

NMOCD
Artesia
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

SUNDRY NOTICES AND REPORTS ON WELLS
***Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.***

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| SUBMIT IN TRIPLICATE - Other instructions on page 2 | | 5. Lease Serial No. NMNM 36648 |
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator Vanguard Operating, LLC | | 7. If Unit of CA/Agreement, Name and/or No. |
| 3a. Address 5847 San Felipe, Suite 3000 Houston, Texas 77057 | | 8. Well Name and No. See Attached List |
| 3b. Phone No. (include area code) (832) 377-2243 | | 9. API Well No. See Attached List |
| 4. Location of Well (Footage, Sec., T.R.M., or Survey Description) See Attached List | | 10. Field and Pool or Exploratory Area See Attached List |
| | | 11. Country or Parish, State CHAVES, NM |

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

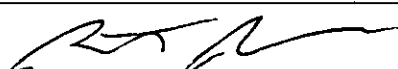
| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|---|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Hydraulic Fracturing | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

This is notification of Change of Operator on the above referenced well.
Vanguard Operating, LLC, as new operator, accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on this lease or portion of lease described.
Bond Coverage: BLM Bond File No. NMB000797, Surety Bond No. B006616
Bond Coverage Roswell Field Office: BLM Bond File No. NMB000857, Surety Bond No. B007133
Change of Operator Effective: October 5, 2015
Former Operator: LRE Operating, LLC

Accepted for record
NMOCD AB
5/25/16

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

| | |
|---|---|
| 14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Britt Pence | Executive Vice President, Operations Title |
| Signature  | Date 10.5.2015 |

THE SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|------------------------------------|----------------------------|
| Approved by /S/ DAVID R. GLASS | Title PETROLEUM ENGINEER | Date MAR 25 2016 |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | | |
| Office ROSWELL FIELD OFFICE | | |

Title 18 U.S.C Section 1001 and Title 43 U.S.C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

ATTACHMENT TO LEASE SERIAL NO. NMNM 36648

| WELL NAME | API NUMBER | EXPLORATORY AREA | UNIT-LTR | SEC | TWN | RNG | LOCATION |
|------------------|----------------|------------------------|----------|-----|-----|-----|-------------------|
| CHINA FEDERAL 1 | 30-005-1010803 | PECOS SLOPE; ABO, WEST | B | 18 | 75 | 23E | 660 FNL 1980 FEL |
| CHINA FEDERAL 11 | 30-005-101058 | PECOS SLOPE; ABO, WEST | B | 20 | 75 | 23E | 660 FNL 2310 FEL |
| CHINA FEDERAL 12 | 30-005-101059 | PECOS SLOPE; ABO, WEST | E | 19 | 75 | 23E | 1980 FNL 500 FWL |
| CHINA FEDERAL 13 | 30-005-101088 | PECOS SLOPE; ABO, WEST | L | 20 | 75 | 23E | 2310 FSL 990 FWL |
| CHINA FEDERAL 14 | 30-005-101049 | PECOS SLOPE; ABO, WEST | I | 19 | 75 | 23E | 2310 FSL 990 FEL |
| CHINA FEDERAL 15 | 30-005-101070 | PECOS SLOPE; ABO, WEST | K | 19 | 75 | 23E | 1444 FSL 1950 FWL |
| CHINA FEDERAL 2 | 30-005-100863 | PECOS SLOPE; ABO, WEST | E | 18 | 75 | 23E | 1800 FNL 660 FWL |
| CHINA FEDERAL 3 | 30-005-101086 | PECOS SLOPE; ABO, WEST | E | 17 | 75 | 23E | 1850 FNL 660 FWL |
| CHINA FEDERAL 4 | 30-005-101117 | PECOS SLOPE; ABO, WEST | K | 17 | 75 | 23E | 1650 FSL 1870 FWL |
| CHINA FEDERAL 5 | 30-005-101025 | PECOS SLOPE; ABO, WEST | J | 18 | 75 | 23E | 1322 FSL 2080 FEL |
| CHINA FEDERAL 7 | 30-005-101028 | PECOS SLOPE; ABO, WEST | K | 18 | 75 | 23E | 1650 FSL 1875 FWL |
| CHINA FEDERAL 8 | 30-005-101038 | PECOS SLOPE; ABO, WEST | A | 19 | 75 | 23E | 660 FNL 560 FEL |
| CHINA FEDERAL 9 | 30-005-101057 | PECOS SLOPE; ABO, WEST | E | 20 | 75 | 23E | 1650 FNL 784 FWL |

Vanguard Operating, LLC
Change of Operator
Conditions of Approval

1. Tank battery must be bermed/diked (must be able to contain 1 1/2 times the volume of the largest tank).
 2. Submit for approval of water disposal method.
 3. Submit updated facility diagrams as per Onshore Order #3
 4. This agency shall be notified of any spill or discharge as required by NTL-3A.
 5. All outstanding environmental issue must be addressed within 90 days.
 6. Install legible well sign on location with operator name, well name and number, lease number, unit number, 1/4 1/4, section, township, and range. NMOCD requires the API number on well signs.
 7. Subject to like approval by NMOCD.
 8. All Reporting to ONRR (OGOR Reports) must be brought current within 30 days of this approval including any past history.
 9. If this well is incapable of producing in paying quantities submit NOI to plug and abandon this well or obtain approval to do otherwise within 90 days.
 10. Submit plan for approval of well operations for all TA/SI wells within 30 days of this approval to change operator.
 11. If not in place acquire operating rights on this lease within 30 days with BLM office in Santa Fe, NM.
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