

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

IN RE: LH OPERATING, LLC

CASE No. 25609

STIPULATED FINAL ORDER

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(C) NMAC, the Director of the Oil Conservation Division ("OCD") and LH Operating, LLC ("Operator"), OGRID # 329319, enter into this Stipulated Final Order ("SFO") to resolve a Notice of Violation ("NOV").

1. OCD is charged with the administration and enforcement of the Oil and Gas Act and its rules and has jurisdiction over Operator and its wells in the state of New Mexico.
2. Operator operates under OGRID # 329319.
3. Operator has multiple wells ("Wells") that are inactive and out of compliance, as set out more thoroughly in the NOV, a true and correct copy of which is attached hereto as **Exhibit A**.
4. Operator is the responsible party for all reports and operational conditions at the Wells.
5. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and its rules, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10 NMAC.
6. Operator requests this SFO to avoid sanctions for violating the Oil and Gas Act, 19.15.8.9 NMAC, and 19.15.25 NMAC with respect to the Wells.
7. Operator admits the violations alleged in the NOV, that the Wells are out of compliance, and waives any right to appeal from this SFO.

8. Operator accepts and acknowledges responsibility for any and all costs associated with plugging and abandonment and remediation of the Wells. Specifically, Operator assumes responsibility for any remediation required under 19.15.29 NMAC.

9. Operator will have 60 days from the execution of this agreement to secure bonding and appropriate financial assurances in accordance with 19.15.8.9 NMAC, to the extent Operator's financial assurances are out of compliance with 19.15.8.9 NMAC.

10. Operator shall take one of the following actions for each of the Wells:

- a. restore the well to production and file a C-115; or
- b. plug the well in accordance with 19.15.25 NMAC and file a complete and accurate C-103 form requesting release of the well site by OCD, along with a complete and accurate subsequent report to release the site.

11. Operator also agrees to take the following actions with regard to the Wells:

- a. By February 28, 2026, only fifty (50) of the Wells remain out of compliance;
- b. Beginning in March of 2026, Operator will bring five (5) additional wells per month into compliance pursuant to Paragraph 10(a) or 10(b);
- c. Operator will have each of the Wells in compliance pursuant to Paragraph 10 by December 31, 2026.

12. No later than the 15th day of each month following the entry of this SFO, Operator shall file a report describing the action taken for each well, and such other information as OCD may request from time to time. The report shall be sent by electronic mail to OCD's Administrative and Compliance Bureau, at OCDAdminComp@state.nm.us.

12. Operator agrees that any lapse in financial assurance, regardless of cause, is a violation of OCD rules and the terms of this Order and is subject to daily stipulated penalties.

13. If Operator fails to comply with a requirement of this SFO for any of the Wells, the Wells shall be deemed to be out of compliance with the Oil and Gas Act and rules.

14. Should Operator fail to meet any deadline in this SFO, OCD may immediately plug and abandon, restore, and/or remediate any of the wells. Operator agrees that it will forfeit any financial assurance associated with any well which is plugged and abandoned by OCD.

15. This SFO shall not be construed as a resolution or to absolve Operator from any costs or liabilities associated with the plugging and abandonment, restoration, or remediation of a well by OCD. Operator is liable for any and all costs associated with the plugging and abandonment, restoration, and/or remediation on Operator's wells incurred by OCD.

16. Operator may request an extension of any deadline in this SFO from OCD. OCD, at its sole discretion, may grant such extension if good cause is shown.

17. Operator shall not transfer a well to another operator without the prior approval of the OCD.

18. Additionally, Operator agrees to:

a. Pay a civil penalty of one-hundred thousand dollars (\$100,000.00).

Said payments may be made in three installments consisting of:

- \$33,333.00 on or before January 8, 2026,
- \$33,333.00 on or before March 9, 2026, and
- \$33,334.00 on or before May 8, 2026.

b. Should Operator fail to comply with any provision of this SFO or miss any deadline in this SFO, Operator agrees that it shall be liable for an additional \$226,300.00 in

deferred civil penalties ($\$100,000.00 + \$226,300 = \$336,300.00$). If Operator complies with all its obligations under this SFO, it will not owe the additional $\$226,300.00$, but only $\$100,000.00$ for full satisfaction of the assessed civil penalties.

c. Payments shall be made to the State of New Mexico and sent to the attention of the Director of OCD.

19. Operator admits to OCD's jurisdiction to file the NOV, consents to the relief specified herein, and waives the right to review by the Oil Conservation Commission or other judicial relief.

20. The person executing this SFO on behalf of Operator represents that they have the requisite authority to bind Operator to the provisions of this SFO and that such representation shall be legally sufficient to evidence their actual or apparent authority.

21. This Order only satisfies current inactive well issues with OCD. This Order shall not be construed to relieve the Operator from other regulatory compliance with OCD or resolve liability with any other regulatory authority or agency.

