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1. **Purpose.** This Natural Gas Operations Plan (this “**Operations Plan**”) provides guidance to prevent and minimize the Venting and Flaring of Natural Gas from Pinon Midstream, LLC (“**Piñon**”) owned and operated Natural Gas Gathering Systems in order to (a) provide an appropriate level of safety for those who work or live in the vicinity of our Natural Gas Gathering System; (b) protect the general health of the public; (c) protect the environment; and (d) minimize Waste.
2. **Scope.** This Operations Plan applies to any current or future Natural Gas Gathering System operated by Piñon and is intended to meet the requirements of New Mexico Administrative Code (“**NMAC**”) Title 19, Chapter 15, Part 28 – Natural Gas Gathering Systems.
3. **Definitions.**
 - A. “**ALARM**” means advanced leak and repair monitoring technology for detecting Natural Gas leaks or releases that is not required by applicable state or federal law, rule, or regulation and which the NMOCD has approved as eligible to earn a credit against the reported volume of lost Natural Gas pursuant to Paragraph (3) of Subsection B of 19.15.28.10 NMAC.
 - B. “**AVO**” means audio, visual, and olfactory.
 - C. “**Custody Transfer Point**” means the transfer of Natural Gas from upstream separation, processing, treatment, or in-field gathering to a pipeline or any other form of transportation occurring at sales metering equipment.
 - D. “**Emergency**” means a temporary, infrequent, and unavoidable event in which the loss of Natural Gas is uncontrollable or necessary to avoid a risk of an immediate and substantial adverse impact on safety, public health, or the environment, but does not include an event arising from or related to:
 1. Piñon’s failure to install appropriate equipment of sufficient capacity to accommodate the anticipated or actual rate and pressure of the Natural Gas Gathering System;
 2. Piñon’s failure to limit the gathering of Natural Gas when the volume of Natural Gas exceeds the capacity of the Natural Gas Gathering System;
 3. scheduled maintenance;
 4. unscheduled maintenance or a Malfunction that results in Venting or Flaring of Natural Gas by an upstream operator for which Piñon fails to comply with Paragraph (2) of Subsection D of 19.15.28.8 NMAC;
 5. Piñon’s negligence;
 6. recurring equipment failure; four (4) or more times within a single reporting area within the preceding thirty (30) days pursuant to Subsection A of 19.15.28.10 NMAC; or
 7. Four (4) or more emergencies within a single reporting area pursuant to Subsection A of 19.15.28.10 NMAC experienced by Piñon within the preceding thirty (30) days, unless the NMOCD determines Piñon could not have reasonably anticipated the current event and it was beyond Piñon’s control.
 - E. “**Flare**” or “**Flaring**” means the controlled combustion of Natural Gas in a device designed for that purpose.
 - F. “**Flare Stack**” means a device equipped with a burner used to Flare Natural Gas.

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- G. **“Gathering Pipeline”** means a pipeline that gathers Natural Gas within a Natural Gas Gathering System.
- H. **“GIS”** means geographic information system.
- I. **“GPS”** means global positioning system.
- J. **“Malfunction”** means a sudden, unavoidable failure or breakdown of equipment beyond the reasonable control of Piñon that substantially disrupts operations, but does not include a failure or breakdown that is caused entirely or in part by poor maintenance, careless operation, or other preventable equipment failure or breakdown.
- K. **“Natural Gas”** means a gaseous mixture of hydrocarbon compounds, primarily composed of methane, and includes both casinghead gas and gas as those terms are defined in 19.15.2 NMAC.
- L. **“Natural Gas Gathering System”** means the gathering pipelines and associated facilities that compress, dehydrate, or treat Natural Gas after the Custody Transfer Point and ending at the connection point with a Natural Gas processing plant or transmission or distribution system.
- M. **“New Gathering Pipeline”** means a Gathering Pipeline placed into service after May 25, 2021.
- N. **“NMOCD”** means the New Mexico Oil Conservation Division.
- O. **“Vent” or “Venting”** means the release of uncombusted Natural Gas to the atmosphere.

