

# *Responsibility at work*

Sustainability Report 2020



**About Lucid.** *Lucid Energy Group II (“Lucid” or the “Company”) is the leading and fastest-growing pure play natural gas gathering and processing midstream company in the Permian Basin serving the most active and well-capitalized upstream companies in the lower 48.*

*We are committed to working in a safe, reliable, and environmentally and socially responsible way to deliver value to our stakeholders.*

#### Referenced Reporting Frameworks and Guidelines

- Global Reporting Initiative (GRI) G4 Core Reporting Guidelines
- Sustainable Accounting Standards Board (SASB) Midstream O&G
- IPIECA Sustainability Reporting Guidance 2020
- Taskforce for Climate-Related Financial Disclosures (TCFD) Recommendations



**ipieca** **TCFD**

TASK FORCE ON  
CLIMATE-RELATED  
DISCLOSURES

#### Reporting scope and boundaries

The boundary of this report comprises Lucid and its six consolidated subsidiaries. The content of this report is defined by our areas of material focus, presented on page 14 and detailed under our three strategic pillars of Responsible Growth (page 20), Safe and Sustainable Operations (page 28) and Commitment to Excellence (page 42). In principle, this report covers the Company’s activity and performance for the period from January 1 to December 31, 2020, unless otherwise stated.

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From the CEO



*Innovative.  
Focused.  
Collaborative.*



**2,150**<sup>Miles</sup>  
Gathering pipelines

**60**<sup>MMcfd</sup>  
Sour gas treating capacity

**7,610**<sup>GPM</sup>  
Amine treating capacity

**33**  
Compressor stations



*Lucid is the largest gas processor in the Delaware Basin and the largest private processor in the Permian Basin.*

**Operating statistics**

**2,150** Miles

Gathering pipelines

**33**

Compressor stations with approximately

**175,000** HP

compression capacity

**1.2** Bcf/d

Processing capacity

**7,610** GPM

Amine treating capacity

**60** MMcf/d

Sour gas treating capacity

**150** Mbbbl/d

Water gathering system capacity

We partner with many of the nation’s leading producers and marketers to deliver critical services in a safe, expedient, and reliable manner.

At Lucid, we’re focused on creating value. For our customers. For our stakeholders. For our communities.

Our team has decades of experience in originating, developing, building, and operating midstream infrastructure and facilities servicing natural gas producers. Specific areas of expertise include gas gathering, processing, and compression, plus treating for CO<sub>2</sub> and H<sub>2</sub>S.

**Facilities**

- Red Hills is the largest gas processing complex in the Delaware Basin. Its five plants have a combined 920 MMcf/d capacity.
- The Roadrunner and Dagger Draw processing plants provide an additional 260 MMcf/d of capacity.

**Competitive strengths**

Our expansive midstream infrastructure is strategically located in the two most prolific natural gas producing counties in the lower 48 – namely, Lea and Eddy counties in New Mexico.

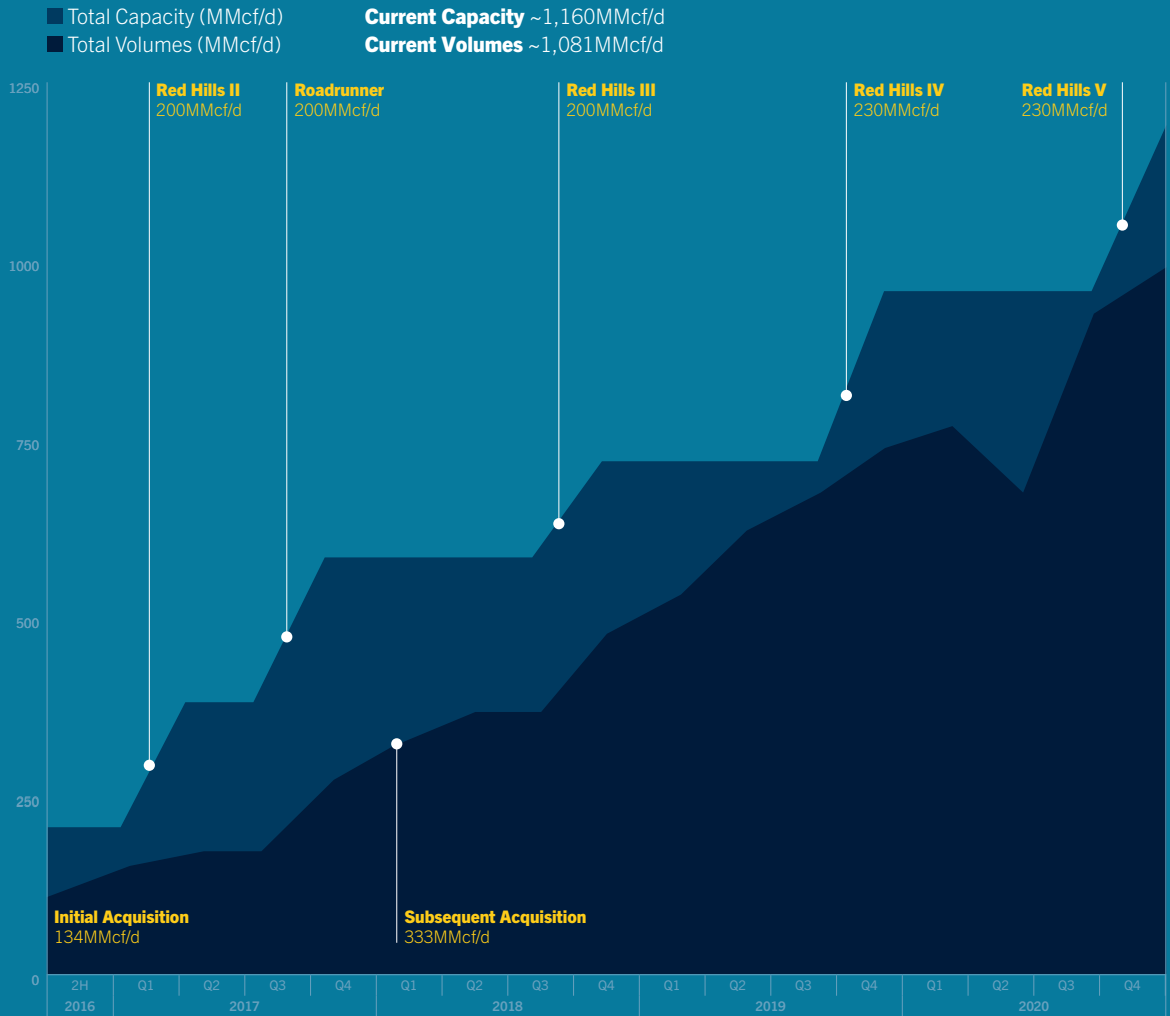
As the leading gathering and processing business in the Northern Delaware Basin, our large-scale gathering, processing, and treating infrastructure provides an unmatched breadth of services and access to markets for area operators.

Our systems are not only built for gathering, processing and transportation but also treating for CO<sub>2</sub>, sour gas and liquids treating, off-spec condensate handling, condensate stabilization, and blending.



← Lucid’s Roadrunner cryogenic gas processing plant in Eddy County located near Loving, New Mexico

**Our track record.** *Processing capacity and volume growth over time.*







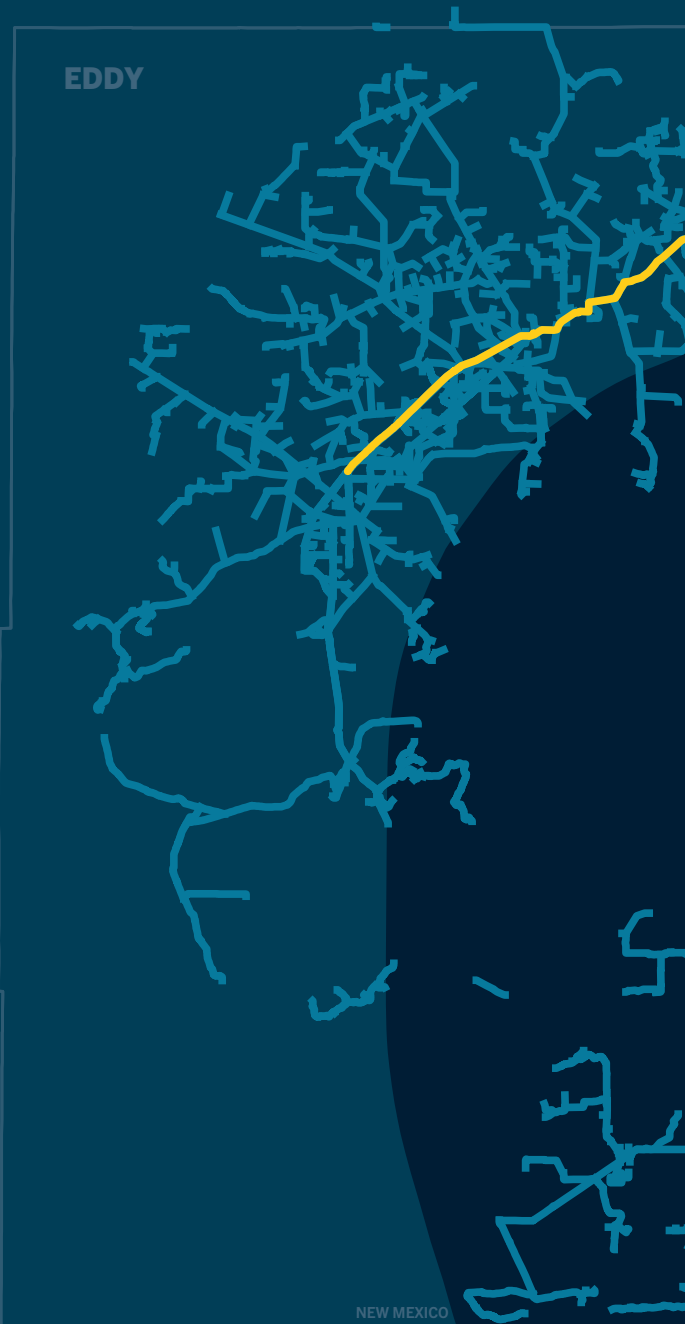
## Lucid asset map

### Cryogenic Plant Complex & Capacity

LOCATION	PLANT	PROCESSING CAPACITY
<b>A</b> Roadrunner Eddy County	<b>Roadrunner I</b>	200 MMcf/d
<b>B</b> Red Hills Complex Lea County	<b>Red Hills I</b>	60 MMcf/d
	<b>Red Hills II</b>	200 MMcf/d
	<b>Red Hills III</b>	200 MMcf/d
	<b>Red Hills IV</b>	230 MMcf/d
	<b>Red Hills V</b>	230 MMcf/d
	<b>Red Hills VI</b>	230 MMcf/d

#### Key

-  Gathering infrastructure
-  Strategic high pressure pipelines
-  Delaware Basin
-  State/County boundaries



NEW MEXICO

NEW MEXICO

TEXAS  
HUDSPETH

TEXAS  
CULBERSON





Dear Fellow Stakeholder, *I am pleased to share with you our inaugural Sustainability Report. This is a significant milestone on our journey of being*

*a progressive,  
successful and  
sustainable  
organization.*

**Michael J. Latchem**  
Chief Executive Officer

This publication encapsulates our character and our activities as an innovative, focused and collaborative operator, and sets an essential baseline for measuring and improving our sustainability going forward. We have spent significant time developing our approach to ESG in support of our long-term ambitions and capture this through three strategic pillars: Commitment to Excellence, Sustainable Operations, and Responsible Growth, which form the foundations of this report.





**Our commitment to excellence**

Our people are essential to the success of our growth and strategies. Their commitment to their roles and responsibilities has enabled Lucid to become the largest private gathering and processing operator in the Permian Basin.

Through dedication and developing our processes, our employees have met the high expectations of our customers and stakeholders, and we are proud that our people are an outstanding reflection of our company and the values we hold.

The health and well-being of our people and those we work with are core to each of our strategies. Our response to the COVID-19 pandemic was focused on that very principle. We acted quickly to provide ways in which our operating teams could isolate while preserving our continuity of operations. We implemented a temporary work-from-home strategy for our office teams and maintained consistent engagement with our employees and stakeholders to keep them informed of our actions and to understand their needs and concerns. We also made some difficult decisions during the depths of the pandemic, including a reduction in our workforce, to protect value in the business. I'm grateful to my colleagues for their dedication and compassion.

As we're recovering from the pandemic with the rest of the industry, we're focused on preserving some benefits we gleaned from it. For instance, we improved our ability to take costs out of our business, our ways of communicating internally and externally, and our efficiency and reliability of operations. Ensuring these processes and behaviors remain durable is key for us as we transition back to growth mode following our successes in protecting value during the pandemic.

“  
We are proud that our people are an outstanding reflection of our company and the values we hold  
”

**Safe and sustainable operations**

The safety of our colleagues, partners, and communities is our number one operating priority, and I am pleased with the continued improvement in safety performance during this past year. We strive to do better each and every day. In support of this, we will continue to enhance and embed our safety processes and culture across everything we do and will maintain our focus and investment to create a more proactive and preventative safety culture.

