

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field Inspection Program
"Preserving the Integrity of Our Environment"

23-Oct-09

CANO PETRO OF NEW MEXICO, INC. 801 CHERRY STREET UNIT# 25 SUITE 3200 FORT WORTH TX 76102

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

		INSPECTIO	N DETAIL	L SECTION		
CATO SAN Inspection Date	ANDRES UNIT No.0 Type Inspection	49 Inspector	Violation?	L-11-8S-30E *Significant Non-Compliance?	30-005-10455-00- Corrective Action Due By:	Inspection No.
10/22/2009	Routine/Periodic Violations Exceeded Allowable Inj. Pr	Maxey Brown	Yes	No	11/25/2009	iMGB0929627375
		n Pressure Over Limit. (Ru SI TO PREMITTED 1010 P 30				
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
10/22/2009	Routine/Periodic Violations Absent Well Identification	Maxey Brown Signs (Rule 103)	Yes	No	11/25/2009	iMGB0929635483
Comments		ll Sign (Rule19.15.16.8.). N OMPLIANCE.	NEED TO IN	STALL WELL SIGN.	THIS IS 1ST LETT	ER OF

30-005-10484-00-00 CATO SAN ANDRES UNIT No.048 I-10-8S-30E *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929627059 10/22/2009 Routine/Periodic Maxey Brown Yes No Violations Exceeded Allowable Inj Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE PRESSURE FROM Comments on Inspection: 2150 PSI TO PERMITTED 1530 PSI LIMIT. THIS IS 1ST LETTER OF NON-COMPLIANCE. 30-005-10491-00-00 F-11-8S-30E **CATO SAN ANDRES UNIT No.027** Significant Corrective Inspection Inspection No. Violation? **Type Inspection** Inspector Non-Compliance? Action Due By: Date iMGB0929629727 11/25/2009 10/22/2009 Routine/Periodic Maxey Brown Yes No Violations Absent Well Identification Signs (Rule 103) NO Well Sign (Rule 19.15.16.8.). NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF Comments on Inspection: NON-COMPLIANCE. P-10-8S-30E 30-005-10502-00-00 CATO SAN ANDRES UNIT No.057 *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date No 11/25/2009 iMGB0929533741 Yes 10/22/2009 Routine/Periodic Maxey Brown Violations Absent Well Identification Signs (Rule 103) Exceeded Allowable Inj Pressures Injection Pressure Over Limit. (Rule 19.15.26.10). REDUCE INJ PRESSURE FROM 1950 PSI Comments on Inspection: TO PERMITTED 650 PSI. WELL SIGN. (Rule 19.15.16.8). INSTALL APPROVED WELL SIGN. THIS IS 1ST LETTER OF NON-COMPLIANCE. E-11-8S-30E 30-005-10503-00-00 CATO SAN ANDRES UNIT No.028 *Significant Corrective Inspection Inspection No. Violation? Inspector Action Due By: Type Inspection Non-Compliance? Date iMGB0929627727 No 11/22/2009 10/22/2009 Routine/Periodic Maxey Brown Yes Violations Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.) NEED TO REDUCE 875 PSI TO Comments on Inspection: PERMITTED 650 PSI. THIS IS ST LETTER OF NON-COMPLIANCE. CATO SAN ANDRES UNIT No.020 D-11-8S-30E 30-005-10504-00-00 *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929627955 11/22/2009 No 10/22/2009 Routine/Periodic Maxey Brown Yes Violations Exceeded Allowable Inj Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.) NEED TO REDUCE 1950 PSI TO Comments on Inspection: PERMITTED 1540 PSI. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB. 30-005-10514-00-00 **CATO SAN ANDRES UNIT No.026** G-11-8S-30E *Significant Corrective Inspection Inspection No. Violation? Inspector Action Due By: Type Inspection Date Non-Compliance? iMGB0929632748 Plugged Well Surface Restor Maxey Brown 11/25/2009 10/22/2009 Yes No DO NOT RELEASE. (RULE 19.15.25.8.). NEED TO INSTALL P/A MARKER. THIS IS 1ST Comments on Inspection: LETTER OF NON-COMPLIANCE. A-11-8S-30E 30-005-10523-00-00 **CATO SAN ANDRES UNIT No.023** *Significant Corrective

PERMITTED 1220 PSI. THIS IS 1ST LETTER OF NON-COMPLIANCE.