22. Notwithstanding the foregoing provisions,

a. OCD reserves the right to apply for authorization to plug a well and to forfeit the financial assurance at an earlier date than specified herein if the well poses an imminent threat to the public health or environment.

b. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

c. OCD reserves the right to seek indemnification for any costs or liabilities incurred, in the event OCD plugs and abandons any of the Wells.

23. This Order will remain in full force and effect as to all successors-in-interest of Operator, including, but not limited to, any entity or entities that procure or acquire from Operator individual wells or sites referenced in the NOV that resulted in this Order or that are found in Exhibit A to this Order. Operator shall provide a copy of this Order, including Exhibit A, to any entity to which Operator intends to transfer assets covered by this Order or any entity that is otherwise a successor-in-interest of Operator.

24. This SFO becomes effective on the date of final execution by the OCD Director.

NEW MEXICO OIL CONSERVATION DIVISION



Albert C.S. Chang, Director

1/12/2026

Date

OPERATOR, LH OPERATING, LLC

Signature

Date

Printed Name

EXHIBIT A

Michelle Lujan-Grisham
Governor

Melanie A. Kenderdine
Cabinet Secretary

Ben Shelton
Deputy Secretary

Erin Taylor
Deputy Secretary

Albert C.S. Chang
Division Director
Oil Conservation Division



BY CERTIFIED MAIL AND ELECTRONIC MAIL

September 18, 2025

Jesse Allen
L H Operating, LLC
Manager/VP of Operations
27120 Fulshear Bend Drive
Suite 900-322
Fulshear, Texas 77441
jallen@lhoperating.com

cc:

Mark Williams
Controller
mwilliams@lhoperating.com

Neal Boswell
Accounting
nboswell@petro-ledger.com

Michael Burton
Environmental Manager
mike@lhoperating.com

Xuan T. Vandeberg
Regulatory & Environmental Manager
xuva@lhoperating.com

AMENDED NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. As OCD informed you on or about January 27, 2022, a process was available to informally discuss and resolve the NOV. However, you chose not to avail yourself of this option, and, thus, OCD will immediately docket this matter for a hearing on the NOV.

1. *Alleged Violator:* LH Operating, LLC, OGRID # 329319 (“Operator”).
2. *Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):*

19.15.25.8 NMAC:

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:

- 1. a 60 day period following suspension of drilling operations;*
- 2. a determination that a well is no longer usable for beneficial purposes; or*
- 3. a period of one year in which a well has been continuously inactive.*

19.15.5.9(A) NMAC:

An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator...

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance or final order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

- (a) two wells or fifty percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;*
- (b) five wells if the operator operates between 101 and 500 wells;*
- (c) seven wells if the operator operates between 501 and 1000 wells; and*
- (d) 10 wells if the operator operates more than 1000 wells.*

Operator is the registered operator of five hundred and forty-nine (549) wells. The one hundred and seventeen (117) wells identified in **Exhibit A** are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order.

3. *Compliance:* No later than thirty (30) days after receipt of this NOV, Operator shall:

- a. plug and abandon the one hundred and thirty-four (117) wells listed in **Exhibit A**.

4. *Sanction(s):* OCD may impose one or more of the following sanctions:
a. civil penalty;

- b. modification, suspension, cancellation, or termination of a permit or authorization;
- c. plugging and abandonment of well(s);
- d. remediation and restoration of well location(s) and associated facilities, including the removal of surface and subsurface equipment and other materials;
- e. remediation and restoration of location(s) affected by a spill or release;
- f. forfeiture of financial assurance;
- g. shutting in well(s); and
- h. any other remedy authorized by law.

For the alleged violations described above, OCD proposes the following sanctions:

- a. Plug and Abandon Wells: OCD will request an order requiring Operator to plug and abandon wells listed in **Exhibit A**, and/or authorizing OCD to plug and abandon those wells.
- b. Termination of Authorization to Transport: OCD will request an order terminating Operator's authority to transport from all wells.
- c. Civil Penalties: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort (or lack thereof) to comply with the applicable requirements, including that the number of inactive wells have risen from 67 to 117 since the issuance of the original NOV in January of 2022. For your convenience, I have also attached a copy of the January 2022 NOV as **Exhibit B**. Copies of the civil penalty calculations are attached as **Exhibit C**.

Civil Penalty: 19.15.5.9(A)(4)(c) NMAC: \$ 366,300.00

5. *Hearing:* OCD will hold a hearing on November 13, 2025. Please see 19.15.5.10 NMAC for more information regarding the hearing.

