

Gas Capture Plan

Red Rocks Oil and Gas Development Plan Amendment 2

This Gas Capture Plan has been prepared by Desert Eagle Operating, LLC (DEO) for Red Rocks Oil and Gas Development Plan (OGDP) – Amendment 2 in Las Animas County, Colorado. Amendment 2 consists of five proposed conventional vertical helium gas wells. The Plan addresses the Colorado Energy & Carbon Management Commission (ECMC) provision at Rule 304.c.(12) for a Gas Capture Plan. The five proposed locations are listed in Table 1.

Table 1. Locations

Location	Qtr Qtr	Section/Township/Range	Lat/Lon
Red Rocks 1-09	SE¼NE¼	Section 1, T30S R55W	37.460372, -103.517227
Red Rocks 1-15	NW¼NE¼	Section 1, T30S R55W	37.465009, -103.522500
Red Rocks 35-01	SE¼SE¼	Section 35, T29S R55W	37.467959, -103.537764
Red Rocks 35-08A	NE¼SE¼	Section 35, T29S R55W	37.473477, -103.536136
Red Rocks 35-10	SW¼NE¼	Section 35, T29S R55W	37.475925, -103.541431

1.0 Well Drilling

The proposed wells are exploratory helium gas wells. Helium is an inert, non-toxic, non-combustible, non-flammable, naturally occurring gas. The exploratory well will be used to identify the presence, concentration, and flowrate of helium. The well will be a conventional vertical well, approximately 1,900 feet deep. It will not be hydraulically fracked. It will be drilled with air and without drilling mud. Well logs from previous wells drilled in the formation indicate that the well is expected to produce helium in the presence of nitrogen and carbon dioxide. Methane and hydrocarbons are not present and will not be vented or flared.

2.0 Gas Capture Plan

In accordance with the Form 2A application and Rule 903.e.(1).A, the Operator commits to connecting to a gathering system by commencement of production operations. If the exploratory well produces economical volumes of helium gas, the well will be shut in after testing while the existing DEO gathering system is extended to the location. The DEO gathering system is made up of buried 8-inch polyethylene flowlines. The flowline transports helium gas from the wellhead to an existing offsite helium processing unit. The helium processing unit is located on private property leased from the same lessor as the helium wells. It is located south of DEO's permitted Red Rocks 1-13 location. The landowner agreement provides for installation of additional segments of helium gas flowline, buried below plow depth. No public rights of way are necessary.

At the off-location helium processing unit, gas from the well will be separated, compressed, and loaded into a tube trailer for transport by truck to market or for further processing. Gas capture at the DEO wellhead avoids waste and maximizes recovery of helium for mineral owners, DEO, and the state.