District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
August 1, 2011

Permit 334648

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address	2. OGRID Number
3R Operating, LLC 4000 N BIG SPRING ST Midland, TX 79705	331569
	3. API Number 30-025-51126

4. Property Code	5. Property Name	6. Well No.
333808	MORPHEUS 25 36 STATE COM	001H

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
L	25	20S	35E	L	2540	S	1105	W	Lea

8. Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
M	36	20S	35E	M	100	S	330	W	Lea

9. Pool Information

FEATHERSTONE;BONE SPRING	24250

Additional Well Information

11. Work Type	12. Well Type	13. Cable/Rotary	14. Lease Type	15. Ground Level Elevation
New Well	OIL		State	3675
16. Multiple	**17. Proposed Depth**	**18. Formation**	**19. Contractor**	**20. Spud Date**
N	17918	Bone Spring		4/1/2023
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

☒ **We will be using a closed-loop system in lieu of lined pits**

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	54.5	2000	940	0
Surf	17.5	13.375	54.5	2000	390	1300
Int1	12.25	9.625	40	5800	400	4800
Int1	12.25	9.625	40	5800	1500	0
Prod	8.75	5.5	20	17918	1530	9700
Prod	8.75	5.5	20	17918	537	4800

Casing/Cement Program: Additional Comments

22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	2500	2500	CAMERON
Double Ram	5000	5000	CAMERON
Pipe	5000	5000	CAMERON

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
I further certify I have complied with 19.15.14.9 (A) NMAC ☒ and/or 19.15.14.9 (B) NMAC ☒, if applicable.

Signature:

OIL CONSERVATION DIVISION

Printed Name:	Electronically filed by Lauren Franco	Approved By:	Paul F Kautz
Title:		Title:	Geologist
Email Address:	lfranco@3roperating.com	Approved Date:	2/27/2023
Date:	2/18/2023	Phone: 432-413-4148	Conditions of Approval Attached

Expiration Date: 2/27/2025

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District IV
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Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
	24250	FEATHERSTONE; BONE SPRING

4 Property Code	5 Property Name	6 Well Number
	MORPHEUS 25 36 STATE COM	1H

7 OGRID NO.	8 Operator Name	9 Elevation
331569	3R OPERATING, LLC.	3675'

10 Surface Location

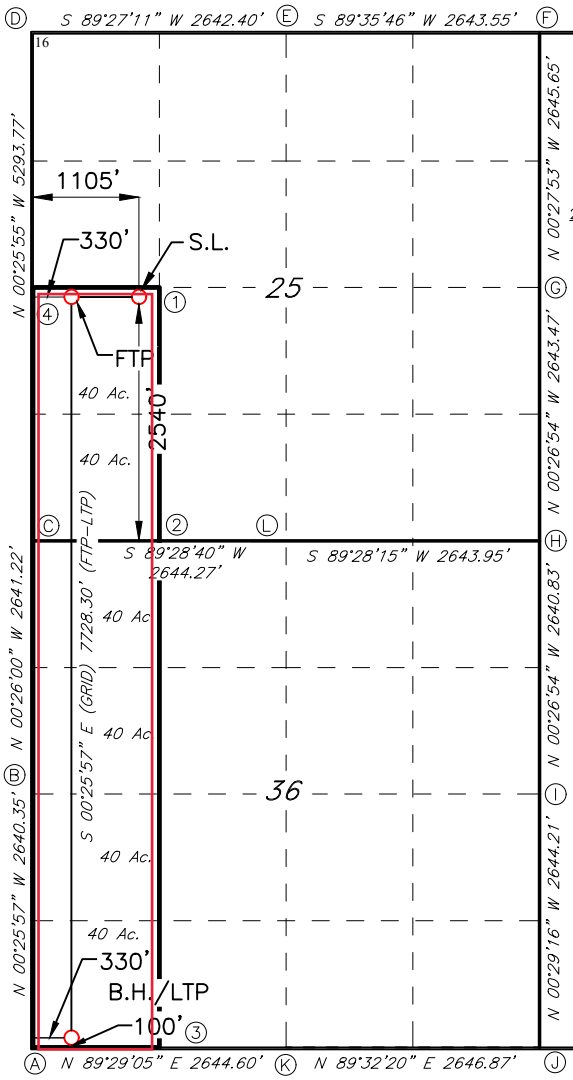
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
L	25	20S	35E		2540	SOUTH	1105	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	20S	35E		100	SOUTH	330	WEST	LEA