Our environmental performance is industry-leading, underpinning our reputation with key stakeholder groups. Setting simple and understandable environmental objectives and increasing the awareness of environmental matters throughout our organization align our efforts as a company and enhances our operating and commercial performance.

**Responsible growth**

We believe that transparent communication is the most important core value of our company. We play a valuable role within the energy value chain and “being on the same page” as our customers, partners, and regulators is essential to creating and sustaining value. We recognize that as a business within the oil and gas industry, it is important for us not only to provide energy but to do so responsibly in the context of climate change and to support an effective and sustainable energy transition.

We challenge ourselves to look at our infrastructure and projects – rejecting “no” or “it’s not possible” for an answer – to identify innovative solutions that make us a more resilient business in a more environmentally and socially conscious world. One area of focus is our emissions profile and ways we can reduce it.

During 2020, we conducted a thorough greenhouse gas inventory analysis to map the emissions profile of our business and establish an emissions baseline, from which targets are set and effective emission reduction strategies are defined. This has been an important and illuminating process, and necessary as we align our decision-making and communications to the recommendations presented by the Taskforce for Climate-Related Financial Disclosures.

We have taken our first steps in reducing our emissions and, utilizing our engineering and operating capability, repurposed one of our gas injection wells in order to qualify it for injection and secure storage of CO<sub>2</sub>. We will now be able to safely dispose of CO<sub>2</sub> and avoid it venting into the atmosphere. Also, it will reduce our Scope 1 emissions. Simultaneously, we are exploring solar opportunities to address our energy requirements and reduce our Scope 2 emissions.

“  
We have a responsibility to reduce the embodied carbon cost of the natural gas products that we distribute through our network  
”

**Closing remarks**

This report represents the starting point of a continual journey of sustainable development and disclosure. We hope you find it informative and welcome your thoughts as we engage with you in the future.



An aerial photograph of a large industrial natural gas processing plant. The facility is composed of numerous tall distillation columns, a complex network of pipes and walkways, and several large storage tanks. The plant is situated in a vast, arid desert landscape with sparse, low-lying vegetation. In the background, there are some smaller buildings and utility structures. The overall scene is brightly lit, suggesting a clear day.

*Natural gas:  
A crucial  
role in the  
energy mix.*





23 Percent

Contribution of natural gas to global energy resources

45 Percent

Lower emissions than coal

11x

Growth in processing capacity since 2016



## Understanding our material issues and impacts

We play a critical role in delivering energy from our upstream customers to our downstream markets. By efficiently utilizing our modern infrastructure and facilities, we generate added value for our customers.

While occupational safety, process safety, and emissions management are a constant focus for Lucid, we have identified further process-specific issues that are actively managed across our value chain.

Our culture of openness, excellence, and close collaboration drives sustainable innovation across all our operations, understanding where we can improve and sharing that knowledge with partners.

### Upstream

## Midstream Lucid Operations



#### Drilling

#### Well completion

#### Production

### Gathering & Compression

#### Gathering pipelines

Pipelines that are used to collect natural gas from the production site (wellhead) to Lucid's field compression points.

##### MANAGING ESG ISSUES

During planning and construction, we focus on right of way permitting, avoiding endangered species, conducting cultural assessments within areas of historic sensitivity, and safely conducting line location and trenching activities when burying our pipelines.

##### MAXIMIZING OPPORTUNITIES

We deploy technology to mitigate line losses, reduce our emissions, and maintain a safe environment for our employees and surrounding communities.

#### Line compression

Maintaining the flow and pressure of natural gas by receiving condensate from the pipeline, re-pressurizing it, and sending it back into the pipeline system.

##### MANAGING ESG ISSUES

We maintain an acute focus on emissions controls.

##### MAXIMIZING OPPORTUNITIES

Through our strategic contractor partnerships, we seek to devise effective emissions reduction strategies including flare reduction and methane control, and we support our clients with alternative routing of their hydrocarbon products.

### Gas Processing

#### Condensate stabilization

Distillation process that removes lighter components from the condensate stream to lower its vapor pressure to a desired level.

##### MANAGING ESG ISSUES

We centralize condensate collection at our plants so that we can minimize emissions and capture more hydrocarbons for delivery to market.

##### MAXIMIZING OPPORTUNITIES

Using real-time analytics and the latest technology, we adjust our stabilization processes to maximize the value of the condensate blended and sold to the market.



## Downstream



### Transmission & Sales

#### Processing & treating

Processes include separation, carbon dioxide and hydrogen sulfide removal, dehydration and recovery of natural gas liquids.

#### MANAGING ESG ISSUES

Through strengthening our Process Safety Management (PSM) program, we can apply higher operating and safety standards enabling us to materially reduce venting and flaring.

#### MAXIMIZING OPPORTUNITIES

We ensure safe, modern and efficient use of our Acid Gas Injection (AGI) wells for carbon capture and secure storage.

#### Residue gas

Free from impurities, moisture, hydrocarbon liquids and ready to be transported to end user markets, this gas product is compressed at our plants and delivered into transmission pipelines.

#### MANAGING ESG ISSUES

We have zero Scope 1 exhaust emissions from our residue gas compression as a result of our electrically driven compression systems.

#### MAXIMIZING OPPORTUNITIES

We are connected to multiple residue transmission pipelines at each plant complex providing maximum flexibility and reliability of operations.

#### Natural gas liquids

Recovered hydrocarbon liquids are removed from the natural gas stream and delivered to local markets for further refining downstream.

#### MANAGING ESG ISSUES

Hydrocarbon detection technology is used in monitoring the integrity of equipment utilized in the extraction of natural gas liquids to avoid unnecessary emissions and safe work environments.

#### MAXIMIZING OPPORTUNITIES

We are connected to multiple downstream liquids markets providing our customers with optionality and competitive pricing environments.

### Distribution Refining

## Materiality and engagement

Engaging with stakeholders is paramount to our success. By listening to and collaborating with stakeholders, we can responsibly grow our business and deliver value to our customers, employees, shareholders, and communities over the long term. To manage strategic and operational risk effectively and to operate with the support of our stakeholders, we need to understand the issues that matter to them and that are most relevant to our business. We do this through consistently engaging with our stakeholders, assessing the regulatory landscape, analyzing the issues that impact our industry and direct peer group, and considering the issues determined by international reporting requirements including IPIECA, SASB, TCFD, and GRI.

### LUCID STAKEHOLDERS

#### People

Our employees are one of our key differentiators and core assets; the success of our business depends upon their expertise, dedication, and skill. We recruit talented staff and invest in their training and development. We also work hard to provide a safe environment for them.

#### Regulators

Engaging government and regulators helps to align interests, drive industry standards, and meet the growing expectations of society. We abide by all laws and regulations that apply to our business, and we enter into regular dialogue with industry authorities.

#### Partners & contractors

Our suppliers and contractors make a significant contribution to our business and we aim to build stable, long-term relationships with them. In collaboration with our industry partners, we work to ensure compliance with environmental and safety standards across our operations and supply chain.

#### Customers

Our customers are some of the leading energy producers nationally and globally. Working with and listening to them enables us to raise standards and deliver services that satisfy their evolving needs.

#### Investors

The capital and guidance from our shareholders and lenders allows us to run and grow our business while generating sustainable returns.

#### Communities & NGOs

Input from communities and NGOs enables us to share expertise and create stronger communities.



AREA OF FOCUS	INDUSTRY CONTEXT	RELEVANCE
<b>Climate change</b>	Climate change is affecting every walk of life, from environmental and ecological, to political, legal and societal systems.	We are developing our approach to climate risk management. Applying the recommendations of TCFD we aim to build a more sustainable and resilient business to enable the energy transition.
<b>Emissions management</b>	To meet the goals of the 2015 Paris Agreement, the global community needs to limit its emissions of greenhouse gases. In 2018, the Governor of New Mexico established a Climate Change Strategy to reduce emissions, with a material focus on methane emissions reduction.	We are assessing ways to reduce our Scope 1 and 2 emissions through effective infrastructure design, assessing renewable energy and carbon capture projects, improving asset integrity and enhancing operating efficiency and reliability.
<b>Environmental management</b>	Environmental management plays an increasingly important role in the protection of our environment as well as public health.	Biodiversity, water and waste management are essential in maintaining our license to operate.
<b>Occupational safety</b>	Midstream activities involve many different types of equipment and materials. Recognizing and controlling hazards is critical to preventing injuries and deaths.	We have a strong safety culture at Lucid and with our operating partners that is constantly improving. Driver safety is a focus area for the business.
<b>Process safety</b>	Process safety involves managing the integrity of operating systems and processes that handle hazardous substances, relying on good design principles, and engineering, operating, and maintenance practices.	To ensure an operation remains secure, process safety management has been introduced to thoroughly assess and mitigate potential hazards from the design phase through to the final operations.
<b>Project delivery</b>	Our customers expect safe and sustainable operational capacity, delivered on time, that generates value while mitigating any potential environmental impacts.	Our reputation for timely project execution underpins our growth with our investment grade customer base. We rely on our project execution expertise to meet our demanding growth objectives.
<b>Diversity, equality &amp; inclusion (DE&amp;I)</b>	DE&I programs and policies encourage representation and participation of diverse groups of people, including people of different genders, races and ethnicities, abilities and disabilities, cultures, ages, and sexual orientations and people with diverse backgrounds, experiences, and skills and expertise.	We are continuing to advance a diverse and inclusive working environment through conversations and training about diversity and inclusion; supporting that, in 2020 43% of new hires were minorities.
<b>Employee training &amp; development</b>	Employee training and development refers to the continued efforts of a company to enhance the performance of its employees and invest in their careers.	We encourage and support professional development and learning for our employees through a variety of lunch-and-learns and comprehensive resources to support individual growth including in-person and computer-based training on everything from gas plant operations to safe driving.
<b>Talent attraction &amp; retention</b>	In such a competitive market, we must recruit and engage employees with skill sets required for the current and future success of the business and industry.	We are committed to creating a culture that draws out the best from our people and focuses on inclusion and collaboration.
<b>Community impact</b>	Working with communities to understand their priorities and concerns is essential to being a responsible company.	Lucid has consistently been a financial supporter of many non-profits in Dallas and Southeast New Mexico and works closely with organizations in our community.

## *A strategic framework to create value for all of our stakeholders*

We focus on an environmentally sustainable approach to natural gas production that will drive socioeconomic prosperity while supporting a responsible energy transition.

We have three main pillars that define our strategic framework. They combine to deliver the objectives of Lucid and that of our core customer base. Ten to fifteen percent of the value our customers generate is driven by the services that Lucid provides.

### FOCUS

## *Responsible growth*

### **We are innovative**

By embracing change and challenging the status quo, we are designing a dynamic and resilient energy business for the future.

#### **Materiality Assessment**

Climate change, Project delivery



## *Safe and sustainable operations*

### **We are focused**

By creating an operating culture that seeks to minimize harm to our people and places of operation, while setting industry-leading operating and reliability standards.

#### **Materiality Assessment**

Emissions management, Driver safety, Occupational safety, PSM, Training and Development



## *Commitment to excellence*

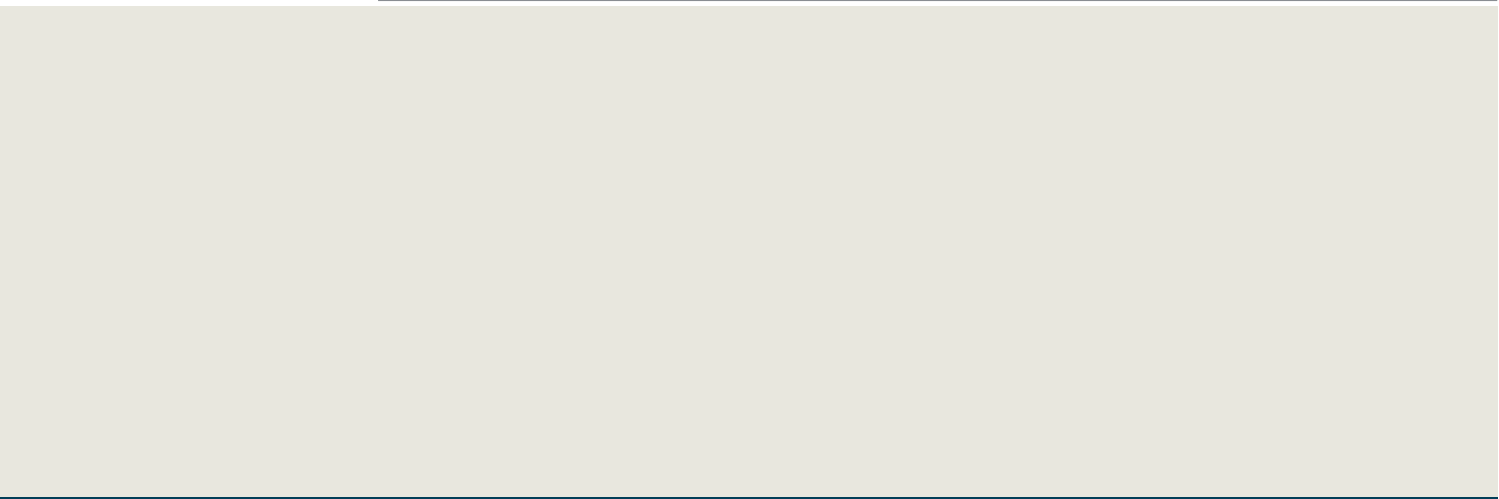
### **We are collaborative**

Our people reflect the character and potential of our business. By investing in them, we become a better partner and corporate citizen to those we meet, engage, and collaborate with.

