

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.

			<i>NSPECTIO</i>	N DETAIL	SECTION				
CATO SAN Inspection Date	ANDRES UNI		oector	Violation?	L-11-8S-30E *Significant Non-Compliance?	30-005-10455-00- Corrective Action Due By:	Inspection No.		
10/22/2009	Routine/Period Violations Exceeded Allowal		xey Brown	Yes	No	11/25/2009	11/25/2009 iMGB0929627375		
	on Inspection: ANDRES UN	2150 PSI TO PREMI	er Limit. (Ru TTED 1010 P	le 19.15.26.10 SI. THIS IS	O.). NEED TO REDU IST LETTER OF NO G-10-8S-30E	ICE PRESSURE FROM N-COMPLIANCE. 30-005-10483-00-			
Inspection Date	Type Inspection		pector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.		
10/22/2009	Routine/Period Violations		xey Brown	Yes	No	11/25/2009	iMGB0929635483		
	Absent Well Iden	ification Signs (Rule 10					BD 05		
		NO Well Sign (Rule! NON-COMPLIANCE		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 Inspection No. Violation? Inspector Non-Compliance? Action Due By: Type Inspection Date iMGB0929627059 11/25/2009 Yes No Routine/Periodic Maxey Brown 10/22/2009 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. F-11-8S-30E 30-005-10491-00-00 **CATO SAN ANDRES UNIT No.027** Corrective *Significant Inspection Inspection No. Violation? Non-Compliance? Type Inspection Inspector Action Due By: Date iMGB0929629727 11/25/2009 Routine/Periodic Maxey Brown Yes No 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. P-10-8S-30E 30-005-10502-00-00 **CATO SAN ANDRES UNIT No.057** *Significant Corrective Inspection Inspection No. Violation? Non-Compliance? Action Due By: Type Inspection Inspector Date iMGB0929533741 11/25/2009 Yes No Routine/Periodic Maxey Brown 10/22/2009 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. 30-005-10503-00-00 CATO SAN ANDRES UNIT No.028 E-11-8S-30E Corrective *Significant Inspection Inspection No. Violation? Inspector Non-Compliance? Action Due By: Type Inspection Date iMGB0929627727 11/22/2009 Yes No Maxey Brown 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 D-11-8S-30E **CATO SAN ANDRES UNIT No.020** *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929627955 No 11/22/2009 Maxey Brown Yes Routine/Periodic 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 CATO SAN ANDRES UNIT No.026 G-11-8S-30E Corrective *Significant Inspection Inspection No. Violation? Inspector Non-Compliance? **Action Due By:** Type Inspection Date iMGB0929632748 11/25/2009 Plugged Well Surface Restor Maxey Brown 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. 30-005-10523-00-00 **CATO SAN ANDRES UNIT No.023** A-11-8S-30E Corrective *Significant Inspection Inspection No. Violation? Inspector Non-Compliance? Action Due By: **Type Inspection** Date iMGB0929633611 11/25/2009 No Yes 10/22/2009 Routine/Periodic Maxey Brown

Oil Conservation Division * 1625 N. French Drive * Hobbs, New Mexico 88240 Phone: 505-393-6161 * Fax. 505-393-0720 * http://www.emnrd.state.nm.us

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

Violations

Comments on Inspection:

Exceeded Allowable Inj. Pressures

30-005-10532-00-00 A-15-8S-30E CATO SAN ANDRES UNIT No.077 Corrective *Significant Inspection Inspection No. Violation? Inspector Non-Compliance? Action Due By: Type Inspection Date iMGB0929558058 11/25/2009 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 I-11-8S-30E 30-005-10539-00-00 **CATO SAN ANDRES UNIT No.051** Corrective *Significant Inspection Inspection No. Inspector Violation? Non-Compliance? Action Due By: Type Inspection Date 11/25/2009 iMGB0929635051 No 10/22/2009 Routine/Periodic Maxey Brown Yes 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** *Significant Corrective Inspection Inspection No. Violation? Action Due By: Non-Compliance? Inspector Date Type Inspection iMGB0929560405 1/25/2010 Plugged Well Surface Restor Maxey Brown Yes No 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. N-11-8S-30E 30-005-10560-00-00 **CATO SAN ANDRES UNIT No.055** Corrective *Significant Inspection Inspection No. Type Inspection Inspector Violation? Non-Compliance? Action Due By: Date 1/25/2010 iMGB0929623687 No 10/22/2009 Routine/Periodic Maxey Brown Yes 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 A-14-8S-30E CATO SAN ANDRES UNIT No.081 *Significant Corrective Inspection Inspection No. Inspector Violation? Non-Compliance? Action Due By: Type Inspection Date 11/25/2009 iMGB0929625827 Yes No Maxey Brown 10/22/2009 Routine/Periodic Violations Absent Well Identification Signs (Rule 103)