For more information regarding this NOV, contact Michael Hall at (505) 479-1137 or Michael.Hall@emnrd.nm.gov

Regards,



Albert C.S. Chang
Director, Oil Conservation Division

cc: Office of General Counsel, EMNRD

Exhibit A

Inactive Well List
Total Well Count: 549 Inactive Well Count: 117
Printed On: Thursday, September 18 2025

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Surface Owner	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-28889	C ARUSSELL #020	2-18-17S-31E	E	329319	LH Operating, LLC	F	F	O	11/2021	GRAYBURG JACKSON		
2	30-015-05253	FREN OIL COMPANY #005	P-19-17S-31E	P	329319	LH Operating, LLC	F	S	I	09/2021			
2	30-015-05255	FREN OIL COMPANY #007	N-19-17S-31E	N	329319	LH Operating, LLC	F	S	I	06/2022			
2	30-015-05256	FREN OIL COMPANY #008	K-19-17S-31E	K	329319	LH Operating, LLC	F	S	I	04/2021	GRAYBURG JACKSON		
2	30-015-05260	FREN OIL COMPANY #012	O-19-17S-31E	O	329319	LH Operating, LLC	F	S	I	04/2021			
2	30-015-29537	FREN OIL COMPANY #025	I-19-17S-31E	I	329319	LH Operating, LLC	F	S	I	04/2021	SAN ANDRES		
2	30-015-29719	FRIES FEDERAL #005	J-19-17S-31E	J	329319	LH Operating, LLC	F	S	I	07/2017	GRAYBURG-JACKSON		
2	30-015-05054	H E WEST A #011	G-03-17S-31E	G	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-28018	H E WEST A #016	F-03-17S-31E	F	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-26573	H E WEST A #018	2-03-17S-31E	B	329319	LH Operating, LLC	F	F	O	08/2023	QUEEN		
2	30-015-29346	H E WEST A #035	F-03-17S-31E	F	329319	LH Operating, LLC	F	F	I	11/2022	SAN ANDRES		
2	30-015-05070	H E WEST B #006	E-04-17S-31E	E	329319	LH Operating, LLC	F	F	I	06/2022			
2	30-015-05118	H E WEST B #012	G-09-17S-31E	G	329319	LH Operating, LLC	F	F	I	08/2023			
2	30-015-05122	H E WEST B #013	E-10-17S-31E	E	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-05123	H E WEST B #014	K-10-17S-31E	K	329319	LH Operating, LLC	F	F	I	01/2024			
2	30-015-05057	H E WEST B #018	O-03-17S-31E	O	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-05125	H E WEST B #019	C-10-17S-31E	C	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-05126	H E WEST B #020	O-10-17S-31E	O	329319	LH Operating, LLC	F	F	I	04/2023			
2	30-015-05127	H E WEST B #021	M-10-17S-31E	M	329319	LH Operating, LLC	F	F	I	04/2023			
2	30-015-25954	H E WEST B #032	L-10-17S-31E	L	329319	LH Operating, LLC	F	F	I	01/2024			
2	30-015-25944	H E WEST B #033	L-03-17S-31E	L	329319	LH Operating, LLC	F	F	I	10/2023	RWTI 08/01/11 BLM		
2	30-015-25995	H E WEST B #036	H-09-17S-31E	H	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-28000	H E WEST B #037	J-03-17S-31E	J	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-26001	H E WEST B #038	F-10-17S-31E	F	329319	LH Operating, LLC	F	F	I	01/2024			
2	30-015-26033	H E WEST B #041	N-10-17S-31E	N	329319	LH Operating, LLC	F	F	O	08/2023			
2	30-015-26574	H E WEST B #044	N-03-17S-31E	N	329319	LH Operating, LLC	F	F	I	10/2023	SR QN GB SA		
2	30-015-27111	H E WEST B #055	K-03-17S-31E	K	329319	LH Operating, LLC	F	F	I	10/2023			
2	30-015-28798	HUDSON FEDERAL #010	H-18-17S-31E	H	329319	LH Operating, LLC	F	F	O	10/2022	GRAYBURG-JACKSON		
2	30-015-28982	HUDSON FEDERAL #011	A-18-17S-31E	A	329319	LH Operating, LLC	F	F	O	09/2023	GRAYBURG-JACKSON		
2	30-015-05084	J L KEELA #006	P-07-17S-31E	P	329319	LH Operating, LLC	F	F	I	04/2024	RWTI 09/19/11 BLM		
2	30-015-05102	J L KEELA #014	I-07-17S-31E	D	329319	LH Operating, LLC	F	F	I	06/2022			
2	30-015-20014	J L KEELA #015	2-07-17S-31E	E	329319	LH Operating, LLC	F	F	I	05/2024	SR-Q-G-SA		
2	30-015-28234	J L KEELA #025	4-07-17S-31E	M	329319	LH Operating, LLC	F	F	O	01/2024			
2	30-015-28298	J L KEELA #029	4-07-17S-31E	M	329319	LH Operating, LLC	F	F	O	08/2023			
2	30-015-05084	J L KEEL B #021	J-06-17S-31E	J	329319	LH Operating, LLC	F	F	I	05/2024	RET TO INJ 10-14-11		
2	30-015-05087	J L KEEL B #024	F-06-17S-31E	F	329319	LH Operating, LLC	F	F	I	06/2022			
2	30-015-26100	J L KEEL B #046	P-08-17S-31E	P	329319	LH Operating, LLC	F	F	O	11/2023			
2	30-015-31192	J L KEEL B #048Q	3-05-17S-31E	C	329319	LH Operating, LLC	F	F	O	07/2023	G-J-SR-Q-G-SA		
2	30-015-28098	J L KEEL B #052	P-06-17S-31E	P	329319	LH Operating, LLC	F	F	O	10/2023	GRAYBURG		
2	30-015-28291	J L KEEL B #055	D-08-17S-31E	D	329319	LH Operating, LLC	F	F	O	12/2022			
2	30-015-28101	J L KEEL B #059	4-06-17S-31E	D	329319	LH Operating, LLC	F	F	O	10/2022	GRAYBURG JACKSON		
2	30-015-28250	J L KEEL B #071	H-06-17S-31E	H	329319	LH Operating, LLC	F	F	O	11/2022	GRAYBURG-JACKSON		
2	30-015-28307	J L KEEL B #082	H-06-17S-31E	H	329319	LH Operating, LLC	F	F	O	09/2023	GRAYBURG-JACKSON		
2	30-015-05413	LEAD #003	H-26-17S-31E	H	329319	LH Operating, LLC	F	F	I	05/2006			
2	30-015-05416	LEAD #006	J-26-17S-31E	J	329319	LH Operating, LLC	F	F	I	05/2006			
2	30-015-20658	LEAD #007	F-26-17S-31E	F	329319	LH Operating, LLC	F	F	I	08/2023			
2	30-015-29703	LEAD #023	F-26-17S-31E	F	329319	LH Operating, LLC	F	F	O	10/2022	SAN ANDRES		
2	30-015-31265	LEAD #024	A-26-17S-31E	A	329319	LH Operating, LLC	F	F	O	12/2023	GRAYBURG JACKSON-SR-QN-GB-SA		

