

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

David Catanach, Division Director
Oil Conservation Division



February 17, 2015



Incorp Services, Inc.
1012 Marquez Place
Suite 106-B
Santa Fe, NM 87505

VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0881 0037

Re: OCD Case No. 15271 for a Compliance Order against Canyon E & P Co.

Dear Sir or Madam:

You are hereby notified that at 8:15 AM on March 19, 2015, the New Mexico Oil Conservation Division (OCD) will hold a hearing seeking an order against Canyon E & P Co., 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. The hearing will be held in Porter Hall at 1220 South St. Francis Dr., Santa Fe, New Mexico.

If you have any questions regarding the hearing process, please contact me at (505) 476-3463.

Sincerely

A handwritten signature in black ink, appearing to read "Keith Herrmann".

Keith Herrmann
Assistant General Counsel
New Mexico Oil Conservation Division

Cc: U.S. Specialty Insurance Co. via New Mexico Superintendent of Insurance



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| <p>1. Article Addressed to:</p> <p style="text-align: center; padding: 20px;">Incorp Services, Inc. 1012 Marquez Place Suite 106-B Santa Fe, NM 87505</p> | <p>B. Received by (Printed Name) DOROTHY PLACER</p> <p>C. Date of Delivery FEB 20 2004</p> |
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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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: Incomp 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



Keith W. Herrmann
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463
Fax: (505) 476-3462

Attorney for The New Mexico Oil
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 | |

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|--------------|--|-----------|--------|---|------|------|----------|
| 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,

Susan Gramm

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

08/07/2014

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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NO MAIL RECEPTACLE
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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

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

CERTIFIED MAIL

VERMILION NM 870

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FIRST CLASS MAIL

SEP 2014 PM 2 09/10/2014

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2014 SEP 15 P



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Unclaimed ☐ Refused ☐

Attempted-Not known ☒

Insufficient Address ☐

No such street ☐

No such office in state ☐

Do not remail in this envelope

104

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
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 your 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 dark ink, appearing to read "Daniel Sanchez", is written over a faint, circular official 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:

CANNON EAP COMPANY
INCORP SERVICES, INC.
1012 MARQUEZ PL., STE 106-B
SANTA FE, NM 87505

2. Article Number

(Transfer from service)

7012 0470 10001 5867 3451

RS Form 381-11, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*

B. Received by (Printed Name)

ROBERT P. PLOK

D. Is delivery address different from item 1? ☐ Y ☒ N

If YES, enter delivery address below:

3. Service type

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

4. Restricted Delivery? (Extra Fee)

102595

STATE OF NEW MEXICO
OFFICE OF THE SUPERINTENDENT OF INSURANCE
CERTIFICATE

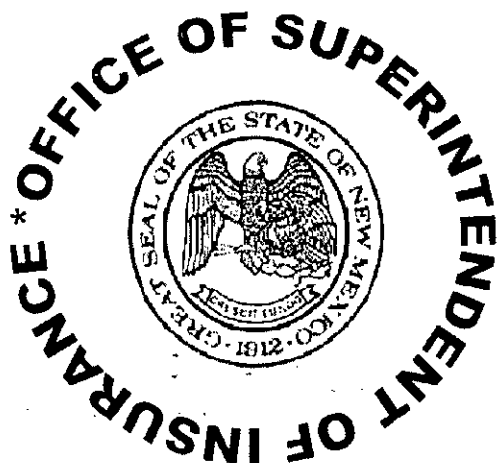
IN STATES OF NEW MEXICO
ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 15271

APPLICATION OF THE NM OIL CONSERVATION DIVISION ("OCD") COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLAINT ORDER AGAINST CA IS IN VIOLATION OF THE OIL AND GAS ACT, NMSA 1978, SECTION 70-2-1 *et seq.* AND OCD RULES, NMAC 19.15.2 *et seq.* AND IN THE EVENT OF NON-COMPLIANCE REQUEST FOR ADDITIONAL SANCTIONS,

ACCEPTANCE OF SERVICE

I, John G. Franchini, Superintendent of Insurance of the State of New Mexico, do hereby certify that a copy of a OCD'S Application for Compliance Order against Canyon E & P Company, on the above style cause as accepted by me on behalf of U.S. SPECIALTY INSURANCE COMPANY, on February 23, 2015 provided in Section 59A-5-31 and 59A-5-32 NMSA 1978, and was received by said company on February 26, 2015 as shown by return receipt by Postmaster.



In Witness Whereof, I have
hereunto set my official seal
on this 3rd of March, 2015

John D. Franchini
Superintendent of Insurance