

State of New Mexico  
Energy, Minerals and Natural Resources Department

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Susana Martinez  
Governor

Ken McQueen  
Cabinet Secretary

Matthias Sayer  
Deputy Cabinet Secretary

David R. Catanach, Division Director  
Oil Conservation Division



June 20, 2017

Cano Petro of New Mexico, Inc.  
OGRID #248802  
P.O. Box 4470  
Tulsa, OK 74159

**Re:** 19.15.5.9 NMAC Compliance

Dear Operator:

The Oil Conservation Division (OCD) is conducting ongoing review of all operators' compliance status with Subsection A of 19.15.5.9 NMAC. According to OCD records, your company is not in compliance with Subsection A of 19.15.5.9 NMAC for the following reason:

X  Inactive wells. According to the attached inactive well list, your company has too many wells in violation of 19.15.25.8 NMAC (the inactive well rule) that are not subject to an inactive well agreed compliance order. As an operator of  323  wells, your company may have no more than  5  wells in violation of the inactive well rule. Your company has  229  wells in violation of the inactive well rule.

Non-compliance with 19.15.5.9 NMAC will prevent your company from acquiring any new wells, acquiring approval of exploration and development plans, receiving new allowables, and obtaining drilling, injection, and other OCD issued permits, and potentially expose your company to additional compliance actions including an OCD order requiring compliance, and revocation of injection permits. As the operator of a non 19.15.5.9 NMAC compliant company, you will not be permitted to register any additional companies to operate in New Mexico or have any interest exceeding 25 percent in any other companies in New Mexico.

The OCD is requesting that you review the OCD's online database for your specific Oil and Gas Registration Identification (OGRID) number and notify the OCD how your company plans to return to compliance with 19.15.5.9 NMAC. This is an opportunity for your company to work with the OCD toward achieving its goal of maintaining compliance with the rules of the State of New Mexico. Please respond to the OCD within 30 days of receipt of this letter. If no response is received the OCD may begin formal compliance action.

OCC Cases 16040 and 16359  
Exhibit 7: Notice of Violation  
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Respectfully yours,

A handwritten signature in black ink, appearing to read "Daniel Sanchez". The signature is stylized with a large, sweeping flourish at the end.

Daniel Sanchez,  
Compliance and Enforcement Manager  
(505)476-3493  
Daniel.sanchez@state.nm.us

Ec: David R. Catanach, Division Director  
Maxey Brown, District 1 Supervisor  
Raymond Podany, District 2 Geologist  
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Keith Herrmann, Attorney, Santa Fe