

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION (“OCD”) COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLIANCE ORDER AGAINST CANYON E & P COMPANY, DIRECTORS, AND OFFICERS, JOINTLY AND SEVERALLY, FINDING THAT THE OPERATOR IS IN VIOLATION OF THE OIL AND GAS ACT, NMSA 1978, SECTIONS 70-2-1 *et seq.* AND OCD RULES, NMAC 19.15.2 *et seq.*, REQUIRING OPERATOR TO RETURN TO COMPLIANCE WITH DIVISION RULES BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, REQUEST FOR ADDITIONAL SANCTIONS.

CASE NO. 15271

**OCD’S APPLICATION FOR COMPLIANCE ORDER
AGAINST CANYON E & P COMPANY,**

1. Canyon E & P Company (“Operator”) is a sole proprietor of 227 wells in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico, under OGRID No. 269864.

See Exhibit 1: Well List.

2. Operator’s agent’s address of record is: InCorp Services, Inc., 1012 Marquez Place, Suite 106-B, Santa Fe, NM 87505.

3. The New Mexico Secretary of State has Operator registered under corporation number 4201893. The corporation is a foreign profit and is not in good standing. The Secretary of State identifies J. Michael Myers and Karen Myers as Directors and Lisa Waun as Vice President, as the officers of record.

4. Operator has one blanket bond filed with the division, bond no. B005180, from U.S. Specialty Insurance Company, for the amount of \$50,000. Operator has additionally furnished the division with one hundred sixteen (116) single well bonds, all from U.S. Specialty Insurance Company. *See Exhibit 1: Well List.*

5. U.S. Specialty Insurance Company's address of record is: 13403 Northwest Freeway, Houston, Texas 77040.
6. The last reported production on any of Operator's wells is May, 2013.
7. Operator had all authority to transport from/inject ("OCD Form C-104" or "C-104") to all wells revoked by the OCD on October 31, 2014 for failing to report production as required by Division Rule 19.15.7.24 NMAC. They have made no attempt to reinstate their C-104. See *Exhibit 2: C-104 Revocation*
8. Division Rule 19.15.8.13 NMAC authorizes the Director to order the Operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.
9. Division Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling activities, (2) a determination that a well is no longer usable for a beneficial purpose, or (3) a period of one year of continuous inactivity.
10. NMSA 1978, Sections 70-2-12 and 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.
11. Division Rule 19.15.5.9 (A)(4) NMAC (Compliance) states that an operator is compliant with Division Rule 19.15.5.9 if no more than the following number of wells it operates are compliant with Division Rule 19.15.25.8 NMAC (Wells to be Properly Abandoned): two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less; five wells if the operator operates between 101 and 500 wells; seven wells if the operator operates between 501 and 1000 wells; and 10 wells if the operator operates more than 1000 wells

12. Operator currently has 227 wells out of a total of 227 wells out of compliance with Division Rule 19.15.25.8 NMAC, exceeding the amount allowed under Division Rule 19.15.5.9 (A)(4) NMAC.

13. Division Rule 19.15.8.9 NMAC requires that an operator to cover a well that has been in temporary abandonment status for more than two years with a one-well financial assurance.

14. Operator currently has 61 wells that require additional bonding in violation of Division Rule 19.15.8.9 NMAC. See *Exhibit 1: Well List*.

WHEREFORE, the OCD, by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. Determining that Operator's wells are not in compliance with Division Rule 19.15.25.8 NMAC and requiring Operator to plug and abandon the violating wells by a date certain;
- B. Determining that Operator is out of compliance with Division Rule 19.15.5.9 NMAC;
- C. Determining that operator is out of compliance with Division Rule 19.15.8.9 NMAC and requiring Operator to furnish the required financial assurance for the non-compliant wells by a date certain;
- D. If the violating wells are not brought into compliance with 19.15.25.8 NMAC by the date set in the Order, finding the operator in violation of a division order, declaring the well abandoned and authorizing the Division to plug the subject well in accordance with a Division-approved plugging

program and restore and remediate the location and recover costs from the operators financial assurance as required by 19.15.8.13 NMAC;

- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 17 day of February, 2015
by



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Conservation Division

Case No. 15271. Application of the New Mexico Oil Conservation Division (“OCD”) Compliance and Enforcement Manager for a compliance order against Canyon E & P Company, directors, and officers, jointly and severally, finding that the operator is in violation of the oil and gas act, NMSA 1978, Sections 70-2-1 *et seq.* and OCD rules, NMAC 19.15.2 *et seq.*, requiring operator to return to compliance with division rules by a date certain, and in the event of non-compliance, request for additional sanctions.

