

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

Submit Original
to Appropriate
District Office

Oil Conservation Division
1220 South St. Francis Dr. NM OIL CONSERVATION
Santa Fe, NM 87505 ARTESIA DISTRICT

GAS CAPTURE PLAN

NOV 29 2018

Date: 06-25-2018

☒ Original

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

RECEIVED

☐ 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
Cal-Mon 35 Federal 172H	Pending	B-35-23S-31E	275 FNL 2458 FEL	2719	0	
Cal-Mon 35 Federal 173H 30-015-45522	Pending	B-35-23S-31E	240 FNL 2458FEL	2719	0	
Cal-Mon 35 Federal 174H	Pending	B-35-23S-31E	310 FNL 2458 FEL	2719	0	
Cal-Mon 35 Federal 175H	Pending	A-35-23S-31E	110 FNL 615 FEL	2719	0	
Cal-Mon 35 Federal 176H	Pending	A-35-23S-31E	110 FNL 580 FEL	2719	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

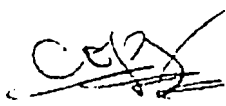
After the fracture treatment/completion operations, well(s) will be produced to temporary production tanks and gas will be flared or vented. During flowback, the fluids and sand content will be monitored. When the produced fluids contain minimal sand, the wells will be turned to production facilities. 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



McCloy

SURFACE USE AND COMPENSATION AGREEMENT

This Surface Use and Compensation Agreement (this "Agreement") is made and entered into this 1st day of December 2016, by and between **MARK T. MCCLOY and wife, ANNETTE E. MCCLOY**, whose address is P.O. Box 1076 Jal, New Mexico 88252 (hereinafter referred to collectively as "Grantor") and **OXY USA Inc.**, whose address is 5 Greenway Plaza, Suite 110, Houston, Texas 77046 (hereinafter referred to as "Grantee").

WHEREAS, Grantor is the owner of (1) the surface estate of certain lands in Lea County, New Mexico and Eddy County, New Mexico more particularly described on Exhibit "A" attached and made a part hereof, (hereinafter referred to as "Fee Lands") and (2) the leasehold estate in certain lands in Lea County, New Mexico more particularly described in that certain Agricultural Lease No. G02352 granted by the State of New Mexico, dated October 1, 2015, a copy of which is attached and made a part hereof as Exhibit B-1 and (3) the leasehold estate in certain lands in Eddy County, New Mexico more particularly described in that certain Agricultural Lease No. GM1395 granted by the State of New Mexico, dated October 1, 2014, a copy of which is attached and made a part hereof as Exhibit B-2, reference to said Agricultural Lease and the record thereof being herein made for all purposes (hereinafter referred to as "State Lands" and together with the Fee Lands, collectively hereinafter referred to as "Lands"); and

WHEREAS, Grantee is the owner of oil and gas leasehold estates in Lea County, New Mexico and may acquire additional oil and gas leasehold estates in, on, under or in the vicinity of the Lands,

NOW THEREFORE, in consideration of one hundred and 00/100 Dollars (\$100.00) and the mutual covenants and agreements set forth herein, Grantor and Grantee hereby agree as follows,

1. Rights This Agreement hereby grants to Grantee the rights to use of the Lands as reasonably necessary for Grantee's oil and gas operations on the Lands and with respect to Grantee's leasehold interests in other lands within the vicinity of the Lands, including, but not limited to the rights of ingress and egress, as well as the rights for surveying, construction of roads, pipelines, power lines, and water reservoirs, drilling, completion, production and storing and transporting oil, gas and associated hydrocarbons produced from the Lands covered hereby or any other land in the vicinity of the Lands covered hereby.

2. Right-of-Way Grantor grants to Grantee a right-of-way and easement to enter upon, traverse and use the Lands for the purpose of conducting oil and gas operations on or in the vicinity of the Lands. Grantee and its successors and assigns and its agents, servants, employees, partners,