

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

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CANO PETRO OF  
NEW MEXICO, INC. FOR INCREASED  
INJECTION PRESSURES FOR WELLS  
IN CHAVES COUNTY, NEW MEXICO**

Case No. 14425

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**APPLICANT'S SUPPLEMENTAL PRE-HEARING STATEMENT**

Applicant Cano Petro of New Mexico, Inc. ("Cano") hereby supplements the Pre-Hearing Statement that it filed in this case on January 28, 2010.

**APPEARANCES**

**APPLICANT**

Cano is represented by Gary W. Larson of Hinkle, Hensley, Shanor & Martin, LLP. Its business address is 801 Cherry Street, Unit 25, Suite 3200, Fort Worth, TX 76102.

**OPPONENTS**

On January 20, 2010, Gerald D. Mathis, President of Mathis Land and Cattle Inc., sent a letter to the Division stating his intention to oppose Cano's application and appear at the hearing. On February 1, 2010, Mr. Mathis sent a written notification to the Division of the withdrawal of his opposition. On January 28, 2010, the Oil Conservation Division ("the Division") filed its Entry of Appearance and Pre-Hearing Statement, which stated that the Division was entering its appearance for purposes of opposing Cano's application. Then on March 25, 2010, counsel for the Division sent a letter to the Hearing Examiner stating that the Division was withdrawing its opposition. Thus, at the present time Cano is not aware of any opposition to its application.

**STATEMENT OF THE CASE**

Cano seeks an order approving increases in the maximum injection pressures for thirty (30) of its injection wells, all of which are part of Cano’s currently permitted Cato waterflood project. The wells are located in the north-eastern portion of the Cato San Andres Unit in the SW/4, the W/2 of the SE/4, and the SE/4 of the SE/4 of Section 2, the E/2 of the SE/4 and the SW/4 of the SE/4 of Section 3, the E/2 of Section 10, all of Section 11, the W/2 of Section 12, the NW/4, the N/2 of the SW/4, the SW/4 of the SW/4, and the W/2 of the SE/4 of the SW/4 of Section 13, all of Section 14, and the E/2 of Section 15, Township 8 South, Range 30 East. Cano requests approval of a maximum daily rate of injection into the San Andres Formation of 1,500 barrels of water per day per well and maximum injection pressures per well ranging from 1,270 psi to 1,545 psi. The shallowest perforation in a well that will be utilized for increased injection is 3,300 feet.

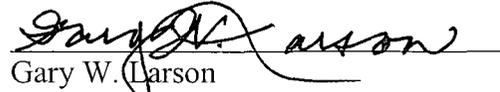
**PROPOSED EVIDENCE**

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Patrick McKinney (petroleum engineer)	Approx. 15 min.	Approx. 5
Alex Azzizi (petroleum engineer)	Approx. 15 min.	Approx. 8
Keith Masters (independent consultant)	Approx. 15 min	Approx. 5

**PROCEDURAL MATTERS**

Cano is not aware of any outstanding procedural matters.

HINKLE, HENSLEY, SHANOR &  
MARTIN, LLP

A handwritten signature in black ink, appearing to read "Gary W. Larson", is written over a horizontal line.

Gary W. Larson  
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505.982.4554

*Attorneys for Cano Petro of New Mexico, Inc.*