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

30-025-43735

GAS CAPTURE PLAN-
(Subsequent Modified Generic Plan)

Date: December 15, 2017

☐ Original: Operator & OGRID No.: ***Steward Energy II, LLC 371682***

☒ Amended - Reason for Amendment: ***Except for initial Drilling and Completion Flaring, it was anticipated to use Targa Versdo's low pressure gathering line. Targa Versado notified Steward Energy that it could not accept any additional gas, thus causing Steward to make other arrangements for selling gas. 60 days expired and the new Stakeholder Midstream's Gas Plant was still not on line, causing a need to flare until plant and gathering line construction is complete.***

Self-Reporting Note: Steward Energy is relative new to New Mexico Operations and was not fully aware that individual plans were required for each well drilled. Steward Energy hereby submits this Modified Generic Plan to address any past deficiencies and commits to providing GCP's on all future Drilling Permits.

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
See Attached						

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 ***was* originally** dedicated to ***Targa Versado*** and ***was to be*** connected to **Targa Versado's** low/~~high~~ pressure gathering system located in ***Lea*** County, New Mexico. ***See Note Above concerning Targa* Versado and Stakeholder Midstream.** It will require ***Zero*** ' of pipeline to connect the facility to low/~~high~~ pressure gathering system. ***Steward Energy*** provides (periodically) to ***Stakeholder Midstream (New Gas Transporter)*** a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, ***Steward Energy*** and ***Stakeholder Midstream*** have had periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at ***the Stakeholder Midstream's*** Processing Plant located in ***Section 452 in Yoakum County, Texas***. 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 **scheduling or operational issues** on ***Stakeholder Midstream's new*** system at that time. (***See Note Above***). Based on current information, it is ***Stewards*** belief the **new** system ***cannot*** take this gas upon completion of the well(s), ***until 4thQ 2018***.

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
- ***Steward Energy hereby commits to learning about and investigating any viable cost effective "new innovations" concerning nature gas capturing and recycling technology for possible future implementation.***

Attached Well List:

Well Name	*API*	*Well Location (ULSTR)*	*Expected MCF/D Average*	*Flared or Vented*	*Active:*	*Comments*
Heisenberg 3H- Well & Battery	30-025-43753	J-03-14s-38e	82	Flared*	yes	To be connected PL 12/18
Heisenberg 7H -Well	30-025-43754	J-04-14s-38e	176	Flared*	yes	To be connected PL 12/18
Pinkman 4H- Well & Battery	30-025-43592	D-23-14s-38e	38	Flared*	yes	To be connected PL 12/18
Pinkman 1H-Well	30-025-43910	J-23-14s-38e	38 est		no	Not Completed- APD submitted 7/27/17
Pollos Hermanos 5H- Well & Battery	30-025-43735	N-10-14s-38e	117	Flared*	yes	To be connected PL 12/18
Pollos Hermanos 2H-Well	30-02544038	o-10-14s-38e	117 est		no	Not Completed APD Submitted 9/22/17
SayMyName 6H Well & Battery	30-025-43682	M-9-14s-38e	27	Flared*	yes	To be connected PL 12/18

*Venting in emergency upset conditions only, or if safety issues warrant.