

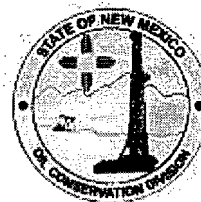
State of New Mexico
Energy, Minerals and Natural Resources Department

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 the 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:	10/20/2016 12:02:31 PM		Corrective Action Due by: 1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-12. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN. FIRE HAZARD MUST BE CLEARED AT LEAST 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:	10/20/2016 12:38:01 PM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	FIRE HAZARD- MUST BE CLEARED AT LEAST 150' FROM WELL RULE 19.15.10.8		
CAROL FEDERAL 001	A-13-7S-22E	30-005-61080-00-00	Inspection No. iUNK1629442844
Inspection Date:	10/20/2016 11:54:02 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 002	E-18-7S-23E	30-005-61085-00-00	Inspection No. iUNK1629442599
Inspection Date:	10/20/2016 11:49:57 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 004	K-17-7S-23E	30-005-61117-00-00	Inspection No. iUNK1629441560
Inspection Date:	10/20/2016 11:32:38 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-14. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 005	J-18-7S-23E	30-005-61605-00-00	Inspection No. iUNK1629432117
Inspection Date:	10/20/2016 8:55:12 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 007	K-18-7S-23E	30-005-61628-00-00	Inspection No. iUNK1629432541
Inspection Date:	10/20/2016 9:02:20 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 008	A-19-7S-23E	30-005-61638-00-00	Inspection No. iUNK1629433029
Inspection Date:	10/20/2016 9:10:28 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). SIGN IS NOT LEGIBLE		
CAROL FEDERAL 003	O-13-7S-22E	30-005-61656-00-00	Inspection No. iUNK1629434881

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		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 009	E-20-7S-23E	30-005-61657-00-00	Inspection No. iUNK1629437958
Inspection Date:	10/20/2016 10:32:36 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN. FIRE HAZARD -MUST BE CLEARED AT LEAST 150' FROM VICINITY OF WELL, RULE 19.15.10.8.		
CHINA FEDERAL 011	B-20-7S-23E	30-005-61658-00-00	Inspection No. iUNK1629440660
Inspection Date:	10/20/2016 11:17:38 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 9-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 012	E-19-7S-23E	30-005-61659-00-00	Inspection No. iUNK1629434220
Inspection Date:	10/20/2016 9:30:19 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 3-1-15. No Well Sign (Rule 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	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 015	K-19-7S-23E	30-005-61670-00-00	Inspection No. iUNK1629435941
Inspection Date:	10/20/2016 9:58:59 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN		
CHINA FEDERAL 013	L-20-7S-23E	30-005-61688-00-00	Inspection No. iUNK1629437623
Inspection Date:	10/20/2016 10:27:01 AM	Corrective Action Due by:	1/23/2017
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic		Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. MUST BE PROPERLY PLUGGED AND ABANDONED. LAST REPORTED PRODUCTION 4-1-15. Well Sign (Rule 19.15.16.8). OPERATOR NAME NOT ON SIGN. ROAD WASHED OUT		

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.

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.