4. Overview of Gathering Operations.

- 4.1 Piñon currently operates approximately thirty-two (32) miles of Gathering Pipeline located in Lea County, New Mexico with operating pressures ranging from 25 psig to 1350 psig and constructed between 2021 and the current date. These Gathering Pipelines range in diameter from 16” to 20” and transport Natural Gas of various compositions. There are currently three (3) compressor stations associated with Piñon’s Natural Gas Gathering System which compress Natural Gas transported on the Gathering Pipelines. The Gathering Pipelines feed Piñon’s gas treating plant, also known as the Dark Horse Treating Facility (located in Lea County, New Mexico), and provide for the redelivery of treated Natural Gas to customers. Piñon’s Natural Gas Gathering System is continuously monitored by an Operations and Data Acquisition (SCADA) System.
- 4.2 Each compressor station is equipped with high pressure liquids handling. Liquids are routed to high pressure discharge pipelines to minimize tank Venting and/or Flaring. These liquids are pigged via pipeline into the Dark Horse Treating Facility for stabilization.
- 4.3 Each compressor station is equipped with medium-pressure 6 psig API 610 tanks to minimize liquid flashing and accommodate low pressure pipeline liquids handling. All tanks are equipped with overflow containment and multiple levels of pressure protection including a PVRV routed to the Flare Stack.
- 4.4 All facilities constructed after May 25, 2021, have been, and additional facilities will be, designed to minimize waste (as defined in 19.15.2 NMAC; **“Waste”**).

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5. Natural Gas Operations Plan.

5.1 Venting or Flaring of Natural Gas from Piñon's Natural Gas Gathering System that constitutes Waste is prohibited.

5.2 Piñon has a general duty to maximize the gathering of Natural Gas by minimizing Waste through Venting and Flaring.

5.3 Piñon will take reasonable actions to prevent and minimize leaks and releases of Natural Gas from its Natural Gas Gathering System and make repairs when a leak is discovered.

5.3.1 Piñon's strong preference is to Flare rather than Vent Natural Gas. Venting is only to be used when Flaring is (a) technically infeasible or (b) would pose a risk to safe operations or personnel safety.

5.3.2 Piñon will not Flare or Vent Natural Gas except:

5.3.2.1 During an Emergency or Malfunction; or

5.3.2.2 During the following activities unless prohibited by applicable state or federal law, rule, or regulation for the emission of hydrocarbons and volatile organic compounds:

- (a) Repair and maintenance including the blowing down and depressurizing equipment to perform repair or maintenance;
- (b) Normal operation of a gas-activated pneumatic controller or pump;
- (c) Normal operation of dehydration units and amine treatment units;
- (d) Normal operation of compressors, compressor engines, and turbines;
- (e) Normal operation of valves, flanges, and connectors that are not the result of inadequate equipment design or maintenance;
- (f) Normal operations of a storage tank or other low-pressure production vessel, but not including Venting from a thief hatch that is not properly closed or maintained on an established schedule;
- (g) Gauging or sampling a storage tank or other low-pressure vessel;
- (h) Loading out liquids from a storage tank or other low-pressure vessel to transport vehicle;
- (i) Blow down to repair a Gathering Pipeline;
- (j) Pigging a Gathering Pipeline;
- (k) Purging a Gathering Pipeline; or
- (l) Commissioning of pipelines, equipment, or facilities only for as long as necessary to purge introduced impurities from the pipeline or equipment.

5.4 Natural Gas Gathering Systems.

5.4.1 During scheduled maintenance, replacement, or repair of a new or existing Natural Gas Gathering System, Piñon will not Vent Natural Gas during blowdown and will route Natural Gas to a portable Flare Stack which complies with the applicable standards, inspection, and recordkeeping requirements of Subsection E of 19.15.27.8 NMAC.

5.4.2 During unscheduled maintenance, replacement, or repair of a new or existing Natural Gas Gathering System, to the extent that it is technically feasible and would not pose a risk to

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safe operations or personnel safety, Piñon will not Vent Natural Gas during blowdown and will route Natural Gas to a portable Flare Stack which complies with the applicable standards, inspection, and recordkeeping requirements of Subsection E of 19.15.27.8 NMAC.

5.5 Audio, Visual, Olfactory Inspections. Piñon will conduct, at a minimum, weekly AVO inspections of compressors, dehydrators, and treatment facilities associated with its Natural Gas Gathering System. During an AVO inspection, Piñon will inspect all components, including Flare Stacks, thief hatches, closed vent systems, pumps, compressors, pressure relief devices, valves, lines, flanges, connectors, and piping to confirm those components are operating properly and there are no leaks or releases except as allowed in Section 5.3.1 or 5.3.2 of this Operations Plan. Piñon will retain records of all AVO inspections for at least five (5) years and make such records available for inspection by the NMOCD upon request.

5.6 Annual Gathering Pipeline System Monitoring. Piñon will perform an annual monitoring of the entire length of the Gathering Pipelines associated with its Natural Gas Gathering System using an AVO technique, ALARM technology, aerial visual inspections, or other valid method to detect leaks and releases. Personnel conducting the inspections will be knowledgeable on the methods and technology being used. Piñon will record and, upon the NMOCD's request, report the date and time of the monitoring as well as the method and technology used. Piñon will retain records of annual Gathering Pipeline monitoring for at least five (5) years and make such records available for inspection by the NMOCD upon request.