2	30-015-05469	MAX FRIESS MA #002	A-30-17S-31E	A	329319	LH Operating, LLC	F	S	I	08/2023
2	30-015-26882	MAX FRIESS MA #006	B-30-17S-31E	B	329319	LH Operating, LLC	F	S	O	08/2023
2	30-015-26883	MAX FRIESS MA #007	G-30-17S-31E	G	329319	LH Operating, LLC	F	S	O	09/2023
2	30-015-05344	SKELLY UNIT #002	C-22-17S-31E	C	329319	LH Operating, LLC	F	F	O	04/2024
2	30-015-05327	SKELLY UNIT #007	E-21-17S-31E	E	329319	LH Operating, LLC	F	F	O	08/2022
2	30-015-05323	SKELLY UNIT #013	K-21-17S-31E	K	329319	LH Operating, LLC	F	F	O	01/2023
2	30-015-05316	SKELLY UNIT #062	D-21-17S-31E	D	329319	LH Operating, LLC	F	F	I	07/2022
2	30-015-05342	SKELLY UNIT #065	G-21-17S-31E	G	329319	LH Operating, LLC	F	F	I	03/2023
2	30-015-05340	SKELLY UNIT #077	P-21-17S-31E	P	329319	LH Operating, LLC	F	F	I	08/2023
2	30-015-05429	SKELLY UNIT #089	B-28-17S-31E	B	329319	LH Operating, LLC	F	F	I	10/2022
2	30-015-04885	SKELLY UNIT #093	F-28-17S-31E	F	329319	LH Operating, LLC	F	F	I	10/2022
2	30-015-04884	SKELLY UNIT #094	G-28-17S-31E	G	329319	LH Operating, LLC	F	F	I	10/2022
2	30-015-05432	SKELLY UNIT #100	L-28-17S-31E	L	329319	LH Operating, LLC	F	F	I	11/2022
2	30-015-05146	SKELLY UNIT #104	E-14-17S-31E	E	329319	LH Operating, LLC	F	F	I	04/2021
2	30-015-20549	SKELLY UNIT #112	A-14-17S-31E	A	329319	LH Operating, LLC	F	F	O	01/2024
2	30-015-22266	SKELLY UNIT #132	C-27-17S-31E	C	329319	LH Operating, LLC	F	F	O	11/2022
2	30-015-22507	SKELLY UNIT #139	O-23-17S-31E	O	329319	LH Operating, LLC	F	F	O	10/2023
2	30-015-22510	SKELLY UNIT #142	K-23-17S-31E	K	329319	LH Operating, LLC	F	F	O	01/2024
2	30-015-25038	SKELLY UNIT #156	J-22-17S-31E	J	329319	LH Operating, LLC	F	F	O	04/2024
2	30-015-25040	SKELLY UNIT #158	P-22-17S-31E	P	329319	LH Operating, LLC	F	F	O	11/2022
2	30-015-29204	SKELLY UNIT #182	H-15-17S-31E	H	329319	LH Operating, LLC	F	F	O	12/2022
2	30-015-29313	SKELLY UNIT #192	I-15-17S-31E	I	329319	LH Operating, LLC	F	F	O	03/2023
2	30-015-29217	SKELLY UNIT #194	F-14-17S-31E	F	329319	LH Operating, LLC	F	F	O	07/2023
2	30-015-28966	SKELLY UNIT #204	P-14-17S-31E	P	329319	LH Operating, LLC	F	F	O	01/2023
2	30-015-28894	SKELLY UNIT #222	H-21-17S-31E	H	329319	LH Operating, LLC	F	F	O	07/2023
2	30-015-28964	SKELLY UNIT #223	H-21-17S-31E	H	329319	LH Operating, LLC	F	F	O	11/2023
2	30-015-28949	SKELLY UNIT #228	E-23-17S-31E	E	329319	LH Operating, LLC	F	F	O	03/2023
2	30-015-29236	SKELLY UNIT #230	A-23-17S-31E	A	329319	LH Operating, LLC	F	F	O	03/2023
2	30-015-28788	SKELLY UNIT #247	N-21-17S-31E	N	329319	LH Operating, LLC	F	F	O	05/2024
2	30-015-29034	SKELLY UNIT #254	L-23-17S-31E	L	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-28974	SKELLY UNIT #256	J-23-17S-31E	J	329319	LH Operating, LLC	F	F	O	07/2023
2	30-015-28789	SKELLY UNIT #282	P-21-17S-31E	P	329319	LH Operating, LLC	F	F	O	11/2022
2	30-015-28951	SKELLY UNIT #286	D-26-17S-31E	D	329319	LH Operating, LLC	F	F	O	12/2022
2	30-015-29224	SKELLY UNIT #267	M-23-17S-31E	M	329319	LH Operating, LLC	F	F	O	11/2023
2	30-015-29064	SKELLY UNIT #272	C-28-17S-31E	C	329319	LH Operating, LLC	F	F	O	11/2023
2	30-015-28967	SKELLY UNIT #277	G-27-17S-31E	G	329319	LH Operating, LLC	F	F	O	01/2023
2	30-015-29226	SKELLY UNIT #278	B-27-17S-31E	B	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-29712	SKELLY UNIT #302	D-28-17S-31E	D	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-29817	SKELLY UNIT #401	D-28-17S-31E	D	329319	LH Operating, LLC	F	F	O	08/2023
2	30-015-31069	SKELLY UNIT #403	I-23-17S-31E	I	329319	LH Operating, LLC	F	F	O	05/2023
2	30-015-32874	STATE B #005	O-16-17S-31E	O	329319	LH Operating, LLC	S	S	O	05/2023
2	30-015-36256	STATE B #012	P-18-17S-31E	P	329319	LH Operating, LLC	S	S	O	10/2022
2	30-015-05188	SUPERIOR FOSTER #002	K-17-17S-31E	K	329319	LH Operating, LLC	F	F	O	03/2021
2	30-015-05240	TURNER A #015	F-19-17S-31E	F	329319	LH Operating, LLC	F	F	I	06/2022
2	30-015-28890	TURNER A #045	C-19-17S-31E	C	329319	LH Operating, LLC	F	F	O	05/2023
2	30-015-28869	TURNER A #048	F-19-17S-31E	F	329319	LH Operating, LLC	F	F	O	10/2020
2	30-015-28837	TURNER A #049	G-19-17S-31E	G	329319	LH Operating, LLC	F	F	O	10/2022
2	30-015-28773	TURNER A #053	J-18-17S-31E	J	329319	LH Operating, LLC	F	F	O	12/2022
2	30-015-29001	TURNER A #058	O-18-17S-31E	O	329319	LH Operating, LLC	F	F	I	11/2023
2	30-015-05284	TURNER B #012	L-20-17S-31E	L	329319	LH Operating, LLC	F	F	I	07/2022
2	30-015-05278	TURNER B #042	E-20-17S-31E	E	329319	LH Operating, LLC	F	F	I	04/2021
2	30-015-05458	TURNER B #048	C-29-17S-31E	C	329319	LH Operating, LLC	F	F	I	07/2017
2	30-015-05446	TURNER B #059	A-29-17S-31E	A	329319	LH Operating, LLC	F	F	I	11/2023

