

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

NMOCD - ACOI 165-A

IN THE MATTER OF CANO PETRO OF NEW MEXICO, INC.

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 165, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 165 (ACOI 165) requires Cano Petro of New Mexico, Inc. (Operator) to return to compliance with OCD Rule 201 at least 36 of the wells identified in Exhibit A by November 15, 2007, and file a compliance report by that date (the first period).

2. ACOI 165 further provides that if Operator returns to compliance with OCD Rule 201 at least 36 of the wells identified in Exhibit A by November 15, 2007, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 165 for an additional six-month period, requiring Operator to return an additional 36 wells to compliance by that deadline (the second period). If Operator continues to return wells to compliance at a rate of 36 wells in each six-month period, the OCD shall continue to issue amendments extending the terms of ACOI 165 for additional six-month periods, so long as the total length of the Order does not exceed three years.

3. ACOI 165 further provides that if Operator fails to meet its 36-well goal in any six-month period, the Operator shall be subject to a penalty of \$1,000 for each well it failed to bring into compliance under its schedule. Operator may request a waiver or reduction of the penalties. If Operator fails to meet its 36-well goal in any six-month period, the OCD will have discretion to issue an amendment or allow the Order to expire.

4. Operator failed to file a timely compliance report, filing a report on November 30, 2007. The OCD has verified that OCD records indicate that Operator has returned the following wells identified in Exhibit A to compliance, although compliance was not achieved on all the wells prior to the November 15, 2007 deadline:

Cato San Andres Unit #001	30-005-10584
Cato San Andres Unit #002	30-005-20932
Cato San Andres Unit #13	30-005-20142

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Cato San Andres Unit #15	30-005-20156
Cato San Andres Unit #23	30-005-10523
Cato San Andres Unit #25	30-005-20294
Cato San Andres Unit #28	30-005-10503
Cato San Andres Unit #29	30-005-10473
Cato San Andres Unit #30	30-005-10483
Cato San Andres Unit #33	30-005-20006
Cato San Andres Unit #41	30-005-20047
Cato San Andres Unit #42	30-005-20089
Cato San Andres Unit #45	30-005-20130
Cato San Andres Unit #47	30-005-10578
Cato San Andres Unit #48	30-005-10484
Cato San Andres Unit #49	30-005-10455
Cato San Andres Unit #60	30-005-10571
Cato San Andres Unit #72	30-005-20021
Cato San Andres Unit #74	30-005-10573
Cato San Andres Unit #75	30-005-10562
Cato San Andres Unit #76	30-005-10566
Cato San Andres Unit #80	30-005-20124
Cato San Andres Unit #86	30-005-20109
Cato San Andres Unit #90	30-005-20088
Cato San Andres Unit #91	30-005-10574
Cato San Andres Unit #92	30-005-20018
Cato San Andres Unit #93	30-005-20022
Cato San Andres Unit #94	30-005-20677
Cato San Andres Unit #101	30-005-20010
Cato San Andres Unit #106	30-005-20056
Cato San Andres Unit #108	30-005-20078
Cato San Andres Unit #109	30-005-20068
Cato San Andres Unit #111	30-005-20115
Cato San Andres Unit #112	30-005-20016
Cato San Andres Unit #113	30-005-20211
Cato San Andres Unit #114	30-005-20292
Cato San Andres Unit #115	30-005-20031
Cato San Andres Unit #118	30-005-20077
Cato San Andres Unit #120	30-005-20137
Cato San Andres Unit #127	30-005-20071

CONCLUSIONS

1. Operator failed to file a timely compliance report for the first period.
2. Operator has returned 40 wells to compliance, exceeding its 36-well goal by 4 wells. Not all 40 of the wells were returned to compliance by the November 15, 2007 deadline.

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3. The OCD should amend ACOI 165 to extend its terms through May 15, 2008 and require Operator to return to compliance by that date 32 additional wells identified in Exhibit A not identified in the Findings, above, to meet its 36-well goal for the second period.

ORDER

1. Operator shall return to compliance by May 15, 2008 32 wells identified in Exhibit A that are not identified in the Findings, above.


2. Operator shall file a written compliance report by May 15, 2008 identifying the wells returned to compliance in the second period by well name and API number, identifying how each well was returned to compliance (wellbore plugged, placed on approved temporary abandonment status, or returned to an OCD-approved use), and identifying when each well was returned to compliance.

3. **Operator is cautioned that if it fails to file a timely compliance report, no additional amendments will be issued. Operator is also cautioned that wells not in compliance by May 15, 2007 will not count towards Operator's 32-well goal for the second period.**

4. The terms of ACOI 165 otherwise remain in effect.

Done at Santa Fe, New Mexico this 14th day of December, 2007

By: _____


Mark Fesmire, P.E.

Director, Oil Conservation Division