#### **Materiality Assessment**

DEI, Training and Development





COMMITMENTS	KEY ACTIVITY IN 2020	PRIORITIES FOR 2021
 <ul style="list-style-type: none"> <li>– To safely, responsibly, and commercially design and expand our operations to meet the expectations of our customers and other stakeholders</li> <li>– To embrace opportunities presented by the energy transition and adapt to a lower-carbon energy framework</li> <li>– To organically generate social and economic value for our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>– Established board-level ESG Committee, chaired by new non-executive director</li> <li>– Evaluated contractor management processes</li> <li>– Identified opportunities to utilize injection wells for carbon capture and secure storage</li> </ul>	<ul style="list-style-type: none"> <li>– Implement all environmental and safety learnings in the construction of Red Hills VI</li> <li>– Evaluate the potential of solar power generation projects to support our energy demands</li> <li>– Advance the utilization of Class 2 wells for carbon capture and secure storage</li> </ul>
 <ul style="list-style-type: none"> <li>– To drive a safety-first culture among our employees and operating partners</li> <li>– To meet the highest standards of environmental stewardship and exceed regulatory compliance where possible</li> <li>– To manage reliable and value-accretive operations that deliver a consistently high-quality product to our customers</li> </ul>	<ul style="list-style-type: none"> <li>– 64% improvement in LTI safety performance year-over-year</li> <li>– “You See It You Own It” Awards continued</li> <li>– Completion of comprehensive GHG inventory analysis and initiation of emissions reduction pathway</li> <li>– Reliability target of 99% plant availability achieved</li> </ul>	<ul style="list-style-type: none"> <li>– Move all safety training monitoring and management to our online platform</li> <li>– Commence tiered incident reporting of PSM events</li> <li>– Analyze energy efficiency of our operating footprint as part of Scope 2 emissions reduction strategy</li> </ul>
 <ul style="list-style-type: none"> <li>– To inspire excellence in our people and unleash the individual and collective talents of our employees</li> <li>– To participate in standard-setting through associations and regulatory engagement</li> </ul>	<ul style="list-style-type: none"> <li>– Published the updated Employee Handbook which sets out new and improved policies</li> <li>– Established the CARES committee</li> <li>– Introduced anonymous hotline for employees</li> <li>– Partnered with one of the world’s largest resources for diverse talent</li> <li>– Performed a Pay Equity Analysis</li> <li>– Included ESG initiatives in contracts with pertinent suppliers</li> </ul>	<ul style="list-style-type: none"> <li>– Expand availability of development training</li> <li>– Improve recruitment and promotion of underrepresented groups</li> <li>– Mature our approach to volunteerism and community engagement</li> </ul>



A photograph of an industrial facility, likely a refinery or chemical plant, during sunset. The sky is a mix of orange, yellow, and blue. In the foreground, there are large metal tanks and pipes. A metal walkway or staircase runs diagonally across the bottom right. The overall scene is industrial and serene.

*Supporting  
a sustainable  
energy  
transition.*



1.2

Bcf/d

Processing capacity

1m

Acres

Committed in the Delaware Basin

150

Mmbbl/d

Water gathering system capacity



## Building natural gas midstream infrastructure to enable the energy transition

### KEY AREAS OF FOCUS

Materiality Spectrum
Climate change
Emissions management
Environmental management
Occupational safety
Process safety
Project delivery
Diversity, equity & inclusion
Employee, training & development
Talent attraction & retention
Community impact

### The role of natural gas in the energy transition

Global energy demand continues to increase, underpinned by an expanding population and the demands from fast-growing economies in developing countries. This energy needs to be provided responsibly and sustainably, and as the world moves away from coal, natural gas will play a crucial role in meeting this rising energy demand.

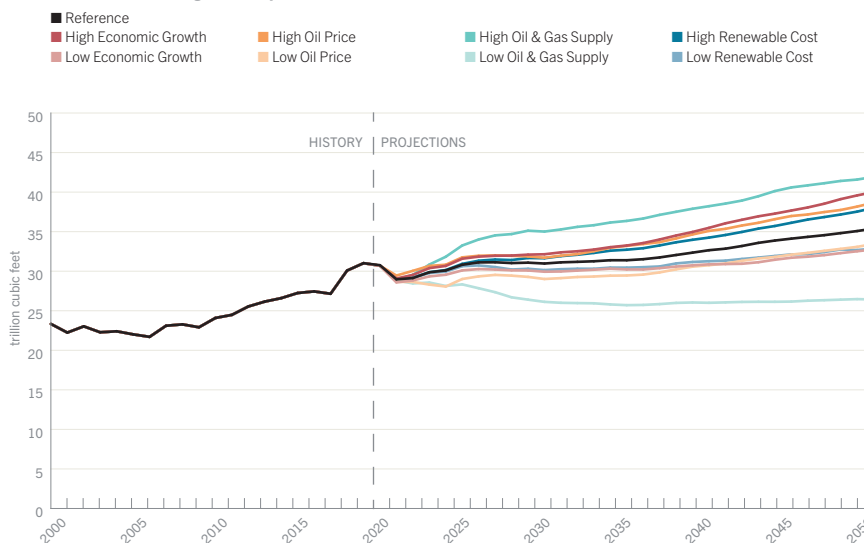
Projections from Energy Information Administration (EIA), based on numerous energy scenarios, find that the long-term consumption of natural gas in the US will continue to rise until 2050. Demand for oil and gas products and derivatives is also expected to grow across non-OECD nations. As an accessible, reliable, and affordable source of energy, natural gas products have the potential to support socio-economic development in the countries that need it most.

Natural gas makes up over one-third of the energy used in the US and 23% of global energy. As a hydrocarbon, it also provides key constituents in many essential products including plastics, fertilizers, and other chemicals. Many products in the healthcare, agriculture, construction, and automotive sectors are made using natural gas. Our reliance on gas as an energy source is therefore intrinsic.

We recognize our role in addressing the challenges of climate change and are committed to playing our part in transitioning to a lower-carbon global economy. While the global objective to reduce emissions must be met, rising energy demand cannot be met by renewables alone. As a lower CO<sub>2</sub> emitting source of energy and a fuel that we are fundamentally dependent upon in our daily lives, natural gas will continue to play a critical role for many decades. The International Energy Agency (IEA) suggests that without the support of the oil and gas industry, the energy transition will be far more expensive, as there is no viable, affordable, and efficient alternative to natural gas.

Furthermore, natural gas will play a key role in the energy transition and the advancement of the economic viability of renewable energy sources. While renewable supply is intermittent in nature, natural gas is a consistent energy source. Natural gas is also a key input in the products the renewables sector uses, especially in the production of wind turbines. As the world contends with the challenges surrounding climate change, the importance of natural gas within a transitional energy framework is indisputable.

AEO 2021 US natural gas consumption



Source: EIA <https://www.eia.gov/outlooks/aeo/pdf/AEO2020%20Natural%20Gas.pdf>

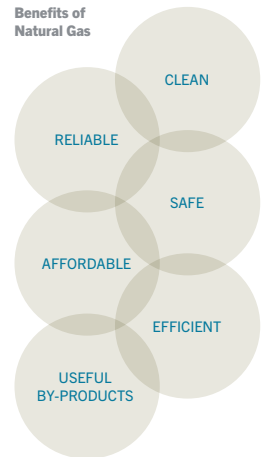


**Benefits of natural gas**

Natural gas has many inherent environmental benefits when compared to other energy sources. Foremost, it emits approximately 50% lower CO<sub>2</sub> emissions compared to coal when burned. The US’s transition to consuming natural gas for energy generation has resulted in a transformational reduction in the nation’s CO<sub>2</sub> emissions levels, and we are proud to play a role in this meaningful change.

Within the US, natural gas is an abundant, affordable energy source. It has had a materially positive impact on the local and national economies given its low cost to produce and economic benefits for consumers. Furthermore, the US is now a net exporter of natural gas, which underscores energy independence for the Country, reducing reliance on imported energy and greatly benefiting the US economy.

The benefits of natural gas for US citizens go beyond its function as an energy source. Domestic production of natural gas means well-paid, secure jobs for Americans; in 2020, this was particularly important. As a key component in chemical production, the growth in natural gas supplies has meant a revival of the chemical manufacturing industry in the US, creating even more jobs and economic growth.

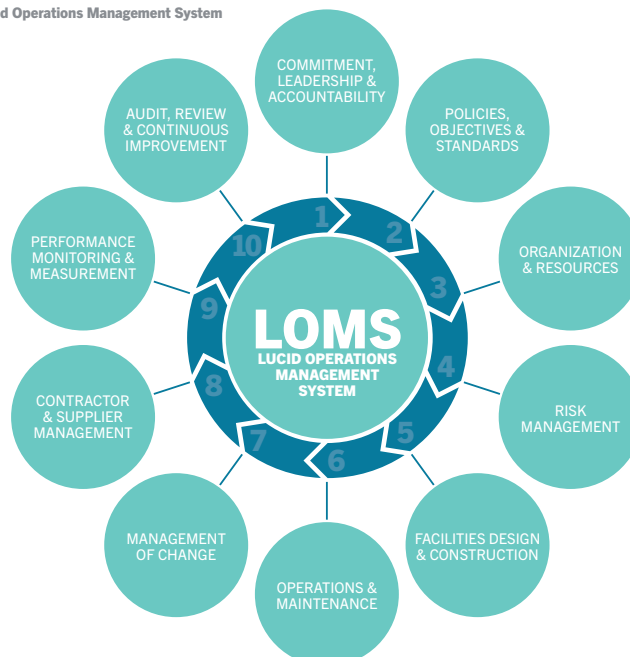


**Projects**

We have sustained strong and consistent growth in recent years, growing processing capacity more than 11-fold since 2016 and expanding our gathering pipeline footprint to over 2,150 miles.

Underpinning this success is a highly capable Projects Team, responsible for overseeing the execution of all our growth projects. We know that effective project management is a critical component of our business, the success of our strategy, and meeting the expectations of key stakeholders. We manage the entire development cycle and recognize the broad scope of execution risks. Our Lucid Operations Management System (LOMS) provides a systematic framework to construct safe, reliable, and compliant infrastructure and has clear processes and procedures to identify and mitigate potential issues.

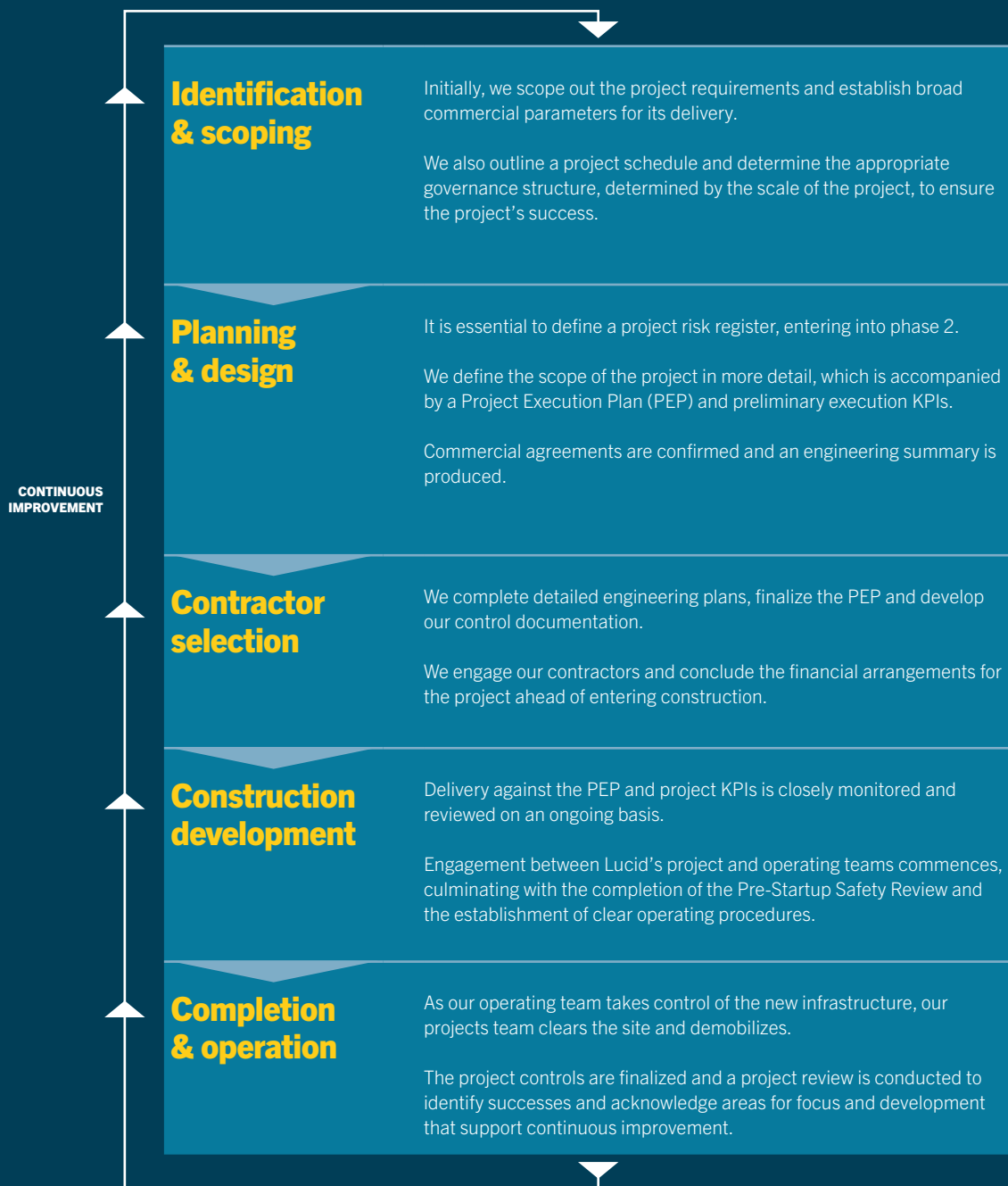
The ten elements of the Lucid Operations Management System



## A sustainable approach to project development

Our project development lifecycle proactively manages our material impacts and is key to delivering our growth strategy. In addition, we are constantly challenging the ways we design, build, and deliver our infrastructure to meet the increasing expectations and demands of our stakeholders.

