

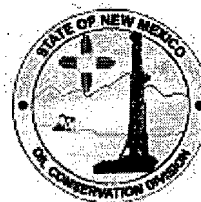
State of New Mexico  
Energy, Minerals and Natural Resources Department

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***

<b>CHINA FEDERAL 001</b>	<b>B-18-7S-23E</b>	<b>30-005-60863-00-00</b>	<b>Inspection No. iUNK1629443352</b>
<b>Inspection Date:</b>	10/20/2016 12:02:31 PM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>ROUND TOP STATE 004</b>	<b>F-9-7S-23E</b>	<b>30-005-60998-00-00</b>	<b>Inspection No. iUNK1629445482</b>

<b>Inspection Date:</b>	10/20/2016 12:38:01 PM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	FIRE HAZARD- MUST BE CLEARED AT LEAST 150' FROM WELL RULE 19.15.10.8		
<b>CAROL FEDERAL 001</b>	A-13-7S-22E	<b>30-005-61080-00-00</b>	<b>Inspection No. iUNK1629442844</b>
<b>Inspection Date:</b>	10/20/2016 11:54:02 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CHINA FEDERAL 002</b>	E-18-7S-23E	<b>30-005-61085-00-00</b>	<b>Inspection No. iUNK1629442599</b>
<b>Inspection Date:</b>	10/20/2016 11:49:57 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CHINA FEDERAL 004</b>	K-17-7S-23E	<b>30-005-61117-00-00</b>	<b>Inspection No. iUNK1629441560</b>
<b>Inspection Date:</b>	10/20/2016 11:32:38 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CHINA FEDERAL 005</b>	J-18-7S-23E	<b>30-005-61605-00-00</b>	<b>Inspection No. iUNK1629432117</b>
<b>Inspection Date:</b>	10/20/2016 8:55:12 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CHINA FEDERAL 007</b>	K-18-7S-23E	<b>30-005-61628-00-00</b>	<b>Inspection No. iUNK1629432541</b>
<b>Inspection Date:</b>	10/20/2016 9:02:20 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CHINA FEDERAL 008</b>	A-19-7S-23E	<b>30-005-61638-00-00</b>	<b>Inspection No. iUNK1629433029</b>
<b>Inspection Date:</b>	10/20/2016 9:10:28 AM	<b>Corrective Action Due by:</b>	1/23/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic		Yes	No
<b>Comments on Inspection:</b>	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		
<b>CAROL FEDERAL 003</b>	O-13-7S-22E	<b>30-005-61656-00-00</b>	<b>Inspection No. iUNK1629434881</b>

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		
<b>CHINA FEDERAL 009</b>	<b>E-20-7S-23E</b>	<b>30-005-61657-00-00</b>	<b>Inspection No. iUNK1629437958</b>
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.		
<b>CHINA FEDERAL 011</b>	<b>B-20-7S-23E</b>	<b>30-005-61658-00-00</b>	<b>Inspection No. iUNK1629440660</b>
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		
<b>CHINA FEDERAL 012</b>	<b>E-19-7S-23E</b>	<b>30-005-61659-00-00</b>	<b>Inspection No. iUNK1629434220</b>
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).		
<b>CHINA FEDERAL 014</b>	<b>I-19-7S-23E</b>	<b>30-005-61669-00-00</b>	<b>Inspection No. iUNK1629433567</b>
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		
<b>CHINA FEDERAL 015</b>	<b>K-19-7S-23E</b>	<b>30-005-61670-00-00</b>	<b>Inspection No. iUNK1629435941</b>
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		
<b>CHINA FEDERAL 013</b>	<b>L-20-7S-23E</b>	<b>30-005-61688-00-00</b>	<b>Inspection No. iUNK1629437623</b>
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.