

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**Ken McQueen**  
Cabinet Secretary

**Matthias Sayer**  
Deputy Cabinet Secretary

**Heather Riley, Division Director**  
Oil Conservation Division



June 28, 2018

Vanguard Operating, LLC  
Attn: Kyle Zimmermann  
4001 Penbrook, Suite 201  
Odessa, Texas 79762

**Re: ACOI No. 294-E**  
Operator: Vanguard Operating, LLC; OGRID No. 258350

Dear Mr. Zimmermann:

Thank you for returning the signed agreed compliance order regarding inactive wells operated by Vanguard Operating, LLC. Enclosed is a copy of the fully executed order.

The Order requires Vanguard to bring **25** of the wells identified in the Order into compliance with Rule 19.15.4.201 NMAC (Rule 201) by **December 15, 2018**. Please remember that to bring a well into compliance under the order, Vanguard must not only plug the wellbore, place the well on approved temporary abandonment, or return it to production or other beneficial use, Vanguard must also file the appropriate paperwork. For example, if Vanguard plugs the wellbore of a well, it must also file a C-103 subsequent report on the plugging. You may wish to confirm the status of each well on the list with the appropriate district office prior to the expiration of the Order.

The Order also requires Vanguard to file a compliance report with the Oil Conservation Division (OCD) Compliance and Enforcement Manager, Daniel Sanchez, by **December 15, 2018**. This means **the compliance report must be received by the OCD by December 15, 2018**.

As Vanguard works to fulfill its obligations under the order, it should also monitor the status of its other wells to ensure that wells do not remain inactive for a period exceeding 15 months. Remember that you can search the OCD's Inactive Well List for wells that are inactive, but not yet out of compliance.

The OCD appreciates Vanguard's commitment to bringing its inactive wells into compliance. If you have any questions, or if I can help you in any way, please do not hesitate to call. My email address is [daniel.sanchez@state.nm.us](mailto:daniel.sanchez@state.nm.us).

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Sincerely yours,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", with a stylized flourish extending from the end.

Daniel Sanchez  
NMOCD Compliance & Enforcement Manager

Encl. ACOI No. 294-E

CC: Maxey Brown, OCD District I Supervisor  
Michael Bratcher, OCD District II Supervisor  
Charlie Perrin, OCD District III Supervisor  
Will Jones, OCD District IV Supervisor



April 28<sup>th</sup>, 2016

Daniel Sanchez  
NMOCD Compliance & Enforcement Manager  
New Mexico Oil Conservation Division  
1220 South St Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Sanchez,

Attached please find the signed compliance order ACOI 294-E for your review.

Please contact Kyle Zimmerman at (432) 248-8150 or myself if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Swetha Pingali", with a stylized flourish at the end.

Thanks,  
Swetha Pingali  
EHS Manager  
Vanguard Natural Resources  
5847 San Felipe, Suite 3000  
Houston, Texas 77057  
(832) 399-3762  
spingali@vnrenergy.com

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**NMOCD – ACOI- 294-E**

**IN THE MATTER OF VANGUARD OPERATING, LLC**

**Respondent.**

**INACTIVE WELL  
AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Vanguard Operating, LLC ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI"). Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein in accordance with the following agreed schedule and procedures, or face the possibility of no further agreed compliance orders. See 19.15.25.8 NMAC

**FINDINGS**

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a limited liability company doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 258350 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

"A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....

....

(3) a period of one year in which a well has been continuously inactive."

ACOI

5. The wells identified in Exhibit “A”
  - (a) have been continuously inactive for a period of one year plus 90 days;
  - (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
  - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
6. An operator faces sanctions if it is out of compliance with OCD Rule 19.15.5.9 NMAC. Sanctions include possible denial of registration by operator or certain related entities (OCD Rule 19.15.9.8B NMAC), possible denial of change of operator that would transfer wells to the noncompliant operator (OCD Rule 19.15.9.9C.1 NMAC), mandatory denial of injection permits (OCD Rule 19.15.26.8A NMAC), possible revocation of injection permits after notice and hearing (OCD Rule 19.15.26.8A NMAC), possible denial of applications for a drilling permit (OCD Rule 19.15.14.10A NMAC), and mandatory denial of allowable and authorization to transport (OCD Rule 19.15.16.19A NMAC).
7. Operator is currently out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it has too many wells out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule) that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with the inactive well rule and imposing sanctions if the schedule is not met. See OCD Rule 19.15.5.9(A)(4) NMAC.
8. As the operator of record of **905** wells, to be in compliance with OCD Rule 19.15.5.9.A(4) NMAC, Operator may have no more than **7** wells out of compliance with OCD Rule 19.15.25.8 NMAC (inactive well rule). See OCD Rule 19.15.5.9A(4)(b) NMAC. According to the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, Operator has **66** wells out of compliance with the inactive well rule as of June 4, 2018. A copy of the Operator’s inactive well list, as of June 4, 2018, is attached as Exhibit “A.” Operator needs to address this issue going forward and could face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.
9. Operator intends to seek privileges from the OCD that would be subject to sanction due to Operator being out of compliance with OCD Rule 19.15.5.9 NMAC. By placing the wells identified in Exhibit “A” under this Order, Operator will not face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

## CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit "A" are out of compliance or will be out of compliance with OCD Rule 19.15.25.8 NMAC.
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.
4. The OCD and Operator enter into this Order to remove the wells identified in Exhibit "A" from the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC and consideration of Operator's compliance with the inactive well rule for purposes of Operator's compliance with OCD Rule 19.15.5.9 NMAC. Operator remains subject to sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC **IF** Operator becomes out of compliance with OCD Rule 19.15.5.9 NMAC for any reason other than the inactive wells identified in Exhibit "A."

### **ORDER**

1. Operator agrees to bring **25** wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by December 15, 2018 via
  - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
  - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
  - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of December 15, 2018. The total length of this Agreed Compliance Order is six months.

ACOI

4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
5. This Order shall expire on January 15, 2019. At that time, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, and will be considered when determining Operator's compliance with OCD Rule 19.15.5.9 NMAC.
6. By signing this Order, Operator expressly:
  - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - (b) agrees to return to compliance 25 wells identified in Exhibit "A" by December 15, 2018;
  - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the December 15, 2018 compliance deadline set by this Order;
  - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver; and
  - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 28<sup>th</sup> day of June, 2018  
By: Heather Riley  
Heather Riley  
Director, Oil Conservation Division

**ACCEPTANCE**

Vanguard Operating, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

By: [Signature]  
(Please print name) BRITT PENCE  
Title: E. VP. OPERATIONS  
Date: 06/06/2013



## Exhibit A to Agreed Compliance Order for Vanguard Operating, LLC

**Total Well Count: 905 Inactive Well Count: 66**

**Printed On: Monday, June 04 2018**

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-005-63400	ALKALI FEDERAL COM #011	C-33-05S-25E	C	258350	VANGUARD OPERATING, LLC	F	O	09/2015	PECOS SLOPE ABO		
1	30-025-26920	AMOCO ANY STATE #003	C-10-18S-35E	C	258350	VANGUARD OPERATING, LLC	S	O	09/2015	ABO		
2	30-005-61800	BENEDICT FEDERAL COM #001	C-18-05S-25E	C	258350	VANGUARD OPERATING, LLC	F	G	07/2016			
2	30-015-10054	BIG FREDDY AVQ FEDERAL #002	F-10-23S-22E	F	258350	VANGUARD OPERATING, LLC	F	G	06/2015	MORROW		
1	30-025-35150	BIMINI 13 STATE #004	F-13-17S-35E	F	258350	VANGUARD OPERATING, LLC	S	O	06/2016	BLINEBRY PLUGBACK TO GLORIETTA 05/17/201		
2	30-005-60266	BURIED CANYON AZN STATE COM #001	J-19-05S-26E	J	258350	VANGUARD OPERATING, LLC	S	G	09/2015	WC MISSISSIPPIAN		
2	30-005-62735	BURROGRASS ABG FEDERAL COM #001	G-15-06S-25E	G	258350	VANGUARD OPERATING, LLC	F	G	03/2016			
2	30-005-61193	CAMACK FEDERAL COM #006	H-12-05S-24E	H	258350	VANGUARD OPERATING, LLC	F	G	01/2014			
2	30-005-60863	CHINA FEDERAL #001	B-18-07S-23E	B	258350	VANGUARD OPERATING, LLC	F	G	04/2012			
2	30-005-61085	CHINA FEDERAL #002	2-18-07S-23E	E	258350	VANGUARD OPERATING, LLC	F	G	01/2017			
2	30-005-61657	CHINA FEDERAL #009	E-20-07S-23E	E	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61688	CHINA FEDERAL #013	L-20-07S-23E	L	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61805	CROWLEY FEDERAL COM #001	E-08-05S-25E	E	258350	VANGUARD OPERATING, LLC	F	G	12/2015			
2	30-005-63121	DEE OQ STATE #006	J-32-05S-25E	J	258350	VANGUARD OPERATING, LLC	S	G	07/2016	ABO		
2	30-005-61003	DORIS FEDERAL #002	M-11-05S-24E	M	258350	VANGUARD OPERATING, LLC	F	G	06/2014			
2	30-005-61004	DORIS FEDERAL #003	G-14-05S-24E	G	258350	VANGUARD OPERATING, LLC	F	G	09/2014			
1	30-025-36016	GLOBAL BBG #001	M-12-16S-35E	M	258350	VANGUARD OPERATING, LLC	P	G	11/2016	STRAWN		
1	30-025-36319	GLOBAL BBG #002	K-12-16S-35E	K	258350	VANGUARD OPERATING, LLC	P	O	11/2016	Strawn		
2	30-005-60639	GLOBE MN FEDERAL #001	F-01-05S-24E	F	258350	VANGUARD OPERATING, LLC	F	G	11/2016			
2	30-005-60769	HUGGINS FEDERAL #001	G-15-05S-24E	G	258350	VANGUARD OPERATING, LLC	F	G	12/2015			
2	30-005-61654	IRIS STATE #001	E-21-07S-23E	E	258350	VANGUARD OPERATING, LLC	S	G	12/2016			
2	30-005-61692	IRIS STATE #002	M-21-07S-23E	M	258350	VANGUARD OPERATING, LLC	S	G	12/2016			
2	30-015-22600	JOHNSON JT COM #001	H-28-17S-26E	H	258350	VANGUARD OPERATING, LLC	P	G	05/2013			
1	30-025-35050	KEOHANE #001	J-26-22S-37E	J	258350	VANGUARD OPERATING, LLC	P	O	08/2015	FUSSELMAN		
2	30-005-61649	MACHO FEDERAL #011	N-07-07S-23E	N	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61487	MARGARET RQ STATE #002	G-36-04S-24E	G	258350	VANGUARD OPERATING, LLC	S	G	06/2016			
1	30-025-05246	MEXICO F #001	3-02-15S-37E	C	258350	VANGUARD OPERATING, LLC	S	O	07/2016			

