

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

NMOCD - ACOI 165-B

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

Respondent.

**SECOND AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 4 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) required 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). Operator filed its compliance report for the first period on November 30, 2007, which was after the time for filing the report had passed. The OCD verified that the following wells listed in the compliance report were returned to compliance:

Cato San Andres Unit No. 001	30-005-10584
Cato San Andres Unit No. 002	30-005-20932
Cato San Andres Unit No. 013	30-005-20142
Cato San Andres Unit No. 015	30-005-20156
Cato San Andres Unit No. 023	30-005-10523
Cato San Andres Unit No. 025	30-005-20294
Cato San Andres Unit No. 028	30-005-10503
Cato San Andres Unit No. 029	30-005-10473
Cato San Andres Unit No. 030	30-005-10483
Cato San Andres Unit No. 033	30-005-20006
Cato San Andres Unit No. 041	30-005-20047
Cato San Andres Unit No. 042	30-005-20089
Cato San Andres Unit No. 045	30-005-20130
Cato San Andres Unit No. 047	30-005-10578
Cato San Andres Unit No. 048	30-005-10484
Cato San Andres Unit No. 049	30-005-10455
Cato San Andres Unit No. 060	30-005-10571
Cato San Andres Unit No. 072	30-005-20021
Cato San Andres Unit No. 074	30-005-10573
Cato San Andres Unit No. 075	30-005-10562

Cato San Andres Unit No. 076	30-005-10566
Cato San Andres Unit No. 080	30-005-20124
Cato San Andres Unit No. 086	30-005-20109
Cato San Andres Unit No. 090	30-005-20088
Cato San Andres Unit No. 091	30-005-10574
Cato San Andres Unit No. 092	30-005-20018
Cato San Andres Unit No. 093	30-005-20022
Cato San Andres Unit No. 094	30-005-20677
Cato San Andres Unit No. 101	30-005-20010
Cato San Andres Unit No. 106	30-005-20056
Cato San Andres Unit No. 108	30-005-20078
Cato San Andres Unit No. 109	30-005-20068
Cato San Andres Unit No. 111	30-005-20115
Cato San Andres Unit No. 112	30-005-20016
Cato San Andres Unit No. 113	30-005-20211
Cato San Andres Unit No. 114	30-005-20292
Cato San Andres Unit No. 115	30-005-20031
Cato San Andres Unit No. 118	30-005-20077
Cato San Andres Unit No. 120	30-005-20137
Cato San Andres Unit No. 127	30-005-20071

2. Because Operator returned 40 wells to compliance for the first 6-month period, the OCD amended the Order to extend its terms by 6 months, and required Operator to return 32 additional wells identified in the Order to compliance by May 15, 2008.

3. Operator has filed a timely compliance report for the second period, and OCD records indicate that Operator has returned the following wells identified in the Order to compliance:

Cato San Andres Unit No. 012	30-005-20127
Cato San Andres Unit No. 027	30-005-10491
Cato San Andres Unit No. 034	30-005-20027
Cato San Andres Unit No. 044	30-005-20004
Cato San Andres Unit No. 051	30-005-10539
Cato San Andres Unit No. 055	30-005-10560
Cato San Andres Unit No. 059	30-005-10570
Cato San Andres Unit No. 061	30-005-20005
Cato San Andres Unit No. 062	30-005-20038
Cato San Andres Unit No. 077	30-005-10532
Cato San Andres Unit No. 081	30-005-10572
Cato San Andres Unit No. 100	30-005-20007
Cato San Andres Unit No. 103	30-005-20032
Cato San Andres Unit No. 110	30-005-20015
Cato San Andres Unit No. 122	30-005-20034
Cato San Andres Unit No. 123	30-005-20042

Cato San Andres Unit No. 124	30-005-20035
Cato San Andres Unit No. 125	30-005-20146
Cato San Andres Unit No. 138	30-005-20267
Cato San Andres Unit No. 148	30-005-20204
Cato San Andres Unit No. 149	30-005-20257
Cato San Andres Unit No. 152	30-005-20314
Cato San Andres Unit No. 160	30-005-20151
Cato San Andres Unit No. 161	30-005-20150
Cato San Andres Unit No. 163	30-005-20101
Cato San Andres Unit No. 165	30-005-20139
Cato San Andres Unit No. 166	30-005-20140
Cone Federal No. 001	30-041-20431
Cone Federal No. 002	30-041-20440
Cone Federal No. 003	30-041-20441
Cone Federal No. 004	30-041-20450
Cone Federal No. 008	30-041-20477
Cone Federal No. 009	30-041-20485
Cone Federal No. 010	30-041-20486
Cone Federal No. 014	30-041-20495
Cone Federal No. 021	30-041-20549
Cone Federal No. 031Y	30-041-20585

CONCLUSIONS

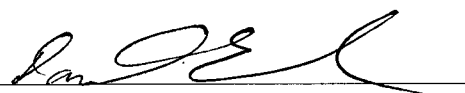
1. Operator has met its goal of returning 32 additional wells to compliance in the second period, and exceeded that goal by 5 wells.
2. The OCD should amend ACOI 165 to extend its terms through November 15, 2008, and require Operator to return to compliance by that date at least 31 wells identified in Exhibit A.

ORDER

1. Operator shall return to compliance by November 15, 2008 at least 31 wells identified in Exhibit A that are not identified in Findings Paragraphs 1 and 3, above.
2. Operator shall file a written compliance report identifying the well(s) it returned to compliance in the third period, and stating how the well(s) were returned to compliance (returned to production or other beneficial use; wellbore plugged; or placed on approved temporary abandonment status). The report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us) and Assistant General Counsel (email: sonny.swazo@state.nm.us) so that it is received by November 15, 2008.

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

Done at Santa Fe, New Mexico this 19th day of May, 2008

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division