

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Response Required – Deadline Enclosed

09-Dec-09

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

LETTER OF VIOLATION Delinquent Regulatory Filings

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

CATO SAN ANDRES UNIT No.050

Location: 11-8S-30E

30-005-29021-00-00

Original Well Type: Oil (Producing)

Well Status: New (Not Drilled /

Determination or Violation Date: 12/9/2009

Delinquent Report or Filing(s): - Other Monitoring and Reporting Violation

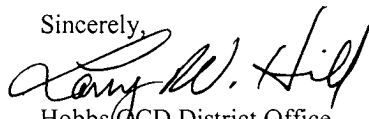
Comments: OCD Hobbs office has denied forms C-103 and C-105 on this injection well, because it is missing information. 1. Your Intent to drill stated that surface casing was to be set at 500', but C-103 states that it was only set at 155'. 2. C-103 state ran GR/Bond log, but you do not state the top of cement. 3. C-103 does not state how much cement was used. 4. C-103 does not state where the perfs are. 5. C-105 does not state where the packer is set. 6. C-105 was denied because it needs the completion date no matter if it is injection well. These forms need correcting and resubmitted to the OCD Hobbs office. If you have questions on this matter, please call Donna Mull (575) 393-6161 ext 115 or Email donna.mull@state.nm.us

CORRECTIVE ACTION ON THIS WELL DUE BY: 12/23/2009

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,


Hobbs/OCD District Office