Violation?

Yes

Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE 1700 PSI TO

Non-Compliance?

No

Inspector

Maxey Brown

Inspection No.

iMGB0929633611

Action Due By:

11/25/2009

Inspection

Date

10/22/2009

Type Inspection

Violations

Comments on Inspection:

Routine/Periodic

Exceeded Allowable Inj Pressures

A-15-8S-30E 30-005-10532-00-00 CATO SAN ANDRES UNIT No.077 *Significant Corrective Inspection Inspection No. Inspector Violation? Non-Compliance? Action Due By: Type Inspection Date 11/25/2009 iMGB0929558058 Yes No 10/22/2009 Routine/Periodic Maxey Brown Violations Absent Well Identification Signs (Rule 103) Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.) REDUCE TUBING PRESSURE FROM 1850 Comments on Inspection: PSI TO PERMITTED 650 PSI. WELL SIGN. (RULE 19.15.16.8.). NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF NON-COMPLIANCE. 30-005-10539-00-00 I-11-8S-30E **CATO SAN ANDRES UNIT No.051** *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929635051 No Maxey Brown Yes 10/22/2009 Routine/Periodic Violations Absent Well Identification Signs (Rule 103) Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE 1800 PSI TO Comments on Inspection: PERMITTED 650 PSI. WELL SIGN. (RULE 19.15.16.8.). NEED TO INSTALL SIGN WITH CURRENT OPERATOR AND ALL REQUIRED INFORMATION. THIS IS 1ST LETTER OF NON-COMPLIANCE. C-14-8S-30E 30-005-10540-00-00 **CATO SAN ANDRES UNIT No.079** Corrective *Significant Inspection Inspection No. Violation? Action Due By: Inspector Non-Compliance? Type Inspection Date iMGB0929560405 1/25/2010 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes No DO NOT RELEASE. (RULE 19.15.25.8.). NEED TO REMOVE 2" STEEL FLOWLINE FROM Comments on Inspection: LOCATION. THIS IS 1ST LETTER OF NON-COMPLIANCE. 30-005-10560-00-00 N-11-8S-30E **CATO SAN ANDRES UNIT No.055** *Significant Corrective Inspection Inspection No. **Type Inspection** Inspector Violation? Non-Compliance? Action Due By: Date 1/25/2010 iMGB0929623687 No Maxey Brown Yes 10/22/2009 Routine/Periodic Violations Absent Well Identification Signs (Rule 103) Well Sign (Rule 19.15.16.8.). NEED TO INSTALL CORRECT WELL. THIS IS 1ST LETTER Comments on Inspection: OF NON-COMPLIANCE. MGB. 30-005-10572-00-00 **CATO SAN ANDRES UNIT No.081** A-14-8S-30E *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date

11/25/2009 Yes No 10/22/2009 Routine/Periodic Maxey Brown Violations

Absent Well Identification Signs (Rule 103) Well Sign (Rule 19.15.16.8.). NEED TO INSTALL CORRECT SIGN. THIS IS 1ST LETTER Comments on Inspection:

OF NON-COMPLIANCE. M-11-8S-30E 30-005-10579-00-00 CATO SAN ANDRES UNIT No.056

*Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929629010 Yes No 11/25/2009 Maxey Brown Routine/Periodic 10/22/2009 Violations

iMGB0929625827

Exceeded Allowable Inj. Pressures

Injection Pressure Over Limit. (Rule 19.15.26.10.) NEED TO REDUCE 1800 PSI TO Comments on Inspection:

PERMITTED 650 PSI. THIS IS 1ST LETTER OF NON-COMPLIANCE.