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1	30-025-05248	MEXICO F #003	E-02-15S-37E	E	258350	VANGUARD OPERATING, LLC	S	O	02/2016	
2	30-005-61984	MILDRED XD FEDERAL #001	A-33-07S-23E	A	258350	VANGUARD OPERATING, LLC	F	G	06/2016	
2	30-015-22023	MILLMAN H. D. STATE COM. #001	O-17-19S-28E	O	258350	VANGUARD OPERATING, LLC	S	G	10/2015	
2	30-005-61652	MONAGHAN QY FEDERAL #007	C-27-05S-24E	C	258350	VANGUARD OPERATING, LLC	F	G	02/2015	
2	30-015-31123	NO BLUFF 36 STATE COM #002	H-36-17S-27E	H	258350	VANGUARD OPERATING, LLC	S	G	05/2014	WILDCAT MISSISSIPPIAN
2	30-015-30907	NO BLUFF STATE COM #001	D-36-17S-27E	D	258350	VANGUARD OPERATING, LLC	S	G	03/2016	T 5/1/2018
1	30-025-31244	NOWATA AGR STATE #001	P-09-18S-35E	P	258350	VANGUARD OPERATING, LLC	S	O	12/2016	MULTILATERAL
1	30-025-29973	OTIS STATE #001	A-30-15S-34E	A	258350	VANGUARD OPERATING, LLC	S	O	06/2011	MORROW
1	30-025-36714	OTIS STATE #002	3-19-15S-34E	L	258350	VANGUARD OPERATING, LLC	S	G	07/2016	SI/WOPL CONN: NO POOL: WILDCAT COMPLETION
2	30-005-62628	PATHFINDER AIT STATE #001	O-21-10S-27E	O	258350	VANGUARD OPERATING, LLC	S	O	01/2017	
2	30-005-62665	PATHFINDER AIT STATE #005	O-21-10S-27E	O	258350	VANGUARD OPERATING, LLC	P	O	01/2017	
2	30-005-62801	PATHFINDER AIT STATE #010	O-21-10S-27E	O	258350	VANGUARD OPERATING, LLC	S	O	07/2016	
2	30-005-62820	PATHFINDER AIT STATE #012	G-21-10S-27E	G	258350	VANGUARD OPERATING, LLC	S	O	07/2016	
2	30-005-63280	PAULETTE PV STATE #006	M-16-05S-25E	M	258350	VANGUARD OPERATING, LLC	S	G	07/2016	WC PRE CAMBRIAN
2	30-015-32312	PEREGRINE STATE #001	B-10-25S-28E	B	258350	VANGUARD OPERATING, LLC	S	O	09/2015	SW WILLOW LAKE DEL 11/12/10 INT HORZTL
1	30-025-10319	REICOLF NCT A #006	B-16-22S-37E	B	258350	VANGUARD OPERATING, LLC	S	O	09/2015	SAN ANDRES
2	30-005-60964	REDMAN OY STATE #001Y	P-35-04S-24E	P	258350	VANGUARD OPERATING, LLC	S	G	01/2016	
2	30-005-61431	REDMAN OY STATE #003	O-26-04S-24E	O	258350	VANGUARD OPERATING, LLC	S	G	05/2015	
2	30-005-61432	REDMAN OY STATE #004	N-35-04S-24E	N	258350	VANGUARD OPERATING, LLC	S	G	03/2014	
2	30-005-61498	REDMAN OY STATE #006	K-26-04S-24E	K	258350	VANGUARD OPERATING, LLC	S	G	12/2016	
2	30-015-30563	RIVERSIDE ASS STATE COM #001	I-08-17S-27E	I	258350	VANGUARD OPERATING, LLC	S	G	12/2016	MORROW
2	30-005-60677	ROCK FEDERAL #003	J-06-08S-23E	J	258350	VANGUARD OPERATING, LLC	F	G	11/2016	
2	30-005-61759	ROSE FEDERAL #004	C-19-05S-25E	C	258350	VANGUARD OPERATING, LLC	F	G	04/2015	
2	30-005-63404	ROSE FEDERAL #015	E-20-05S-25E	E	258350	VANGUARD OPERATING, LLC	F	G	05/2014	PECOS SLOPE ABO
1	30-025-02782	SHELL LUSK ANB COM #001	F-11-16S-35E	F	258350	VANGUARD OPERATING, LLC	P	G	08/2015	ATOKA
2	30-015-22413	SIEGENTHALER IS COM #002	K-21-17S-26E	K	258350	VANGUARD OPERATING, LLC	F	G	12/2015	
2	30-015-31285	STALEY STATE #002	O-30-17S-28E	O	258350	VANGUARD OPERATING, LLC	S	O	06/2016	RED LAKE QN-GB-SA
2	30-005-60703	STANCEL FEDERAL #001	K-23-05S-24E	K	258350	VANGUARD OPERATING, LLC	F	G	12/2015	
1	30-025-29544	STIVASON FEDERAL #003	B-33-19S-34E	B	258350	VANGUARD OPERATING, LLC	F	S	12/2015	
1	30-025-30629	STIVASON FEDERAL #004	P-28-19S-34E	P	258350	VANGUARD OPERATING, LLC	P	O	09/2015	
1	30-025-30725	STIVASON FEDERAL #005	M-27-19S-34E	M	258350	VANGUARD OPERATING, LLC	P	O	12/2014	
2	30-015-04701	STOVALL WOOD #002	F-20-20S-30E	F	258350	VANGUARD OPERATING, LLC	P	O	12/2016	
2	30-005-61549	THOMAS LN FEDERAL #005	N-10-06S-25E	N	258350	VANGUARD OPERATING, LLC	F	G	02/2017	