2	30-015-05450	TURNER B #063	O-29-17S-31E	O	329319	LH Operating, LLC	F	F	O	10/2023
2	30-015-26390	TURNER B #083	F-29-17S-31E	F	329319	LH Operating, LLC	F	F	O	11/2022
2	30-015-28386	TURNER B #085	B-29-17S-31E	B	329319	LH Operating, LLC	F	F	O	06/2023
2	30-015-26392	TURNER B #086	L-29-17S-31E	L	329319	LH Operating, LLC	F	F	O	11/2021
2	30-015-26387	TURNER B #087	K-29-17S-31E	K	329319	LH Operating, LLC	F	F	O	09/2022
2	30-015-26595	TURNER B #089	C-29-17S-31E	C	329319	LH Operating, LLC	F	F	O	04/2023
2	30-015-26611	TURNER B #093	N-20-17S-31E	N	329319	LH Operating, LLC	F	F	O	12/2023
2	30-015-26637	TURNER B #094	I-20-17S-31E	I	329319	LH Operating, LLC	F	F	O	10/2022
2	30-015-26618	TURNER B #096	G-20-17S-31E	G	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-26619	TURNER B #097	H-20-17S-31E	H	329319	LH Operating, LLC	F	F	O	01/2023
2	30-015-26620	TURNER B #098	M-29-17S-31E	M	329319	LH Operating, LLC	F	F	O	11/2022
2	30-015-26621	TURNER B #099	L-29-17S-31E	L	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-28895	TURNER B #107	3-30-17S-31E	L	329319	LH Operating, LLC	F	F	O	05/2023
2	30-015-28920	TURNER B #118	M-20-17S-31E	M	329319	LH Operating, LLC	F	S	O	02/2023
2	30-015-29622	TURNER B #136	I-20-17S-31E	I	329319	LH Operating, LLC	F	F	O	02/2023
2	30-015-29954	TURNER B #137	B-29-17S-31E	B	329319	LH Operating, LLC	F	F	O	06/2023
										SAN ANDRES

