

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit Original
to Appropriate
District Office

GAS CAPTURE PLAN

Date: 12/14/2016

☒ Original

Operator & OGRID No.: NEMO Fund I, LLC (OGRID 310809)

☐ Amended - Reason for Amendment: _____

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomple 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/Production Facility – Moe SA Unit 35 #1-4H/Moe SA Unit 35 Lease Tank Battery

The well 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 |
|-------------------------|-------------------------|---|-----------------------------|-------------------|---------------------|-----------------|
| Moe SA Unit 35 #1-4H | 30-025- TBD 43499 | SL - A-35-10S-36E BHL - P-35-10S-36E | SL – 10' FNL x 1310' FEL | 300 | Flared | Low gas quality |

Gathering System and Pipeline Notification – N/A due to low gas quality

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 Targa Midstream and will be connected to Targa Midstream's low/high pressure gathering system located in Lea County, New Mexico. It will require ~3500' of pipeline to connect the facility to low/high pressure gathering system. Nemo provides (periodically) to Targa Midstream a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. Gas from these wells will be processed at Targa's Versado Processing Plant located in Sec. 34, Twn. 14S, Rng. 33E, Lea 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 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 Targa Midstream's system at that time. Based on current information, it is Nemo's belief the system can take this gas upon completion of the well.

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

Gas production is expected to IP at about 300 MCFD and decline sharply over first year of production. Many San Andres wells in this field only produce minimal gas after one year of production.