Exhibit 1: Well List

Well API No.	Name	Well Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond In Place	U.S. Specialty Insurance Co. Bond ID
30-041-20787	ARCHER #001	Oil	Oct-03		9350	9350	B006029
30-041-20798	ARCHER #002	Oil	Oct-03		9325	9325	B006030
30-025-09721	ARNOTT RAMSEY #001	Gas	Jun-08		8441	8441	B005874
30-015-00940	ARTESIA METEX UNIT #001	Oil	May-12	Y	7048	0	
30-015-00939	ARTESIA METEX UNIT #002	Oil	Mar-07	Y	7048	0	
30-015-00938	ARTESIA METEX UNIT #003	Oil	May-11		7064	7064	B005891
30-015-01944	ARTESIA METEX UNIT #004	Oil	Feb-12	Y	7232	0	
30-015-00945	ARTESIA METEX UNIT #005	Oil	May-13	Y	7053	0	
30-015-00941	ARTESIA METEX UNIT #006	Oil	Jun-11		6990	6990	B005894
30-015-01197	ARTESIA METEX UNIT #007	Oil	May-13	Y	7044	0	
30-015-00944	ARTESIA METEX UNIT #008	Oil	May-13		7041	7041	B005895
30-015-01943	ARTESIA METEX UNIT #010	Oil	May-13	Y	7081	0	
30-015-01940	ARTESIA METEX UNIT #011	Oil	Aug-12		7324	7324	B005896
30-015-01964	ARTESIA METEX UNIT #012	Oil	Mar-07		7363	7363	B005897
30-015-01951	ARTESIA METEX UNIT #013	Oil	Sep-11	Y	7335	0	
30-015-01947	ARTESIA METEX UNIT #014	Oil	Jun-11	Y	7150	0	
30-015-01954	ARTESIA METEX UNIT #015	Injection	Aug-06		7500	0	
30-015-00942	ARTESIA METEX UNIT #016	Injection	Dec-05		7147	7147	B005900
30-015-00947	ARTESIA METEX UNIT #017	Injection	Nov-98		7035	7035	B005901
30-015-00946	ARTESIA METEX UNIT #018	Oil	Jun-11	Y	7068	0	
30-015-01195	ARTESIA METEX UNIT #019	Oil	Jun-11	Y	7348	0	
30-015-01196	ARTESIA METEX UNIT #020	Oil	Mar-07		7097	7097	B005904
30-015-01942	ARTESIA METEX UNIT #021	Oil	Jun-11		7100	7100	B005905
30-015-01965	ARTESIA METEX UNIT #022	Oil	May-13		7283	7283	B005906
30-015-01941	ARTESIA METEX UNIT #023	Oil	May-13		7058	7058	B005907
30-015-01949	ARTESIA METEX UNIT #024	Oil	Dec-05		7145	7145	B005908
30-015-01946	ARTESIA METEX UNIT #025	Oil	Jun-11		7160	0	
30-015-00962	ARTESIA METEX UNIT #026	Oil	May-13	Y	6991	0	
30-015-00951	ARTESIA METEX UNIT #027	Injection	Aug-06		7040	7040	B005911
30-015-01194	ARTESIA METEX UNIT #029	Oil	Jun-11	Y	7050	0	
30-015-01193	ARTESIA METEX UNIT #030	Injection	Aug-05	Y	7046	0	
30-015-02139	ARTESIA METEX UNIT #031	Oil	Mar-11		7340	7340	B005914
30-015-02140	ARTESIA METEX UNIT #032	Oil	May-13		7200	7200	B005915
30-015-02132	ARTESIA METEX UNIT #033	Injection	Aug-06	Y	7102	0	
30-015-06127	ARTESIA METEX UNIT #034	Injection	Aug-06	Y	7591	0	
30-015-00963	ARTESIA METEX UNIT #035	Oil	Jun-11		6986	6986	B005918
30-015-00952	ARTESIA METEX UNIT #036	Injection	Dec-05	Y	7001	0	
30-015-00950	ARTESIA METEX UNIT #038	Oil	Jun-11		7025	7025	B005920
30-015-00948	ARTESIA METEX UNIT #039	Oil	Dec-11	Y	7015	0	
30-015-00954	ARTESIA METEX UNIT #040	Injection	Aug-06		7123	7123	B005922
30-015-02136	ARTESIA METEX UNIT #041	Oil	Mar-07		7020	7020	B005923
30-015-02138	ARTESIA METEX UNIT #042	Injection	Aug-06	Y	7220	0	
30-015-02142	ARTESIA METEX UNIT #043	Oil	Feb-05	Y	7079	0	
30-015-01190	ARTESIA METEX UNIT #044	Oil	Mar-07		7030	7030	B005926
30-015-00959	ARTESIA METEX UNIT #045	Oil	Jan-13		7122	7122	B005927

