCM to facilitate removal of particulate, distribution of injected chemicals and sweeping of liquids as may be required on its natural gas gathering system. Mandrel 2 Cup, Mandrel 4 Cup, and Cup Polly pigs are currently utilized throughout the gathering system.

The frequency by which maintenance pigs are run is determined and adjusted by SCM as gas composition, sample analysis, and operational conditions change. Focal points include volume and composition of liquid returns as well as solids in the receiver barrel or on the pig. The scheduled frequencies are generally multiple runs per week, which are executed as necessary and operationally feasible.

2.5 Pipeline maintenance program

Depressurization procedures

In the event that a segment of SCM's natural gas gathering system is required to be evacuated of gas in order to perform maintenance activities, a project specific blowdown and flaring procedure will be written. Such procedure shall identify all impacted pipe segments, equipment, and valves.

The volume of gas to be evacuated shall be calculated and the free and entrained liquids shall be estimated. An adequately sized flare and 2-phase separator shall be secured to safely manage the vapor and liquids.

The blowdown procedure will detail the flare and separation equipment and will describe the steps to safely begin, manage, and end the blow down.

Cathodic protection/anode installation

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	REVISION. 08/23/2021

Cathodic Protection (CP) for pipelines and facilities are designed and installed to meet or exceed the minimum criteria per latest codes and standards.

CP test stations are installed along the pipeline at intervals of 1 mile on cross country lines and ½ mile in congested areas, at foreign pipeline crossings, on both end of terrain crossings (i.e. roads, railroad lines, waterways), at casings, at below grade isolation flanges and at insulated flanges.

All sacrificial anodes will be installed through a test station or junction box and bonded to the pipe or structure with a shunt. Types of anodes used will be selected in accordance with the environment they are installed.

Rectifier units shall perform in accordance with applicable industry codes and standards. The rectifier shall be mounted at a convenient height above grade for monitoring and service purposes. Alternating Current power to the rectifier shall be furnished by SCM.

2.6 Pressure test guidelines and schedule

Guidelines and schedule

A hydrostatic pressure test is performed on each SCM natural gas gathering pipeline prior to placing it in service. The pressure tests comply with API RP 1110, "Pressure Testing of Steel Pipelines for the Transportation of Gas, Petroleum Gas, Hazardous Liquids, Highly Volatile Liquids or Carbon Dioxide". In addition, testing is conducted in accordance with applicable ASME and PHMSA standards. Gas Pipelines shall be tested in accordance with ASME B31.8, Table 841.3.2-1. At a minimum, gas pipeline segments require an 8-hour pressure test.

Project specific hydrostatic test procedures are prepared in accordance with SCM standards. The procedures outline detailed steps for setting up and performing the test, and incorporate project specific information, including test section elevations, test pressure maximum/minimum limits, test section length and test section volume.

Dewatering and Drying

After hydrostatic testing, the test water will be hauled off to an approved disposal site or discharged to the surface in accordance with the permit requirements from the applicable state regulatory agency.

Density foam pigs are utilized for dewatering purposes. The pigs will continue to be run until only 1/4-inch - 1/8-inch water penetration is found in the pig or until approval by SCM.

Salt Creek Midstream

SECTION 3 - Cathodic Protection, Corrosion Control and Liquids Management

3.1 Cathodic Protection

Installation on new pipelines

It is SCM's current practice to provide cathodic protection to all buried pipelines, meter stations, and other facilities as may be required such that the cathodic protection is operation not later than 1 year after the pipeline is constructed, relocated, replaced, or otherwise changed, as applicable.

Installation or retrofit on existing pipelines

SCM has completed the installation of cathodic protection on all existing or retrofitted buried pipelines that have been in service for 1 year or longer.

<u>Monitoring and testing program to ensure effective cathodic protection</u> The cathodic protection rectifiers, reverse current switch, diode, and interference bond whose failure would jeopardize structural protection are actively maintained and are checked for proper operation at least 6 times per year.

To assess cathodic protection effectiveness and adequacy, a pipe-to-soil potential survey is conducted on the pipelines at a minimum of one time per calendar year. All test leads and wires used for pipe-to-soil potential readings are maintained in such condition that electrical measurements can be obtained to ensure adequate protection.

3.2 Chemical treatments

Corrosion Inhibitor

Injection of internal corrosion inhibitor is part of SCM's program to mitigate internal corrosion. The corrosion inhibitor injection program is advised primarily by the results of SCM's corrosion coupon monitoring program and may also include indicators from analysis of samples collected as part of SCM's maintenance pigging program.

Injection of corrosion inhibitor may be recommended whenever investigation of the corrosive effect of the product on the metal indicates it is necessary. Chemical selection, treatment locations, and treatment rates are determined by Operations in consultation with the Integrity Manager and a Chemical Vendor.

