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: October 22, 2018

☒ Original
☐ Amended - Reason for Amendment:

Operator & OGRID No.: MARATHON OIL PERMIAN, LLC
OGRID: 372098

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomplete 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
Blue Steel 21 FB Fee 21H		D-28-T23S-R29E	270' FNL 1165' FWL	2200	Flared	
Blue Steel 21 WA Fee 2H		D-28-T23S-R29E	270' FNL 1105' FWL	3200	Flared	
Blue Steel 21 WA Fee 9H		D-28-T23S-R29E	270' FNL 1225' FWL	3200	Flared	
Blue Steel 21 WD Fee 3H		D-28-T23S-R29E	270' FNL 1135' FWL	3200	Flared	
Blue Steel 21 WXY Fee 6H		D-28-T23S-R29E	270' FNL 1195' FWL	3200	Flared	
Blue Steel 21 WXY Fee 8H		D-28-T23S-R29E	270' FNL 1255' FWL	3200	Flared	
Blue Steel 21 SB Fee 4H		D-28-T23S-R29E	470' FNL 1104' FWL	2200	Flared	
Blue Steel 21 SB Fee 7H		D-28-T23S-R29E	470' FNL 1224' FWL	2200	Flared	
Blue Steel 21 FB Fee 25H		D-28-T23S-R29E	470' FNL 1194' FWL	2200	Flared	
Blue Steel 21 WD Fee 5H		D-28-T23S-R29E	470' FNL 1134' FWL	3200	Flared	
Blue Steel 21 WD Fee 10H		D-28-T23S-R29E	470' FNL 1164' FWL	3200	Flared	
Blue Steel 21 WD Fee 23H		D-28-T23S-R29E	470' FNL 1254' FWL	3200	Flared	

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's low pressure gathering system located in Lea County, New Mexico. It will require about 1 mile of pipeline to connect the facility to low pressure gathering system. Marathon 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, Marathon and Lucid have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at Red Hills Processing Plant located in Sec.13, Twn. 24S, 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(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 Marathon's 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