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
240			

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



GEODETIC DATA
NAD 83 GRID – NM EAST

SURFACE LOCATION (SL)
N: 562804.8 – E: 824075.8
LAT: 32.5438599° N
LONG: 103.4157984° W

FIRST TAKE POINT (FTP)
2547' FSL & 330' FWL SEC.25
N: 562804.4 – E: 823300.9
LAT: 32.5438770° N
LON: 103.4183130° W

LAST TAKE POINT (LTP)
100' FSL & 300' FWL SEC.36
N: 555077.7 – E: 823359.2
LAT: 32.5226394° N
LON: 103.4183390° W

BOTTOM HOLE (BH)
N: 555077.7 – E: 823359.2
LAT: 32.5226394° N
LON: 103.4183390° W

CORNER DATA
NAD 83 GRID – NM EAST

A: FOUND BRASS CAP "1912"
N: 554974.7 – E: 823030.0

B: FOUND BRASS CAP "ILLEGIBLE"
N: 557614.5 – E: 823010.1

C: FOUND IRON ROD
N: 560255.2 – E: 822990.1

D: FOUND 5/8" REBAR
N: 565547.9 – E: 822950.3

E: FOUND BRASS CAP "1912"
N: 565573.1 – E: 825592.1

F: FOUND BRASS CAP "1937"
N: 565591.7 – E: 828235.1

G: FOUND BRASS CAP "ILLEGIBLE"
N: 562946.6 – E: 828256.5

H: CALCULATED CORNER
N: 560303.7 – E: 828277.2

I: FOUND BRASS CAP "1937"
N: 557663.4 – E: 828297.9

J: FOUND BRASS CAP "1937"
N: 555019.8 – E: 828320.4

K: FOUND 6"X2"X3"
LIMESTONE ROCK
N: 554998.5 – E: 825674.1

L: FOUND BRASS CAP "1912"
N: 560279.3 – E: 825633.8

CALCULATED POINTS
1: N: 562912.8 – E: 824291.6
2: N: 560267.2 – E: 824312.0
3: N: 554986.6 – E: 824352.1
4: N: 562901.5 – E: 822970.2

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Brad Grandstaff 02/18/2023
Signature Date

BRAD GRANDSTAFF
Printed Name

BGRANDSTAFF@3ROPERATING.COM
E-mail Address

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

01-20-2021
Date of Survey

Signature and Seal of Professional Surveyor:

ROBERT M. HOWETT NEW MEXICO 19680 PROFESSIONAL SURVEYOR

19680
Certificate Number

FTP MOVE/NAME CHANGE 02/16/23
BH MOVE/NAME CHANGE 02/14/23

Job No: LS21010004R1

Intent ☐ As Drilled ☐

API #

Operator Name:	Property Name:	Well Number

Kick Off Point (KOP)

UL	Section	Township	Range	Lot	Feet	From N/S	Feet	From E/W	County

Latitude	Longitude	NAD

First Take Point (FTP)

UL	Section	Township	Range	Lot	Feet	From N/S	Feet	From E/W	County

Latitude	Longitude	NAD

Last Take Point (LTP)

UL	Section	Township	Range	Lot	Feet	From N/S	Feet	From E/W	County

Latitude	Longitude	NAD

Is this well the defining well for the Horizontal Spacing Unit? ☐

Is this well an infill well? ☐

If infill is yes please provide API if available, Operator Name and well number for Defining well for Horizontal Spacing Unit.

API #

Operator Name:	Property Name:	Well Number

District I
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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form APD Comments

Permit 334648

PERMIT COMMENTS

Operator Name and Address:	API Number:
3R Operating, LLC [331569] 4000 N BIG SPRING ST Midland, TX 79705	30-025-51126
	Well: MORPHEUS 25 36 STATE COM #001H

Created By	Comment	Comment Date
pkautz	HOLD DDP IS INCOMPLETE	2/27/2023

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form APD Conditions

Permit 334648

PERMIT CONDITIONS OF APPROVAL

Operator Name and Address:	API Number:
3R Operating, LLC [331569] 4000 N BIG SPRING ST Midland, TX 79705	30-025-51126
	Well: MORPHEUS 25 36 STATE COM #001H

OCD Reviewer	Condition
pkautz	Notify OCD 24 hours prior to casing & cement
pkautz	Will require a File As Drilled C-102 and a Directional Survey with the C-104
pkautz	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string
pkautz	Oil base muds are not to be used until fresh water zones are cased and cemented providing isolation from the oil or diesel. This includes synthetic oils. Oil based mud, drilling fluids and solids must be contained in a steel closed loop system
pkautz	Oil base muds are not to be used until fresh water zones are cased and cemented providing isolation from the oil or diesel. This includes synthetic oils. Oil based mud, drilling fluids and solids must be contained in a steel closed loop system
pkautz	Cement is required to circulate on both surface and intermediate1 strings of casing
pkautz	The Operator is to notify NMOCD by sundry (Form C-103) within ten (10) days of the well being spud

3R OPERATING, LLC

1004 N . Big Spring Street,

Suite 325

Midland, TX 79701

H2S Contingency Plan

Lea County, NM

Escape

Crews shall escape upwind of escaping gas in the event of an emergency release of gas. Escape can be facilitated from the location entrance road. Crew should then block entrance to the location from the lease road so as not to allow anyone traversing into a hazardous area. The blockade should be at a safe distance outside of the ROE. There are NO homes or buildings in or near the ROE.