1	30-025-37452	TRANTULA 3 FEDERAL #001	A-03-25S-37E	A	258350	VANGUARD OPERATING, LLC	F	O	05/2015	TUBB-DRINKARD 35280
2	30-005-62478	WHEELER AEE FEDERAL #001	P-25-07S-24E	P	258350	VANGUARD OPERATING, LLC	F	G	11/2014	
2	30-005-62077	WILLOW CREEK BFI STATE #004	G-31-04S-25E	G	258350	VANGUARD OPERATING, LLC	S	G	12/2014	
2	30-005-63691	WILLOW CREEK BFI STATE #006	C-30-04S-25E	C	258350	VANGUARD OPERATING, LLC	S	G	06/2015	Undesignated Precambrian
2	30-005-63692	WILLOW CREEK BFI STATE #007	G-30-04S-25E	G	258350	VANGUARD OPERATING, LLC	S	G	09/2015	UNDESIGNATED PRECAMBRIAN
2	30-005-64070	WILLOW CREEK BFI STATE #010	I-30-04S-25E		258350	VANGUARD OPERATING, LLC	S	G	05/2015	ABO

WHERE Operator:258350, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Includes Wells  
Under ACOI, Excludes Wells in Approved TA Period

By: BRITT PONCE  
Title: E.VP OPERATIONS