

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

21-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

| | | | |
|--------------------------------|--|--|-------------------------------------|
| MACHO FEDERAL 011 | N-7-7S-23E | 30-005-61649-00-00 | Inspection No. iGC1629539026 |
| Inspection Date: | 10/21/2016 10:50:24 AM | Corrective Action Due by: 1/24/2017 | |
| Type Inspection | Inspector | Violation? | *Significant Non-Compliance? |
| Routine/Periodic | Gilbert Cordero | 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. FIRE HAZARD MUST BE CLEARED AT LEAST 150' FROM WELL AND TANKS RULE 19.15.10.8 | | |

| | | | |
|--------------------------|------------|---------------------------|------------------------------|
| MACHO FEDERAL 013 | E-6-7S-23E | 30-005-61914-00-00 | Inspection No. iGC1629536512 |
|--------------------------|------------|---------------------------|------------------------------|

Inspection Date: 10/21/2016 10:08:30 AM

Corrective Action Due by: 1/24/2017

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Gilbert Cordero

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. FIRE HAZARD MUST BE CLEARED AT LEAST 150' FROM WELL RULE 19.15.10.8

CAROL FEDERAL 005

F-1-7S-22E

30-005-61949-00-00

Inspection No. iGC1629545447

Inspection Date: 10/21/2016 12:37:25 PM

Corrective Action Due by: 1/24/2017

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Gilbert Cordero

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. FIRE HAZARD MUST BE CLEARED AT LEAST 150' FROM WELL RULE 19.15.10.8

CAROL FEDERAL COM 007

K-1-7S-22E

30-005-61950-00-00

Inspection No. iGC1629542971

Inspection Date: 10/21/2016 11:56:09 AM

Corrective Action Due by: 1/24/2017

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Gilbert Cordero

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. FIRE HAZARD MUST BE CLEARED AT LEAST 150' FROM WELL RULE 19.15.10.8

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Gilbert Cordero
Compliance Officer

Artesia OCD District Office

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.