Our **Lucid Operations Management System** forms the systematic framework for which we deliver each project





**Market intelligence informs our responsible growth plans for both Gathering & Pipeline expansion as well as Processing & Treating**

- Track Developed and Under Production (DUP) permitting activities of our upstream customers and operators
- Determine governance threshold taking into account scale of project
- Scope commercial parameters and delivery schedule of any opportunity, with support from potential vendors and contractors, to set realistic delivery expectations

Through intelligent design development, we factor in evolving climatic and environmental considerations to build more resilient infrastructure.

Additionally, we consider emission reduction and control technology to maximize the emissions efficiency of our operating base.



**Our approach to planning is informed by the regulatory environment and we seek to exceed regulatory requirements where possible**

- Conduct environmental and social impact assessments as required
- Evaluate biodiversity, including endangered and protected flora and fauna, water and waste management assessments
- Conduct environmental and cultural heritage assessments and plan our activity to avoid sites of historic significance in line with our policy
- In many scenarios, our operations help inform state regulatory standards

On the completion of the first design concept of a new plant, we critically assess its potential safety performance.



**We look to develop strong relationships with our supply chain partners, and select suppliers and subcontractors who share our values and focus on health and safety**

- Rigorous vendor and contractor selection process codified within LOMS and supported by independent party
- Clear safety and operating expectations set for training, permitting and reporting

Independently facilitated and including key vendors and contractors, we bring our operating, engineering and safety teams together to conduct comprehensive scenario analysis to test the integrity of the design.



**For a smooth and timely construction phase we need to ensure complete alignment with all key stakeholders**

- Robust management processes and regular and systematic engagement ensures alignment with our policies
- Daily engagement with our contractors to reinforce culture alignment on safety
- Our well-defined environmental policy strictly governs the construction process



**Gathering & Pipeline**

- Timely completion of gathering systems is essential to reducing operational downtime of our upstream customers, as well as reducing flaring emissions

**Processing & Treating**

- Commissioning and seamless transition of control from project to operating team



## Case study

### New Mexico Environmental Department site visit

*Collaboration, communication, and knowledge sharing are key to making operational and sustainable advancements within the industry. Permitting is an essential aspect of our growth and operating requirements, and we make it a priority to collaborate with our state regulatory bodies.*

In late 2019, we invited members of the New Mexico Environmental Department responsible for air permitting for a site visit to our Roadrunner processing plant and various compressor stations to see our operating equipment first-hand. Eighteen permit writers and compliance personnel attended and had the opportunity to watch a natural gas compressor and a three-phase separator in operation, as well as tank batteries capturing by-products and delivering desired products to our plants.

The attendees heard from our operators how important compliance to our operating permit is and what they do to keep emissions to a minimum. We also provided detail on our Leak Detection and Report (LDAR) program and provided our guests with the opportunity to use the equipment themselves and experience what our inspectors see when conducting a survey.

We took the opportunity to ask how we can improve our operations as well as our permitting processes. They were grateful for the request and provided Lucid with opportunities for improvement.

This is a routine practice at Lucid and we will be expanding our reach to other agencies in 2021.

↓ The plant operator at our Red Hills facility is responsible for monitoring, maintaining, and operating the equipment



“

*I believe that a key differentiating factor for Lucid is our ability to be there for our customer on time. We have developed a strong reputation among our investment-grade customer base for timely delivery of our plants and gathering projects with two clear benefits. The first is economic – that production can start as scheduled; and the second is environmental – by being there on time we are connected to their production and avoid the potential for flaring.*

”

**Chris Middleton**

Vice President, Engineering &amp; Construction





*A culture of safety and environmental stewardship.*



# Zero Zero 1.11

Driver safety incidents, 2020  
(Zero, 2019)

Reportable environmental  
incidents, 2020  
(Zero, 2019)

Total recordable incident rate -  
employees, 2020  
(2.22, 2019)





*We are focused. We create an operating culture that seeks to minimize harm to our people and places of operation, all the while setting industry-leading operating and reliability standards.*

**KEY AREAS OF FOCUS**

Materiality Spectrum
Climate change
Emissions management
Environmental management
Occupational safety
Process safety
Project delivery
Diversity, equity & inclusion
Employee, training & development
Talent attraction & retention
Community impact

**How we operate**

We recognize that operational commitment and leadership are fundamental to achieving strong safety and environmental performance. Our commitment to safety culture starts at the top. Each weekly staff call begins with a discussion of safety and environmental matters and the company’s safety and environmental goals are incorporated into every employee’s performance review and bonus program.

These commitments are documented in our Environmental, Health, Safety and Regulatory procedures and are integral to the Lucid Operations Management System (LOMS). This management system provides a structured approach to ensuring proper management of all aspects of our operations. It details our expectations for risk mitigation, environmental performance, information and operational security, and overall process safety. Key process and procedure elements are included in the system that govern the ways we design, construct, operate, and maintain all aspects of our business. This system incorporates the requirements of the following:

- The specification/standard for Occupational Health and Safety Management Systems, OHSAS 18001
- The international standard for Environmental Management Systems, ISO 14001
- Industry standards such as API Q1, API RP 75 and ISO 1350
- The international standard for Quality Management Systems, ISO 9001

The Lucid Operations Management System



↑ Lucid pipeline operating team members remove a pipeline pig from infrastructure following a cleaning operation  
 ← Red Hills teams maintain the integrity of the assets located at the largest gas processing complex in the Delaware Basin

## Q&A

### Matt Eales

**Vice President**

Environmental, Health, Safety and Regulatory



#### *What are the areas of material environmental and safety focus for Lucid?*

Occupational and process safety are our first priorities, not only out of concern for our employees but also the communities where we operate. All employees are empowered with “stop-work” authority if they identify or are concerned about a safety risk. This authority is a responsibility as well as an expectation of each employee, a position supported and reinforced regularly by our CEO.

Considering the significant time our team spends on the road each day, we spent 2020 targeting increased safe driving practices and training, and successfully reduced our Motor Vehicle Incident Rate (MVIR) to well below the national average.

Management of methane emissions is a critical focus for our industry and for us as a business. In 2019, New Mexico Governor Michelle Lujan Grisham issued an executive order for the environmental regulating bodies of New Mexico to create emissions and methane waste rules. We recognize the important role we play in these environmental and climate change strategies and are committed to continuing to tackle emissions and methane capture as we lead in the safe and responsible processing of gas in New Mexico.

Operating in the arid climate of Southeast New Mexico, we know first-hand that water is scarce, and we treat it as such. While our water usage is limited and not a material part of our operations, we take appropriate steps to manage and preserve this resource responsibly.

Biodiversity is equally important to us and we carefully manage our impact to the environment where we operate. We work around the known habitats of protected species as well as planning our construction schedules to strictly comply with permitted windows of activity and avoid disturbing such habitats.

#### *Why is collaboration so important to Lucid on EH&S matters?*

Collaborating with stakeholders across the board is essential to continuous improvement within our industry. When regulators, industry experts, operating companies and vendors partner to tackle challenges together, the collective input and knowledge drives meaningful change and helps establish regulatory standards that all parties can be proud to promote.

We recently hosted a roundtable with our contractors and the state regulators which is a good example of our multi-stakeholder collaboration and engagement approach. The Director of the Oil Conservation Division and the Chief from the New Mexico Pipeline Safety Bureau presented on the latest rules for methane capture and spills as well as on pipeline construction and testing requirements. Having clear expectations from regulators helps us and our industry partners establish refined operating standards so we can achieve 100% compliance. This meeting also provided us the opportunity to reiterate to our vendors our commitment to safety and environmental stewardship, as well as our desire to exceed expectations whenever possible.

#### *What are you most proud of?*

**1** An ESG risk and opportunity culture has been successfully embedded across our company. With leadership from my operating colleagues, we are routinely assessing safety and environmental performance, and asking how we can do things better. An awareness has permeated our operating culture that our performance and reputation in safety and environmental issues are of the highest importance to our customers and regulators.

**2** Because of the awareness and leadership described above, our environmental performance is industry leading. Our vigilance and transparency in environmental matters during the development of a new project and in our operations greatly enhances our reputation with key stakeholder groups and benefits our commercial performance.

**3** We have established great relationships with our state regulators. These agencies are essential in holding the industry to account and setting clear operating parameters. Our communication with them is open and transparent. Because of these relationships, we appreciate the ability to engage on all matters under their influence and control.





*GHG emissions management As an industry and as a business, we have an important role in supporting the responsibly managed transition to a less carbon-dependent global economy.*

**KEY AREAS OF FOCUS**

Materiality Spectrum
Climate change
Emissions management
Environmental management
Occupational safety
Process safety
Project delivery
Diversity, equity & inclusion
Employee, training & development
Talent attraction & retention
Community impact

We are committed to strictly managing our emissions and constantly challenge ourselves to identify opportunities to reduce greenhouse gas emissions including the management and reduction of all forms of criteria emissions as defined by the US Environmental Protection Agency.

We have invested significant time and resources into developing a credible action plan which will increase our ability and capacity to identify and limit GHG emissions and reduce our environmental footprint. During 2019 we employed an emissions specialist who was tasked with continuous surveying of our assets for possible leaks. We complement this approach with third-party support and aerial Light Detection and Ranging (LiDAR) on a semi-annual basis. This multi-layered approach utilizing third-party LDAR services, in-house Optical Gas Imaging (OGI) camera, and aerial LiDAR has enabled us to vastly improve our emissions profile.

**Inventory analysis**

In an effort to better understand our current performance and set firm emissions targets, we engaged in an emissions inventory analysis which covered our entire operating footprint. The project was led by a global environmental consultancy that helped us identify and minimize CO<sub>2</sub> and methane releases at their sources. Our combustion and CO<sub>2</sub> removal units are current focal points, potential reduction strategies have been presented for all sources of emissions, and we have active reduction programs in place through 2021 and beyond.

↓ Lucid's off-spec gas treating facility at Red Hills removes hydrogen sulfide from the gas stream and sequesters it by injection in a disposal well



### Leadership

Our CEO leads a weekly Technical Meeting focused on continuously optimizing operations in support of our strategic objectives. The attendees – leaders from Operations, EHS, Measurement, Engineering and Construction – collectively define, prioritize, and staff optimization projects, and tactically deploy resources within the organization to troubleshoot obstacles. During the year, we implemented numerous recommendations, including upgrading separators and pollution control devices. We have a daily call updating management on all aspects of operations which is an effective tool for quickly identifying issues and developing response plans. Our progress is reviewed at least monthly by the Board of Directors and quarterly by the ESG Committee.

### Flaring

A key priority is minimizing flaring, not only from our own operations, but also from those of our customers. The ESG Committee and leadership team are working with industry experts exploring ways to reduce the Company's flaring activities and set appropriate flaring reduction targets. We are also focused on finding ways to further improve the runtime and reliability of our assets which will aid in reducing upstream flaring from our customers.

During 2020, substantial investment was made into Lucid's instrumentation and measurement equipment as well as redundant LDAR studies to identify gas going to flare. This allowed us to identify several previously unidentifiable sources and then eliminate the root causes of these losses. Additionally, the LiDAR program identified blow-by in some compressor exhaust which previously was not identifiable with a ground-based OGI camera.