30-015-00953	ARTESIA METEX UNIT #046	Oil	Jul-12		7151	0	
30-015-00955	ARTESIA METEX UNIT #047	Oil	May-11	Y	7006	0	
30-015-00958	ARTESIA METEX UNIT #048	Injection	Aug-05		11014	0	
30-015-02141	ARTESIA METEX UNIT #049	Oil	Apr-12		7200	7200	B005931
30-015-01191	ARTESIA METEX UNIT #050	Oil	Sep-04		7134	7134	B005932
30-015-00966	ARTESIA METEX UNIT #051	Oil	Dec-05	Y	7097	0	
30-015-00960	ARTESIA METEX UNIT #052	Oil	Dec-05		7020	7020	B005934
30-015-00957	ARTESIA METEX UNIT #053	Oil	Jan-13	Y	7000	0	
30-015-00956	ARTESIA METEX UNIT #054	Oil	Mar-12		7014	7014	B005936
30-015-00986	ARTESIA METEX UNIT #055	Oil	May-13	Y	6939	0	
30-015-00987	ARTESIA METEX UNIT #056	Oil	Jun-11		7020	7020	B005938
30-015-00990	ARTESIA METEX UNIT #057	Oil	Dec-05		7025	7025	B005939
30-015-00991	ARTESIA METEX UNIT #058	Oil	Jun-11		7020	7020	B005940
30-015-00949	ARTESIA METEX UNIT #059	Oil	May-13		16208	0	
30-015-21866	ARTESIA METEX UNIT #060	Injection	Aug-06		7154	7154	B005942
30-015-21874	ARTESIA METEX UNIT #061	Oil	Dec-05	Y	7159	0	
30-015-27157	ARTESIA METEX UNIT #062	Oil	Mar-11	Y	7200	0	
30-015-27158	ARTESIA METEX UNIT #063	Injection	Aug-06		7320	7320	B005945
30-015-27192	ARTESIA METEX UNIT #064	Oil	Jun-11	Y	7180	0	
30-015-27193	ARTESIA METEX UNIT #065	Oil	Dec-05		7210	7210	B005947
30-015-27194	ARTESIA METEX UNIT #066	Injection	Aug-05		7200	0	
30-015-27195	ARTESIA METEX UNIT #067	Injection	Aug-06		7200	0	
30-015-27196	ARTESIA METEX UNIT #068	Oil	Mar-11	Y	7200	0	
30-015-05724	B I HANSON FEDERAL #002	Oil	Apr-07			0	
30-005-60817	BARKNEHT #001	Oil	Sep-04		7861	7861	B005819
30-025-28139	BAUM STATE #002	Oil	Jun-07		15105	15105	B005875
30-025-07061	BROWN 51 #001	Oil	Jun-01			0	
30-025-21703	BROWN 51 #002	Oil	Jun-01			0	
30-005-20320	DOUBLE L QUEEN UNIT #001A	Oil	Dec-11			0	
30-005-60146	DOUBLE L QUEEN UNIT #001D	Injection	Jun-12	Y	7005	0	
30-005-60197	DOUBLE L QUEEN UNIT #001G	Oil	Jun-11	Y	6929	0	
30-005-60127	DOUBLE L QUEEN UNIT #001H	Injection	Jun-12	Y	6945	0	
30-005-20307	DOUBLE L QUEEN UNIT #001I	Injection	Mar-98			0	
30-005-20325	DOUBLE L QUEEN UNIT #001J	Oil	Jan-12			0	
30-005-60078	DOUBLE L QUEEN UNIT #001K	Oil	Jun-11	Y	6980	0	
30-005-20355	DOUBLE L QUEEN UNIT #001L	Oil	May-12			0	
30-005-20332	DOUBLE L QUEEN UNIT #001P	Oil	Jun-11			0	
30-005-20327	DOUBLE L QUEEN UNIT #001Q	Injection	Feb-04			0	
30-005-60117	DOUBLE L QUEEN UNIT #001R	Injection	Jan-12		6986	6986	B005876
30-005-60084	DOUBLE L QUEEN UNIT #001Y	Oil	Nov-11			0	
30-005-60159	DOUBLE L QUEEN UNIT #002	Oil	Jun-11	Y	6943	0	
30-005-20330	DOUBLE L QUEEN UNIT #002B	Oil	Oct-12			0	
30-005-60069	DOUBLE L QUEEN UNIT #002G	Injection	Jun-97	Y	7005	0	
30-005-20308	DOUBLE L QUEEN UNIT #002H	Oil	Oct-11			0	
30-005-20348	DOUBLE L QUEEN UNIT #002I	Injection	Jun-97			0	
30-005-20369	DOUBLE L QUEEN UNIT #002M	Injection	Feb-03			0	
30-005-20337	DOUBLE L QUEEN UNIT #002P	Oil	Mar-11			0	
30-005-20334	DOUBLE L QUEEN UNIT #002Q	Oil	Jan-13			0	
30-005-60093	DOUBLE L QUEEN UNIT #002X	Oil	Sep-11			0	
30-005-60151	DOUBLE L QUEEN UNIT #002Z	Oil	Mar-12	Y	7061	0	