WHERE Operator:329319, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Exhibit B

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
Oil Conservation Division



BY CERTIFIED MAIL AND ELECTRONIC MAIL

January 27, 2022

Nick Holbrook
Manager
4809 Cole Ave.
Suite 106
Dallas, TX 75205
nick@lhoperating.com

NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. A process is available to informally discuss and resolve the NOV. OCD will not request a hearing on the NOV until the end of this process, which runs for 30 days from the date of your receipt of this letter. OCD will extend this process if it would facilitate informal resolution of the NOV. To initiate this process, contact the OCD employee identified at the end of this letter.

(1) *Alleged Violator:* LH Operating LLC, OGRID # 329319 (“Operator”).

(2) *Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):*

19.15.5.9(A)(4)(c) NMAC:

An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator [...] has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance or final order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met: [...]

seven wells if the operator operates between 501 and 1000 wells; [...]

Operator is the registered operator of five hundred fifty (550) wells. The sixty-seven (67) wells identified in **Exhibit A** are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order.

(3) *Compliance*: No later than thirty (30) days after receipt of this NOV, Operator shall:

- a. plug and abandon at least sixty (60) wells listed in **Exhibit A**.

(4) *Sanction(s)*: OCD may impose one or more of the following sanctions:

- a. civil penalty
- b. modification, suspension, cancellation, or termination of a permit or authorization
- c. plugging and abandonment of a well
- d. remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- e. remediation and restoration of a location affected by a spill or release
- f. forfeiture of financial assurance
- g. shutting in a well or wells
- h. any other remedy authorized by law

For the alleged violations described above, OCD proposes the following sanctions:

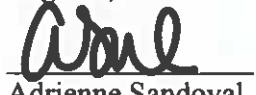
- a. **Plug and Abandon Wells**: OCD will request an order requiring Operator to plug and abandon wells listed in **Exhibit A**, and alternatively, an order authorizing OCD to plug and abandon those wells.
- b. **Termination of Authorization to Transport**: OCD will request an order terminating Operator's authority to transport from all wells.
- c. **Civil Penalties**: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort to comply with the applicable requirements. Copies of the civil penalty calculations are attached.

Civil Penalty: 19.15.5.9(A)(4)(c) NMAC: \$ 54,000.00

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will hold a hearing on April 7, 2022. Please see 19.15.5.10 NMAC for more information regarding the hearing. Even if OCD schedules a hearing, you can request an informal resolution at any time.