5.7 Reporting to Affected Upstream Operators.

5.7.1 No less than fourteen (14) days prior to the date of scheduled maintenance, replacement, or repair of its Natural Gas Gathering System, Piñon will provide written notification to each upstream operator whose Natural Gas is gathered by the system of the date and expected duration that the system will not gather Natural Gas.

5.7.2 As soon as possible but no more than twelve (12) hours after discovery of an Emergency or Malfunction, or the need for unscheduled maintenance of its Natural Gas Gathering System, Piñon will provide verbal notification to each upstream operator whose Natural Gas is gathered by the system of the date and expected duration that the system will not gather Natural Gas, and will provide written confirmation of the verbal notification, including the date, time, person, and telephone number to whom verbal notification was given no later than twenty-four (24) hours after discovery.

5.7.3 Piñon will make and keep a record of each notification for no less than five (5) years and make such records available for inspection by the NMOCD upon request.

5.8 Measurement or Estimation of Vented and Flared Natural Gas.

5.8.1 Piñon will 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.

5.8.2 If metering is not practicable due to circumstances such as low flow rate or low-pressure Venting and Flaring, Piñon will estimate the volume of Vented or Flared Natural Gas using a methodology that can be independently verified.

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5.9 Reporting of Vented or Flared Natural Gas Caused by an Emergency, Malfunction or of Long Durations.

- 5.9.1 Piñon will notify the NMOCD of Venting or Flaring that exceeds 50 MCF in volume and either results from an Emergency or Malfunction or lasts eight (8) hours or more cumulatively within any twenty-four (24) hour period from a single event by filing a Form C-129 in lieu of a Form C-141. Piñon will file a Form C-141 instead of a Form C-129 for a release that includes liquid during Venting or Flaring that is or may be a major or minor release under 19.15.29.7 NMAC.
- 5.9.1.1 For Venting or Flaring that equals or exceeds 50 MCF but is less than 500 MCF from a single event, Piñon will notify the NMOCD in writing by filing a Form C-129 no later than fifteen (15) days following discovery or commencement of Venting or Flaring.
- 5.9.1.2 For Venting or Flaring that equals or exceeds 500 MCF or otherwise qualifies as a major release as defined in 19.15.29.7 NMAC from a single event, Piñon will notify the NMOCD verbally or by e-mail as soon as possible and no later than twenty-four (24) hours following discovery or commencement of Venting or Flaring and provide the information required in form C-129. In addition, no later than fifteen (15) days following the discovery or commencement of Venting or Flaring, Piñon will file a form C-129 that verifies, updates, or corrects the verbal or email notification.
- 5.9.1.3 No later than fifteen (15) days following the termination of Venting or Flaring described in Section 5.9.1.1 or 5.9.1.2 of this Operations Plan, Piñon will notify the NMOCD by filing an additional Form C-129.
- 5.9.2 Piñon will provide and certify the accuracy of the following information in the Form C-129:
- (a) Piñon's name;
 - (b) Name and type of facility;
 - (c) Equipment involved;
 - (d) Compositional analysis of Vented or Flared Natural Gas that is representative of the Natural Gas Gathering System;
 - (e) Date(s) and time(s) that Venting or Flaring was discovered or commenced and terminated;
 - (f) Measured or estimated volume of Vented or Flared Natural Gas;
 - (g) Cause and nature of Venting or Flaring;
 - (h) Steps taken to limit the duration and magnitude of Venting or Flaring; and
 - (i) Corrective actions taken to eliminate the cause and recurrence of Venting or Flaring.
- 5.9.3 At the request of the NMOCD, Piñon will provide and certify additional information by the date specified by the NMOCD.

5.10 Monthly Reporting of Vented and Flared Natural Gas.

- 5.10.1 For each Natural Gas Gathering System at which Venting or Flaring occurred, Piñon will gather and report to the NMOCD the volume of Vented and Flared Natural Gas for each

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category listed in Section 5.10.2 of this Operations Plan.

5.10.1.1 Beginning on October 1, 2021, Piñon will gather Venting and Flaring data for quarterly Form C-115B reports in a format specified by NMOCD. Piñon will file a report for the Fourth Quarter of 2021 and First Quarter of 2022.

5.10.1.2 Beginning April 2022, Piñon will gather Venting and Flaring data for monthly Form C-115B reports in a format specified by NMOCD and submit such reports on or before the 15th day of the second month following the month for which the data pertains.