Assumed 100 ppm ROE = 3000'
100 ppm H2S concentration shall trigger activation of this plan

Emergency Procedures

In the event of a release of gas containing H2S, the first responder(s) must:

- « Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- « Evacuate any public places encompassed by the 100 ppm ROE.
- « Be equipped with H2S monitors and air packs in order to control the release.
- « Use the "buddy system" to ensure no injuries occur during the response.
- « Take precautions to avoid personal injury during this operation.
- « Contact operator and/or local officials to aid in operation. See list of phone numbers attached.
- « Have received training

  in the: Detection of

  H2S, and

  Measures for protection against the gas,

  Equipment used for protection and emergency response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (S02). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally, the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas.

Characteristics of H2S and SO,

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H2S	1.189 Air=1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO2	2.21 Air=1	2 ppm	N/A	1000 ppm

Contacting Authorities

3 Bear Field Services personnel must liaise with local and state agencies to ensure **a** proper response to a major release. Additionally, the OCD must be notified of the release as soon **as** possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to sit e. The following call list of essential and potential responders has been prepared for use during a release. 3 Bear Field Services, LLC response must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan" (HMERP).

Hydrogen Sulfide Drilling Operations Plan

1. All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:
   A. Characteristics of H2S
   B. Physical effects and hazards
   C. Principal and operation of H2S detectors, warning system and briefing areas.
   D. Evacuation procedure, routes and first aid.
   E. Proper use of safety equipment & life support systems
   F. Essential personnel meeting Medical Evaluation criteria will receive additional training on the proper use of 30-minute pressure demand air packs.

2. H2S Detection and Alarm Systems:
   a. H2S sensors/detectors to be located on the drilling rig floor, in the base of the sub structure/cellar area, on the mud pits in the shale shaker area. Additional H2S detectors may play placed as deemed necessary.
   b. An audio alarm system will be installed on the derrick floor and in the top doghouse.

3. Windsock and/or wind streamers:
   a. Windsock at mudpit area should be high enough to be visible.
   b. Windsock on the rig floor and/ or top doghouse should be high enough to be visible.

4. Condition Flags and Signs
   a. Warning sign on access road to location.
   b. Flags to be displayed on sign at entrance to location. Green flag indicates normal safe condition. Yellow flag indicates potential pressure and danger. Red flag indicates danger (H2S present in dangerous concentration). Only H2S trained and certified personnel

admitted to location.

5. Well control equipment:
   a. See exhibit BOP and Choke Diagrams

6. Communication:
   a. While working under masks chalkboards will be used for communication.
   b. Hand signals will be used where chalk board is inappropriate.
   c. Two-way radio will be used to communicate off location in case of emergency help is required. In most cases, cellular telephones will be available at most drilling foreman's trailer or living quarters.

7. Drill stem Testing:
   No DSTs are planned at this time.

8. Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.
9. If H25 is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H2S scavengers if necessary.

Emergency Assistance Telephone List

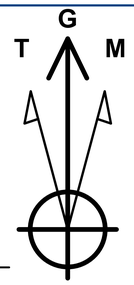
Ridge Runner Resources, LLC		
Ridge Runner Resources, LLC	Office:	(432)686-2973
CEO-Brian Cassens	Office:	(817)953-0480
Drilling Superintendent-Russell Simons	Cell:	(830)285-7501
Production Superintendent-Paul Martinez	Cell:	(325)206-1722

Public Safety:			**911 or**
Lea County Sheriff's Department		Number:	(575)396-3611
Lea County Emergency Management-Lorenzo Velasquez		Number:	(575)391-2983
Lea County Fire Marshal			
Lorenzo Velasquez, Director		Number:	(575)391-2983
Jeff Broom, Deputy Fire Marshal		Number:	(575)391-2988
Fire Department:			
Knowles Fire Department		Number:	(505)392-2810
City of Hobbs Fire Department		Number:	(505)397-9308
Jal Volunteer Fire Department		Number:	(505)395-2221
Lovington Fire Department		Number:	(575)396-2359
Maljamar Fire Department		Number:	(505)676-4100
Tatum Volunteer Fire Department		Number:	(505)398-3473
Eunice Fire Department		Number:	(575)394-3258
Hospital: Lea Regional Medical Center		Number:	(575)492-5000
AirMed: Medevac		Number:	(888)303-9112
Dept. of Public Safety		Number:	(505)827-9000
New Mexico OCD-Dist. 1-Hobbs-	Office	Number:	(575)393-6161
	Emergency	Number:	(575)370-3186
Lea County Road Department		Number:	(575)391-2940
NMDOT		Number:	(505)827-5100
Bureau Of Land Management Pecos			
District Office		Number:	(575)627-0272
Carlsbad Field Office		Number:	(575)234 5972

