

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

NMOCD ACOI 205-B

IN THE MATTER OF CANO PETRO OF NEW MEXICO, INC.,

Respondent.

**SECOND AMENDED
INACTIVE WELL AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 4 of Inactive Well Agreed Compliance Order 205, the Director of the Oil Conservation Division (“OCD”) hereby amends that order as follows:

FINDINGS

1. Inactive Well Agreed Compliance Order 205 (“ACOI 205” or “Order”) required Cano Petro of New Mexico, Inc. (“Operator”) to return to compliance with OCD Rule 19.15.25.8 NMAC at least 12 of the wells identified in the Order by August 1, 2009 and file a compliance report by that date.

2. ACOI 205 provided that if Operator returned to compliance with OCD Rule 19.15.25.8 NMAC at least 12 of the wells identified in the Order by August 1, 2009 and filed a timely compliance report, the OCD would issue an amendment extending the terms of ACOI 205 for a second six-month period, requiring Operator to return an additional 12 wells identified in the Order to compliance by that deadline.

3. Operator filed a timely compliance report, and the OCD verified that the following 12 wells identified in the Order were returned to compliance in the first six-month period:

- 30-005-20188 CATO SAN ANDRES UNIT #174
- 30-005-20189 CATO SAN ANDRES UNIT #175
- 30-005-20197 CATO SAN ANDRES UNIT #176
- 30-005-20179 CATO SAN ANDRES UNIT #177
- 30-005-20224 CATO SAN ANDRES UNIT #178
- 30-005-20207 CATO SAN ANDRES UNIT #179
- 30-005-20305 CATO SAN ANDRES UNIT #182
- 30-005-20545 CATO SAN ANDRES UNIT #183

- 30-005-20243 CATO SAN ANDRES UNIT #184
- 30-005-20186 CATO SAN ANDRES UNIT #185
- 30-005-20217 CATO SAN ANDRES UNIT #186
- 30-005-20596 CATO SAN ANDRES UNIT #187

4. Because Operator returned at least 12 wells to compliance for the first six-month period, OCD amended the Order to extend its terms by six months, requiring Operator to bring at least 12 additional wells identified in the Order to compliance by February 1, 2010.

5. Operator has filed a timely compliance report for the second six-month period, and OCD records indicate that Operator has returned the following 12 wells identified in the Order to compliance:

- 30-005-10588 CATO SAN ANDRES UNIT #085
- 30-005-10561 CATO SAN ANDRES UNIT #087
- 30-005-20557 EXXON FEDERAL #001
- 30-005-20584 EXXON FEDERAL #002
- 30-005-20585 EXXON FEDERAL #003
- 30-005-20611 EXXON FEDERAL #004
- 30-005-20541 GRAVES #001
- 30-005-20607 GRAVES #007
- 30-005-20605 INGRAM FEDERAL #006
- 30-005-20639 INGRAM FEDERAL #007
- 30-005-20682 OAKSON B FEDERAL #003
- 30-005-20671 OAKSON B FEDERAL #004

CONCLUSIONS

1. Operator has met its goal of returning 12 of the wells identified in the Order to compliance by February 1, 2010.

2. The OCD should amend ACOI 205 to extend its terms through August 1, 2010 and require Operator to return to compliance by that date 12 additional wells identified in the Order, and file a compliance report by that date.

ORDER


1. Operator shall return to compliance by August 1, 2010 at least 12 additional wells identified in the Order that are not identified in Findings Paragraphs 3 or 5, above.

2. Operator shall file a written compliance report by August 1, 2010 identifying the wells returned to compliance in the third period, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status). The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us) and Assistant General Counsel Sonny Swazo (email: sonny.swazo@state.nm.us) so that it is received by the compliance deadline of August 1, 2010.

3. The terms of ACOI 205 otherwise remain in effect.

Done at Santa Fe, New Mexico this 5th day of February, 2010

By: 

 Mark Fesmire, P.E.

Director, Oil Conservation Division