5.10.2 In each report, Piñon will specify whether it estimated or measured each reported volume. In filing the initial report, Piñon will provide the methodology (measured or estimated using calculations and industry standard factors) used to report the volumes on the C-115B Form and will report changes in the methodology on future forms. Piñon will make and keep records of the measurements and estimates, including records showing how it calculated the estimates; for no less than five (5) years and make such records available for inspection by the NMOCD upon request. The Categories are as follows:

- (a) Emergency;
- (b) Non-scheduled maintenance or Malfunction including abnormal operations of equipment;
- (c) Routine repair and maintenance including blowdown and depressurization;
- (d) Beneficial use including pilot and purge gas, fired equipment, and engines;
- (e) Gathering Pipeline blowdown, purging, and pigging;
- (f) Storage tanks;
- (g) Venting as a result of normal operation of pneumatic controllers and pumps;
- (h) Improperly closed or maintained thief hatches; and
- (i) 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.

5.10.3 Upon submittal of the C-115B Report, the NMOCD will compile and publish on the NMOCD's website Piñon's Vented and Flared Natural Gas information for each month on a volumetric and gas capture percentage basis.

(a) To calculate the lost Natural Gas on a volumetric basis, Piñon will deduct the volume of Natural Gas reported under Section 5.10.2 (b), (c), (e), (f), (h) and (i) of this Operations Plan.

(b) To calculate the Natural Gas captured on a percentage basis, Piñon will deduct the volume of lost gas calculated in Section 5.10.3(a) of this Operations Plan from the total volume of Natural Gas gathered and divide by the total volume of Natural Gas gathered.

5.10.4 Upon the New Mexico Environment Department's request, Piñon will promptly provide a copy of any form filed pursuant to 19.15.28 NMAC.

5.11 GIS Location Reporting Requirements.

5.11.1 Piñon will file with the NMOCD a GIS digitally formatted as-built map:

- (a) For a New Gathering Pipeline or Natural Gas Gathering System, no later than ninety (90) days after placing the Gathering Pipeline or Natural Gas Gathering System into

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service;

- (b) For an existing Gathering Pipeline or Natural Gas Gathering System no later than ninety (90) days after May 25, 2021; and
- (c) For an addition to an existing Gathering Pipeline or Natural Gas Gathering System, no later than ninety (90) days after placing the addition into service.

5.11.2 To ensure proper field identification of a Gathering Pipeline in an Emergency, the as-built map will include a layer which identifies the pipeline size and construction material type.

5.11.3 No later than July 1st of each Calendar Year, Piñon will file with the NMOCD an updated GIS digitally formatted as-built map of its Gathering Pipeline or Natural Gas Gathering System, which will include a GIS layer that identifies the date, location, and volume of Vented or Flared Natural Gas of each Emergency, Malfunction, and release reported to the NMOCD since 19.15.28 NMAC became applicable to the pipeline or system.

5.11.4 Piñon may assert confidentiality for the GIS digitally formatted as-built map and GIS layer pursuant to Section 71-2-8 NMSA 1978.

5.12 Pipeline Cathodic Protection, Corrosion Control, and Liquids Management Program.

5.12.1 Follow external cathodic protection practices as applicable to buried metallic pipelines including, but not limited to, cathodic protection surveys and rectifier/bond inspections.

5.12.2 Follow internal corrosion practices including monitoring of strategic locations and utilization of inhibitor injection where necessary.

5.12.3 Follow maintenance pigging activities if beneficial for pipelines that can accommodate and have sufficient flow.

6. Emergency Response. Each notification of a verified or possible leak on Piñon's Natural Gas Gathering System requires an immediate response. All actions taken by Piñon emergency response personnel will be directed towards protecting people first, property, and the environment. Piñon considers all leaks or releases to be an immediate response event.

7. Damage Prevention. Piñon is a member of the New Mexico 811 system and follows a damage prevention program. The program is intended to provide a level of safety for those who work and/or live in the area of Piñon's Natural Gas Gathering System. The program includes:

- 7.1 Follow damage prevention/one call/line locating requirements to prevent third party damage to Gathering Pipelines;
- 7.2 Follow line marker requirements that show approximate location of underground pipelines where appropriate (road crossings, nearby structures); and
- 7.3 Follow patrolling practices visually looking for right-of-way activity or leaks.

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 257129

QUESTIONS

Operator: Pinon Midstream LLC 465 W. NM Highway 128 Jal, NM 88252	OGRID: 330718
	Action Number: 257129
	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

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State of New Mexico
Energy, Minerals and Natural Resources
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ACKNOWLEDGMENTS

Action 257129

ACKNOWLEDGMENTS

Operator: Pinon Midstream LLC 465 W. NM Highway 128 Jal, NM 88252	OGRID: 330718
	Action Number: 257129
	Action Type: [NGGS] NGGS Operations Plan (NGGS-OP)

ACKNOWLEDGMENTS

<input checked="" type="checkbox"/>	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.
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