### Certifying our Acid Gas Injection (AGI) wells for carbon capture and secure storage

Our responsibility as a natural gas processor within the energy value chain is to remove water, CO<sub>2</sub>, H<sub>2</sub>S, hydrocarbon liquids, and other impurities that are naturally present in the gas stream and deliver strictly specified natural gas and natural gas liquids to downstream parties. Traditionally, as part of the treatment process, CO<sub>2</sub> must be removed from the product stream prior to processing. The CO<sub>2</sub> is then safely vented into the atmosphere.

Carbon capture is a proven technology that, when managed correctly, can support material reductions in operating emissions by capturing the vented CO<sub>2</sub> which otherwise would have been released into the atmosphere.

We recognize that effectively addressing and mitigating human contributions to climate change will require collaboration between public and private businesses, institutions, organizations, and agencies. In 2020, we partnered with the Carbon Utilization and Storage Partnership (CUSP) of the Western US, led by New Mexico Institute of Mining and Technology to certify our AGI wells for carbon capture.

Through this exercise, we identified an opportunity to recertify three (two existing and one planned) injection wells for injecting CO<sub>2</sub>. Once certification is complete, we may apply for IRS 45Q tax credits.

We have eliminated our in-field amine treatment systems, directing all CO<sub>2</sub> to our processing plants to be captured efficiently. Lucid's engineering teams are assessing numerous options for reinjecting the CO<sub>2</sub> into secure geological storage which could result in a significant reduction in Scope 1 produced emissions per annum.

In 2022, we will be assessing whether to bring our third injection well online which would further increase our total injection capacity.





## Methane. *Methane management is a material area of focus for us.*

We consider emission reduction and control technology during the engineering, design and construction of our infrastructure and processing plants. Our recently upgraded systems constantly monitor our assets and report data back to inform decision-making processes at operational and strategic levels of the business.

Through investment in personnel, infrastructure, and operating practices, and effective collaboration with industry and other stakeholders, we have a comprehensive plan to reduce our methane emissions.

### Innovative testing

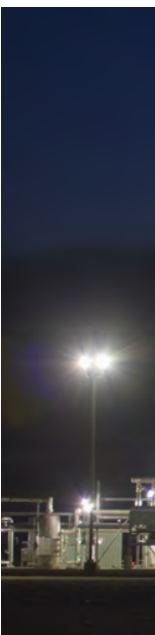
Data management and assessment are critical to optimizing our operations. With the support of a specialized contractor, we tightened our methane controls across our exhaust stack infrastructure to determine whether our compression units were operating efficiently. Where issues were identified, we worked closely with our compression partners to take remedial action and our updated operating procedures reflect this focus.

### Strategic partnership

In 2019, we established a strategic partnership with one of our compression providers who has a modern and efficient fleet and shares our values in safety, environmental stewardship, and optimization to support our operations and boost continuous improvement. We initiated a quarterly methane analysis program across our 33 compression stations. This effort is led by our on-staff certified methane analyst utilizing an infrared camera to look for leaks and, together with our compression partner's mechanics, is a process of conducting thorough assessments of each facility and then tracking all remedial work, which is either addressed immediately or assigned to our maintenance team for prompt action.

Following the conclusion of each analysis, our field management teams meet to discuss the findings and initiate strategies to drive improvement. Reports are shared with our leadership team as appropriate.

↓ Lucid project management teams lowering in a new pipeline with contractors as the gathering system expands





**Environmental management.** *Central to running a safe and sustainable business is being focused on our environmental responsibility.*

Our systems are designed to protect both life and the environment, mitigating environmental risks and limiting our impact. Our Environment Policy sets the overall direction for continuous improvement, risk reduction, compliance, and best practice. It also covers managing key environmental issues, including incident and emergency response. We use modern, efficient equipment and technologies to document, track, and report on environmental risks, offering searchable data while maximizing transparency. Our operational management system incorporates the requirements of international standard ISO 14001.

**Water**

As a midstream operator, a limited amount of water is needed to support the efficient operation of our infrastructure and facilities. The water that we do use is treated, recycled, and re-used by upstream operators for their hydraulic fracking efforts, thus reducing their use of fresh water.

**Biodiversity**

Several protected species, including the lesser prairie-chicken and dunes sagebrush lizard, and endangered plants exist in our nearby ecosystems. We undertake appropriate processes and procedures to limit the effects of our activities on their habits and habitats, including conducting flora and fauna assessments when seeking Right of Way permits, conducting an assessment to identify endangered plants in close proximity to our operations, and enacting strict construction windows and locations in which we build.

**Waste management**

We are firmly committed to the responsible management of waste materials from our expansion projects and operations. We do not create large operational or corporate waste streams, nor do we generate any hazardous waste. Our operational by-products and wastes, such as used lubricating oils from compressors, are all managed by an accredited contractor.

↓ Roadrunner  
gas processing  
plant



**Occupational safety.** *Our approach to occupational safety focuses on active reporting, risk identification, and employees empowered with stop-work authority to achieve zero-harm.*

**Performance in 2020**

**1.11**

Recordable incidents per 100 full time workers

**2.99**

Recordable incidents per 100 full time workers

**0.6**

LTIF rate per 200,000 hrs worked\*

**Zero**

Employee and contractor fatalities

**Zero**

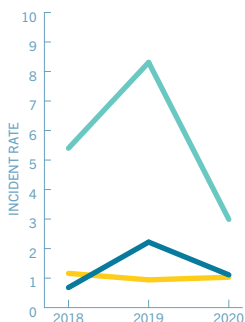
Significant incidents

**12** <sup>SHH</sup>

Average EH&S training per employee

\* Employees only, 0 for contractors

**Safety Performance**  
 ■ Total recordable incident rate (employees)  
 ■ Target: Total recordable incident rate (industry average)  
 ■ Lost time incident rate (employees)



**Approach**

Our head of EHS, an executive leadership member, reports directly to the CEO who holds ultimate responsibility for health and safety management and performance at Lucid.

We seek to comply with all health and safety laws applicable to our business. To this end, we have a safety-first culture and foster a sense of self-responsibility and care for all. We rely upon employees and contractors to ensure that work areas are kept safe and free of hazardous conditions. Our teams are conscientious about workplace safety, including applying proper operating methods and recognizing dangerous conditions or hazards. Any unsafe conditions or potential hazards must be reported immediately, even if the hazard no longer poses a threat.

**Training**

Training and engaging employees and contractors is essential to achieving our zero-harm goal. We closely track and monitor employee training and ensure relevant training is assigned to all employees and contractors. We provide training in occupational health, pipeline, process and fire safety, and safe driving. To motivate employees about the importance of safety, we hold contests and reward safety-positive behavior.

Our training platform provides online computer-based training for all employees. The training covers myriad topics to increase business acumen, increase technical skills, and ensure regulatory compliance. New employees undergo mandatory, office-based training before being allowed to enter any Lucid operating site. Upon arrival employees receive continuous training through written procedure qualification and mentorship.

**Pipeline safety**

A portion of our pipeline infrastructure is regulated by the US Department of Transportation which sets minimum design specifications, operating and EH&S standards. We provide mandatory training programs for our operating and maintenance personnel and complement this with further training as appropriate. During 2020, our regulated pipelines were audited by the New Mexico Pipeline Safety Bureau, during which no recommendations for changes were made for the second year in a row.

**Driver safety**

Driving to site is essential for safely and responsibly overseeing our operating footprint. We recognize that our employees spend a considerable amount of time traveling between operating plants and along our pipeline infrastructure and therefore consider driver safety to be a material safety concern.

We invest in appropriate training to mitigate driving risks. We also employ a third-party training program to develop good driving habits. This training is mandatory for anyone who drives a company vehicle. Notably, since commencing the program four years ago, we have had no serious vehicle incidents.



## Case study

### “You See It You Own It” Awards

*The “You See It You Own It” Awards are reserved for our employees who identify EHS&R-related issues and become involved in a concentrated effort to resolve those risks. In 2020, three individuals were given this award in recognition of their commitment and hard work.*



#### **Brian Gregg**

While walking through the Red Hills plant, Brian noticed safety lanyards were missing on the chain-operated valves. His warning of the potential risk was shared with other plant managers who also began safety lanyard installation on their chain-operated valves. This demonstrated how one single observation can spur an idea that spreads across our organization and prevents incidents.

#### **Jason Reyes**

Jason was instrumental in developing Lucid’s LDAR program for a sharper operational focus on emissions management. He led its implementation and engaged early with the training program. His colleagues praised his positive attitude and willingness to always take calls for assistance and lend his time and expertise.

#### **Frankie Soto**

Frankie took responsibility for the closure of our Penasco compressor station during 2020. His focus on the task at hand resulted in an expedited closure of the project with environmental protection and employee/contractor safety at the top of the agenda.



## Case study

### Accommodating our safety-first culture

*Our largest plant complex with the highest employee count is Red Hills. To help lower risk we have living quarter trailers on site for people who are working shift/hitch work (14 days on/14 days off/12-hour days). Since some employees travel a long distance to the plant, the trailers provide them with a place to safely and comfortably stay during their hitch and avoid driving after long shifts.*

↓ Pipeline operating team members load a pipeline cleaning pig at the Frac Cat Compressor Station in Lea County New Mexico.





**Process Safety Management (PSM).** *PSM is the ability of our physical assets to perform their required function effectively while safeguarding life and the environment. It is an integral part of our overall approach to managing EHS.*

Our PSM program uses uniform processes, procedures, and specifications to achieve and maintain safe and reliable operations. Our existing facilities and all planned expansions are developed in line with OSHA's 14 elements and requirements.

PSM responsibility sits with the plant managers at Red Hills and Roadrunner, who are supported by members of the Environmental, Health, Safety and Regulatory (EHSR) team and receive independent counsel from third-party specialists. Our 24/7 incident management and reporting processes are well defined, with regular communication of all activities to leadership.

Throughout 2020, we internally audited and updated our documentation, including Standard Operating Procedures (SOPs), advanced our documentation management systems, and conducted training sessions for all relevant personnel.

In 2021, we began tracking PSM incidents through a new reporting system and will publish our baseline data in our next report.

#### **Customized process plant training**

Gas processing plants are highly technical operating environments, and our gas plant operators all complete a unique safety and operating training program to operate gas plant equipment. Trainees are provided with a comprehensive briefing on the SOPs, which are unique to each plant, and required to pass a strict competency assessment.

In 2021, we partnered with a third party to provide instructor-led training for all gas processing plant operators and supervisors. Each operator and supervisor completed 40 hours of instruction in natural gas treating and cryogenic processing. This training reinforced awareness and operating control for more experienced operators while providing foundational skills for entry-level employees.

#### **Contractor management**

We have grown consistently as a business but occasionally must rely on skilled and responsible contractors to support our goals and meet our exacting standards. Contractor selection and performance includes utilization of a third-party management system to assess contractors prior to engagement and to monitor compliance during their engagement as well as individual supervisors tasked with managing the daily work of each contractor.

We set strict minimum operating, safety, and environmental standards for all contractors working within our operations and construction projects. We track and report all relevant safety and operational incidents and maintain an open dialogue with our contractors throughout any engagement. We recognize that our projects, typically characterized as either pipeline and gathering system expansion or gas processing plant construction, require distinct and specialized competencies which must be delivered via strict operating procedures. We establish risk and competency metrics when engaging our contractors.

During 2020, we also engaged a third party to audit key supplier documentation and controls.

## Continuous improvement.

### KEY AREAS OF FOCUS

Materiality

Spectrum

Climate  
changeEmissions  
managementEnvironmental  
managementOccupational  
safetyProcess  
safetyProject  
deliveryDiversity, equity  
& inclusionEmployee, training  
& developmentTalent attraction  
& retentionCommunity  
impact

### Reliability

A significant amount of our time is focused on plant reliability and reducing downtime. By focusing on reliability and maintaining operations as near to their design specification as possible, we can better analyze and troubleshoot our facilities and drive further improvements in the form of product quality, process safety standards, and emissions management.

While it is the responsibility of all employees to ensure reliable operations, we have a dedicated Optimization Team focused on monitoring reliability and identifying efficiency opportunities. The team, comprised of skilled engineers, works closely with our plant operators to drive continuous improvement. The team conducts daily process simulations, using real-world operating and pricing data that helps improve reliability and product quality while also presenting the potential commercial gains by making such adjustments. Reliability reports, supported by data analysis, are issued monthly to company leadership and Lucid's Board of Directors.

### Robust controls and communication

During 2020, we upgraded our control systems across our entire Red Hills Complex. This investment into our Human Machine Interface (HMI) provided increased visibility and improved access and control to our plant and pipeline systems. It also enabled further efficiencies in communication with leadership to support faster and better-informed decision-making. We are presently assessing a similar investment for our Roadrunner plant in 2021.

### State-of-the-art alarm management

Alarm management systems are critical to the effective operation of our infrastructure. During 2020, the Company established an alarm management and rationalization program. A cross-functional, multi-disciplinary team was established to manage the program and activities such as the removal of redundant alarms and the design and implementation of comprehensive Cause and Effect logic to validate the updated system.

### Disciplined approach to maintenance

In 2020, we established a Computerized Maintenance Management System to digitally track work orders established by operating and maintenance personnel. This system, which tracks work orders through shift rotations, automatically assigns responsibility for the required remedial activity to ensure that reliable operations are maintained, as well as the safety and integrity of our infrastructure.

