

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor
John H. Bemis
Cabinet Secretary-Designate
Brett F. Woods, Ph.D
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division

Response Required – Deadline Enclosed

21-Sep-11

VANGUARD PERMIAN, LLC
7700 SAN FELIPE, SUITE 485
HOUSTON, TX 77063

LETTER OF VIOLATION Delinquent Regulatory Filings

Dear Operator

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

SKELLY Q STATE No.004

Location: 36-16S-36E

30-025-03784-00-00

Original Well Type: Gas (Producing)

Well Status: New (Not Drilled /

Determination or Violation Date: 9/20/2011

Delinquent Report or Filing(s): - Other Monitoring and Reporting
Violation

Comments: You are to Shut-in this well, because at the time you recompleted this well to Lovington Queen Gas (Pool code 80720) you did not have all the paperwork approval to produce from this pool & formation. September 17, 2009 your form C-104 was denied because of this and today OCD inspector found that you are producing this well. You must keep this well Shut-in until you have submitted and got approval of all the required paperwork from the Oil Conservation Division Santa Fe office and the Hobbs office. Listed is what is needed to bring this well back into compliance with the Oil Conservation Division.

1. Application and approval for Non-Standard Location per OCD Rule 19.15.15.11.
 - a. Original application and attachments sent to OCD Santa Fe office for approval
 - b. Copy of application and attachments sent to the OCD Hobbs office
2. Form C-104 "Request for Allowable and Authorization to Transport" per OCD Rule 19.15.7.15, sent to the OCD Hobbs office for approval.
3. Form C-115 "Operator's Monthly Report" per OCD Rule 19.15.7.24 correction report sent to the OCD Santa Fe office

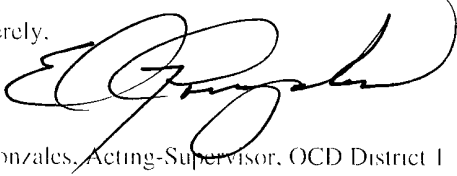
If you have questions about this matter, please call E.L. Gonzales (575) 393-6161 ext 114 or Donna Mull (575) 393-6161 ext 115.

CORRECTIVE ACTION ON THIS WELL DUE BY: 10/05/11

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports

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

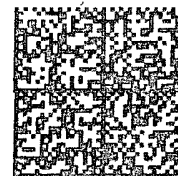
Sincerely,

A handwritten signature in black ink, appearing to read 'E.L. Gonzales', written over a horizontal line.

E.L. Gonzales, Acting-Supervisor, OCD District I

Cc: Jami Bailey, Director, OCD
Daniel Sanchez, OCD Compliance and Enforcement Manager
Sonny Swazo, Assistant General Counsel, OCD
Gabrielle Gerholt, Assistant General Counsel, OCD
State Land Office, Santa Fe
NM Tax & Revenue Dept, Santa Fe

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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US POSTAGE

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