30-005-60161	DOUBLE L QUEEN UNIT #003	Injection	Nov-11		6962	6962	B005877
30-005-60079	DOUBLE L QUEEN UNIT #003G	Injection	Jun-12	Y	7010	0	
30-005-20323	DOUBLE L QUEEN UNIT #003J	Oil	May-13			0	
30-005-20346	DOUBLE L QUEEN UNIT #003L	Oil	Jun-11			0	
30-005-20338	DOUBLE L QUEEN UNIT #003Q	Oil	Mar-11			0	
30-005-60153	DOUBLE L QUEEN UNIT #003Y	Oil	May-10			0	
30-005-60164	DOUBLE L QUEEN UNIT #004	Oil	Mar-12		6946	6946	B 005878
30-005-20329	DOUBLE L QUEEN UNIT #004A	Oil	Mar-11			0	
30-005-60080	DOUBLE L QUEEN UNIT #004G	Oil	Jul-09	Y	7010	0	
30-005-20339	DOUBLE L QUEEN UNIT #004Q	Oil	Oct-12			0	
30-005-60174	DOUBLE L QUEEN UNIT #005	Oil	Mar-11	Y	6942	0	
30-005-20331	DOUBLE L QUEEN UNIT #005A	Oil	Jun-11			0	
30-005-20984	DOUBLE L QUEEN UNIT #005Q	Injection	Jan-02		6994	6994	B007419
30-005-60097	DOUBLE L QUEEN UNIT #006	Injection	Feb-03	Y	7005	0	
30-005-20379	DOUBLE L QUEEN UNIT #006Q	Injection	Feb-03			0	
30-005-60099	DOUBLE L QUEEN UNIT #007	Injection	Feb-03	Y	7014	0	
30-005-60108	DOUBLE L QUEEN UNIT #008	Oil	Jul-10	Y	7010	0	
30-005-20389	DOUBLE L QUEEN UNIT #008Q	Oil	Jan-12			0	
30-005-20395	DOUBLE L QUEEN UNIT #009Q	Oil	Jul-09			0	
30-005-60138	DOUBLE L QUEEN UNIT #010	Oil	Jul-09	Y	7001	0	
30-005-60178	DOUBLE L QUEEN UNIT #011	Injection	Feb-03	Y	6981	0	
30-005-60183	DOUBLE L QUEEN UNIT #012	Oil	May-10	Y	7002	0	
30-005-60610	ELIZABETH #001	Oil	Feb-02		7840	7840	B005820
30-005-60705	ELIZABETH #002	Oil	Feb-07		7928	7928	B005821
30-005-60744	ELIZABETH #003	Oil	Feb-07		7726	7726	B005822
30-005-60747	ELIZABETH #004	Oil	Jun-04		7754	7754	B005823
30-005-62861	ELIZABETH C #005	Oil	Mar-03		7780	7780	B005824
30-005-60327	GRAVES #001	Oil	Sep-02		7700	7700	B005825
30-025-27825	JAMESON #001	Oil	Sep-08		8666	8666	B006087
30-025-28258	JAMESON #002	Oil	May-08		8635	8635	B005826
30-005-60567	KUCHEMANN #001	Oil	Jul-11	Y	7790	0	
30-005-60580	KUCHEMANN #002	Injection	Mar-05		7793	7793	B005828
30-005-60693	KUCHEMANN #003	Oil	Jul-11	Y	7802	0	
30-005-60805	KUCHEMANN #004	Oil	Jul-11	Y	7800	0	
30-005-60906	KUCHEMANN #005	Oil	Jul-11	Y	7830	0	
30-041-20451	LINE STATE #001	Oil	Sep-03		9910	9910	B006031
30-005-60526	MARLISUE QUEEN UNIT #001	Oil	Feb-07		6935	6935	B005879
30-005-60510	MARLISUE QUEEN UNIT #001Z	Oil	Feb-07		6936	6936	B005880
30-005-62099	MARLISUE QUEEN UNIT #002	Oil	Feb-07		6934	6934	B005881
30-005-60585	MARLISUE QUEEN UNIT #003	Oil	Feb-07		6931	6931	B005882
30-005-62100	MARLISUE QUEEN UNIT #003Z	Oil	Feb-07		6970	6970	B005883
30-005-60646	MARLISUE QUEEN UNIT #004	Oil	Feb-07		6955	6955	B005884
30-005-62324	MARLISUE QUEEN UNIT #004Z	Oil	Feb-07		6960	6960	B005885
30-005-62101	MARLISUE QUEEN UNIT #006	Oil	Feb-07		6944	6944	B005886
30-005-62102	MARLISUE QUEEN UNIT #007	Oil	Feb-07		6976	6976	B005887
30-005-62531	MARLISUE QUEEN UNIT #008	Oil	Feb-07		7000	7000	B005888
30-005-60921	MCDERMOTT #001	Oil	Sep-04		7940	7940	B005832
30-005-61267	NANCY #001	Oil	Feb-07		7663	7663	B005833
30-015-04793	NORTHEAST SQUARE LAKE PREMIER UNIT #002	Injection	Oct-07			0	
30-015-04794	NORTHEAST SQUARE LAKE	Oil	Aug-95			0	

