

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**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](mailto:travis@eddydreyer.com)

**Re: Termination of Injection Authority, Artesia Metex Unit Waterflood Project,  
Orders R-4609, WFX-452, WFX-472**

**Operator: Canyon E & P Company, OGRID #269864**

|               |                               |                     |
|---------------|-------------------------------|---------------------|
| <b>Wells:</b> | <b>Artesia Metex Unit #6</b>  | <b>30-015-00941</b> |
|               | <b>Artesia Metex Unit #8</b>  | <b>30-015-00944</b> |
|               | <b>Artesia Metex Unit #12</b> | <b>30-015-01964</b> |
|               | <b>Artesia Metex Unit #16</b> | <b>30-015-00942</b> |
|               | <b>Artesia Metex Unit #20</b> | <b>30-015-01196</b> |
|               | <b>Artesia Metex Unit #32</b> | <b>30-015-02140</b> |
|               | <b>Artesia Metex Unit #35</b> | <b>30-015-00963</b> |
|               | <b>Artesia Metex Unit #40</b> | <b>30-015-00954</b> |
|               | <b>Artesia Metex Unit #41</b> | <b>30-015-02136</b> |
|               | <b>Artesia Metex Unit #45</b> | <b>30-015-00959</b> |
|               | <b>Artesia Metex Unit #49</b> | <b>30-015-02141</b> |
|               | <b>Artesia Metex Unit #52</b> | <b>30-015-00960</b> |
|               | <b>Artesia Metex Unit #54</b> | <b>30-015-00956</b> |
|               | <b>Artesia Metex Unit #56</b> | <b>30-015-00987</b> |
|               | <b>Artesia Metex Unit #58</b> | <b>30-015-00991</b> |

Dear Operator:

According to Oil Conservation Division (OCD) records, the wells identified above comprise the Artesia Metex Unit Waterflood Project (Project). OCD records indicate that the Project was permitted pursuant to the orders identified above. 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 2006. 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.

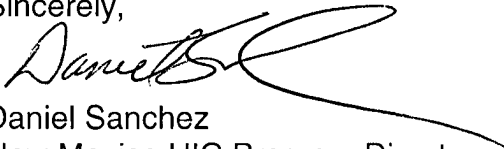
Therefore, the authority to inject into the wells / Project has terminated pursuant to OCD Rule 19.15.26.12.C NMAC.

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](mailto: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,



Daniel Sanchez  
New Mexico UIC Program Director  
OCD Compliance & Enforcement Manager

Ec: Mike Myers, [mike@canyonep.com](mailto: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=artesia, WellNumberSearchClause=BeginsWith, PoolSearchClause=BeginsWith, Well\_Type=I, CancelledAPDs=Exclude, PluggedWells=Exclude

Records Returned: 15

Printed On: Wednesday, August 01 2012

| API          | Well                    | Type      | Lease | Status | Location (ULSTR) | OCD Unit Letter | Last Production | Spud Date | Plugged On | Current Operator              |
|--------------|-------------------------|-----------|-------|--------|------------------|-----------------|-----------------|-----------|------------|-------------------------------|
| 30-015-00941 | ARTESIA METEX UNIT #006 | Injection | State | Active | K-24-18S-27E     | K               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00944 | ARTESIA METEX UNIT #008 | Injection | State | Active | I-24-18S-27E     | I               | 11/1998         |           |            | [269864] CANYON E & P COMPANY |
| 30-015-01964 | ARTESIA METEX UNIT #012 | Injection | State | Active | K-19-18S-28E     | K               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00942 | ARTESIA METEX UNIT #016 | Injection | State | Active | M-24-18S-27E     | M               | 12/2005         |           |            | [269864] CANYON E & P COMPANY |
| 30-015-01196 | ARTESIA METEX UNIT #020 | Injection | State | Active | P-24-18S-27E     | P               | 8/2005          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-02140 | ARTESIA METEX UNIT #032 | Injection | State | Active | C-30-18S-28E     | C               | 8/2005          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00963 | ARTESIA METEX UNIT #035 | Injection | State | Active | H-26-18S-27E     | H               | 12/2005         |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00954 | ARTESIA METEX UNIT #040 | Injection | State | Active | H-25-18S-27E     | H               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-02136 | ARTESIA METEX UNIT #041 | Injection | State | Active | 2-30-18S-28E     | E               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00959 | ARTESIA METEX UNIT #045 | Injection | State | Active | L-25-18S-27E     | L               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-02141 | ARTESIA METEX UNIT #049 | Injection | State | Active | K-30-18S-28E     | K               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00960 | ARTESIA METEX UNIT #052 | Injection | State | Active | M-25-18S-27E     | M               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00956 | ARTESIA METEX UNIT #054 | Injection | State | Active | O-25-18S-27E     | O               | 8/2005          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00987 | ARTESIA METEX UNIT #056 | Injection | State | Active | A-35-18S-27E     | A               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |
| 30-015-00991 | ARTESIA METEX UNIT #058 | Injection | State | Active | C-36-18S-27E     | C               | 8/2006          |           |            | [269864] CANYON E & P COMPANY |