For more information regarding this NOV, contact Jesse Tremaine at (505) 231-9312 or jessek.tremaine@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: Office of General Counsel, EMNRD

Inactive Well List

Total Well Count: 550 Inactive Well Count: 67
Printed On: Friday, January 21 2022

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-29719	FRIESS FEDERAL #005	J-19-17S-31E	J	329319	LH Operating, LLC	F	I	07/2017	GRAYBURG-JACKSON		
2	30-015-05061	H E WEST A #002	2-04-17S-31E	B	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-26212	H E WEST A #017	P-04-17S-31E	P	329319	LH Operating, LLC	F	I	09/2017			
2	30-015-28573	H E WEST A #018	2-03-17S-31E	B	329319	LH Operating, LLC	F	O	09/2019	QUEEN		
2	30-015-28318	H E WEST A #028	H-03-17S-31E	H	329319	LH Operating, LLC	F	O	09/2019	GRAYBURG-JACKSON		
2	30-015-28465	H E WEST A #030	F-03-17S-31E	F	329319	LH Operating, LLC	F	O	09/2019	GRAYBURG-JACKSON		
2	30-015-28324	H E WEST A #032	G-03-17S-31E	G	329319	LH Operating, LLC	F	O	09/2019	GRAYBURG-JACKSON		
2	30-015-25921	H E WEST B #031	P-10-17S-31E	P	329319	LH Operating, LLC	F	O	04/2020			
2	30-015-25993	H E WEST B #035	L-09-17S-31E	L	329319	LH Operating, LLC	F	I	01/2020			
2	30-015-28049	H E WEST B #043	M-09-17S-31E	M	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-28099	H E WEST B #045	N-09-17S-31E	N	329319	LH Operating, LLC	F	O	10/2013			
2	30-015-27311	H E WEST B #058	C-10-17S-31E		329319	LH Operating, LLC	F	O	04/2020	SAN ANDRES		
2	30-015-28535	H E WEST B #069	J-10-17S-31E	J	329319	LH Operating, LLC	F	O	01/2015	SAN ANDRES		
2	30-015-28573	H E WEST B #071	I-09-17S-31E	I	329319	LH Operating, LLC	F	O	04/2018	SAN ANDRES		
2	30-015-28316	H E WEST B #081	O-09-17S-31E	O	329319	LH Operating, LLC	F	O	12/2014	GRAYBURG-JACKSON		
2	30-015-28470	H E WEST B #091	K-09-17S-31E	K	329319	LH Operating, LLC	F	O	04/2020	GRAYBURG-JACKSON		
2	30-015-28888	HUDSON FEDERAL #008	E-17-17S-31E	E	329319	LH Operating, LLC	F	O	09/2019	GRAYBURG-JACKSON		
2	30-015-30995	HUDSON FEDERAL #013	D-17-17S-31E	D	329319	LH Operating, LLC	F	O	02/2016	GRAYBURG-JACKSON		
2	30-015-05091	JL KEEL A #003	N-07-17S-31E	N	329319	LH Operating, LLC	F	I	10/2017			
2	30-015-05092	JL KEEL A #004	K-07-17S-31E	K	329319	LH Operating, LLC	F	I	09/2017	RWTI 08/31/11		
2	30-015-20014	JL KEEL A #015	2-07-17S-31E	E	329319	LH Operating, LLC	F	I	11/2017	SR-Q-G-SA		
2	30-015-28234	JL KEEL A #025	4-07-17S-31E	M	329319	LH Operating, LLC	F	O	04/2020			
2	30-015-31192	JL KEEL B #048Q	3-05-17S-31E	C	329319	LH Operating, LLC	F	O	04/2020	G-J-SR-Q-G-SA		
2	30-015-28092	JL KEEL B #054	D-08-17S-31E	D	329319	LH Operating, LLC	F	O	04/2020	GRAYBURG-JACKSON		
2	30-015-28100	JL KEEL B #056	D-08-17S-31E	D	329319	LH Operating, LLC	F	O	04/2020	GRAYBURG-JACKSON		
2	30-015-05413	LEA D #003	H-26-17S-31E	H	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-05414	LEA D #004	G-26-17S-31E	G	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-05415	LEA D #005	I-26-17S-31E	I	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-05416	LEA D #006	J-26-17S-31E	J	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-20658	LEA D #007	F-26-17S-31E	F	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-29703	LEA D #023	F-26-17S-31E	F	329319	LH Operating, LLC	F	O	12/2017	SAN ANDRES		
2	30-015-05344	SKELLY UNIT #002	C-22-17S-31E	C	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-05332	SKELLY UNIT #015	M-21-17S-31E	M	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-05340	SKELLY UNIT #077	P-21-17S-31E	P	329319	LH Operating, LLC	F	I	05/2006			
2	30-015-20468	SKELLY UNIT #109	E-15-17S-31E	E	329319	LH Operating, LLC	F	I	04/2018	TA EXP 10/02/14	T	10/2/2014
2	30-015-20549	SKELLY UNIT #112	A-14-17S-31E	A	329319	LH Operating, LLC	F	O	01/2015			
2	30-015-22254	SKELLY UNIT #120	M-14-17S-31E	M	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-22258	SKELLY UNIT #124	G-22-17S-31E	G	329319	LH Operating, LLC	F	O	01/2016			
2	30-015-22289	SKELLY UNIT #135	G-27-17S-31E	G	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-22506	SKELLY UNIT #137	C-28-17S-31E	C	329319	LH Operating, LLC	F	O	09/2019			
2	30-015-25040	SKELLY UNIT #158	P-22-17S-31E	P	329319	LH Operating, LLC	F	O	11/2016			
2	30-015-28972	SKELLY UNIT #199	N-15-17S-31E	N	329319	LH Operating, LLC	F	O	09/2017	GRAYBURG-JACKSON		
2	30-015-28966	SKELLY UNIT #204	P-14-17S-31E	P	329319	LH Operating, LLC	F	O	01/2020	GRAYBURG-JACKSON		
2	30-015-29182	SKELLY UNIT #226	A-22-17S-31E	A	329319	LH Operating, LLC	F	O	09/2020	SAN ANDRES		
2	30-015-28949	SKELLY UNIT #228	E-23-17S-31E	E	329319	LH Operating, LLC	F	O	09/2019	SAN ANDRES		
2	30-015-29183	SKELLY UNIT #243	G-23-17S-31E	G	329319	LH Operating, LLC	F	O	09/2019	SAN ANDRES		
2	30-015-28951	SKELLY UNIT #266	D-28-17S-31E	D	329319	LH Operating, LLC	F	O	05/2016	SAN ANDRES		
2	30-015-29064	SKELLY UNIT #272	C-28-17S-31E	C	329319	LH Operating, LLC	F	O	09/2019	SAN ANDRES		
2	30-015-29239	SKELLY UNIT #273	G-28-17S-31E	G	329319	LH Operating, LLC	F	O	09/2019	SAN ANDRES		
2	30-015-29210	SKELLY UNIT #274	G-28-17S-31E	G	329319	LH Operating, LLC	F	O	02/2016	SAN ANDRES		