30-005-10580-00-00 J-11-8S-30E CATO SAN ANDRES UNIT No.050J Corrective Inspection *Significant Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929631977 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes No 11/25/2009 DO NOT RELEASE. (RULE 19.15.25.8.). NEED TO INSTALL P/A MARKER. ALSO Comments on Inspection: REMOVE PORTABLE CONCRETE PUMPING UNIT BASE FROM WESTSIDE OF LOCATION. THIS IS 1ST LETTER OF NON-COMPLIANCE. **CATO SAN ANDRES UNIT No.078** D-14-8S-30E 30-005-10581-00-00 *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date No 1/25/2010 iMGB0929558911 Yes 10/22/2009 Plugged Well Surface Restor Maxey Brown Violations DO NOT RELEASE. (RULE 19.15.25.8.). NEED TO REMOVE FROM LOCATION, SIGN Comments on Inspection: FRAME, 4 PIECES OF 2" PIPE BY MARKER, SHORT PIECES OF 2" POLYPIPE. MARKER IS OK. THIS IS 1ST LETTER OF NON-COMPLIANCE. A-16-8S-30E 30-005-20017-00-00 **CATO SAN ANDRES UNIT No.073** *Significant Corrective Inspection Inspection No. Type Inspection Inspector Violation? Non-Compliance? Action Due By: Date 1/25/2010 iMGB0929532363 10/22/2009 Routine/Periodic Maxey Brown Yes No Violations Absent Well Identification Signs (Rule 103) Well Sign (Rule 19.15.16.8). NEED TO CHANGE WELL SIGN, DOES NOT COMPLY. THIS Comments on Inspection: IS 1ST LETTER OF NON-COMPLIANCE. C-11-8S-30E 30-005-20069-00-00 **CATO SAN ANDRES UNIT No.021** *Significant Corrective Inspection Inspection No. Inspector Violation? Type Inspection Non-Compliance? Action Due By: Date iMGB0929630238 No 11/25/2009 10/22/2009 Routine/Periodic Maxey Brown Yes Violations General Housekeeping (Rule 114) Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule19.15.26.10.). NEED TO REDUCE 1700 PSI TO **Comments on Inspection:** PERMITTED 1365 PSI. ALSO REMOVE SURPLUS SANDLINE OR WIRE ROPE FROM LOCATION. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB. 30-005-20124-00-00 **CATO SAN ANDRES UNIT No.080** B-14-8S-30E *Significant Corrective Inspection Inspection No. Type Inspection Inspector Violation? Action Due By: Non-Compliance? Date iMGB0929624930 No 11/25/2009 Plugged Well Surface Restor Maxey Brown Yes 10/22/2009 DO NOT RELEASE. (RULE 19.15.25.8.) NEED TO CORRECT P/A MARKER. MUST Comments on Inspection: INCLUDE TOWNSHIP, RANGE, WELL NAME AND NUMBER, UNIT LETTER. ALSO REMOVE CONTROL PANEL, STUB POLE, FLOWLINE, WELLHEAD, SIGN, AND THREAD PROTECTORS. THIS IS 1ST LETTER OF NON-COMPLIANCE.

30-005-27985-00-00 K-11-8S-30E CATO SAN ANDRES UNIT No.533

*Significant Corrective Inspection

Inspection No. Type Inspection Inspector Violation? Non-Compliance? Action Due By: Date 10/22/2009 Maxey Brown Yes No 11/25/2009 iMGB0929629344 Routine/Periodic

Violations

Exceeded Allowable Inj. Pressures

Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE 1800 PSI TO **Comments on Inspection:**

PERMITTED 1380 PSI. ALSO NEED TO RE-INSTALL P/A MARKER ON 30-005-10517 #1 WELL THAT WAS REMOVED FOR THE DRILLING OF THE #533. THIS IS 1ST LETTER

OF NON-COMPLIANCE. MGB.