3R Operating, LLC
Site: Morpheus 25-36 State
Well: Morpheus 25-36 State 2BS Com #1H
Wellbore: Permit
Plan: APD-Rev01

WELL DETAILS: Morpheus 25-36 State 2BS Com #1H

Northing	Easting	Latittude	Longitude
562804.80	824075.80	32.54385984	-103.41579848



Azimuths to Grid North
True North: -0.49°
Magnetic North: 5.81°

Magnetic Field
Strength: 47521.8nT
Dip Angle: 60.16°
Date: 2/17/2023
Model: IGRF2020

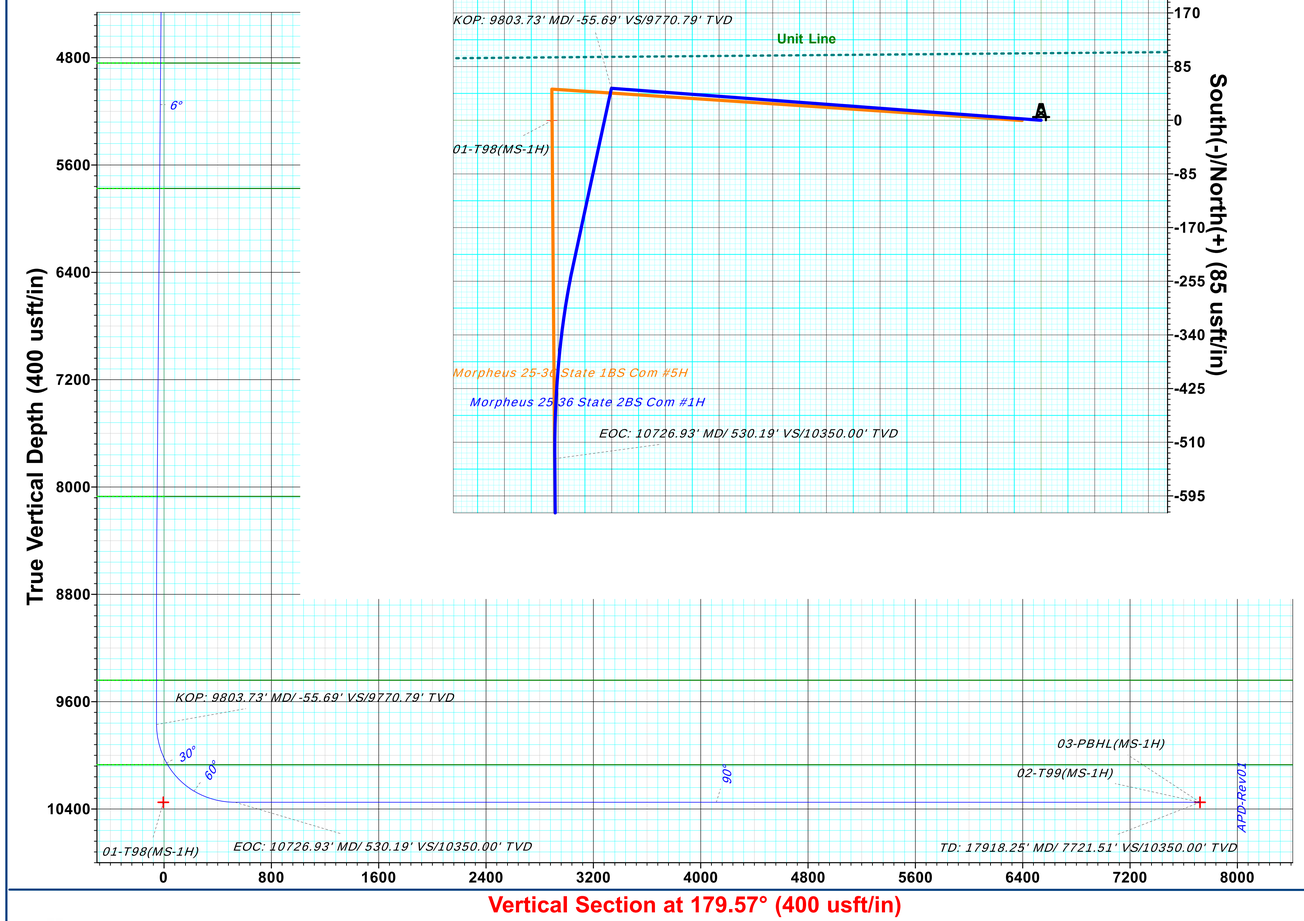
PROJECT DETAILS: Lea County, NM (N83-NME)
Well Name: Morpheus 25-36 State 2BS Com #1H
Geodetic System: US State Plane 1983
Datum: North American Datum 1983
Ellipsoid: GRS 1980
Zone: New Mexico Eastern Zone
System Datum: Mean Sea Level
Local North: Grid
KB Elevation: 3675+25 @ 3700.00usft
Elevation: 3700.00

