

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

NMOCD – ACOI- 294-C

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 912 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 92 wells out of compliance with the inactive well rule as of May 4, 2017. A copy of the Operator's inactive well list, as of May 4, 2017, is attached as Exhibit "A." Operator faces 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 November 12, 2017 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 November 12, 2017. The total length of this Agreed Compliance Order is six months.

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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 December 12, 2017. 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 November 12, 2017;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the November 12, 2017 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 17th day of May, 2017

By: David Catanach
David Catanach
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: 05/15/2017

Exhibit A to Agreed Compliance Order for Vanguard Operating, LLC

Total Well Count: 912 Inactive Well Count: 92

Printed On: Thursday, May 04 2017

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-22878	AID 24 STATE COM #001	N-24-17S-28E	N	258350	VANGUARD OPERATING, LLC	S	S	08/2015	WILDCAT CISCO		
2	30-015-31552	AID 24P STATE #023	K-24-17S-28E	K	258350	VANGUARD OPERATING, LLC	S	O	09/2006	EMPIRE YESO TA EXP.09/01/13	T	9/1/2016
2	30-005-61303	ALKALI FEDERAL #008	O-15-05S-25E	O	258350	VANGUARD OPERATING, LLC	F	G	01/2016			
2	30-005-61295	ALKALI FEDERAL #009	O-22-05S-25E	O	258350	VANGUARD OPERATING, LLC	F	G	01/2016			
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	30-015-10054	BIG FREDDY AVQ FEDERAL #002	F-10-23S-22E	F	258350	VANGUARD OPERATING, LLC	F	G	06/2015	MORROW		
2	30-005-61494	BRADEN FEDERAL #001	A-30-05S-24E	A	258350	VANGUARD OPERATING, LLC	F	G	10/2014			
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	30-005-62940	CAMACK FEDERAL #010	C-10-05S-24E	C	258350	VANGUARD OPERATING, LLC	F	G	09/2015	ABO		
2	30-005-61193	CAMACK FEDERAL COM #006	H-12-05S-24E	H	258350	VANGUARD OPERATING, LLC	F	G	01/2014			
2	30-005-63434	CANNER AUF STATE COM #002	C-30-10S-27E	C	258350	VANGUARD OPERATING, LLC	S	G	10/2015	WILDCAT PRE/CAMBRIAN		
2	30-005-61656	CAROL FEDERAL #003	O-13-07S-22E	O	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61949	CAROL FEDERAL #005	F-01-07S-22E	F	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61889	CAUDILL RZ #004	G-08-06S-26E	G	258350	VANGUARD OPERATING, LLC	P	G	12/2015			
2	30-015-30229	CHAPARRAL 10 #001	F-10-25S-28E	F	258350	VANGUARD OPERATING, LLC	P	S	10/2015	DELAWARE		
2	30-015-21179	CHAPARRAL OZ FEDERAL #001	H-17-24S-24E	H	258350	VANGUARD OPERATING, LLC	F	G	09/2014			
2	30-005-60863	CHINA FEDERAL #001	B-18-07S-23E	B	258350	VANGUARD OPERATING, LLC	F	G	04/2012			
2	30-005-61657	CHINA FEDERAL #009	E-20-07S-23E	E	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61659	CHINA FEDERAL #012	2-19-07S-23E	E	258350	VANGUARD OPERATING, LLC	F	G	03/2015			
2	30-005-61688	CHINA FEDERAL #013	L-20-07S-23E	L	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61669	CHINA FEDERAL #014	I-19-07S-23E	I	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
2	30-005-61670	CHINA FEDERAL #015	K-19-07S-23E	K	258350	VANGUARD OPERATING, LLC	F	G	09/2015			
1	30-025-10324	COLE STATE #004	E-16-22S-37E	E	258350	VANGUARD OPERATING, LLC	S	O	01/2016			
2	30-015-04693	COLGLAZIER #001	B-20-20S-30E	B	258350	VANGUARD OPERATING, LLC	F	O	06/2014			
2	30-005-61805	CROWLEY FEDERAL COM #001	E-08-05S-25E	E	258350	VANGUARD OPERATING, LLC	F	G	12/2015			
2	30-005-61133	DEE OQ STATE #002	P-32-05S-25E	P	258350	VANGUARD OPERATING, LLC	S	G	07/2015			
2	30-005-63015	DEE OQ STATE #005	K-32-05S-25E	K	258350	VANGUARD OPERATING, LLC	S	G	07/2015	ABO		

