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1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87422
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.
Santa Fe, NM 87505

HOBBS OCD
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GAS CAPTURE PLAN

Date: January 23, 2018

Original Operator & OGRID No.: MARATHON OIL PERMIAN, LLC
 Amended - Reason for Amendment: OGRID: 372098

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 4 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 | Flared or Vented | Comments |
|----------------------|------------------|-----------------------|-----------------------|----------|------------------|----------|
| Madera 19 Federal 1H | | 19-26S-35E | 351' FSL 1368' FWL | 2830 | Flared | |
| Madera 19 Federal 2H | | 19-26S-35E | 352' FSL 1338' FWL | 2360 | Flared | |
| Madera 19 Federal 5H | 30-025- 44901 | 19-26S-35E | 351' FSL 1398' FWL | 2360 | Flared | |
| Madera 19 Federal 6H | | 19-26S-35E | 351' FSL 1428' FWL | 2360 | Flared | |

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 is dedicated to Lucid Energy and will be connected to Lucid Energy's low pressure gathering system located in Lea County, New Mexico. It will require 2.5 mile of pipeline to connect the facility to low pressure gathering system. Marathon provides (periodically) to Lucid Energy a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, Marathon and Lucid Energy have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at Red Hills Processing Plant located in Sec. 13, Twn. 24S, Rng. 33E, Lea 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 flowback system at that time. Based on current information, it is Marathon'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