



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



March 25, 2010

Richard Ezeanyim, Hearing Examiner
EMNRD-OCD
1220 S. St. Francis Drive,
Santa Fe, NM 87505

Email: richard.ezeanyim@state.nm.us

Via Email and Hand-Delivery

Re: Case No. 14425 – Application of Cano Petro of New Mexico, Inc. for Increased Injection Pressure for Wells in Chaves County, New Mexico

2010 MAR 25 P 1:13
RECEIVED OCD

2/5/3 JEM

Dear Mr. Ezeanyim:

The Oil Conservation Division (OCD) hereby withdraws its opposition to the above-entitled application.

The OCD opposed the above-entitled application primarily due to Cano Petro of New Mexico Inc.'s (Cano's) on-going failure to comply with OCD's injection rules and injection permits.

Cano's actions included:

- Injecting above permit-approved pressure-limits, in some case two- to three-times above the limit. The wells were exceeding pressure limits even with pressure control devices.
- Commencement of injection operations into production wells without first obtaining OCD review and approval.
- Commencement of injection operations without first establishing the mechanical integrity of the well.
- Not providing the OCD with sundry reports, including for converted and drilled wells. This included sundry reports requiring OCD approval of operations and sundry reports of the completed actions.



- Not providing the OCD with well completion reports and logs.
- Conducting operations without first obtaining OCD review and approval of the operations.

Cano is now monitoring injection pressure. Cano is installing new pressure control devices. Cano has supplied the OCD with delinquent sundry reports and other delinquent regulatory documents. Cano has implemented a new system to ensure that its regulatory documents are accurate, complete, and filed on time. Cano has improved in its regulatory filings. Cano has promised not to conduct those activities requiring OCD review and approval until it has obtained OCD approval. This includes injecting into producer wells that are being converted to injection wells, and newly drilled wells.

Based on Cano's work with the OCD to resolve these issues, the OCD is withdrawing our opposition to the above-entitled application.

Sincerely yours,



Sonny Swazo
Assistant General Counsel, OCD

EC: Gary Larson, Attorney for Applicant Cano Petro of New Mexico, Inc.
Daniel Sanchez, OCD Enforcement & Compliance Manager
Terry Warnell, OCD Hearing Examiner
Gail MacQuesten, OCD Assistant General Counsel
Larry "Buddy" Hill, OCD District I Supervisor