

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

Form C-129
Revised August 1, 2011
Submit one copy to appropriate
District Office

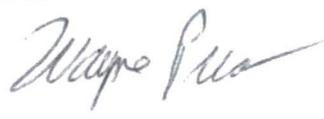
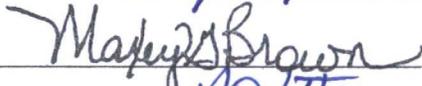
DEC 19 2017

NFO Permit No. _____
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 19.15.18.12
(See Rule 19.15.18.12 NMAC and Rule 19.15.7.37 NMAC)

- A. Applicant: **Steward Energy II, LLC**,
Whose address is: **2600 N. Dallas Pkwy, Suite 400 | Frisco, TX 75034**,
Steward Energy II, LLC hereby requests an exception to Rule 19.15.18.12 until the Stakeholder Midstream Gas Plant and subsequent pipelines are installed and the plant is up and running which is anticipated to be in late fall of 2018.
, for the following described tank battery (or LACT):
Name of Lease: **SAY MY NAME STATE #006H** Name of Pool: **Bronco San Andres South**
Location of Battery: Unit Letter **M** Section **9** Township **14s** Range **38e**
Number of wells producing into battery **1 (One)** **3D-025-43682**
- B. Based upon oil production of **29** barrels per day, the estimated * volume of gas to be flared is **≈ 27 average** MCF/day; Value **\$54** per day. *Calculated from September's Production #'s.
- C. Name and location of nearest gas gathering facility:
Stakeholder Midstream's new gas plant under construction located ≈ 3 miles in Yoakum County TX.
- D. Distance: **≈ 3 miles** Estimated cost of connection: **Unknown-Stakeholder Midstream to install.**

E. This exception is requested for the following reasons: Steward Energy II, LLC (SE II) hereby request an exception to Rule 19.15.18.12 because Targa's Versado System, due to pressure and gas quality constraints, cannot take all of SE II's contractual gas on their system and, at this time, there are no other viable options for gas takeaways. Because of this, SE II has entered into a gas processing agreement with Stakeholder Midstream (SHM) and SHM is presently constructing a 60 MMCFGFD gas processing plant which will be located 3.0 miles into Texas east of NM/TX state line. SHM is on target to be operating in 4Q2018 at which time all excess gas presently being flared will be processed and sold.

| | |
|--|--|
| <p>OPERATOR I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.</p> <p>Signature </p> <p>Printed Name & Title Wayne Price-Price LLC Consultant for Steward Energy II LLC</p> <p>E-mail Address wayneprice@q.com</p> <p>Date Dec 12, 2017</p> | <p>OIL CONSERVATION DIVISION</p> <p>Approved Until 3/31/2018</p> <p>By </p> <p>Title AO/II</p> <p>Date 12/19/2017</p> |
|--|--|

* Gas-Oil ratio test may be required to verify estimated gas volume.