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

OF NON-COMPLIANCE

CATO SAN ANDRES UNIT No.056
Inspection

M-11-8S-30E
*Significant

Corrective

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 CATO SAN ANDRES UNIT No.050.I J-11-8S-30E *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date Plugged Well Surface Restor Maxey Brown Yes No 11/25/2009 iMGB0929631977 10/22/2009 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. 30-005-10581-00-00 **CATO SAN ANDRES UNIT No.078** D-14-8S-30E *Significant Inspection Corrective Violation? Inspection No. Type Inspection Inspector Date Non-Compliance? Action Due By: 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes No 1/25/2010 iMGB0929558911 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. CATO SAN ANDRES UNIT No.073 A-16-8S-30E 30-005-20017-00-00 *Significant Inspection Corrective Type Inspection Inspector Violation? Inspection No. Non-Compliance? Date Action Due By: 10/22/2009 Routine/Periodic Maxey Brown Yes No 1/25/2010 iMGB0929532363 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 Inspection *Significant Corrective Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929630238 10/22/2009 Routine/Periodic Maxey Brown Yes No 11/25/2009 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 B-14-8S-30E 30-005-20124-00-00 *Significant Corrective Inspection Inspection No. Type Inspection Inspector Violation? Date Non-Compliance? Action Due By: iMGB0929624930 10/22/2009 Plugged Well Surface Restor Maxey Brown Yes No 11/25/2009

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 CATO SAN ANDRES UNIT No.533 K-11-8S-30E Inspection *Significant Corrective Type Inspection Inspector Violation? Non-Compliance? Date

10/22/2009 Routine/Periodic

Maxey Brown

Yes

No

Action Due By: 11/25/2009

Inspection No. iMGB0929629344

Violations

Exceeded Allowable Inj. Pressures

Comments on Inspection:

Injection Pressure Over Limit. (Rule 19.15.26.10.). NEED TO REDUCE 1800 PSI TO 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.

CATO SAN ANDRES UNIT No.544 M-11-8S-30E 30-005-27986-00-00 *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iMGB0929626103 Yes No 11/25/2009 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. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929634795 Routine/Periodic Maxey Brown Yes No 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. H-11-8S-30E 30-005-28027-00-00 **CATO SAN ANDRES UNIT No.520** *Significant Corrective Inspection Inspection No. Violation? Date Type Inspection Inspector Non-Compliance? Action Due By: Maxey Brown Yes No 11/25/2009 iMGB0929633823 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** Corrective *Significant Inspection Inspection No. Violation? Type Inspection Inspector Action Due By: Non-Compliance? Date 11/25/2009 iMGB0929632249 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.). 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. B-11-8S-30E 30-005-29028-00-00 **CATO SAN ANDRES UNIT No.822** *Significant Corrective Inspection Inspection No. Inspector Violation? Action Due By: Type Inspection Non-Compliance? Date iMGB0929634049 No 11/25/2009 Routine/Periodic Maxey Brown Yes 10/22/2009 **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.

30-005-29030-00-00 F-11-8S-30E

CATO SAN ANDRES UNIT No.827 *Significant Corrective Inspection Violation? Inspection No. Type Inspection Inspector Non-Compliance? Action Due By: Date 11/25/2009 iMGB0929629887 Yes No Maxey Brown 10/22/2009 Routine/Periodic

Violations

Absent Well Identification Signs (Rule 103)

Drill Site/Roads (Rule 114)

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

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

*Significant

Corrective

Inspection Date 10/22/2009

Type Inspection
Routine/Periodic

Inspector

Maxey Brown

Violation? Yes Non-Compliance?

Action Due By: 11/25/2009

Inspection No. iMGB0929634613

Violations

Exceeded Allowable Inj Pressures

Comments on Inspection:

Hobbs OCD District Office

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

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