

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, Northeast Square Lake Waterflood Project, Order R-3108

Operator: Canyon E & P Company, OGRID #269864

Wells:	Northeast Square Lake Premier Unit #3	30-015-04794
	Northeast Square Lake Premier Unit #5	30-015-04788
	Northeast Square Lake Premier Unit #8	30-015-04785
	Northeast Square Lake Premier Unit #12	30-015-04831
	Northeast Square Lake Premier Unit #21	30-015-04837
	Northeast Square Lake Premier Unit #25	30-015-04845

Dear Operator:

According to Oil Conservation Division (OCD) records, the wells identified above comprise the Northeast Square Lake Premier Waterflood Project (Project). OCD records indicate that the Project was permitted pursuant to Order R-3108. 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 2009. 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,

A handwritten signature in black ink, appearing to read 'Daniel Sanchez', with a long, sweeping horizontal line extending to the right.

Daniel Sanchez
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=northeast, WellNumberSearchClause=BeginsWith, PoolSearchClause=BeginsWith, Well_Type=I, CancelledAPDs=Exclude, PluggedWells=Exclude

Records Returned: 6

Printed On: Wednesday, August 01 2012

API	Well	Type	Lease	Status	Location (ULSTR)	OCD Unit Letter	Last Production	Spud Date	Plugged On	Current Operator
30-015-04794	NORTHEAST SQUARE LAKE PREMIER UNIT #003	Injection	Federal	Active	K-03-16S-31E	K	8/2008			[269864] CANYON E & P COMPANY
30-015-04788	NORTHEAST SQUARE LAKE PREMIER UNIT #005	Injection	Federal	Active	P-03-16S-31E	P	8/2008			[269864] CANYON E & P COMPANY
30-015-04785	NORTHEAST SQUARE LAKE PREMIER UNIT #008	Injection	State	Active	M-02-16S-31E	M	8/2008			[269864] CANYON E & P COMPANY
30-015-04831	NORTHEAST SQUARE LAKE PREMIER UNIT #012	Injection	Federal	Expired Temporary Abandonment	A-09-16S-31E	A	12/1993			[269864] CANYON E & P COMPANY
30-015-04837	NORTHEAST SQUARE LAKE PREMIER UNIT #021	Injection	Federal	Active	G-10-16S-31E	G	8/2009			[269864] CANYON E & P COMPANY
30-015-04845	NORTHEAST SQUARE LAKE PREMIER UNIT #025	Injection	Federal	Expired Temporary Abandonment	I-10-16S-31E	I	10/2007			[269864] CANYON E & P COMPANY