Coupon results are the primary basis for making changes to the corrosion inhibitor treatments. Therefore, SCM's chemical treatment strategy is reviewed

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	REVISION. 06/23/2021

following the regular review of corrosion coupon analysis, described in Section 2.3.

3.3 Fluid management

Centralized vs. field dehydration

Water vapor is removed from natural gas to prevent pipeline corrosion and mechanical damage to downstream equipment. The SCM gas quality specifications for natural gas on SCM's natural gas gathering system requires the gas shall not contain in excess of seven (7) lbs per MMcf of water.

Low pressure gas received into the SCM gathering system from producer receipt points is dehydrated by SCM at the SCM compressor stations. SCM uses triethylene glycol (TEG) dehydration units to remove the water vapor from the gas at the SCM compressor stations to achieve the required dehydration level.

High pressure gas received into the SCM gathering system from pipeline interconnects is dehydrated by the interconnecting party. SCM uses continuous monitoring to ensure that the gas received at the interconnect meets or exceeds all required gas quality specifications, including water content.

3.4 Tank Operations and Maintenance

Tanks located on the SCM gas gathering system are located at the SCM compressor stations, however, under normal operations venting is not expected to occur. Routine operations of a compressor station is as follows:

Field gas enters the SCM compressor stations from producer receipt points where condensed liquids are separated at the inlet separator. Condensed liquids from the inlet separator is either routed to condensate tanks and transported offsite via truck, or routed to a blowcase vessel and re-injected into the outgoing pipeline.

The inlet gas stream is compressed and routed to a triethylene glycol (TEG) dehydrator. The dehydrator operations include a flash tank and a BTEX condenser. Non-condensable overheads and flash tank emissions are controlled and routed for use as fuel gas. Condensed liquids from the BTEX condenser are routed with the condensed liquids from the inlet separator.

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	REVISION. 00/23/2021

SECTION 4 - Procedures to Reduce Releases

4.1 Procedures to reduce venting and flaring during maintenance, emergencies and malfunctions

SCM will not flare or vent natural gas except during an emergency or malfunction, or during normal operations, repair, and maintenance as further described below.

Emergency or Malfunction

If flaring or venting of natural gas is necessary during an emergency or malfunction SCM will flare rather than vent, except when flaring is technically infeasible or poses a risk to safe operations or personnel safety and venting is a safer alternative than flaring.

Normal Operations and Maintenance Activities

If flaring or venting of natural gas is necessary during the normal operations and maintenance activities detailed here, SCM will flare rather than vent, except when flaring is technically infeasible or poses a risk to safe operations or personnel safety and venting is a safer alternative than flaring.

Normal Operations

- Pigging a gathering pipeline
- Operation of compressors and compressor engines
- Operation of valves, flanges, and connectors
 - Permissible only if not the result of inadequate equipment design or maintenance
- o Operation of gas-activated pneumatic controllers
- Operation of dehydration units
- Operation of a storage tank
 - Permissible only if it does not include venting from a thief hatch that is not properly closed or maintained)
- Loading out liquids from a storage tank to a transport vehicle
- Gauging or sampling a storage tank

Repair or Maintenance

- Blow down of equipment for repair or maintenance
- Blow down of piping to repair a gathering pipeline
- Purging a gathering pipeline

Commissioning

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	REVISION: 06/25/2021

 Commissioning of pipelines, equipment, or facilities (only for as long as necessary to purge introduced impurities from the pipeline or equipment).

Measurement or estimation of vented and flared natural gas

SCM shall measure or estimate the volume of natural gas that it vents, flares or beneficially uses regardless of the reason or authorization for such venting or flaring.

Equipment to measure the volume of natural gas flared shall be installed and shall conform to industry standards. Such measuring equipment shall not be designed or equipped with a manifold that allows the diversion of natural gas around the metering element except for the sole purpose of inspecting and servicing the measuring equipment.

If metering is not practicable due to circumstances such as low flow rate or low pressure venting and flaring, SCM shall estimate the volume of vented or flared natural gas using a methodology that can be independently verified.

4.2 Procedures for reporting scheduled maintenance and emergencies to upstream operators

Scheduled System Interruption

If a scheduled maintenance, replacement or repair on SCM's natural gas gathering system will interrupt SCM's ability to gather natural gas from an upstream operator, SCM will provide written notification no less than 14 days prior to such interruption to each upstream operator who will be impacted by the event.

The notification will include the date of the interruption and the expected duration that the system will not gather natural gas. SCM will make and keep a record of each notification for no less than five years and make such records available for inspection by the division upon request.

Unscheduled System Interruption

If an emergency, malfunction, or unscheduled maintenance on SCM's natural gas gathering system interrupts SCM's ability to gather natural gas from an upstream operator, SCM will provide verbal notification as soon as possible but no more than 12 hours after discovery to each impacted operator. SCM will follow up with written confirmation of the verbal notification to each upstream operator.

