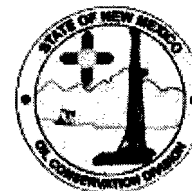


State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

20-Dec-16

VANGUARD OPERATING, LLC
5847 SAN FELIPE, SUITE 3000
HOUSTON TX 77057

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

DORIS FEDERAL No.004				J-11-5S-24E	30-005-61005-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/20/2016	Routine/Periodic	Gilbert Cordero	Yes	No	3/25/2017	iGC1635542872
Comments on Inspection: Well Sign (Rule 19.15.16.8). API 30-005-61561 AND SEC 15 ARE NOT CORRECT						

GLOBE MN FEDERAL No.003				B-1-5S-24E	30-005-61545-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/20/2016	Routine/Periodic	Gilbert Cordero	Yes	No	3/25/2017	iGC1635533304
Comments on Inspection: FIRE HAZARD RULE 19.15.10.8. MUST BE CLEARED TO AT LEAST 150' FROM WELL AND TANKS,						

MIKE HARVEY TR FEDERAL No.001				I-3-5S-24E	30-005-61676-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/20/2016	Routine/Periodic	Gilbert Cordero	Yes	No	3/25/2017	iGC1635534941
Comments on Inspection: Well Sign (Rule 19.15.16.8). SIGN IS NOT LEGIBLE. LOCATION NEEDS ATTENTION						

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 Condero
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.