State Of New Mexico Energy, Minerals and Natural Resources Department

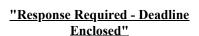
Michelle Lujan Grisham Governor

Sarah Cottrell Propst Cabinet Secretary

Todd E. Leahy, JD, PhD

Deputy Cabinet Secretary

Adrienne Sandoval
Division Director



Field Inspection Program
"Preserving the Integrity of Our Environment"



06-Jul-20

Grizzly Operating, LLC 5847 San Felipe, Suite 3000 Houston, TX 77057

Dear Operator:

LETTER OF VIOLATION - Field Inspection

The following inspection indicates that the well, equipment, location or operational status of the well failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

[30-005-63031] HANSEL ANH FEDERAL COM #001

OGRID: 258350

H-07-06S-26E 2110 FNL 940 FEL

Inspection Date 3/18/2020

Type InspectionRoutine Inspection

Inspector [CZH] Chad Hensley

Corrective Action Due By 9/7/2020

Inspection No. iCZH207838119

Violations:

Rule

Violation

19.15.10.8 Safety Procedures for Drilling and Production

General Housekeeping Required

Comment:

LAST PRODUCTION WAS 8/1/18. Violation of rule 19.15.10.8.

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,

Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

Oil Conservation Division * 811 S. First St. * Artesia, NM 88210 Phone: 575-748-1283 * Fax: 575-748-9720 * www.emnrd.state.nm.us

From: Hensley, Chad, EMNRD

To: <u>"kzimmerman@vnrenergy.com"</u>

Subject: [30-005-63031] HANSEL ANH FEDERAL COM #001

Date: Monday, July 6, 2020 9:41:00 AM

Attachments: grizzly operating LLC hanselanhfederalcom1 30-005-63031 7-6-20.pdf

Kyle Zimmerman,

Attached is the Letter of Violation(LOV) for the Hansel AANH Federal #1. If you have any questions feel free to contact me on my cell.

Thank you,

Chad Hensley Compliance Officer Artesia OCD

Office: 575-748-1283 x 112

Cell: 575-703-1723