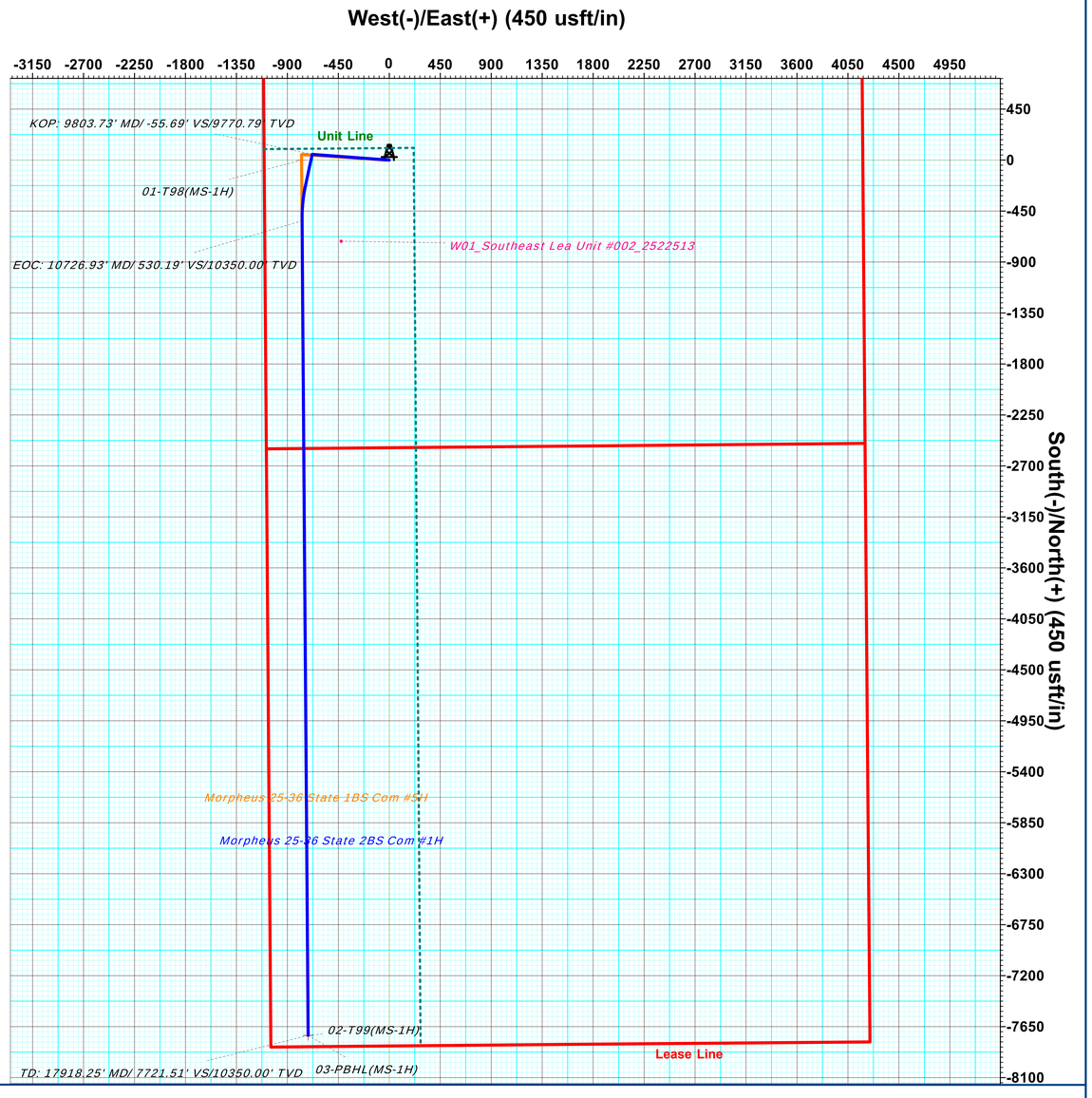
FORMATION TOP DETAILS

TVDPath	MDPath	Formation
1900.00	1900.73	Rustler
2850.00	2855.33	Salado
3750.00	3759.69	Yates
4235.00	4247.04	Seven Rivers
4840.00	4854.97	Queen
5775.00	5794.50	Delaware
8070.00	8100.62	Bone Spring
9440.00	9472.94	1st Bone Spring Sand
10070.00	10118.54	2nd Bone Spring Sand