	PREMIER UNIT #003						
30-015-04788	NORTHEAST SQUARE LAKE PREMIER UNIT #005	Oil	Apr-91			0	
30-015-04792	NORTHEAST SQUARE LAKE PREMIER UNIT #006	Injection	Dec-93			0	
30-015-04787	NORTHEAST SQUARE LAKE PREMIER UNIT #007	Oil	Feb-09	Y	8864	0	
30-015-04785	NORTHEAST SQUARE LAKE PREMIER UNIT #008	Injection	Aug-09		9100	9100	B006059
30-015-04846	NORTHEAST SQUARE LAKE PREMIER UNIT #009	Oil	Feb-09		9018	9018	B005889
30-015-04839	NORTHEAST SQUARE LAKE PREMIER UNIT #011	Oil	Feb-09			0	
30-015-04831	NORTHEAST SQUARE LAKE PREMIER UNIT #012	Oil	Feb-09			0	
30-015-04827	NORTHEAST SQUARE LAKE PREMIER UNIT #013	Injection	Aug-08			0	
30-015-04832	NORTHEAST SQUARE LAKE PREMIER UNIT #018	Oil	Dec-10			0	
30-015-04837	NORTHEAST SQUARE LAKE PREMIER UNIT #021	Oil	Feb-09			0	
30-015-04844	NORTHEAST SQUARE LAKE PREMIER UNIT #022	Oil	Feb-09			0	
30-015-04845	NORTHEAST SQUARE LAKE PREMIER UNIT #025	Injection	Aug-08			0	
30-015-04842	NORTHEAST SQUARE LAKE PREMIER UNIT #026	Oil	Dec-10			0	
30-015-27560	NORTHEAST SQUARE LAKE PREMIER UNIT #030	Injection	Aug-08			0	
30-015-25943	NORTHEAST SQUARE LAKE PREMIER UNIT #031	Oil	Feb-09			0	
30-005-60922	O'BRIEN DEMING 13 #001	Oil	Feb-07		7830	7830	B005834
30-005-60634	O'BRIEN DEMING 6 #001	Oil	Jan-09		7748	7748	B006903
30-005-60730	O'BRIEN DEMING 6 #002	Oil	Feb-07		7818	7818	B005835
30-005-60619	O'BRIEN FEE 18 #001	Oil	Oct-06		7830	7830	B005836
30-005-60640	O'BRIEN FEE 18 #002	Oil	Oct-06		7832	7832	B005837
30-005-60725	O'BRIEN FEE 18 #003	Oil	Oct-06		7910	7910	B005838
30-005-60902	O'BRIEN FEE 18 #004	Oil	Feb-07		7862	7862	B005839
30-005-61020	O'BRIEN FEE 18 #005	Oil	Oct-06		7820	7820	B005840
30-005-61246	O'BRIEN FEE 18 #006	Oil	Oct-06		7840	7840	B005843
30-005-60528	O'BRIEN FEE 19 #001	Oil	Aug-09		7800	7800	B006922
30-005-60565	O'BRIEN FEE 19 #002	Oil	Dec-04		7800	7800	B005842
30-005-60566	O'BRIEN FEE 19 #003	Oil	Dec-08		7860	7860	B006904
30-005-60654	O'BRIEN FEE 19 #004	Oil	Aug-09		7800	7800	B006923
30-005-60716	O'BRIEN FEE 19 #005	Oil	Dec-08		7791	7791	B006905
30-005-60804	O'BRIEN FEE 19 #006	Oil	Aug-09		7800	7800	B006924
30-005-60905	O'BRIEN FEE 19 #007	Oil	Dec-08		7845	7845	B006906
30-005-61021	O'BRIEN FEE 19 #008	Oil	Sep-04		7840	7840	B005841
30-005-60803	O'BRIEN FEE 24 #001	Oil	Feb-07		7810	7810	B005844
30-005-60923	O'BRIEN FEE 24 #002	Oil	Feb-07		7920	7920	B005845
30-005-60655	O'BRIEN FEE 25 #005	Oil	Feb-07		7753	7753	B005846
30-005-60815	O'BRIEN LIGHTCAP 7 #001	Oil	Sep-04		7860	7860	B005847
30-005-60816	O'BRIEN LIGHTCAP 7 #002	Oil	Sep-04		8000	8000	B005848
30-005-62194	O'BRIEN LLL #001	Oil	Apr-07		8005	8005	B005849

