

JUN 20 2011

Form C-141
Revised October 10, 2003

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company	Cano Petro of New Mexico, Inc.	Contact	Rodger Butts
Address	6500 N. Belt Line Road #200, Irving TX 75063	Telephone No.	575-703-5730
Facility Name	Cato #6 Battery	Facility Type	Battery

Surface Owner	Private/FED	Mineral Owner		Lease No.	
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LOCATION OF RELEASE

301025-10455

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
L	11	8S	30E	1980	FSL	660	FWL	Chaves

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Salt Water
Source of Release Overflowed Tanks
Volume of Release approx 300 bbls of water
Date and Hour of Occurrence 06-11-11, hour unknown
Volume Recovered
Date and Hour of Discovery 06-11-11, 7:00 am

Was Immediate Notice Given? Yes No Not Required
If YES, To Whom?
By Whom?
Date and Hour 06-06-11,
Was a Watersource Reached? Yes No
If YES, Volume Impacting the Watercourse.

If a Watersource was Impacted, Describe Fully.*
Describe Cause of Problem and Remedial Action Taken.*
Cause of Problem: Power failure caused tanks to overflow. Alarm failed because of no power.
Remedial Action: Hired night watchman to check battery and watch for leaks. Ordered second alarm system for backup. Redesign containment. Added battery backups to alarm.

Describe Area Affected and Cleanup Action Taken.*
Spill originated at GPS coordinates 083.63242 N, 103.85914 W to 033.63855 N, 103.86313W; and encompassed an area of 4,482 ft x 440 ft.
Area Affected: Around the tanks and runoff down the road and into pasture and in burned area.
Cleanup Action: Picking up all liquids. Archeologist will survey area, soil samples will be taken, remediation will begin after consulting the BLM.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

OIL CONSERVATION DIVISION

Signature: *Jayne Wollison*
Printed Name: Jayme Wollison
Title: *Director of Operations*
E-mail Address: jayne@canopetro.com

Approved by District Supervisor:
Approval Date: _____ Expiration Date: _____
Conditions of Approval: _____ Attached

Date: June 16, 2011 Phone: 214.687.9224

* Attach Additional Sheets If Necessary

30 025
20001

SEP 09 2011

SALT WATER SPILL AT CATO BATTERY 6 PLAN OF REMEDIATION

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September 9, 2011

Angel Mayes, Assistant Field Manager, Bureau of Land and Minerals
Geoff Leking, Environmental Engineer, NMOCD

Angel and Jeff,

Since it appears that bio-remediation is not the favorite choice in New Mexico, we propose to do the following to remediate this area. Upon your approval of this process I will fill out a Sundry to both of you and file it. If everyone's schedule will allow I plan on flying to Roswell on September 19th to begin the testing process, pending approval.

1. Notify NMOCD and Roswell BLM office of date to begin sampling, give them 3-5 day lead time to prepare for visual inspection. I plan on flying in to oversee the majority of this project.
2. Test background soil outside of spill area, take samples from surface, 6", 12" 24" and have them analyzed by independent lab. These will be taken between 50' to 150' intervals to gauge the spill perimeter. Field tests will be run to determine general perimeter, then soil samples will be sent into lab for confirmation.
3. Sample impacted area with test holes every 200' at perimeter of spill take samples from surface, 6", 12" 24" and have them analyzed by independent lab.
4. Sample interior areas of spill in criss cross pattern take samples from surface, 6", 12" 24" and have them analyzed by independent lab.
5. Upon completion of the lab testing, schedule a conference call with the NMOCD and BLM, to go over method of remediation. Once all parties have agreed, and sundries are filed and approved, onsite remediation will commence.
6. Determination will be made at that time with consultation with NMOCD and BLM as to proper cleanup of area, attention to minimal impact on adjoining area will be taken, we will try to stay as close to contaminated area as possible. Probable method of cleanup will be to dig up and haul off contaminants; we generally haul to Gandy, testing soil until conditions meet all parties' criteria, then filling in with compatible soil for the area. BLM will be consulted on soil type to bring in, and areas to purchase this. Last thing we want is to bring in noxious weeds or foreign matter that will cause future issues.

