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1625 N. French Dr., Hobbs, NM 88240
District II
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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Submit Original
to Appropriate
District Office

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

HOBBS OCD

MAR 19 2018

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GAS CAPTURE PLAN

Date: 3-6-18

X Original

Operator & OGRID No.: Dakota Resources Inc. (I) & OGRID 5691

☐ 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(s)/Production Facility – Name of facility

The wells that will be located at the production facility are shown in the table below.

Well Name	API	SHL (ULSTR)	SHL Footages	Expected MCF/D	Flared or Vented	Comments
Wallen Federal 10	30-025-	A-19-20s-34e	660' FSL & 990' FEL	75	<30 days	flare until well clean, then connect
Wallen Federal 11	30-025-	A-19-20s-34e	660' FSL & 330' FEL	75	<30 days	flare until well clean, then connect

Gathering System and Pipeline Notification

Wells will be connected to a production facility after flowback operations are complete, if gas transporter system is in place. Gas produced from production facility is dedicated to GPM (aka, DCP) and will be connected to GPM low/high pressure gathering system located at Dakota's existing Wallen central tank battery in D-20-20s-34 Lea County, New Mexico. It will require ≈1/4 mile of pipeline to connect the facility to the low/high pressure gathering system. Dakota provides (periodically) to GPM a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, Dakota and GPM have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at GPM Processing Plant located in 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(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 GPM system at that time. Based on current information, it is Dakota's belief the system can take this gas upon completion of the wells.

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