30-005-62192	O'BRIEN P #001	Salt Water Disposal	Feb-07		8005	8005	B005850
30-005-62247	O'BRIEN P #002	Oil	May-09		7925	7925	B006920
30-005-62267	O'BRIEN P #003	Oil	May-09		7920	7920	B006921
30-005-62190	O'BRIEN R #001	Oil	Apr-07		8100	8100	B005851
30-025-32297	QUARRY #001	Oil	Nov-11	Y	8320	0	
30-025-09534	ROCKET #001	Oil	Dec-07		8546	8456	B005852
30-025-28256	ROCKET #003	Oil	Dec-07		8389	8389	B005853
30-005-60604	SEANNA #001	Oil	Feb-07		7796	7796	B005854
30-005-60623	SEANNA #002	Oil	Jul-04		8000	8000	B005855
30-005-60735	SEANNA #003	Oil	Feb-07		7687	7687	B005856
30-015-22209	SHUG A #001	Oil	Mar-10			0	
30-015-22221	SHUG A #002	Oil	Mar-10			0	
30-041-20791	SIEBER #001	Oil	Mar-06		9360	9360	B006032
30-005-62070	TWIN LAKES SAN ANDRES UNIT #001	Injection	Dec-08		7691	7691	B006907
30-005-60648	TWIN LAKES SAN ANDRES UNIT #002	Oil	Dec-00		7770	7770	B006908
30-005-60601	TWIN LAKES SAN ANDRES UNIT #003	Oil	Apr-08	Y	7830	0	
30-005-60579	TWIN LAKES SAN ANDRES UNIT #004	Oil	Jul-11	Y	7825	0	
30-005-60492	TWIN LAKES SAN ANDRES UNIT #008	Oil	May-98		7563	7563	B005859
30-005-60598	TWIN LAKES SAN ANDRES UNIT #009	Oil	Jul-11		7763	7763	B006909
30-005-60558	TWIN LAKES SAN ANDRES UNIT #013	Injection	Nov-09	Y	7733	0	
30-005-60039	TWIN LAKES SAN ANDRES UNIT #017	Oil	Jul-11	Y	7602	0	
30-005-60658	TWIN LAKES SAN ANDRES UNIT #021	Injection	Dec-08	Y	7907	0	
30-005-60965	TWIN LAKES SAN ANDRES UNIT #023	Injection	Dec-08		7950	7950	B006910
30-005-60026	TWIN LAKES SAN ANDRES UNIT #035	Injection	Dec-08		7615	7615	B006911
30-005-60802	TWIN LAKES SAN ANDRES UNIT #042	Oil	Jul-11		7951	7951	B005863
30-005-60829	TWIN LAKES SAN ANDRES UNIT #043	Oil	Sep-03		8000	8000	B006912
30-005-60810	TWIN LAKES SAN ANDRES UNIT #051	Injection	Jul-11	Y	7950	0	
30-005-60961	TWIN LAKES SAN ANDRES UNIT #052	Injection	Jul-11		7950	7950	B006913
30-005-60297	TWIN LAKES SAN ANDRES UNIT #055	Injection	Dec-08	Y	7617	0	
30-005-62563	TWIN LAKES SAN ANDRES UNIT #063	Oil	Jul-11		8100	8100	B006914
30-005-60248	TWIN LAKES SAN ANDRES UNIT #074	Injection	Dec-08		12316	12316	B006915
30-005-60469	TWIN LAKES SAN ANDRES UNIT #075	Injection	Jul-11		7638	7638	B006919
30-005-60982	TWIN LAKES SAN ANDRES UNIT #079	Injection	Dec-08	Y	7210	0	