The notification will include the date of the interruption and the expected duration that the system will not gather natural gas. SCM will make and keep a record of each notification for no less than five years and make such records available for inspection by the division upon request.

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	Revision: 08/23/2021

4.3 Emergency Response Plan

Source elimination

SCM's Emergency Response Plan (ERP) has been prepared to help minimize hazards that may result from SCM operations. In an emergency, protection of human life must always be given first priority.

On-Scene Priorities for Emergency Situations

- 1. Activate appropriate Alarms and Call for necessary Help
- 2. Protect Life
- 3. Safely Mitigate the Circumstances
 - Eliminate hazardous sources
 - Initiate facility Emergency Shutdown (ESD) if applicable
 - Shutdown compressors, pumps, or other equipment
 - Close valves to isolate release and limit fuel sources
 - Open designated blowdown valves or drain valves to depressure or evacuate system at safe location
 - Eliminate potential ignition sources including fired heaters, smoking and non-intrinsically safe equipment
 - Contain any release
 - Utilize spill containment booms, diking and diversionary techniques to contain/direct spills
 - Contact environmental response company
 - \circ Maintain safe perimeter
 - Establish air monitoring
 - Establish safe perimeter
 - Utilize public safety officials to initiate road blocks and maintain perimeter control
 - SAFELY prevent actions that would risk further injury or loss of life.
 - If it is not safe to mitigate the hazard(s) and there is an ongoing threat, then back off

Reporting of vented or flared natural gas

SCM shall notify the NMOCD of venting or flaring that exceeds 50 MCF in volume and either results from an emergency or malfunction or lasts eight hours or more cumulatively within any 24-hour period from a single event by filing a form C-129.

- For venting or flaring that equals or exceeds 50 MCF but is less than 500 MCF from a single event:
 - SCM shall notify the NMOCD in writing by filing a form C-129 no later than 15 days following discovery or commencement of venting or flaring.
- For venting or flaring that equals or exceeds 500 MCF or otherwise qualifies as a major release as defined in 19.15.29.7NMAC:

- SCM shall notify the NMOCD verbally or by e-mail as soon as possible but no later than 24 hours following discovery or commencement of venting or flaring and shall provide the information required on form C-129.
- No later than 15 days following the initial notification, SCM shall file a form C-129 that verifies, updates, or corrects the verbal or e-mail notification.
- For a release which includes liquid during venting or flaring:
 - SCM shall file a form C-141 instead of a form C-129 if it is classified as a minor or major release under 19.15.29.7 NMAC.

Monthly reporting of vented and flared natural gas

SCM shall report for each natural gas gathering system, the volume of vented natural gas and the volume of flared natural gas for each month in each category listed below.

- Beginning October1, 2021, SCM shall gather data for quarterly reports in the format specified by the NMOCD and submit by February 15, 2022 for the fourth quarter of 2021, and by May 15, 2022 for the first quarter of 2022.
- Beginning April 2022, SCM shall submit a form C-115B monthly on or before the 15th day of the second month following the month in which it vented or flared natural gas.

SCM shall specify whether it estimated or measured each reported volume and provide the methodology used on the form and shall report changes in the methodology on future forms.

SCM shall make and keep records of the measurements and estimates, including records showing how it calculated the estimates, for no less than and make such records available for inspection by the division upon request.

Categories for reporting include:

- Emergency
- Non-scheduled maintenance or malfunction, including abnormal operation of equipment
- Routine repair and maintenance, including blowdown and depressurization
- Beneficial use, including pilot and purge gas, fired equipment and engines
- Gathering pipeline blowdown and purging
- Gathering pipeline pigging
- Storage tanks
- Venting as a result of normal operation of pneumatic controllers and pumps
- Improperly closed or maintained thief hatches, and

Salt Creek	NMOCD	Revision: 08/23/2021
Midstream	Midstream Operations Plan	REVISION. 06/23/2021

• Other surface waste as defined in Subparagraph(1) of Paragraph (b) of Subsection W of 19.15.2.7 NMAC that is not described above.

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

Operator: SCM Operations, LLC	OGRID: 330368		
5825 N Sam Houston Pkwy W	Action Number:		
Houston, TX 77086	43955		
	Action Type:		
	[NGGS] NGGS Operations Plan (NGGS-OP)		
QUESTIONS			

Verification			
Does the operator own the selected facility	Yes		
Is the selected facility a natural gas gathering system	Yes		

Page 17 of 18

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

ACKNOWLEDGMENTS

Operator:	OGRID:
SCM Operations, LLC	330368
5825 N Sam Houston Pkwy W	Action Number:
Houston, TX 77086	43955
	Action Type:
	[NGGS] NGGS Operations Plan (NGGS-OP)

ACKNOWLEDGMENTS

😿 I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Gathering System Operations 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

ACKNOWLEDGMENTS

Action 43955