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Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

EMNRD-OCD ARTESIA

GAS CAPTURE PLAN

Date: 01-15-2019

Original

Operator & OGRID No.: OXY USA INC. - 16696

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, 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 |
|--------------------------------|---------|-----------------------|------------------|----------------|------------------|----------|
| Arkenstone 31 Federal 1H | Pending | D-1-31-23S-31E | 130 FNL 895 FWL | 2300 | 0 | |
| Arkenstone 31 Federal 2H | Pending | D-1-31-23S-31E | 130 FNL 930 FWL | 2300 | 0 | |
| Arkenstone 31 Federal 3H | Pending | B-31-23S-31E | 130 FNL 2613 FEL | 2300 | 0 | |
| Arkenstone 31 Federal 4H | Pending | B-31-23S-31E | 130 FNL 2578 FEL | 2300 | 0 | |
| Arkenstone 31 Federal 7H | Pending | C-31-23S-31E | 130 FNL 1425 FWL | 2300 | 0 | |
| Arkenstone 31 Federal 8H | Pending | C-31-23S-31E | 130 FNL 1460 FWL | 2300 | 0 | |
| Arkenstone 31 Federal 171H | Pending | D-1-31-23S-31E | 130 FNL 1160 FWL | 2700 | 0 | |
| Arkenstone 31 Federal 172H | Pending | D-1-31-23S-31E | 130 FNL 1195 FWL | 2700 | 0 | |
| Arkenstone 31 Federal 173H | Pending | C-31-23S-31E | 130 FNL 2465 FWL | 2700 | 0 | |
| Arkenstone 31 Federal 174H | Pending | C-31-23S-31E | 130 FNL 2500 FWL | 2700 | 0 | |
| Arkenstone 31 Federal Com 5H | Pending | A-31-23S-31E | 130 FNL 865 FEL | 2300 | 0 | |
| Arkenstone 31 Federal Com 6H | Pending | A-31-23S-31E | 100 FNL 830 FEL | 2300 | 0 | |
| Arkenstone 31 Federal Com 9H | Pending | B-31-23S-31E | 280 FNL 2150 FEL | 2300 | 0 | |
| Arkenstone 31 Federal Com 10H | Pending | B-31-23S-31E | 350 FNL 2150 FEL | 2300 | 0 | |
| Arkenstone 31 Federal Com 175H | Pending | A-31-23S-31E | 100 FNL 1130 FEL | 2700 | 0 | |
| Arkenstone 31 Federal Com 176H | Pending | A-31-23S-31E | 100 FNL 1095 FEL | 2700 | 0 | |
| Precious 30_18 Federal Com 1H | Pending | D-1-31-23S-31E | 570 FNL 550 FWL | 3900 | 0 | |
| Precious 30_18 Federal Com 2H | Pending | D-1-31-23S-31E | 570 FNL 585 FWL | 3900 | 0 | |
| Precious 30_18 Federal Com 3H | Pending | B-31-23S-31E | 570 FNL 2635 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 4H | Pending | B-31-23S-31E | 570 FNL 2600 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 5H | Pending | A-31-23S-31E | 520 FNL 800 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 6H | Pending | A-31-23S-31E | 520 FNL 765 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 7H | Pending | C-31-23S-31E | 570 FNL 1345 FWL | 3900 | 0 | |
| Precious 30_18 Federal Com 8H | Pending | C-31-23S-31E | 570 FNL 1380 FWL | 3900 | 0 | |
| Precious 30_18 Federal Com 9H | Pending | B-31-23S-31E | 520 FNL 1330 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 10H | Pending | A-31-23S-31E | 520 FNL 1295 FEL | 3900 | 0 | |
| Precious 30_18 Federal Com 11H | Pending | C-31-23S-31E | 130 FNL 1935 FWL | 1800 | 0 | |
| Precious 30_18 Federal Com 12H | Pending | C-31-23S-31E | 130 FNL 1970 FWL | 1800 | 0 | |
| Precious 30_18 Federal Com 13H | Pending | B-31-23S-31E | 100 FNL 1395 FEL | 1800 | 0 | |
| Precious 30_18 Federal Com 14H | Pending | B-31-23S-31E | 100 FNL 1360 FEL | 1800 | 0 | |
| Precious 30_18 Federal Com 21H | Pending | D-1-31-23S-31E | 570 FNL 285 FWL | 3000 | 0 | |
| Precious 30_18 Federal Com 22H | Pending | D-1-31-23S-31E | 570 FNL 1080 FWL | 3000 | 0 | |
| Precious 30_18 Federal Com 23H | Pending | C-31-23S-31E | 130 FNL 2200 FWL | 3000 | 0 | |
| Precious 30_18 Federal Com 24H | Pending | C-31-23S-31E | 130 FNL 2235 FWL | 3000 | 0 | |

| Well Name | API | Well Location (ULSTR) | Footages | Expected MCF/D | Flared or Vented | Comments |
|---------------------------------|---------|-----------------------|------------------|----------------|------------------|--------------|
| Precious 30_18 Federal Com 25H | Pending | A-31-23S-31E | 100 FNL 600 FEL | 3000 | 0 | |
| Precious 30_18 Federal Com 26H | Pending | A-31-23S-31E | 100 FNL 565 FEL | 3000 | 0 | |
| Precious 30_18 Federal Com 41H | Pending | D-1-31-23S-31E | 570 FNL 320 FWL | 4000 | 0 | |
| Precious 30_18 Federal Com 42H | Pending | D-1-31-23S-31E | 570 FNL 1115 FWL | 4000 | 0 | |
| Precious 30_18 Federal Com 43H | Pending | C-31-23S-31E | 570 FNL 2178 FWL | 4000 | 0 | 30-015-46614 |
| Precious 30_18 Federal Com 44H | Pending | C-31-23S-31E | 570 FNL 2213 FWL | 4000 | 0 | |
| Precious 30_18 Federal Com 45H | Pending | A-31-23S-31E | 520 FNL 535 FEL | 4000 | 0 | |
| Precious 30_18 Federal Com 46H | Pending | A-31-23S-31E | 500 FNL 500 FEL | 4000 | 0 | |
| Precious 30_18 Federal Com 171H | Pending | D-1-31-23S-31E | 570 FNL 815 FWL | 3100 | 0 | |
| Precious 30_18 Federal Com 172H | Pending | D-1-31-23S-31E | 570 FNL 850 FWL | 3100 | 0 | |
| Precious 30_18 Federal Com 173H | Pending | C-31-23S-31E | 570 FNL 2443 FWL | 3100 | 0 | |
| Precious 30_18 Federal Com 174H | Pending | C-31-23S-31E | 570 FNL 2478 FWL | 3100 | 0 | |
| Precious 30_18 Federal Com 175H | Pending | A-31-23S-31E | 520 FNL 1065 FEL | 3100 | 0 | |
| Precious 30_18 Federal Com 176H | Pending | A-31-23S-31E | 520 FNL 1030 FEL | 3100 | 0 | |

Gathering System and Pipeline Notification

Well(s) will be connected to a production facility after flowback operations are complete, where a gas transporter system is in place. The gas produced from production facility is dedicated to Enterprise Field Services, LLC (“Enterprise”) and is connected to Enterprise low/high pressure gathering system located in Eddy County, New Mexico. OXY USA INC. (“OXY”) 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, OXY and Enterprise have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at Enterprise’s Processing Plant located in Sec. 36, Twn. 24S, Rng. 30E, 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 Enterprise system at that time. Based on current information, it is OXY’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