2	30-005-61002	DORIS FEDERAL #001	O-14-05S-24E	O	258350	VANGUARD OPERATING, LLC	F	G	11/2014	
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	
2	30-015-26125	EDDY IK STATE #001	G-02-20S-29E	G	258350	VANGUARD OPERATING, LLC	S	G	06/2015	
2	30-015-32668	EDDY IK STATE #002	F-02-20S-29E	F	258350	VANGUARD OPERATING, LLC	S	O	01/2016	CLAYTON BASIN SR
1	30-025-37877	ELLIOTT B FEDERAL #011	J-06-22S-37E	J	258350	VANGUARD OPERATING, LLC	F	O	01/2016	SAN ANDRES
1	30-025-37675	ELLIOTT B FEDERAL #016	H-07-22S-37E		258350	VANGUARD OPERATING, LLC	F	O	01/2016	EUNICE/SN ANDRS/SW
2	30-005-60889	EVERETTE OO FEDERAL #004	K-25-05S-24E	K	258350	VANGUARD OPERATING, LLC	F	G	11/2015	
2	30-005-61535	GRYNBERG LZ STATE #004	E-36-05S-24E	E	258350	VANGUARD OPERATING, LLC	S	G	11/2015	
1	30-025-38296	H S TURNER #010	N-29-21S-37E	N	258350	VANGUARD OPERATING, LLC	P	O	01/2016	TUBB
2	30-005-61335	HORSE CREEK COM #002	E-11-05S-24E	E	258350	VANGUARD OPERATING, LLC	P	G	07/2012	
1	30-025-32045	HOUR GLASS AGQ STATE #001	M-10-18S-35E	M	258350	VANGUARD OPERATING, LLC	S	O	09/2015	BONE SPRINGS
2	30-005-60769	HUGGINS FEDERAL #001	G-15-05S-24E	G	258350	VANGUARD OPERATING, LLC	F	G	12/2015	
2	30-005-62019	JAGUAR X O FED #001	M-09-08S-23E	M	258350	VANGUARD OPERATING, LLC	F	G	09/2015	
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	30-005-61047	LILLIE RB FEDERAL #001	N-10-05S-24E	N	258350	VANGUARD OPERATING, LLC	F	G	11/2015	
2	30-005-63521	LORETTA BBO STATE #001	N-19-10S-27E	N	258350	VANGUARD OPERATING, LLC	S	G	10/2015	Devonian
2	30-005-61649	MACHO FEDERAL #011	N-07-07S-23E	N	258350	VANGUARD OPERATING, LLC	F	G	09/2015	
2	30-005-61914	MACHO FEDERAL #013	S-06-07S-23E	E	258350	VANGUARD OPERATING, LLC	F	G	09/2015	
2	30-005-61122	MARGARET RQ STATE #001	K-36-04S-24E	K	258350	VANGUARD OPERATING, LLC	S	G	01/2015	
2	30-015-22023	MILLMAN H. D. STATE COM. #001	O-17-19S-28E	O	258350	VANGUARD OPERATING, LLC	S	G	10/2015	
2	30-015-22249	MILLMAN H. D. STATE COM. #002	B-17-19S-28E	B	258350	VANGUARD OPERATING, LLC	S	G	12/2014	
2	30-015-24756	MILLMAN SB STATE #002	K-16-19S-28E	K	258350	VANGUARD OPERATING, LLC	S	G	10/2015	
2	30-015-23998	MILLMAN SB STATE COM #001	G-16-19S-28E	G	258350	VANGUARD OPERATING, LLC	S	G	06/2015	
2	30-005-61652	MONAGHAN QY FEDERAL #007	C-27-05S-24E	C	258350	VANGUARD OPERATING, LLC	F	G	02/2015	
2	30-005-62083	MONAGHAN QY FEDERAL #010	L-27-05S-24E	L	258350	VANGUARD OPERATING, LLC	F	G	05/2015	
2	30-005-62121	MONAGHAN QY FEDERAL #011	C-34-05S-24E	C	258350	VANGUARD OPERATING, LLC	F	G	01/2015	
