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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

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District Office

HOBBS OGD

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GAS CAPTURE PLAN

Date: 9/20/2017

☒ Original

Operator & OGRID No.: Matador Production Company (228937)

☐ 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: A C-129 must be submitted and approved prior to exceeding 60 days allowed by Rule 19.15.18.12.A

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 | API | SHL (ULSTR) | SHL Footages | Expected MCF/D | Flared or Vented | Comments |
|------------------------|------------------|---------------|--------------------|----------------|------------------|---|
| Verna Rae Fed Com 113H | 30-025- | B- 06-20S-34E | 230 FNL & 1785 FEL | 1200 | 12 days | Flare 12 days on FB before turn into TB |
| Verna Rae Fed Com 123H | 30-025- 44355 | B- 06-20S-34E | 230 FNL & 1815 FEL | 1200 | 12 days | Flare 12 days on FB before turn into TB |
| Verna Rae Fed Com 133H | 30-025- | B- 06-20S-34E | 230 FNL & 1755 FEL | 1400 | 14 days | Flare 14 days on FB before turn into TB |
| Verna Rae Fed Com 134H | 30-025- | B- 06-20S-34E | 260 FNL & 1725 FEL | 1000 | 12 days | Flare 12 days on FB before turn into TB |
| Verna Rae Fed Com 203H | 30-025- | B- 06-20S-34E | 230 FNL & 1845 FEL | 1400 | 14 days | Flare 14 days on FB before turn into TB |
| Verna Rae Fed Com 204H | 30-025- | B- 06-20S-34E | 230 FNL & 1725 FEL | 1200 | 14 days | Flare 14 days on FB before turn into TB |

Gathering System and Pipeline Notification

The well will be connected to a production facility after flowback operations are complete so long as the gas transporter system is in place. The gas produced from the production facility should be connected to at least one of three possible gas gathering systems located in Lea County, New Mexico. It will require ~2,000' of pipeline to connect the facility to the Versado gathering system. It will require ~500' of pipeline to connect the facility to the DCP midstream gathering system. It will require ~1,000' of pipeline to connect the facility to the 3Bear gathering system. Matador Production Company periodically provides a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future to the three different gathering companies. If changes occur that will affect the drilling and completion schedule, Matador Production Company will notify the three gathering companies if the gas produced from the well will be processed at a processing plant further downstream and, although unanticipated, any issues with downstream facilities could cause flaring at the wellhead. The actual flow of the gas will be based on compression operating parameters and gathering system pressures measured when the well starts producing.

Flowback Strategy

After fracture treatment/completion operations (flowback), the well will be produced to temporary production tanks and the gas will be flared or vented. During flowback, the fluids and sand content will be monitored. If the produced fluids contain minimal sand, then the well will be turned to production facilities. The gas sales should start as soon as the well starts flowing through the production facilities, unless there are operational issues on the midstream system at that time. Based on current information, it is Matador's belief the system will be able to take the gas upon completion of the well.

Safety requirements during cleanout operations 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, but determined to be impractical, to reduce the amount of gas flared.

- Power Generation – On lease
 - Operating a generator will only utilize a portion of the produced gas and the remainder of gas would still need to be flared.
 - Power generation also requires an agreement with a power company that is willing to purchase the gas. The terms of any such agreement typically require a long term commitment from the operator at certain and steady deliverables. With gas decline rates and the unpredictability of markets, it is impracticable for the operator to agree to a long term commitment because as the wells decline the operator would be burdened with penalties for failure to meet the deliverables.
- Compressed Natural Gas – On lease
 - Compressed Natural Gas is likely to be uneconomic to operate when the gas volume declines.
- NGL Removal – On lease
 - NGL Removal requires a plant and is expensive on such a small scale rendering it uneconomic and still requires residue gas to be flared.