30-005-61030	TWIN LAKES SAN ANDRES UNIT #087	Oil	Dec-00	Y	7774	0	
30-005-60790	TWIN LAKES SAN ANDRES UNIT #091	Oil	Jul-11		7810	7810	B006916
30-005-61333	TWIN LAKES SAN ANDRES UNIT #112	Injection	Dec-08	Y	7800	0	
30-005-61655	TWIN LAKES SAN ANDRES UNIT #115	Injection	Dec-08	Y	7800	0	
30-005-61736	TWIN LAKES SAN ANDRES UNIT #118	Injection	Dec-08		7805	7805	B006918
30-005-61623	TWIN LAKES SAN ANDRES UNIT #119	Oil	Aug-11		7900	7900	B007054
30-005-62819	TWIN LAKES SAN ANDRES UNIT #121	Injection	Jul-11		8100	8100	B005869
30-005-63191	TWIN LAKES SAN ANDRES UNIT #302	Injection	Dec-08		7700	7700	B005870
30-005-63193	TWIN LAKES SAN ANDRES UNIT #333	Injection	Jul-11	Y	7830	0	
30-005-60581	UNION HAPPY #001	Oil	Feb-07		7807	7807	B005871
30-005-60622	UNION HAPPY #002	Oil	Apr-05		7800	7800	B005872

Exhibit 2: C-104 Revocation

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David F. Martin
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



August 7, 2014

CANYON E & P COMPANY
911 Lake Carolyn Pkwy
Suite 104
Irving, TX 75039

Dear Operator:

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for May 2014.

You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. You may choose to request a hearing on this proposed cancellation within 120 days of the original due date. Please submit your C115 immediately. If you have questions about your submittal, please contact Susan Gramm at Susan.Gramm@state.nm.us (505-476-3498).

19.15.7.24 OPERATOR'S MONTHLY REPORT (Form C-115):

A. An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.

B. An operator shall file the reports 19.15.7.24 NMAC requires using the division's web-based online application on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the 15th. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship.

C. If an operator fails to file a form C-115 that the division accepts, the division shall, within 60 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not file an acceptable and complete form C-115. If the operator does not file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.

[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Sincerely,

Handwritten signature of Susan Gramm in cursive.

Susan Gramm
C115 Administrator

OIL CONSERVATION DIVISION
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

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FIRST-CLASS MAIL

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US POSTAGE

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CANYON E & P COMPANY
911 Lake Carolyn Pkwy
Suite 104
Irving, TX 75039

*Not at
this address*

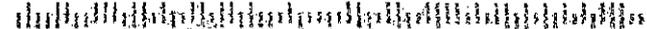
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State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David F. Martin
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



September 10, 2014

CANYON E & P COMPANY
911 Lake Carolyn Pkwy
Irving, TX 75039

Certified Mail No.: 7012-0470-0000-0882 - 2559

Dear Operator:

Rule 19.15.7.24 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115 for May 2014.