The digitalization of our maintenance program has facilitated greater management oversight and insight into how and when we invest in our infrastructure. During 2021, in line with our commitment to continuous improvement, we looked at how we can adapt our analysis and move towards more predictive, preventative, and scheduled maintenance. We invested in highly sophisticated devices that allow us to automatically assess our rotating equipment such as gas compressors while they remain in operation. By reducing our need to perform invasive maintenance activities, we can reduce the loss of natural gas from our system and continue to reduce our emissions profile. Equally, these actions are driving economic benefits, not only in the scheduling of planned shutdowns but also in determining when equipment requires investment and/or replacement.



“

*The investment we made in our operating and management systems during 2019 and 2020 improved reliability by a couple of percentage points resulting in 99% availability of our plants. I've witnessed an important cultural evolution within the business where our colleagues have the confidence to voice positive contributions and drive continuous improvement.*”

**Ty Henderson**

Vice President, Operations



*Skilled,  
high quality  
customer  
service.*



162

Employees

43

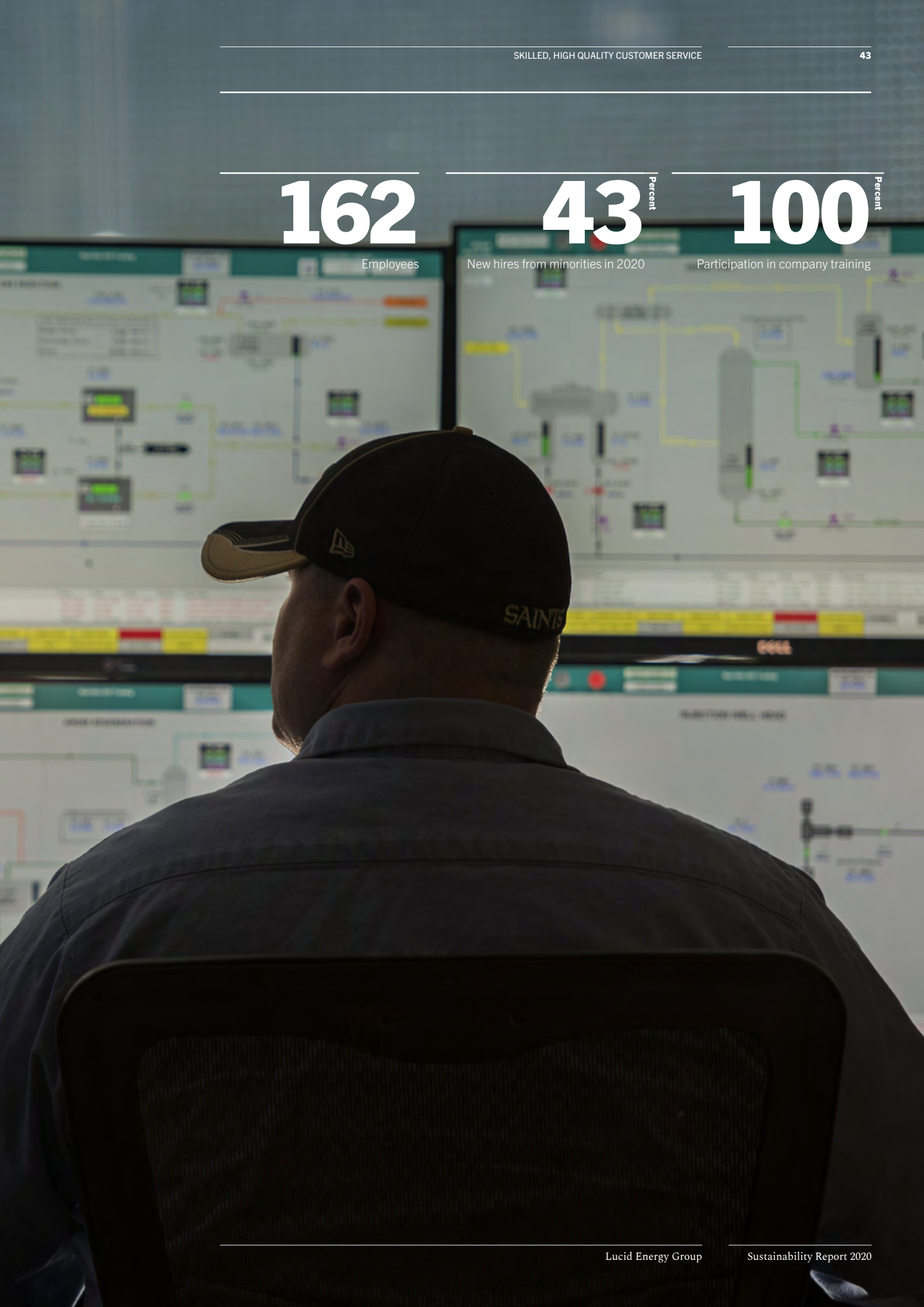
Percent

New hires from minorities in 2020

100

Percent

Participation in company training



*Our people. Our people reflect the character and potential of our business. By investing in them, we become a better partner and corporate citizen to those with whom we meet, engage, and collaborate.*

**KEY AREAS OF FOCUS**

Materiality Spectrum
Climate change
Emissions management
Environmental management
Occupational safety
Process safety
Project delivery
Diversity, equity & inclusion
Employee, training & development
Talent attraction & retention
Community impact

As the world shifts to a decarbonized economy, we need a skilled, diverse, and engaged workforce to both deliver a high-quality service and help to enable the energy transition. That’s why over the past year, we have developed a strategic approach to building an inclusive and respectful workplace.

We currently employ 162 people and our ability to attract and retain talent and build competency is a starting block for our human resources team. The importance of ESG matters is routinely reinforced throughout the organization by senior leadership who communicate specific ESG company objectives to their respective departments and contractors.

This year we introduced employee-led lunch and learns, providing opportunities for employees to learn more about the organization, its operations, and its various departments directly from their peers who prepare and make the presentations. These have been incredibly successful and have consistently been attended by more than half of the organization. Our most popular courses so far have been “Measurement 101,” “Upstream to Downstream 101,” and “The ‘E’ in ESG.” We’re incredibly proud of our employees who have stepped up to prepare these presentations and showcase their speaking and training skills.

The Employee Handbook sets out our code of ethics. It defines specific policies including our new Paid Parental Leave policy. Lucid is committed to supporting our working parents by providing paid time off for the birth or adoption of a child (or children) for full-time employees. Lucid’s Paid Parental Leave is gender-neutral and provides paid leave based on a temporary, self-designated caregiver status covering the time period directly following the birth or adoption of a child (or children).

**Response to COVID-19**

While dealing with the COVID-19 pandemic and a significant industry downturn, our workforce pulled together, and we were fortunate to have no known cases transmitted in the workplace. Throughout this time, we focused on three main objectives: To safely run the business, protect our people, and mitigate the spread of the virus.

We are supporting our stakeholders through the pandemic including our workforce, customers, and partners. To ensure operational continuity, we set up on-site accommodation for our employees which evidenced no known community spread. We are working hard to make sure all our employees and contractors continue to feel connected and engaged, and have rolled out weekly COVID-19 self-testing with testing kits provided to all employees and contractors.

**Lucid CARES**

The CARES committee meets monthly to provide guidance on social efforts, including recommendations for corporate community giving budgets, donation requests, and suggestions to improve employee engagement and inclusivity, such as training initiatives, unique benefits, social events, and even policies about paid time off for volunteerism or donation matching.

The CARES committee crafted our first employee engagement survey with questions about everything from Lucid’s benefits to its pay and rewards programs, to its culture and support of work-life balance. This semi-annual survey continues to inform leadership of opportunities to better communicate with, reward and engage our employees.



- C** **Communities** in which we work/live (Hobbs, Carlsbad, Artesia, Dallas)
- A** **Advocacy** for causes we care about (energy, education, healthcare, wellness)
- R** Supporting first **responders** (volunteer firefighters, EMTs)
- E** Supporting employee **engagement** (inclusiveness, connectivity, events)
- S** Supporting **social** initiatives (workforce development, health, diversity)



## Q&A

### Cory King

Vice President  
Human Resources



#### *What are you most proud of in 2020?*

In all respects, 2020 was an extraordinary year. I am proud of the way we responded to the pandemic by protecting our people, mitigating the spread of COVID-19, and safely running the business.

We spent considerable time building a solid foundation for our policies and processes in how we manage and interact with our people. We reinforced and published our Employee Handbook which now includes policies on Business Ethics, Conflict of Interest, Workplace Conduct, Anti-Nepotism, and Paid Family Leave.

During the year, we also established an anonymous third-party reporting hotline where employees can report on any issues relating to ethics, safety, compliance, and other workplace conduct concerns.

Another success is our newly formed employee engagement and community investment committee (the CARES committee) made up of 15 employee representatives from across the organization who were identified as some of our best “culture champions.” The first thing the CARES committee did was formalize a corporate community giving strategy and other social initiatives in the communities in which we work and live.

#### *What do you think drives excellence at Lucid?*

We are a company made up of experts. The individual capabilities along with our increased collaboration as a result of the pandemic has led to a strong sense of pride within our company and an ability to deliver a first-class service.

Lucid’s commitment to excellence is evident in our dedication over the past year to formalize a respectful and inclusive culture. The CARES committee crafted our first employee engagement survey to inform leadership of opportunities to better communicate with, reward and engage our employees.

#### *What were your main objectives for 2021?*

Employee training and driving excellence remain clear areas of focus for us. We have tripled our year-over-year training hours and budget. In September 2021, we engaged a nationally renowned workplace trainer to conduct Conflict Resolution training focused on building collaboration and trust through communication. I am hoping to see improvements in our Employee Engagement survey by year-end.

Improving recruitment and promotion of underrepresented groups will be a major focal point throughout the coming year. I believe we will benefit from diversity of thought and a corporate culture of inclusivity.

In terms of our community impact, we are developing some policies to encourage more volunteerism as well as finding ways to meaningfully support first responder, youth empowerment, and community initiatives in New Mexico with any remaining giving budget.



## Case study

### Policy in practice

**Cody Whinery**  
Lead Operator, Red Hills

“

*I joined Lucid in July 2019 and I'm now a Lead Operator at Red Hills. In March, my wife and I welcomed our second baby boy into the world, and I can really speak for how much **the parental leave policy has helped my family and me right from the start of our children's lives.** Lucid supported me taking the time I needed to help my wife and family and allowed us to share the parenting and look after both of our children together.*

*I was really pleased when I first found out about the policy following the CEO's announcement of a new company handbook. I made sure to give my team sufficient heads-up so that all necessary shift coverage was in place and I'm very appreciative of the support shown by everyone.*

*I have worked in the industry a long time and in many States, and never heard of or came across such a progressive paid parental leave policy. From my perspective, **Lucid goes above and beyond with such a generous program.***

”





**Employee development and social engagement**

Our employees are an integral part of our success, and we value their career development. We encourage and support professional development and learning for our employees through a variety of lunch-and-learns and comprehensive resources to support individual growth including in-person and computer-based training on everything from gas plant operations to safe driving.

One theme that arose from our semi-annual survey responses was employees’ desire for more connectivity with peers and leadership, particularly following work-from-home policies in place due to COVID-19. In response, our CARES committee created “Virtual Coffee with the C-Suite” where employees are invited to participate in small cross-department sessions where they can ask questions directly about the company, its management, its operations, and its future. These informal gatherings have successfully helped reconnect employees with their peers in other departments and given them face-time to speak with the executive team.

Coordinating employee events across multiple offices, plants, and towns can be daunting but it hasn’t stopped us from ensuring that we always make time for some fun and games. Whether it’s a 1980s-themed Lucid Christmas party, Family Farm Day, or a day at the waterpark, a little personal “downtime” is never too far away.

**Talent attraction and retention**

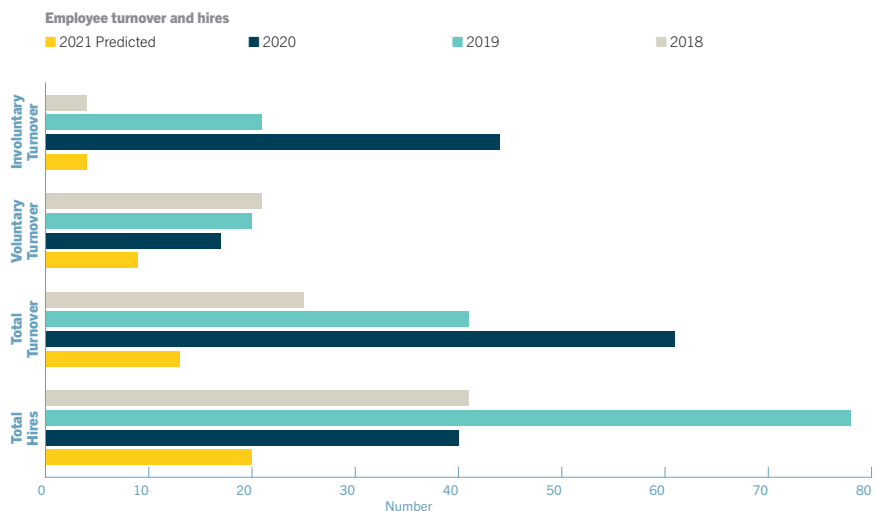
We are committed to creating a culture that draws out the best from our people and focuses on inclusion and collaboration.

