

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



August 2, 2012

Canyon E & P Company
Attn: Travis White
Eddy Dreyer Financial Services
4925 Greenville Ave., Suite 900
Dallas, TX 75206

Email: travis@eddydreyer.com

Re: Termination of Injection Authority, Artesia Metex Unit Waterflood Project, Orders R-4609, WFX-452, WFX-472

Operator: Canyon E & P Company, OGRID #269864

Wells:

Artesia Metex Unit #6	30-015-00941
Artesia Metex Unit #8	30-015-00944
Artesia Metex Unit #12	30-015-01964
Artesia Metex Unit #16	30-015-00942
Artesia Metex Unit #20	30-015-01196
Artesia Metex Unit #32	30-015-02140
Artesia Metex Unit #35	30-015-00963
Artesia Metex Unit #40	30-015-00954
Artesia Metex Unit #41	30-015-02136
Artesia Metex Unit #45	30-015-00959
Artesia Metex Unit #49	30-015-02141
Artesia Metex Unit #52	30-015-00960
Artesia Metex Unit #54	30-015-00956
Artesia Metex Unit #56	30-015-00987
Artesia Metex Unit #58	30-015-00991

Dear Operator:

According to Oil Conservation Division (OCD) records, the wells identified above comprise the Artesia Metex Unit Waterflood Project (Project). OCD records indicate that the Project was permitted pursuant to the orders identified above. OCD records show Canyon E & P Company as the operator of record of the wells.

OCD records indicate that the authority to inject into the wells / Project has terminated pursuant to OCD Rule 19.15.26.12.C NMAC.

OCD Rule 19.15.26.12.C states:

C. Abandonment of Injection Operations

(1) Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or [sic] continuous non-injection, or during the term of a previously granted extension.

According to injection reports filed for the wells / Project, there has been no injection into any of the wells / Project since August 2006. There is no indication in OCD records that an extension was sought or approved prior to the end of one year of continuous non-injection.

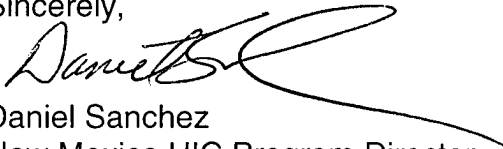
Therefore, the authority to inject into the wells / Project has terminated pursuant to OCD Rule 19.15.26.12.C NMAC.

Please disconnect any injection lines.

If Canyon E & P Company wishes to inject into the wells / Project, it will have to reapply for authority to inject with the Division's Engineering Bureau. Please contact Will Jones in the Division's Engineering Bureau at (505) 476-3448 or william.v.jones@state.nm.us to discuss this matter further.

I would like to discuss this matter further with Canyon E & P Company. Please call me at (505) 476-3493.

Sincerely,



Daniel Sanchez
New Mexico UIC Program Director
OCD Compliance & Enforcement Manager

Ec: Mike Myers, mike@canyonep.com
Richard Inge, OCD Artesia
Randy Dade, OCD Artesia
Theresa Duran-Saenz,
Sonny Swazo, OCD Assistant General Counsel

Wells

Criteria: OperatorSearchClause=BeginsWith, ogrid_name=canyon, WellSearchClause=BeginsWith, prod_prop_name=artesia, WellNumberSearchClause=BeginsWith, PoolSearchClause=BeginsWith, Well_Type=I, CancelledAPDs=Exclude, PluggedWells=Exclude

Records Returned: 15

Printed On: Wednesday, August 01 2012

API	Well	Type	Lease	Status	Location (ULSTR)	OCD Unit Letter	Last Production	Spud Date	Plugged On	Current Operator
30-015-00941	ARTESIA METEX UNIT #006	Injection	State	Active	K-24-18S-27E	K	8/2006			[269864] CANYON E & P COMPANY
30-015-00944	ARTESIA METEX UNIT #008	Injection	State	Active	I-24-18S-27E	I	11/1998			[269864] CANYON E & P COMPANY
30-015-01964	ARTESIA METEX UNIT #012	Injection	State	Active	K-19-18S-28E	K	8/2006			[269864] CANYON E & P COMPANY
30-015-00942	ARTESIA METEX UNIT #016	Injection	State	Active	M-24-18S-27E	M	12/2005			[269864] CANYON E & P COMPANY
30-015-01196	ARTESIA METEX UNIT #020	Injection	State	Active	P-24-18S-27E	P	8/2005			[269864] CANYON E & P COMPANY
30-015-02140	ARTESIA METEX UNIT #032	Injection	State	Active	C-30-18S-28E	C	8/2005			[269864] CANYON E & P COMPANY
30-015-00963	ARTESIA METEX UNIT #035	Injection	State	Active	H-26-18S-27E	H	12/2005			[269864] CANYON E & P COMPANY
30-015-00954	ARTESIA METEX UNIT #040	Injection	State	Active	H-25-18S-27E	H	8/2006			[269864] CANYON E & P COMPANY
30-015-02136	ARTESIA METEX UNIT #041	Injection	State	Active	2-30-18S-28E	E	8/2006			[269864] CANYON E & P COMPANY
30-015-00959	ARTESIA METEX UNIT #045	Injection	State	Active	L-25-18S-27E	L	8/2006			[269864] CANYON E & P COMPANY
30-015-02141	ARTESIA METEX UNIT #049	Injection	State	Active	K-30-18S-28E	K	8/2006			[269864] CANYON E & P COMPANY
30-015-00960	ARTESIA METEX UNIT #052	Injection	State	Active	M-25-18S-27E	M	8/2006			[269864] CANYON E & P COMPANY
30-015-00956	ARTESIA METEX UNIT #054	Injection	State	Active	O-25-18S-27E	O	8/2005			[269864] CANYON E & P COMPANY
30-015-00987	ARTESIA METEX UNIT #056	Injection	State	Active	A-35-18S-27E	A	8/2006			[269864] CANYON E & P COMPANY
30-015-00991	ARTESIA METEX UNIT #058	Injection	State	Active	C-36-18S-27E	C	8/2006			[269864] CANYON E & P COMPANY