

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	SECTION		
CATO SAN Inspection Date	ANDRES UNIT No.049 Type Inspection	Inspector	Violation?	L-11-8S-30E *Significant Non-Compliance?	30-005-10455-00- Corrective Action Due By:	00 Inspection No.
10/22/2009	Routine/Periodic Violations Exceeded Allowable Inj. Pressu	Maxey Brown	Yes	No	11/25/2009	iMGB0929627375
	on Inspection: Injection Pr 2150 PSI To ANDRES UNIT No.030	essure Over Limit. (Rul O PREMITTED 1010 P	le 19.15.26.10 SI. THIS IS	0.). NEED TO REDU 1ST LETTER OF NO G-10-8S-30E	UCE PRESSURE FRO DN-COMPLIANCE. 30-005-10483-00-	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
10/22/2009	Routine/Periodic Violations Absent Well Identification Sign	Maxey Brown	Yes	No	11/25/2009	iMGB0929635483
Comments	on Inspection: NO Well Si NON-COM	gn (Rule19.15.16.8.). N IPLIANCE.	NEED TO IN	STALL WELL SIGN.	THIS IS 1ST LETT	ER OF

30-005-10484-00-00 I-10-8S-30E **CATO SAN ANDRES UNIT No.048** *Significant Corrective Inspection Inspector Violation? Inspection No. **Type Inspection** Non-Compliance? Action Due By: Date iMGB0929627059 10/22/2009 Yes No 11/25/2009 Routine/Periodic Maxey Brown 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 11/25/2009 iMGB0929629727 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 1ST LETTER OF Comments on Inspection: NON-COMPLIANCE. 30-005-10502-00-00 P-10-8S-30E **CATO SAN ANDRES UNIT No.057** Corrective *Significant Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date Yes No 11/25/2009 iMGB0929533741 Maxey Brown 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). 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? **Type Inspection** Inspector Non-Compliance? Action Due By: Date iMGB0929627727 Maxey Brown Yes No 11/22/2009 10/22/2009 Routine/Periodic 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. 30-005-10504-00-00 CATO SAN ANDRES UNIT No.020 D-11-8S-30E *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929627955 11/22/2009 No Routine/Periodic Maxey Brown Yes 10/22/2009 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 G-11-8S-30E **CATO SAN ANDRES UNIT No.026** *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929632748 Plugged Well Surface Restor Maxey Brown 11/25/2009 Yes No 10/22/2009 DO NOT RELEASE. (RULE 19.15.25.8.). NEED TO INSTALL P/A MARKER. THIS IS 1ST Comments on Inspection: LETTER OF NON-COMPLIANCE. **CATO SAN ANDRES UNIT No.023** A-11-8S-30E 30-005-10523-00-00 *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929633611 11/25/2009 No 10/22/2009 Routine/Periodic Maxey Brown Yes Violations

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

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

Exceeded Allowable Inj Pressures

Comments on Inspection:

A-15-8S-30E 30-005-10532-00-00 CATO SAN ANDRES UNIT No.077 *Significant Corrective Inspection Inspection No. Violation? Action Due By: Type Inspection Inspector Non-Compliance? Date iMGB0929558058 11/25/2009 10/22/2009 Yes No Routine/Periodic Maxey Brown 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 CATO SAN ANDRES UNIT No.051 I-11-8S-30E *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929635051 No Routine/Periodic Yes 10/22/2009 Maxey Brown 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. 30-005-10540-00-00 **CATO SAN ANDRES UNIT No.079** C-14-8S-30E Corrective *Significant Inspection Inspection No. Violation? Action Due By: Inspector Non-Compliance? **Type Inspection** Date iMGB0929560405 Yes No 1/25/2010 Plugged Well Surface Restor Maxey Brown 10/22/2009 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 Corrective *Significant Inspection Inspection No. Violation? Action Due By: **Type Inspection** Inspector Non-Compliance? Date iMGB0929623687 1/25/2010 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 WELL. THIS IS 1ST LETTER Comments on Inspection: OF NON-COMPLIANCE. MGB. A-14-8S-30E 30-005-10572-00-00 CATO SAN ANDRES UNIT No.081 *Significant Corrective Inspection Inspection No. Violation? Inspector Action Due By: Type Inspection Non-Compliance? Date iMGB0929625827 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.

CATO SAN ANDRES UNIT No.056

Inspection

*Significant

Corrective

*Significant

Inspection
Date Type Inspection Inspector Violation? Non-Compliance? Action Due By: Inspection No.

10/22/2009 Routine/Periodic Maxey Brown Yes No 11/25/2009 iMGB0929629010

Violations

Exceeded Allowable Inj. Pressures

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

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 *Significant Corrective Inspection Inspection No. Type Inspection Inspector Violation? Action Due By: Non-Compliance? Date 11/25/2009 iMGB0929631977 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes No 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. D-14-8S-30E 30-005-10581-00-00 **CATO SAN ANDRES UNIT No.078** *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date Yes No 1/25/2010 iMGB0929558911 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 Inspection *Significant Corrective Type Inspection Inspector Violation? Inspection No. Non-Compliance? Action Due By: Date iMGB0929532363 Yes 10/22/2009 Routine/Periodic Maxey Brown No 1/25/2010 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. **CATO SAN ANDRES UNIT No.021** C-11-8S-30E 30-005-20069-00-00 *Significant Corrective Inspection Inspector Violation? Inspection No. **Type Inspection** Non-Compliance? Action Due By: Date iMGB0929630238 11/25/2009 No 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. **CATO SAN ANDRES UNIT No.080** 30-005-20124-00-00 B-14-8S-30E *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929624930 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes

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

Inspector Inspection No. Violation? Type Inspection Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929629344 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 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.

30-005-27986-00-00 M-11-8S-30E CATO SAN ANDRES UNIT No.544 Corrective *Significant Inspection Violation? Inspection No. Inspector Non-Compliance? Action Due By: Type Inspection Date iMGB0929626103 11/25/2009 Yes Nο 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. 30-005-27988-00-00 P-11-8S-30E CATO SAN ANDRES UNIT No.547 Corrective *Significant Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929634795 11/25/2009 Yes Nο 10/22/2009 Routine/Periodic Maxey Brown 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. Inspector Violation? Action Due By: Non-Compliance? Type Inspection Date iMGB0929633823 No 11/25/2009 Maxey Brown Yes 10/22/2009 Routine/Periodic 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 Inspection No. Violation? 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? Action Due By: Inspector Non-Compliance? Type Inspection Date iMGB0929634049 11/25/2009 No Yes Maxey Brown 10/22/2009 Routine/Periodic 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.

CATO SAN ANDRES UNIT No.827 F-11-8S-30E 30-005-29030-00-00

Corrective *Significant Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929629887 Yes No 10/22/2009 Routine/Periodic Maxey Brown

Violations

Absent Well Identification Signs (Rule 103)

Drill Site/Roads (Rule 114)

Comments on Inspection: 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.

CATO SAN ANDRES UNIT No.854

O-11-8S-30E

30-005-29031-00-00

Inspection Date

10/22/2009

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Corrective Action Due By:

Inspection No.

Routine/Periodic Maxey Brown Yes

No

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,

COMPLIANCE OFFICER

Hobbs OCD District Office

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



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