2	30-005-62621	MONAGHAN QY FEDERAL #012	O-28-05S-24E	O	258350	VANGUARD OPERATING, LLC	F	G	06/2015	
1	30-025-38207	NEW MEXICO M STATE #057	I-18-22S-37E	I	258350	VANGUARD OPERATING, LLC	S	O	10/2015	SAN ANDRES N
2	30-015-33793	NO BLUFF STATE COM #004	E-36-17S-27E	E	258350	VANGUARD OPERATING, LLC	S	O	07/2014	Glorieta Formation
1	30-025-29973	OTIS STATE #001	A-30-15S-34E	A	258350	VANGUARD OPERATING, LLC	S	O	06/2011	MORROW
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	R E COLE 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	30-005-61464	REDMAN OY STATE #005	F-35-04S-24E	F	258350	VANGUARD OPERATING, LLC	S	G	10/2015	
2	30-015-32773	REDTAILED HAWK 10 H #001	C-10-25S-28E	C	258350	VANGUARD OPERATING, LLC	P	O	07/2014	SW WILLOW LAKE DELAWARE (40)
2	30-005-61758	ROSE FEDERAL #003	A-19-05S-25E	A	258350	VANGUARD OPERATING, LLC	F	G	06/2015	
2	30-005-61759	ROSE FEDERAL #004	C-19-05S-25E	C	258350	VANGUARD OPERATING, LLC	F	G	04/2015	
2	30-005-61927	ROSE FEDERAL #006	K-19-05S-25E	K	258350	VANGUARD OPERATING, LLC	F	G	05/2015	
2	30-005-63404	ROSE FEDERAL #015	E-20-05S-25E	E	258350	VANGUARD OPERATING, LLC	F	G	05/2014	PECOS SLOPE ABO
2	30-005-63405	ROSE FEDERAL #017	M-21-05S-25E	M	258350	VANGUARD OPERATING, LLC	F	G	01/2016	PECOS SLOPE ABO
2	30-005-61760	ROSE FEDERAL COM #011	A-21-05S-25E	A	258350	VANGUARD OPERATING, LLC	F	G	12/2015	
2	30-005-60757	SALT FEDERAL #002	J-08-08S-23E	J	258350	VANGUARD OPERATING, LLC	F	G	05/2012	
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	30-005-63329	SOUTH ALKALI LK FEDERAL #006	M-11-06S-25E	M	258350	VANGUARD OPERATING, LLC	F	O	09/2015	WILDCAT PRE/CAMBRIAN
2	30-005-60703	STANCEL FEDERAL #001	K-23-05S-24E	K	258350	VANGUARD OPERATING, LLC	F	G	12/2015	
2	30-005-60770	STANCEL FEDERAL #003	K-22-05S-24E	K	258350	VANGUARD OPERATING, LLC	F	G	09/2015	
2	30-015-04686	STATE #002	N-17-20S-30E	N	258350	VANGUARD OPERATING, LLC	S	S	10/2015	
2	30-015-04685	STATE 1A #001	O-17-20S-30E	O	258350	VANGUARD OPERATING, LLC	S	O	12/2015	
1	30-025-23116	STATE A #005	A-32-18S-38E	A	258350	VANGUARD OPERATING, LLC	S	O	10/2015	HOBBS BLINEBRY
1	30-025-05366	STATE O #010	3-31-16S-37E	L	258350	VANGUARD OPERATING, LLC	S	O	09/2008	ABO TA 03/14/2013 TA EXP 1/22/2016
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	
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	1-30-04S-25E		258350	VANGUARD OPERATING, LLC	S	G	05/2015	ABO

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



ACOI

By: BRITT PENCE
Title: E VP OPERATIONS