

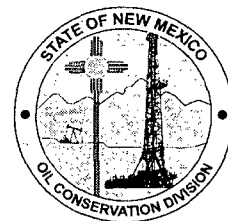
New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order WFX-867

August 3, 2010

Cano Petro of New Mexico, Inc.
801 Cherry St., Unit 25, Suite 3200
Fort Worth, Texas 76102

Attention: Mr. Keith Masters (Agent)

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-9029-A, Cano Petro of New Mexico, Inc. has made application (*administrative application reference No. pTGW1020142990*) to the Division for permission to add 43 water injection wells to its Cato San Andres Waterflood Project located within the Warren Blinberry-Tubb Oil and Gas Pool (62965) in Chaves County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 26.8C(2). The proposed injection wells are eligible for conversion to injection under the terms of Rule 26.8. The operator is in compliance with Rule 5.9.

The proposed expansion of the above-referenced waterflood project in the northern portion of the Cato Unit as part of Cano Petro's secondary recovery effort, will prevent waste, is in the best interests of conservation, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED THAT:

Cano Petro of New Mexico, Inc. (OGRID No. 248802) is hereby authorized to inject water into the unitized interval of the Cato San Andres Unit, through plastic-lined tubing set in packers located within 100 feet of the top of the injection interval in the following-described wells for purposes of secondary recovery:



API	Well #	Unit	Sec	Tsp	Rge	T Perf	B Perf	PSI
30-005-20160-00-00	8	P	3	8S	30E	3320	3439	1275
30-005-10537-00-00	9	O	3	8S	30E	3298	3384	1265
30-005-10501-00-00	17	C	10	8S	30E	3263	3371	1255
30-005-10483-00-00	30	G	10	8S	30E	3314	3478	1315
30-005-20170-00-00	31	F	10	8S	30E	3280	3390	1260
30-005-10522-00-00	32	E	10	8S	30E	3261	3380	1250
30-005-10578-00-00	47	J	10	8S	30E	3336	3440	1280
30-005-10571-00-00	60	M	10	8S	30E	3303	3352	1270
30-005-10573-00-00	74	D	15	8S	30E	3343	3424	1285
30-005-10562-00-00	75	C	15	8S	30E	3370	3422	1295
30-005-10566-00-00	76	B	15	8S	30E	3442	3512	1325
30-005-10563-00-00	89	G	15	8S	30E	3392	3488	1305
30-005-10574-00-00	91	E	15	8S	30E	3360	3388	1290
30-005-20056-00-00	106	L	15	8S	30E	3386	3515	1300
30-005-20078-00-00	108	J	15	8S	30E	3418	3506	1315
30-005-20137-00-00	120	N	15	8S	30E	3439	3546	1325
30-005-27982-00-00	400	D	10	8S	30E	3250		1250
-----	521	D	12	8S	30E	3250		1250
-----	537	L	12	8S	30E	3250		1250
-----	590	L	13	8S	30E	3250		1250
	818	B	10	8S	30E	3250		1250
30-005-29129-00-00	825	H	11	8S	30E	3250		1250
-----	829	H	10	8S	30E	3250		1250
-----	845	L	10	8S	30E	3250		1250
-----	846	K	10	8S	30E	3250		1250
30-005-28033-00-00	852	M	12	8S	30E	3250		1250
30-005-28034-00-00	853	P	11	8S	30E	3250		1250
	855	N	11	8S	30E	3250		1250
-----	858	O	10	8S	30E	3250		1250
-----	859	N	10	8S	30E	3250		1250
-----	880	B	14	8S	30E	3250		1250
-----	881	A	14	8S	30E	3250		1250
-----	882	D	13	8S	30E	3250		1250
-----	883	E	13	8S	30E	3250		1250
-----	890	F	15	8S	30E	3250		1250
-----	907	K	15	8S	30E	3250		1250
-----	910	L	14	8S	30E	3250		1250
-----	912	J	14	8S	30E	3250		1250
-----	913	I	14	8S	30E	3250		1250
-----	914	P	14	8S	30E	3250		1250
-----	916	N	14	8S	30E	3250		1250
-----	917	M	14	8S	30E	3250		1250
-----	919	O	15	8S	30E	3250		1250

Note: Some of the wells to be drilled or re-completed do not have perforated intervals shown, those perms must stay within the unitized interval as outlined in the body of order.

IT IS FURTHER ORDERED THAT:

The unitized interval of this Unit is defined in Division Order No R-9028. As each well is converted or drilled for injection, the operator of this Unit shall supply the Division's district office with sundry notice including data as to the actual utilized injection interval(s) and also the upper and lower boundary of the unitized interval as it occurs in that well.

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into these wells, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection wells to no more than .4 psi per foot of depth to the uppermost injection perforation.

The Director of the Division may authorize increases in injection pressure upon a proper showing by the operator that higher pressure will not result in migration of the injected fluid from the permitted injection interval or harmful formation fracturing. Such proper showing shall consist of valid step-rate tests and possibly injection profiles or pressure transient testing run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-9029-A, and Rules 26.9 through 26.13 not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon

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the Division may, after notice and hearing, terminate the injection authority granted herein.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into at least one of the subject wells, provided however, the Division, upon written request by the operator received prior to the one year deadline, may grant an extension thereof for good cause shown.



MARK E. FESMIRE, P.E.
Acting Director

MEF/tw

cc: Oil Conservation Division –Hobbs
New Mexico State Land Office - Santa Fe