State of New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez Governor

David Martin Cabinet Secretary

Tony Delfin Deputy Cabinet Secretary **David Catanach, Director** Oil Conservation Division



Response Required - Deadline Enclosed

20-Oct-16

VANGUARD OPERATING, LLC 5847 SAN FELIPE, SUITE 3000

HOUSTON TX 77057-

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 19.15.25.8 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that ther well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.

2. Request 'Temporary Abandoned' status pursuant to Rule 19.15.25.13, which requires that you set a plug and conduct a mechanical integrity test.

3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 19.15.25.9, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

IDLE WELL INSPECTION DETAIL SECTION						
CHINA FEDERAL 001	B-18-7S-23E	30-005-60863-00-00	Inspection No. iUNK1629443352			
Inspection Date: 10/20/20	016 12:02:31 PM	Correc	tive Action Due by: 1/23/2017			
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?			
Routine/Periodic	· .	Yes	No			
Comments on Inspection:	REPORTED PRODUCTION	ON 4-1-12. Well Sign (Rule	JGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT ON T 150' FROM WELL RULE 19.15.10.8			
ROUND TOP STATE 004	F-9-7S-23E	30-005-60998-00-00	Inspection No. iUNK1629445482			

Inspection Date: 10/20/2	016 12:38:01 PM		Correct	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	FIRE HAZARD- MUST BE	E CLEARED A	T LEAST 150' I	FROM WELL RULE 19.15.10.8
CAROL FEDERAL 001	A-13-7S-22E	30-005-610	80-00-00	Inspection No. iUNK1629442844
Inspection Date: 10/20/2	016 11:54:02 AM		Correct	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIO SIGN			GGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT O
CHINA FEDERAL 002	E-18-7S-23E	30-005-610	85-00-00	Inspection No. iUNK1629442599
Inspection Date: 10/20/2	016 11:49:57 AM		Correct	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIO SIGN			GGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT C
CHINA FEDERAL 004	K-17-7S-23E	30-005-611	17-00-00	Inspection No. iUNK1629441560
Inspection Date: 10/20/2	016 11:32:38 AM		Correc	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIO SIGN			GGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT C
CHINA FEDERAL 005	J-18-7S-23E	30-005-616	05-00-00	Inspection No. iUNK1629432117
Inspection Date: 10/20/2	016 8:55:12 AM		Correc	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIO SIGN			GGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT C
CHINA FEDERAL 007	K-18-7S-23E	30-005-616	28-00-00	Inspection No. iUNK1629432541
Inspection Date: 10/20/2	016 9:02:20 AM		Correc	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIO SIGN			GGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT C
CHINA FEDERAL 008	A-19-7S-23E	30-005-616	538-00-00	Inspection No. iUNK1629433029
Inspection Date: 10/20/2	016 9:10:28 AM		Correc	tive Action Due by: 1/23/2017
Type Inspection	Inspector		Violation?	*Significant Non-Compliance?
Routine/Periodic			Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8 REPORTED PRODUCTIC			IGGED AND ABANDONED. LAST 19.15.16.8). SIGN IS NOT LEGIBLE
CAROL FEDERAL 003	O-13-7S-22E	30-005-616		Inspection No. iUNK1629434881

Inspection Date: 10/20/	Inspection Date: 10/20/2016 9:41:19 AM		Corrective Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic Comments on Inspection:	Violation of rule 19.15.25. REPORTED PRODUCTIONSIGN		No JGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT OI		
CHINA FEDERAL 009	E-20-78-23E	30-005-61657-00-00	Inspection No. iUNK1629437958		
Inspection Date: 10/20/	/2016 10:32:36 AM	Correc	ctive Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:	REPORTED PRODUCTION	ON 4-1-15. Well Sign (Rule	JGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT O AST 150' FROM VICINITY OF WELL,		
CHINA FEDERAL 011	B-20-7S-23E	30-005-61658-00-00	Inspection No. iUNK1629440660		
Inspection Date: 10/20/	/2016 11:17:38 AM	Correc	ctive Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:	Violation of rule 19.15.25 REPORTED PRODUCTIONSIGN		JGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT O		
CHINA FEDERAL 012	E-19-7S-23E	30-005-61659-00-00	Inspection No. iUNK1629434220		
Inspection Date: 10/20/	/2016 9:30:19 AM	Corre	ctive Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:		.8. MUST BE PROPERLY PLU ON 3-1-15. No Well Sign (R	JGGED AND ABANDONED. LAST ule 19.15.16.8).		
CHINA FEDERAL 014	I-19-7S-23E	30-005-61669-00-00	Inspection No. iUNK1629433567		
Inspection Date: 10/20/	/2016 9:19:26 AM	Corre	Corrective Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:			UGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT O		
CHINA FEDERAL 015	K-19-7S-23E	30-005-61670-00-00	Inspection No. iUNK1629435941		
Inspection Date: 10/20/	/2016 9:58:59 AM	Corre	Corrective Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:	Violation of rule 19.15.25 REPORTED PRODUCTI SIGN		UGGED AND ABANDONED. LAST 19.15.16.8). OPERATOR NAME NOT O		
CHINA FEDERAL 013	L-20-7S-23E	30-005-61688-00-00	Inspection No. iUNK1629437623		
Inspection Date: 10/20/	/2016 10:27:01 AM	Corre	ctive Action Due by: 1/23/2017		
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?		
Routine/Periodic		Yes	No		
Comments on Inspection:	Violation of rule 19.15.25 REPORTED PRODUCTI SIGN. ROAD WASHED	ON 4-1-15. Well Sign (Rule	UGGED AND ABANDONED. LAST 219.15.16.8). OPERATOR NAME NOT O		

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Sincerely Gilbert Cordero Compliance Officer

Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. *Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.