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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

OIL CONS. DIV DIST. 3

Date: 5/12/2016

☒ Original

Operator & OGRID No.: 006515

MAY 17 2016

☐ 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
Split Lip #1	3004535765	P-32-24N-11W	914'FSL & 847" FEL	50-mcfd	Gas will be flared after completion until burnable. Well will then be shut in for pressure build up then a 24-hour test will be run. Well will then be shut in after test until a pipeline connection is secured.	Well will be drilled, completed, tested and then shut in until a pipeline connection is surveyed and constructed.
					see next page	

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 Enterprise and will be connected to Dugan's Sesame Street low low/high pressure gathering system located in San Juan County, New Mexico. It will require 4-5-miles of pipeline to connect the facility to low/high pressure gathering system. Dugan Production provides (periodically) to Enterprise a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, Dugan Production and Enterprise have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at Enterprise's Chaco Processing Plant located in Sec.16, Twn. 26N, Rng. 12W, San Juan County, New Mexico. The actual flow of the gas will be based on compression operating parameters and gathering system pressures.

Flowback Strategy

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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 well will be shut in. After pressure build up, a 24-hour production test will be run. The well will then be shut in until a pipeline connection is secured. Gas sales should start as soon as the wells start flowing through the production facilities, unless there are operational issues on Enterprise's system at that time. Based on current information, it is Dugan Production'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
- Well will be shut in following a 24-hour test period until the gas pipeline is surveyed and constructed. Permit approval and construction could take at least one year to complete. Pipeline will tie into the Dugan Production Sesame Street Gathering System located in S. 36, T24N, R11W and then transport produced gas to a gas sales point on Enterprise's 101A gathering system located in S. 30, T25N, R11W and produced water to a Dugan Salt Water Disposal well located in S. 32, T24N, R11W.

For additional information or questions, please contact Kurt Fagrelus at Dugan Production Corp. 505-325-1821 office or 505-320-8248 cell. Thank you