M-11-8S-30E 30-005-27986-00-00 **CATO SAN ANDRES UNIT No.544** *Significant Corrective Inspection Inspection No. Violation? Inspector Non-Compliance? Action Due By: Type Inspection Date 11/25/2009 iMGB0929626103 Yes No 10/22/2009 Routine/Periodic Maxey Brown Violations Absent Well Identification Signs (Rule 103) NO Well Sign (Rule 19.15.16.8). NEED TO INSTALL WELL SIGN. THIS IS 2ND LETTER OF Comments on Inspection: NON-COMPLIANCE. P-11-8S-30E 30-005-27988-00-00 **CATO SAN ANDRES UNIT No.547** *Significant Corrective Inspection Inspection No. Inspector Violation? Non-Compliance? Action Due By: Type Inspection Date 11/25/2009 iMGB0929634795 No Yes Routine/Periodic Maxey Brown 10/22/2009 Violations Absent Well Identification Signs (Rule 103) NO Well Sign (Rule19.15.16 8). NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF Comments on Inspection: NON-COMPLIANCE. 30-005-28027-00-00 H-11-8S-30E CATO SAN ANDRES UNIT No.520 *Significant Corrective Inspection Inspection No. Violation? Non-Compliance? Action Due By: Type Inspection Inspector Date iMGB0929633823 Yes No 11/25/2009 Routine/Periodic Maxey Brown 10/22/2009 Violations Absent Well Identification Signs (Rule 103) NO Well Sign (Rule 19.15.16.8). NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF Comments on Inspection: NON-COMPLIANCE. J-11-8S-30E 30-005-29021-00-00 **CATO SAN ANDRES UNIT No.050** *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929632249 11/25/2009 No Maxey Brown Yes 10/22/2009 Routine/Periodic Violations Absent Well Identification Signs (Rule 103) Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE 1800 PSI TO Comments on Inspection: PERMITTED 850 PSI. NO WELL SIGN. (RULE 19.15.16.8.). NEED TO INSTALL WELL SIGN. THIS IS 1ST LETTER OF NON-COMPLIANCE. 30-005-29028-00-00 B-11-8S-30E CATO SAN ANDRES UNIT No.822 *Significant Corrective Inspection Inspection No. Violation? Inspector Action Due By: Type Inspection Non-Compliance? Date 11/25/2009 iMGB0929634049 No Yes 10/22/2009 Routine/Periodic Maxey Brown Violations Exceeded Allowable Inj. Pressures Injection Pressure Over Limit. (Rule19.15.26.10.). NEED TO REDUCE 1825 PSI TO Comments on Inspection: PERMITTED 1370 PSI. THIS IS 1ST LETTER OF NON-COMPLIANCE. F-11-8S-30E 30-005-29030-00-00 **CATO SAN ANDRES UNIT No.827** *Significant Corrective Inspection Inspection No. Violation? Inspector Action Due By: Type Inspection Non-Compliance? Date iMGB0929629887 11/25/2009 No 10/22/2009 Routine/Periodic Maxey Brown Yes

NO Well Sign (Rule 19.15.16.8). NEED TO INSTALL WELL SIGN. ALSO NEED TO FILL IN

MOUSE/RAT HOLE BESIDE WELL. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB.

Violations

Comments on Inspection:

Absent Well Identification Signs (Rule 103)

Drill Site/Roads (Rule 114)

CATO SAN ANDRES UNIT No.854

O-11-8S-30E

30-005-29031-00-00

Inspection Date

10/22/2009

Type Inspection Routine/Periodic Inspector

Violation?

*Significant Non-Compliance?

Corrective Action Due By:

Inspection No.

Maxey Brown

Yes

No

5

11/25/2009

iMGB0929634613

Violations

Exceeded Allowable Inj. Pressures

Comments on Inspection:

Injection Pressure Over Limit. (Rule 19.15 26.10.). NEED TO REDUCE 1000 PSI TO

PERMITTED 650 PSI. THIS IS 1ST LETTER OF NON-COMPLIANCE.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Divison Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

Hobbs OCD District Office

COMPLIANCE OFFICER

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. *Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD OIL CONSERVATION DIVISION 1625 N FRENCH DRIVE **HOBBS NM 88240**



017H15554612 \$0.619 10/23/2009

Mailed From 88240

US POSTAGE

CANO PETRO OF NEW MEXICO, INC 801 CHERRY STREET UNIT #25 SUITE 3200 FORT WORTH, TEXAS 76102