Section Details

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dleg	TFace	VSect
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	1500.00	0.00	0.00	1500.00	0.00	0.00	0.00	0.00	0.00
3	1875.23	5.63	274.25	1874.62	1.36	-18.36	1.50	274.25	-1.50
4	8457.71	5.63	274.25	8425.38	49.22	-662.18	0.00	0.00	-54.18
5	8832.94	0.00	0.00	8800.00	50.58	-680.54	1.50	180.00	-55.69
6	9803.73	0.00	0.00	9770.79	50.58	-680.54	0.00	0.00	-55.69
7	10403.73	60.00	192.20	10266.99	-229.43	-741.08	10.00	192.20	223.86
8	10726.93	90.00	179.57	10350.00	-535.98	-770.23	10.00	-24.13	530.19
9	17918.25	90.00	179.57	10350.00	-7727.10	-716.60	0.00	0.00	7721.50



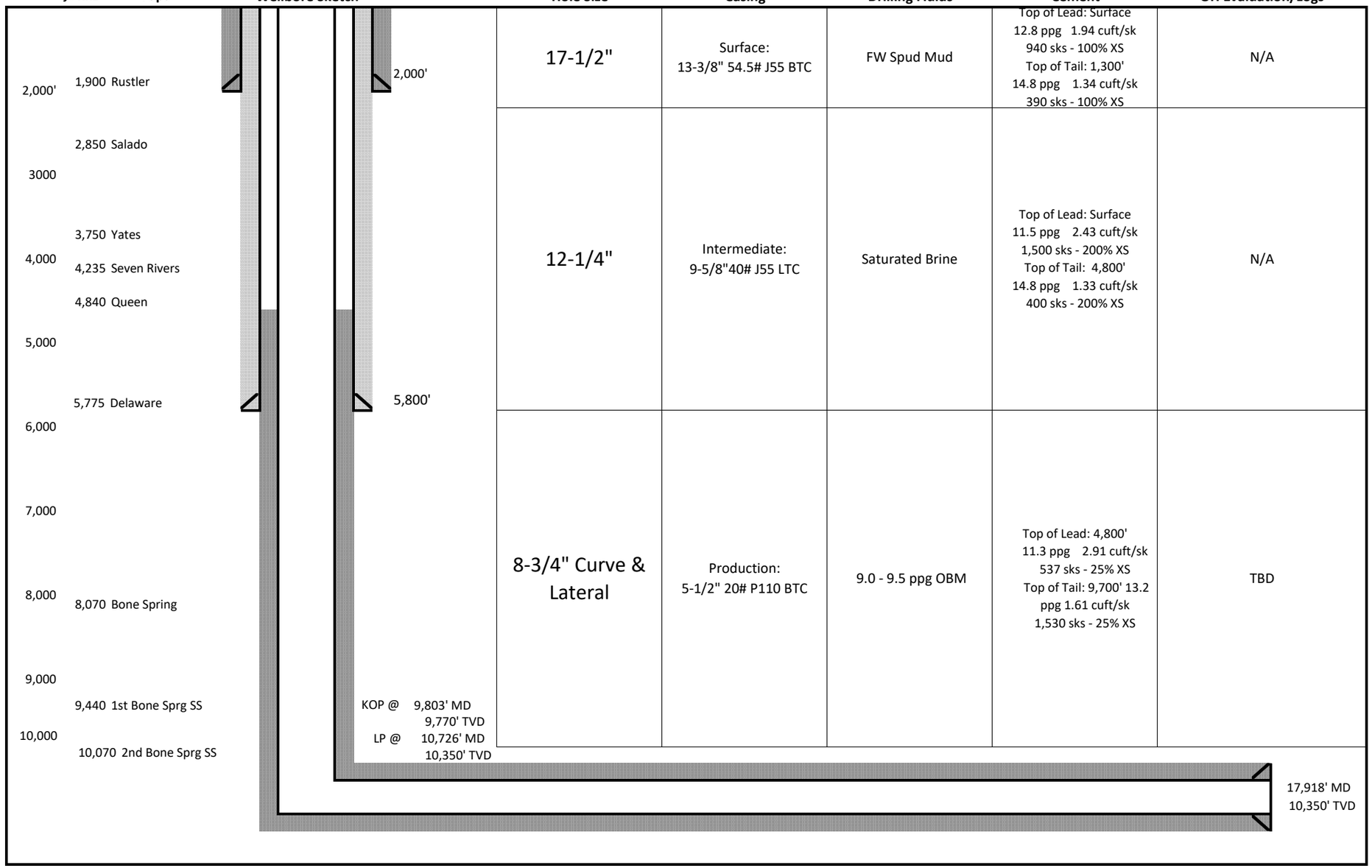


NEWSCO INTERNATIONAL ENERGY SERVICES

Plan: APD-Rev01 (Morpheus 25-36 State 2BS Com #1H/Permit)
Created By: Adrian Castro Date: 10:17, February 17 2023