I apologize if my original plan offended anybody, I looked at it as minimal impact to surface, and standard remediation program we use in both Texas and Oklahoma on same type spills. To put plastic under it would be nearly impossible, considering the distance and the varied widths, so we will look at this more as a haul out unless we see something different during testing. I am open to ideas to limit the impact.

Thank You,

Jayme Wollison
Executive Director of Operations
Cano Petroleum, Inc.
214-687-0030

*Remember those who have served for our freedom
Without they're sacrifice we wouldn't be here*



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.blm.gov/nm/st/en.html



In Reply Refer To:
Case/Lease Number: NMNM-82050X
3160(NMP0130)
Order No. 04-080-10W

AUG 24 2011

CERTIFIED MAIL--RETURN RECEIPT REQUESTED
7006 3450 0001 4285 6287

HOBBS OCD

SEP 13 2011

Cano Petroleum of New Mexico, Inc.
6500 N. Beltline Road, Suite 200
Irving, TX 75063

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NOTICE OF ORDERS OF THE BLM AUTHORIZED OFFICER

Pursuant to Federal Regulation 43 CFR 3162.5-1(b) which states "The operator shall exercise due care and diligence to assure that leasehold operations do not result in undue damage to surface or subsurface resources or surface improvements..." the following environmental compliance problems have been identified.

Gentlemen:

BLM received your proposed plan of remediation for Salt water spill at Cato Battery number 6 on August 8, 2011. The following will address the specific needs of the BLM regarding your plan of remediation.

The remediation plan submitted by Cano through their letter dated August 8, 2011 is inadequate.

The following are minimum requirements to determine the extent of the release and start remediation of the contaminated soil.

1. Take background samples from uncontaminated areas. Samples taken at the surface, 6-inches, 12-inches and 24-inches will be adequate. Samples should be analyzed by an independent lab. The results should be furnished to the BLM as well as Cano.
2. Determine the lateral and vertical extent of the spill area by sampling. A field titration analysis to determine salt content is acceptable, if the NMOCD agrees. The lateral and vertical extent of the spill area should be mapped by connected points where clean samples are found, regardless of the distance or depth from the surface stained soils.

3. Excavate to this vertical and lateral extent and stockpile soil on plastic. Mix straw into these soils.
4. Line the excavation with 40 mil liner and build a catch basin at the bottom of the flow path.
5. Place the contaminated soils back into the now lined excavation.
6. flow water and your product through soils down to the catch basin.
7. Dispose of treated water in catch basin... re-circulate if possible.
8. Monitor until clean.

Submit an updated Plan for Reclamation for BLM review and approval. BLM's action is subject to like approval by the New Mexico Conservation Division - NMOCD

In accordance with 43 CFR 3163.1(a), please comply with the corrective action(s) for the identified environmental problems no later than **September 9, 2011** after receipt of this Written Order. If you fail to comply within the time frames specified, you will be subject to further enforcement action as may be deemed necessary.

WARNING

Orders of the Authorized Officer or Incidents of Non Compliance and reporting time frames begin upon receipt of the Notice or 7 business days after the date it is mailed, whichever is earlier. Each problem or violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above.

For Incidents of Non Compliance, please note that you already may have been assessed for noncompliance (see amount under "Assessed for Noncompliance"). If you do not comply as noted above under "Corrective Action to Be Completed By," you may incur additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Note: Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting an order of the authorized office or violation must request a State Director Review of the Order or Incident of Noncompliance. This request must be filed within 20 working days of receipt of the Order or Incident of Noncompliance with the appropriate State Director at PO Box 27115, Santa Fe, NM 87502-0115 (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, MS 300-QC, Arlington, Virginia 22203 (see 43CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

If you have any questions concerning our Written Orders for the Cato Battery #6 location, please contact Al Collar, Geologist at the Roswell Field Office at 575-627-0270.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

Bureau of Land Management

BLM Office /ROSWELL FIELD OFFICE

BLM Office Address/2909 W. SECOND ST.

BLM Office Address/ROSWELL, NM 88201

Phone: 575-627-0272

Fax: 575-627-0276



Fax Cover Sheet

To: Geoffrey Letting
 Phone: _____ Fax: 393 0720

Office: OCD

From: Al Collar

Phone: _____

Number of pages including cover sheet: 4

Remarks: _____

_____ HOBBS OCD

_____ SEP 13 2011

_____ RECEIVED