You are hereby being notified; that the OCD intends to revoke your authorization to transport from or inject into all wells your company operates if an acceptable and complete C-115 is not received electronically within 120 days of the original due date. **No further notice will be given.** You may choose to request a hearing on this proposed cancellation within those 120 days.

It is the Operators duty to file their monthly reports and update the OCD with any change in contact information per 19.15.9.8 NMAC. This notice is served as a courtesy to the operators and no further notice will be given before your authority to transport is revoked if no response is received within 120 days of the original due date. If you have any questions, please contact me at Susan.Gramm@state.nm.us.

19.15.7.24 OPERATOR'S MONTHLY REPORT (Form C-115):

- A. An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.
- B. An operator shall file the reports 19.15.7.24 NMAC requires using the division's web-based online application on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the 15th. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship.

- C. If an operator fails to file a form C-115 that the division accepts, the division shall, within 60 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not file an acceptable and complete form C-115. If the operator does not file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.
[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/08]

Please note that the State Land Office, the Bureau of Land Management, and the New Mexico Taxation and Revenue Department are copied on this correspondence.

Sincerely,



Susan Gramm
C115 Administrator
505-476-3498

Ec: Kelly Brooks Smith, Pete Martinez, ksmith@slo.state.nm.us, pmartine@slo.state.nm.us, New Mexico State Land Office, P.O. Box 1148, Santa Fe, NM 87504;

Tom Zelenka, Joseph Galluzzi, tzelenka@blm.gov, jgalluzz@blm.gov, Bureau of Land Management, P.O. Box 27115, Santa Fe, NM 87502;

Joan Ishimoto, joan.ishimoto@state.nm.us, New Mexico Taxation and Revenue Dept., 1200 South Saint Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

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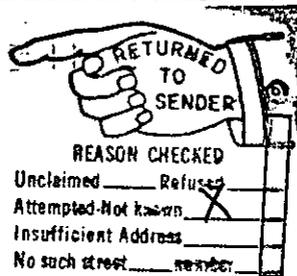
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Unclaimed _____ Refused _____
Attempted-Not known
Insufficient Address _____
No such street _____ number _____
No such office in state _____
Do not re-mail in this envelope

104

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martínez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



October 31, 2014

Canyon E & P Company
INCORP Services, Inc.
1012 Marquez Pl. STE 106-B
Santa Fe, NM 87505

OGRID No. 269864

Via Certified Mail: 7012 0470 0001 5967 3451

Dear Operator:

Rule 19.15.7.24 of the Oil Conservation Division ("OCD") requires that C-115(s) (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115(s) for May, 2014. It is the Operator's duty to file their monthly reports and update the OCD with any change in contact information per 19.15.9.8 NMAC.

Despite our attempts to notify you of this violation, no report has been received by the OCD. You are hereby being notified that **effective immediately, the OCD has now revoked your authorization to transport from or inject into all wells your company operates.**

In addition to the State Land Office, the New Mexico Taxation and Revenue Department, and the Bureau of Land Management, we will also take steps to notify purchasers and transporters of this revocation. Any unauthorized transportation or injection will be a violation of the Oil and Gas Act and the OCD will bring compliance actions against anyone participating in violations of the Act.

Immediate action is now required by you if you wish to restore you transport and injection authority. Please contact Daniel Sanchez at Daniel.Sanchez@state.nm.us (505-476-3493) to schedule a compliance conference. If no attempt to contact the OCD is made, we will move to find your wells orphaned, find you out of compliance with a division order, authorize the division to plug and abandon your wells, and seize any associated financial assurance, and seek any additional penalties available under the Act. Any operator or their principals found out of compliance with a division order will not be given a new OGRID number to authorize them to operate in the state of New Mexico.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a circular stamp.

Daniel Sanchez

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4. If Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

CANYON EQUIPMENT COMPANY
 INCORPORATED SERVICES, INC.
 1012 MARQUEZ PL., STE. 106-B
 SANTA FE, NM 87505

2. Article Number

(Transfer from service label)

7012 0470 0001 5967 3451

PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature

 A
 A
 X *Robert C. Pflanz*

B. Received by (Printed Name) C. Date of

ROBERT C. PFLANZ

D. Is delivery address different from item 1? YIf YES, enter delivery address below. N

3. Service Type

 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Y

Domestic Return Receipt

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