As of December 31, 2020, we had 162 full-time employees. During the recruitment process, we select our candidates based on merit, experience, and suitability for the given role. All new hires are formally approved by our VP of Human Resources, Cory King.

As we seek to increase our ability to employ locally, we are moving from contractor utilization to hiring full-time employees from Southeastern New Mexico, thus increasing the connectivity with the communities in which we work and serve.

In May 2020, in response to low commodity prices and reduced oil demand due to COVID-19, we took unfortunate but necessary cost-cutting measures, including a reduction in our headcount. Our 2020 combined voluntary and involuntary turnover rate was 38% compared to 22% in 2019, though we expect this percentage to fall in 2021 by comparison.

Acknowledging the need for a more diverse workforce, we are working hard to ensure that we are a desirable company to all ethnicities, gender groups, and backgrounds.



### **Diversity, equity, and inclusion**

We are continuing to advance a diverse and inclusive working environment through conversations and training about diversity and inclusion. Supporting this, in 2020 43% of new hires were minorities. Additionally, Lucid has an Employee Engagement Committee, which focuses on DE&I initiatives and affinity groups working towards a common goal.

In 2020 and into early 2021, we conducted a Pay Equity Analysis resulting in salary adjustments for some individuals.

Lucid is an Equal Employment Opportunity employer that does not discriminate on the basis of race, color, religion, sex (including pregnancy), national origin, citizenship status, age, disability (whether physical or mental), spousal affiliation, marital status, veteran status, sexual orientation, gender identity, ancestry, genetic information, or any other characteristic protected by applicable federal, state, or local laws. Our company, Board of Directors, and management team are dedicated to this policy with respect to all aspects of employment, including without limitation, recruitment, hiring, placement, promotion, transfer, training, compensation and benefits, and termination.

### **DE&I training**

Lucid has tripled its year-over-year training hours and budget. In April 2021, Lucid engaged a specialist third-party to conduct Workplace Professionalism training for all employees. This training covered workplace bullying, sexual harassment, discrimination, as well as implicit bias and its implications in the workplace.

Lucid achieved 100% participation company-wide and has continued to offer the training to all new hires. In September 2021, we conducted dispute resolution training focused on building collaboration and trust through communication.

### **Community impact and economics**

The first thing the CARES committee did was formalize a corporate giving strategy that focuses on first responders, education, workforce and community development and social initiatives in the communities in which we work and live. The Committee then developed an approval process and matrix for prioritizing corporate giving requests and created an online corporate giving and volunteer request form for our website.

Lucid has consistently been a financial supporter of many non-profits in Dallas and Southeast New Mexico. Our corporate donations have been primarily directed at supporting athletic teams, FFA and 4H at Artesia and Carlsbad schools, scholarships at New Mexico Tech, community programs like First Tee, CASA and Head Start, and the Eddy County, Lea County and Jal Fire and Rescue Departments. Our employees have also conducted toy and coat drives for local shelters and community centers, volunteered as teachers' assistants with Head Start, and delivered food through Meals on Wheels.

This year we added paid time off for company-sponsored service opportunities. Employees company-wide have served at the Dallas Food Bank and Changing Lives Coalition in Carlsbad, Hobbs, and Artesia, sorting, packing, and distributing food to our neighbors and schools.

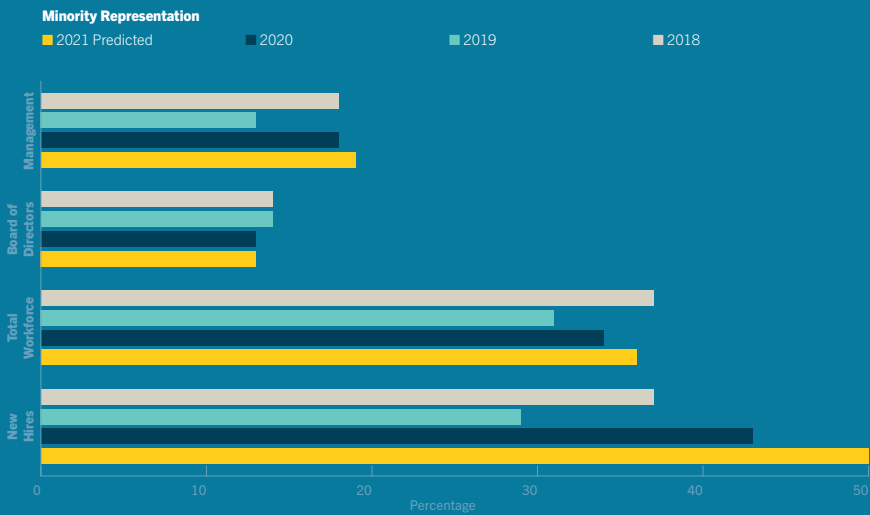
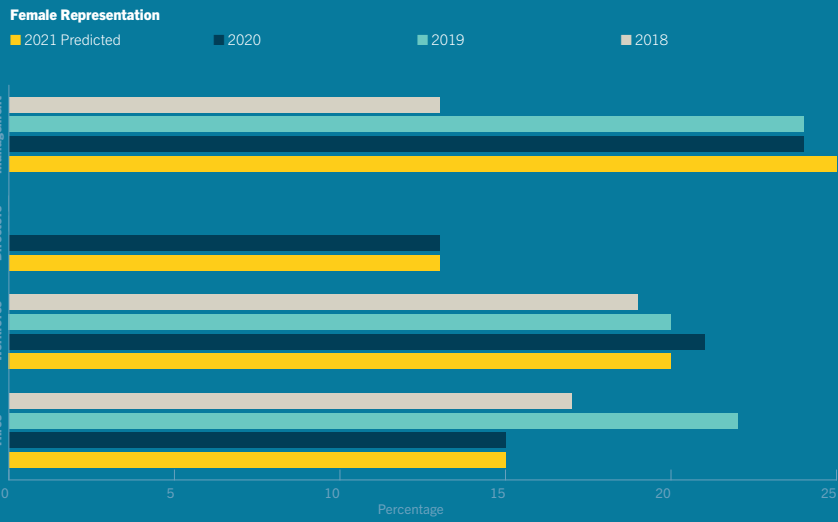
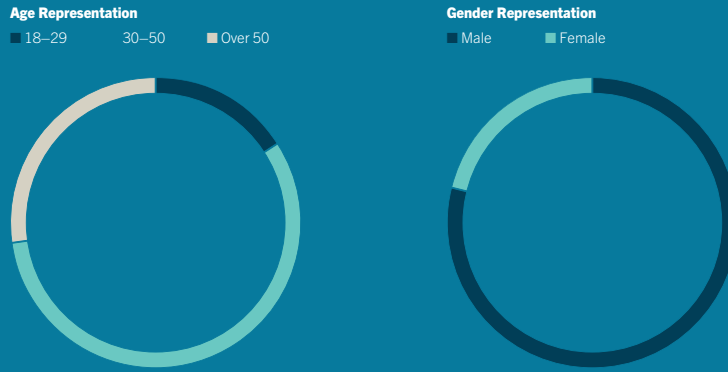
In October, all employees will be encouraged to participate in our first ever company-wide day of service where teams will work on home repair and beautification projects in the communities in which we work and live.

### **Preventing corruption**

Lucid endeavours to maintain a positive working environment. Each employee plays a role in fostering this environment. Accordingly, we all must abide by certain rules of conduct, based on honesty, common sense, and fair play. Because everyone may not have the same idea about proper workplace conduct, it is helpful to adopt and enforce rules all can follow. Unacceptable conduct may subject the offender to disciplinary action, up to and including discharge, as determined by Lucid.

### **Political donations**

Lucid does not contribute to state or local governments.





## Case study

### A strong STEM pipeline

Three of our employees, **Nick Leuck**, Manager of Engineering, **Chandler Smith**, Pipeline and Facilities Engineer, and **Charlie Brooks**, Senior Manager of I&E, did two presentations to 25–30 students pursuing science, technology, engineering, and math (STEM) study paths from Dubiski Career High School.

*They spoke about our operations and their specific roles, costs of items in our plants, costs of downtime, components of the plants, various roles and backgrounds, and career opportunities in STEM roles within our industry, as well as what traits would make someone a good fit to pursue such a path.*



### **Human rights**

We believe protecting human rights to be a basic responsibility in conducting our business. We have a strong and recognized obligation to ensure the responsible operation of our business and are fully committed to safe, sound, and ethical business conduct at all times. Human rights has not been raised as a supply chain risk and is not considered a material operational issue. Nevertheless, we comply with State laws that formally protect basic human rights.

### **Managing partners and suppliers**

In 2020, Lucid engaged 29 contracted individuals. We maintain a strict timeline and demand high standards throughout the bidding process. Partners must demonstrate competency, a strong track record of safety, and the ability to do the job well. From there we have programs in place including daily tailgate safety meetings, job safety analysis, and training. Lucid has an Incident Reporting and Investigation procedure that sets forth the process for ESG-related incidents involving employees and contractors.

### **Anti-bribery, corruption and due diligence with partners**

In 2020, Lucid included ESG initiatives in contracts with pertinent suppliers. Lucid requires suppliers to comply with its EH&S Policy by incorporating the then-current version in its contract with subcontractors. Lucid has a strategic partnership with a company that offers compliance solutions to facilitate the relationship when hiring contractors, vendors, or suppliers. They manage quality assurance and inform our list of approved contractors.

The company utilizes our LOMS to incorporate contractor selection and performance management. Lucid also uses a third-party vendor's online system to assess contractors before engaging them and to monitor compliance during the course of their engagement. Lucid has an Incident Reporting and Investigation procedure that sets forth the process for ESG-related incidents involving employees and contractors. Lucid also engages a third-party consulting firm to audit key supplier documentation and controls.

### **Whistleblowing**

The Employee Handbook outlines the Lucid Energy Group II Employer Harassment and Discrimination Protection Plan (the EHP Plan) which provides an additional safe and secure platform for employees who need to seek assistance with ethical concerns. If employees so choose, they can voice their workplace issues to the Work Shield, LLC. Work Shield administers the EHP Plan along with an anonymous reporting hotline, investigates any reported harassment and discrimination incidents, and then provides a recommended course of action to Lucid about each incident.

In addition, issues related to ethics, safety, fraud, and other whistleblower incidents can also be submitted through this anonymous third-party call center. This contact information is also provided on the Work Shield ID Card provided to each employee, as well as on Work Shield posters in break rooms.

The US Equal Employment Opportunity Commission (EEOC) is the agency responsible for enforcing federal laws regarding discrimination or harassment against a job applicant or an employee in the United States. To date, we have received zero EEOC claims.

### **Giving back to our communities**

With more than 2,100 miles of pipeline and three plant complexes spread across two counties, Lucid knows how critical first responders are to the safety of our employees, infrastructure, and assets. That's why over the last twelve months Lucid has contributed to the Lea County, Eddy County and Jal Volunteer Fire Departments.

This year, Lucid donated to the Regional Emergency Dispatch Authority to support Artesia emergency responders including police, fire, EMT, and sheriff departments as the implementation costs were outside their budget. The Hand-Held and Mobile licensing allows the first responders to see the calls as they come in. For Law Enforcement it also allows them to complete their reports in the field and research individuals without having to return to the station. Additionally, this system helps to improve their visibility to the citizens and share information between agencies.

# *Clear lines of accountability.*





**\$9.8m**

Royalties paid in 2020

**\$25,000**

Donations and community investments

**13** Percent

Female representation on the Board of Directors



**Governance.** *Delivering on Lucid's corporate and sustainability objectives requires clear leadership and accountability. Our approach is overseen by Board-level committees, with our CEO having ultimate accountability for all corporate and sustainability objectives.*

## KEY AREAS OF FOCUS

Materiality Spectrum
Climate change
Emissions management
Environmental management
Occupational safety
Process safety
Project delivery
Diversity, equity & inclusion
Employee, training & development
Talent attraction & retention
Community impact

### ESG Committee

During 2020, our Board established our ESG Committee. It conducted numerous sustainability performance reviews with our executive leadership team, as well as approving [or 'improving'?] sustainability initiatives and reporting. The Committee is responsible for our commitment to climate change, environment, health and safety, corporate social responsibility, sustainability, compliance, equality, diversity and inclusion, business ethics, and other public policy matters. The Committee oversees and advises on the identification, evaluation, and monitoring of ESG risks, opportunities, and initiatives. Additionally, the Committee is responsible for developing the Company strategy, policies, and practices to promote the achievement of, or improvements in, ESG management and performance.

The Committee also assists in developing our philosophy and strategy regarding climate-related risks and opportunities and provides input to the Audit Committee regarding the management of these risks associated with our activities. Our EH&S Policy and ESG Committee Charter address the management and implications of climate-related risks and opportunities and the Board's role and responsibility in managing these areas.