Ex. A _ LH Operating Nov-January 27, 2022 A002										
2	30-015-29226	SKELLY UNIT #278	B-27-17S-31E	B	329319	LH Operating, LLC	F	O	02/2016	SAN ANDRES
2	30-015-29227	SKELLY UNIT #283	E-28-17S-31E	E	329319	LH Operating, LLC	F	O	09/2019	GRAYBURG JACKSON
2	30-015-29314	SKELLY UNIT #284	J-28-17S-31E	J	329319	LH Operating, LLC	F	O	07/2020	GRAYBURG JACKSON; SR-Q-SA
2	30-015-05168	STATE A #001	K-16-17S-31E	K	329319	LH Operating, LLC	S	O	04/2020	GRAYBURG JACKSON; SR-Q-SA
2	30-015-36256	STATE B #012	P-16-17S-31E	P	329319	LH Operating, LLC	S	O	01/2020	GRAYBURG JACKSON
2	30-015-05227	TURNER A #002	3-18-17S-31E	L	329319	LH Operating, LLC	F	I	04/2020	GRAYBURG JACKSON
2	30-015-28769	TURNER A #038	3-18-17S-31E	L	329319	LH Operating, LLC	F	O	01/2020	GRAYBURG JACKSON
2	30-015-05305	TURNER B #033	A-20-17S-31E	A	329319	LH Operating, LLC	F	O	12/1992	T 1/29/2016
2	30-015-05458	TURNER B #048	C-29-17S-31E	C	329319	LH Operating, LLC	F	I	07/2017	T 7/29/2016
2	30-015-26390	TURNER B #083	F-29-17S-31E	F	329319	LH Operating, LLC	F	O	04/2020	
2	30-015-26387	TURNER B #087	K-29-17S-31E	K	329319	LH Operating, LLC	F	O	03/2020	
2	30-015-26603	TURNER B #091	A-29-17S-31E	A	329319	LH Operating, LLC	F	O	04/2020	
2	30-015-26620	TURNER B #098	M-29-17S-31E	M	329319	LH Operating, LLC	F	O	04/2020	
2	30-015-26617	TURNER B #100	M-20-17S-31E	M	329319	LH Operating, LLC	F	O	05/2018	
2	30-015-29530	TURNER B #111	O-30-17S-31E	O	329319	LH Operating, LLC	F	O	07/2020	SAN ANDRES
2	30-015-29187	TURNER B #114	P-30-17S-31E	P	329319	LH Operating, LLC	F	O	03/2016	GRAYBURG JACKSON
2	30-015-29620	TURNER B #134	H-20-17S-31E	H	329319	LH Operating, LLC	F	O	04/2020	GRAYBURG JACKSON

WHERE Operator:329319, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Exhibit C

Alleged Violator OGRID

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History of Non-Compliance	
Non-compliance	0
More than 50 months, or more than 1000 days, less than 5000 days	0
Total Penalties	\$ 16,300