Morpheus 25-36 State COM 1H

API # 30-025-xxxxx



Hole Size	Casing	Drilling Fluids	Cement	OH Evaluation/Logs
17-1/2"	Surface: 13-3/8" 54.5# J55 BTC	FW Spud Mud	Top of Lead: Surface 12.8 ppg 1.94 cuft/sk 940 sks - 100% XS Top of Tail: 1,300' 14.8 ppg 1.34 cuft/sk 390 sks - 100% XS	N/A
12-1/4"	Intermediate: 9-5/8"40# J55 LTC	Saturated Brine	Top of Lead: Surface 11.5 ppg 2.43 cuft/sk 1,500 sks - 200% XS Top of Tail: 4,800' 14.8 ppg 1.33 cuft/sk 400 sks - 200% XS	N/A
8-3/4" Curve & Lateral	Production: 5-1/2" 20# P110 BTC	9.0 - 9.5 ppg OBM	Top of Lead: 4,800' 11.3 ppg 2.91 cuft/sk 537 sks - 25% XS Top of Tail: 9,700' 13.2 ppg 1.61 cuft/sk 1,530 sks - 25% XS	TBD

State of New Mexico
Energy, Minerals and Natural Resources Department

Submit Electronically
Via E-permitting

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

NATURAL GAS MANAGEMENT PLAN

This Natural Gas Management Plan must be submitted with each Application for Permit to Drill (APD) for a new or recompleted well.

Section 1 – Plan Description

Effective May 25, 2021

I. Operator: _3R OPERATING, LLC_ **OGRID:** _331569_____ **Date:** _02_/_18_/_2023

II. Type: ☒ Original ☐ Amendment due to ☐ 19.15.27.9.D(6)(a) NMAC ☐ 19.15.27.9.D(6)(b) NMAC ☐ Other.

If Other, please describe: _____

III. Well(s): Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	ULSTR	Footages	Anticipated Oil BBL/D	Anticipated Gas MCF/D	Anticipated Produced Water BBL/D
MORPHEUS 25 36 STATE COM 1H		L-25-20S-35E			1500	5000
MORPEHUS 25 36 STATE COM 5H		L-25-20S-35E		1200	1500	5000

IV. Central Delivery Point Name: _MORPHEUS STATE COM WEST PAD_____ [See 19.15.27.9(D)(1) NMAC]

V. Anticipated Schedule: Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	Spud Date	TD Reached Date	Completion Commencement Date	Initial Flow Back Date	First Production Date
MORPHEUS 25 36 STATE COM 1H		04/01/2023	04/28/2023	06/15/2023	07/15/2023	07/20/2023
MOREHUS 25 36 STATE COM 5H		05/01/2023	05/28/2023	06/15/2023	07/15/2023	07/20/2023

VI. Separation Equipment: ☒ Attach a complete description of how Operator will size separation equipment to optimize gas capture.

VII. Operational Practices: ☒ Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F of 19.15.27.8 NMAC.

VIII. Best Management Practices: ☒ Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

Section 2 – Enhanced Plan

EFFECTIVE APRIL 1, 2022

Beginning April 1, 2022, an operator that is not in compliance with its statewide natural gas capture requirement for the applicable reporting area must complete this section.

☒ Operator certifies that it is not required to complete this section because Operator is in compliance with its statewide natural gas capture requirement for the applicable reporting area.

IX. Anticipated Natural Gas Production:

Well	API	Anticipated Average Natural Gas Rate MCF/D	Anticipated Volume of Natural Gas for the First Year MCF

X. Natural Gas Gathering System (NGGS):

Operator	System	ULSTR of Tie-in	Anticipated Gathering Start Date	Available Maximum Daily Capacity of System Segment Tie-in

XI. Map. ☐ Attach an accurate and legible map depicting the location of the well(s), the anticipated pipeline route(s) connecting the production operations to the existing or planned interconnect of the natural gas gathering system(s), and the maximum daily capacity of the segment or portion of the natural gas gathering system(s) to which the well(s) will be connected.

XII. Line Capacity. The natural gas gathering system ☐ will ☐ will not have capacity to gather 100% of the anticipated natural gas production volume from the well prior to the date of first production.

XIII. Line Pressure. Operator ☐ does ☐ does not anticipate that its existing well(s) connected to the same segment, or portion, of the natural gas gathering system(s) described above will continue to meet anticipated increases in line pressure caused by the new well(s).

☐ Attach Operator's plan to manage production in response to the increased line pressure.

XIV. Confidentiality: ☐ Operator asserts confidentiality pursuant to Section 71-2-8 NMSA 1978 for the information provided in Section 2 as provided in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and attaches a full description of the specific information for which confidentiality is asserted and the basis for such assertion.

Section 3 - Certifications

Effective May 25, 2021

Operator certifies that, after reasonable inquiry and based on the available information at the time of submittal:

☒ Operator will be able to connect the well(s) to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system; or

☐ Operator will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system. ***If Operator checks this box, Operator will select one of the following:***

Well Shut-In. ☐ Operator will shut-in and not produce the well until it submits the certification required by Paragraph (4) of Subsection D of 19.15.27.9 NMAC; or

Venting and Flaring Plan. ☐ Operator has attached a venting and flaring plan that evaluates and selects one or more of the potential alternative beneficial uses for the natural gas until a natural gas gathering system is available, including:

- **(a)** power generation on lease;
- **(b)** power generation for grid;
- **(c)** compression on lease;
- **(d)** liquids removal on lease;
- **(e)** reinjection for underground storage;
- **(f)** reinjection for temporary storage;
- **(g)** reinjection for enhanced oil recovery;
- **(h)** fuel cell production; and
- **(i)** other alternative beneficial uses approved by the division.

