

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley
Division Director



Response Required - Deadline Enclosed

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

06-Apr-18

VANGUARD OPERATING, LLC

5847 San Felipe, Suite 3000

Houston TX 77057-7057

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) 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(s) 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

| FALCON 10 No.001 | | | | G-10-25S-28E | 30-015-32571-00-00 | |
|---------------------------------|------------------|--|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 04/05/2018 | Routine/Periodic | Tony Morales | Yes | No | 7/9/2018 | iTM1809533264 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJO STAINING AROUND WELLHEAD. TANK BATTERIES OK 19.15.10.8 | | | | |

| REDTAILED HAWK 10H No.001 | | | | C-10-25S-28E | 30-015-32773-00-00 | |
|---|------------------|---|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 04/05/2018 | Routine/Periodic | Tony Morales | Yes | No | 7/9/2018 | iTM1809532837 |
| Violations | | | | | | |
| Absent Well Identification Signs (Rule 103) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJ HEAD OFF LOCATION SIGN NOT VISIBLE TANK BATTERIES NO WINDSOCK 19.15.16.8 IDLE WELL? 11MO | | | | |

SHRIKE 10H COM No.001

L-10-25S-28E

30-015-32914-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---------------------------------|------------------------|------------------|-------------------|---|--------------------------------------|-----------------------|
| 04/05/2018 | Routine/Periodic | Tony Morales | Yes | No | 7/9/2018 | iTM1809533845 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |

Comments on Inspection: OK. All Equipmet and Location in Good Shape. PJO STAINING AROUND WELLHEAD
TANK BATTERIES OK 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 Divison Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well.

Sincerely,


Artesia OCB 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.