The Committee meets quarterly and reports to the Board on all ESG matters at every Board meeting. ESG performance analysis, comprising safety, environmental and emissions management, and ongoing initiatives, are also included in the quarterly Board presentations and during each monthly Key Performance Indicator (KPI) call with the Board.

### Speaking with the Chair of the ESG Committee

In order to provide robust oversight to our sustainability agenda we established our ESG Committee to consider the material risks and opportunities within our operations and provide continued counsel to the Board of Directors.

A critical part of this commitment was the importance of incorporating climate risk considerations into our business strategy. This year, we began the process of aligning with the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD). We recognize the strategic merits of mapping our climate approach across the TCFD's four pillars as well as the responsibility to disclose our strategy. We are at the start of our TCFD journey, but we have already made significant progress in several areas and will provide further updates as we evolve our approach and advance our strategy.

### Compensation Committee

The Compensation Committee sets the framework and broad remuneration policy for our leadership team. Its guiding principle is sustainable value creation, taking into account the interests of all stakeholders. Critically, in 2020 the Committee integrated sustainability and ESG criteria into performance-related pay systems.

Ultimately, the Committee ensures that our leadership team is compensated fairly for their work, with pay levels and bonuses set in line with our corporate strategy.

### Audit Committee

The Audit Committee consists of executives and non-executive directors who are highly experienced in financial reporting and risk management. The Committee ensures consistent quality in reporting, internal control and risk management processes, and transparency of financial statements.





### Code of conduct

We are committed to maintaining a positive work environment and each employee plays a role in furtherance of these goals. Accordingly, our employees must abide by certain rules of conduct, based on honesty, common sense, and fair play.

We require the active commitment to and accountability for EH&S from all employees and contractors. Clear communication and a disciplined approach to implementation ensures compliance with our EH&S policies and standards.

Lucid maintains an emphasis on ensuring human health, operational safety, environmental protection, regulatory compliance, and community goodwill. This commitment is in the best interests of our customers, our employees and contractors, our shareholders, and the communities in which we live and work.

### Our handbook and corporate policies

Our Company handbook is an essential tool and sets out the guidelines for professional conduct and the standards we seek to maintain. Each employee is required to review and sign the handbook annually, which includes policies regarding the protection of confidential information, workplace conduct, use of communication and computer systems, business ethics and compliance.

Lucid has an overarching EH&S Policy that includes environmental protections and initiatives, climate change mitigation strategies, strategic sourcing regarding energy, water conservation, and waste management. Additional operating policies include Mechanical Integrity Policy, Management of Change Policy, Incident Investigation Policy, Emergency Planning and Response Policy, and Compliance Audits Policy

The handbook also includes a robust Business Ethics, Conflicts of Interest, and Gift, Travel and Entertainment Policy.

↓ Each cryogenic plant train utilizes an exclusive Power Distribution Center (PDC) where all motors, fans, and control equipment for each plant are monitored and controlled



↓ Lucid's Red Hills train 2 cryogenic gas plant, one of five operating trains at Red Hills



## Q&A

### Sandy Stash

Independent Director



#### *How is climate risk governed within the business?*

Throughout 2020, our focus on and awareness of climate risk increased. We have not only engaged with investors on the matter, but it was last year that I was introduced to the Board, joined as an Independent Director, and subsequently founded the ESG Committee.

Climate risk is a frequent Board agenda item. The Executive Team's Monday meetings with all VPs cover all important matters for the week, and this includes regular reports from the VP of EHSR. At the end of the week, we have a meeting with our equity investors, and we report on the progress of the climate strategy. Our Board KPI call each month covers all key ESG metrics that we track, with climate and emissions management forming an ever-increasing area of focus as we assess the risks and appreciate the opportunities inherent in doing things better.

Our CEO, Mike Latchem, is ultimately accountable for Lucid's approach to climate risk assessment and management, which ensures that it is married closely to the performance management of the overall business. A great example of the CEO's enthusiasm for operational excellence is the Technical Committee that he chairs. Meeting weekly, the Committee identifies and addresses climate-related issues on an ongoing basis. Climate risk also forms part of our CFO's accountability, further entrenching its significance to the running of the business.

Climate risk is something that we are wholeheartedly focused on, and we have worked hard to imbed these considerations into every aspect of our business.



### *How have climate risk and opportunities influenced the business strategy?*

During 2020, there was a step-change in the Board's consideration and assessment of climate risk. We have already established some of the building blocks for our climate strategy. We have identified operational fixes to be implemented in our plants, alternative sources of energy that we can advance, and conversations with our customers and partners highlighting things we can do with our combustion engines in our compression fleet. This strategy development will enable us to better manage the risk posed by climate change and establish the targets that will support our objectives.

In 2021, developing this strategy has been a priority, and the blueprint we have mapped out thus far, as well as the robust Board level conversations we have had about the risks and opportunities presented by climate change, will greatly support this process.

We share the views of many highly reputable energy commentators, including the EIA, that the demand for natural gas will remain for decades to come. We believe that due to its safe, reliable, affordable qualities, it will form a key source of energy through the energy transition.

Lucid's in-house counsel and independent advisors provide guidance and insight into changing policy and legal risk and update the ESG Committee as appropriate. Through our proactive and honest engagements with our key stakeholders, including state regulators, we believe that we have a good reputation as a responsible and trustworthy corporate citizen. We continually strive to do the right thing, particularly as it relates to matters of climate change and emissions management.

Operationally, we are monitoring the physical climatic impacts on our infrastructure. To date, there has not been any material impact to our operations, but we do recognize that certain operating equipment is more sensitive to extreme temperatures. As such, we are adapting our infrastructure to withstand greater temperature variability and improving our preparations for the arrival of extreme weather events.

### *How do you ensure that climate risk is effectively managed within the business?*

We are building our capacity and knowledge of climate risk and the impacts that it can have on strategy, our business model, and operating footprint.

Our risk management process is decentralized to experts across the business, who utilize their extensive experience and expertise to effectively identify, assess, and propose response plans to mitigate risk. All material risks are elevated to the Board, Executive Team and Committee levels, ensuring thorough assessment and ultimate responsibility is held by the Lucid's leadership. Our SVP Finance & Corporate Development manages this process, and risk is therefore managed through the finance function of the business. Risk management is incorporated into our LOMS (further detail provided later in the report).

### *What metrics and targets do you have in place to manage climate-related risks?*

2020 was a baseline year for the business. It was our first time conducting a comprehensive inventory analysis of the entire operating footprint. The program also identified the greatest sources of emissions. Our teams immediately commenced work on addressing the small wins and devising strategies to tackle the larger sources of emissions. Through 2021 we have been assessing our performance with the intention of setting targets in the near future. The performance metrics are included in the Emissions Management section of this report on page 60.

Our Board, supported by the ESG Committee and informed by leadership, is closely monitoring our performance and ability to set meaningful interim and carbon neutrality targets.

During the year we conducted our most comprehensive inventory analysis to date. The process identified our key sources of emissions, from material sources such as Combustion and AGRUs, to other smaller sources such as flaring, venting, and pneumatic valves. Obtaining a clearer understanding of our emissions profile and opportunities for material reductions allowed our operations and finance teams to evaluate the merits of deploying capital against projects that advance our emission reduction efforts.



**ESG data.** *In line with our commitment to providing meaningful and transparent environmental, social and governance disclosures, the data reported below is as of 1 January 2021.*

TOPIC	ACCOUNTING METRIC	UNITS	2018	2019	2020
<b>Greenhouse Gas Emissions</b>	Total electricity consumption	MWh	351,862	494,554	576,590
	Gross global Scope 1 emissions	Thousand metric tons CO <sub>2</sub> e			1,369
	Gross global Scope 2 emissions	Thousand metric tons CO <sub>2</sub> e	163	214	249
	Combined gross global Scope 1 and Scope 2 emissions	Thousand metric tons CO <sub>2</sub> e			1,618
	Percentage methane	%			-
<b>Air Quality</b>	Air emissions for the following pollutants:				
	NOx (excluding N <sub>2</sub> O)	Metric tons			998
	SOx	Metric tons			285
	VOCs	Metric tons			1,393
	PM10	Metric tons			66
<b>Water Usage</b>	Water use for hydrostatic integrity testing of existing PHMSA regulated pipeline	Thousand cubic meters	n/a	n/a	n/a
<b>Ecological Impacts</b>	Percentage of land owned, leased, and/or operated within or near areas of protected conservation status or endangered species habitat	%	-	-	-
	Number of marine spills and releases to the environment	#	0	0	0
	Aggregate volume of marine spills and releases to the environment	Cubic meters	0	0.0000	0.0000
	Number of hydrocarbon spills	#	8	13	13
	Aggregate volume of hydrocarbon spills	Bbls	125 Bbls	15 Bbls	5 Bbls
	Aggregate volume of hydrocarbon spills in Unusually Sensitive Areas	Bbls	0	0	0
	Hydrocarbon spill volume recovered	Bbls	0	0	0
<b>Waste Management</b>	Amount of hazardous waste generated	Metric tons	0	0	0
	Percent of hazardous waste recycled	%	n/a	n/a	n/a

TOPIC	ACCOUNTING METRIC	UNITS	2018	2019	2020
<b>Employee Health &amp; Safety</b>	Contractor/employee injury incident		3	6	5
	Total recordable incident rate – employees	# Recordable incidents/100 full-time workers	0.68	2.22	1.11
	Target – total recordable incident rate – industry average	# Recordable incidents/100 full-time workers	1.16	0.94	1.03
	Target – total recordable incident rate – three-year average	# Recordable incidents/100 full-time workers	0.48	0.96	1.33
	Total recordable incident rate – contractors	# Recordable incidents/100 full-time workers	n/a	n/a	n/a
	Lost time incident rate – employees	# Recordable incidents/100 full-time workers	5.40	8.31	2.99
	Short service total recordable incident rate – employees	# Recordable incidents/100 full-time workers	n/a	n/a	n/a
	Driver safety incidents	# Recordable incidents/100 full-time workers	0.00	0.00	0
	Fatalities – employees	#	0	0	0
	Fatalities – contractors	#	0	0	0
	Average hours of health, safety, and emergency response training for employees	Hours/employee	12	16	12
	<b>Competitive Behavior</b>	Total amount of monetary losses as a result of legal proceedings associated with federal pipeline and storage rate, access, and pricing regulations	Millions		
<b>Prevention of Corruption and Bribery</b>	Legal or regulatory fines, settlements, or penalties associated with bribery and corruption	Dollars			
<b>Operational Safety, Emergency Preparedness, and Response</b>	Number of reportable pipeline incidents	#	0	0	0
	Percentage significant of reportable pipeline incidents	%	-%	-%	-%
	Percentage of natural gas pipelines inspected	%	-%	-%	-%
	Percentage of hazardous liquid pipelines inspected	%	-%	-%	-%



TOPIC	ACCOUNTING METRIC	UNITS	2018	2019	2020
<b>Political Contributions</b>	Contributions to political campaigns, individuals, parties, and organizations	Thousands	\$0	\$0	\$0
	Payments to lobbying groups or organizations	Thousands	\$0	\$0	\$0
<b>Tax Transparency</b>	Income taxes (refunded) paid, net	Millions	\$0	\$0	\$(5.3)
	Royalties, duties, and other taxes paid	Millions	\$6.1	\$9.7	\$9.8
<b>Employee Demographics</b>	Part-time employees	#	0	0	0
	Temporary employees	#	0	0	0
	Average age of workforce	#	42.20	44	40
	Percentage under 18 years old	%	0	0	0
	Percentage from 18–29 years old	%	12%	11%	16%
	Percentage from 30–50 years old	%	61%	57%	57%
	Percentage over 50 years old	%	26%	32%	27%
	Percentage of females in the workforce	%	19%	20%	21%
	Percentage of female representation in management	%	13%	24%	24%
	Percentage of female representation on the Board of Directors	%	0%	0%	13%
	Percentage of minorities in the workforce	%	37%	31%	34%
	Percentage of minority representation in management	%	18%	13%	18%
	Percentage of minority representation on the Board of Directors	%	14%	14%	13%
	Percent of workforce with disabilities	%	1%	1%	1%
	Involuntary employee turnover	%	3%	11%	27%
	Voluntary employee turnover	%	14%	11%	10%
	Employee turnover – total	%	17%	22%	38%
	Donations and community investments	Thousands	\$19	\$39	\$25

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## Glossary

<b>AGRU</b>	Acid Gas Removal Unit
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>H<sub>2</sub>S</b>	Hydrogen sulfide
<b>KPI</b>	Key Performance Indicator
<b>LDAR</b>	Leak Detection and Report
<b>LiDAR</b>	Light Detection and Ranging
<b>LOMS</b>	Lucid Operations Management System
<b>NGO</b>	Non-Governmental Organization



**Lucid Energy Group II, LLC**

3100 McKinnon Street  
Suite 800  
Dallas  
Texas 75201

**T** 214.420.4950

**F** 214.420.4949

**E** [info@lucid-energy.com](mailto:info@lucid-energy.com)

*[lucid-energy.com](http://lucid-energy.com)*