Section 4 - Notices

1. If, at any time after Operator submits this Natural Gas Management Plan and before the well is spud:

(a) Operator becomes aware that the natural gas gathering system it planned to connect the well(s) to has become unavailable or will not have capacity to transport one hundred percent of the production from the well(s), no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 NMAC; or

(b) Operator becomes aware that it has, cumulatively for the year, become out of compliance with its baseline natural gas capture rate or natural gas capture requirement, no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised Natural Gas Management Plan for each well it plans to spud during the next 90 days containing the information specified in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and shall file an update for each Natural Gas Management Plan until Operator is back in compliance with its baseline natural gas capture rate or natural gas capture requirement.

2. OCD may deny or conditionally approve an APD if Operator does not make a certification, fails to submit an adequate venting and flaring plan which includes alternative beneficial uses for the anticipated volume of natural gas produced, or if OCD determines that Operator will not have adequate natural gas takeaway capacity at the time a well will be spud.

I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Management Plan are true and correct to the best of my knowledge and acknowledge that a false statement may be subject to civil and criminal penalties under the Oil and Gas Act.

Signature:
Printed Name: BRAD GRANDSTAFF
Title: VP OPERATIONS
E-mail Address: BRGRANDSTAFF@3ROPERATING.COM
Date: 02/18/2023
Phone: 972-977-9221

OIL CONSERVATION DIVISION **(Only applicable when submitted as a standalone form)**
Approved By:
Title:
Approval Date:
Conditions of Approval:

3RO Natural Gas Management Plan
Items VI-VIII

VI. Separation Equipment: Attach a complete description of how Operator will size separation equipment to optimize gas capture.

- Separation equipment will be sized to provide adequate separation for anticipated rates.
- Adequate separation relates to retention time for Liquid – Liquid separation and velocity for Gas-Liquid separation.
- Collection systems are appropriately sized to handle facility production rates on all (3) phases.
- Ancillary equipment and metering are selected to be serviced without flow interruptions or the need to release gas from the well.

VII. Operational Practices: Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F 19.15.27.8 NMAC.

Drilling Operations

- All flare stacks will be properly sized. The flare stacks will be located at a minimum 100' from the nearest surface hole location on the pad.
- All-natural gas produced during drilling operations will be flared, unless there is an equipment malfunction and/or to avoid risk of an immediate and substantial adverse impact on safety and the environment, at which point the gas will be vented.

Completions/Recompletions Operations

- New wells will not be flowed back until they are connected to a properly sized gathering system.
- The facility will be built/sized for maximum anticipated flowrates and pressures to minimize waste.
- For flowback operations, multiple stages of separation will be used as well as excess VRU and blowers to make sure waste is minimized off the storage tanks and facility.
- During initial flowback, the well stream will be routed to separation equipment.
- At an existing facility, when necessary, post separation natural gas will be flared until it meets pipeline specifications, at which point it will be turned into a collection system.
- At a new facility, post separation natural gas will be vented until storage tanks can safely function, at which point it will be flared until it meets pipeline spec.

Production Operations

- Weekly AVOs will be performed on all facilities.
- All flares will be equipped with auto-ignition systems and continuous pilot operations.
- After a well is stabilized from liquid unloading, the well will be turned back into the collection system.
- All tanks will have sight glasses installed, but no electronic gauging equipment.
- Leaking thief hatches found during AVOs will be cleaned and properly re-sealed.
- There will be no gas re-injection for underground storage, temporary storage, or for enhanced oil recovery; however, gas injection will be used for gas lift applications in which the gas would be circulated through a closed loop system.
- If H2S is encountered, gas will be treated to pipeline spec to avoid shut-in's and/or flaring.

Performance Standards

- Production equipment will be designed to handle maximum anticipated rates and pressure.

- All flared gas will be combusted in a flare stack that is properly sized and designed to ensure proper combustion.
- Weekly AVOs will be performed on all wells and facilities that produce more than 50 MCFPD.

Measurement & Estimation

- All volume that is flared or vented that is not measured will be estimated.
- All measurement equipment for flared volumes will conform to API 14.10.
- No meter bypasses with be installed.
- When metering is not practical due to low pressure/low rate, the vented or flared volume will be estimated.

VIII. Best Management Practices: Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

- During downhole well maintenance, 3RO will use best management practices to vent as minimally as possible.
- After downhole well maintenance, natural gas will be flared until it reaches pipeline specification.