

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

RECEIVED

Submit Original
to Appropriate
District Office

APR 12 2019

~~DISTRICT II-ARTESIA O.C.D.~~

GAS CAPTURE PLAN

Date: 07/25/2018

☒ Original

Operator & OGRID No.: Chisholm Energy Operating, LLC/372137

☐ 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 well(s) 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
ASTEROID 20-29 FED COM WCB 1H	015-	A-20-23S-26E	120 FNL 1360 FEL	1900	FLARED	PIPELINE IN PLACE; FLARE ONLY WHEN NEEDED

Gathering System and Pipeline Notification

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 LUCID and will be connected to LUCID low/high pressure gathering system located in EDDY County, New Mexico. It will require FLOWLINES to connect the facility to low/high pressure gathering system. Chisholm Energy Operating, LLC provides (periodically) to LUCID a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, Chisholm Energy Operating, LLC and LUCID have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at LUCID Processing Plant located in Sec. 13, Twn. 24S, Rng. 33E, EDDY 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 LUCID system at that time. Based on current information, it is Chisholm Energy Operating, LLC belief the system can take this gas upon completion of the well(s).

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



Receipt

Your payment is submitted

Pay.gov Tracking ID: 26B665Q1

Agency Tracking ID: 75537646408

Form Name: Bureau of Land Management (BLM) Application for Permit to Drill (APD) Fee

Application Name: BLM Oil and Gas Online Payment

Payment Information

Payment Type: Bank account (ACH)

Payment Amount: \$68,530.00

Transaction Date: 07/25/2018 04:09:27 PM EDT

Payment Date: 07/26/2018

Company: CHISHOLM ENERGY OPERATING, LLC

APD IDs: 10400032174, 10400032218, 10400032219, 10400032423, 10400032424, 10400032426, 10400032427

Lease Numbers: NMNM097120, NMNM097120, NMNM097120, NMNM070200, NMNM070200, NMNM070200, NMNM113944

Well Numbers: 6H, 5H, 4H, 3H, 2H, 1H, 13H

Note: You will need your Pay.gov Tracking ID to complete your APD transaction in AFMSS II. Please ensure you write this number down upon completion of payment.

Account Information

Account Holder Name: CHISHOLM ENERGY OPERATING, LLC

Routing Number: 114000093

Account Number: *****4470

Email Confirmation Receipt

Confirmation Receipts have been emailed to:

jelrod@chisholmenergy.com

amccullough@chisholmenergy.com