

CANO PETROLEUM, INC  
Form SC 13G/A  
February 14, 2011

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 13G  
(Rule 13d - 102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO  
13d-1(b), (c) AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO 13d-2(b)

(Amendment No. 2)\*

Cano Petroleum, Inc.  
(Name of Issuer)

Common Stock, par value \$.0001  
(Title of Class of Securities)

137801106  
(CUSIP Number)

December 31, 2010  
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule  
pursuant to which this Schedule is filed:

Rule 13d-1(b)  
 Rule 13d-1(c)  
 Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Sage Master Investments Ltd.
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Cayman Islands
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
0
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
0
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.2%

12.

TYPE OF REPORTING PERSON\*

CO

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Sage Opportunity Fund (QP), L.P.
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
0
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
0
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.2%

12.

TYPE OF REPORTING PERSON\*

PN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Sage Asset Management, L.P.
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
0
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
0
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.2%

12.

TYPE OF REPORTING PERSON\*

PN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

---

1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Sage Asset Inc.
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
0
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
0
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.2%



12.

TYPE OF REPORTING PERSON\*

CO

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Barry G. Haimes
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
United States
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
117,000
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
117,000
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.5%

12.

TYPE OF REPORTING PERSON\*

IN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS  
(ENTITIES ONLY)  
  
Katherine R. Hensel
  2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A  
GROUP\*  
  
(a)   
(b)
  3. SEC USE ONLY
  4. CITIZENSHIP OR PLACE OF ORGANIZATION  
  
United States
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:
5. SOLE VOTING POWER  
  
0
  6. SHARED VOTING POWER  
  
1,011,686
  7. SOLE DISPOSITIVE POWER  
  
0
  8. SHARED DISPOSITIVE POWER  
  
1,011,686
  9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH  
REPORTING PERSON  
  
1,011,686
  10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)  
EXCLUDES CERTAIN SHARES\*
  11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW  
(9)  
  
2.2%

12.

TYPE OF REPORTING PERSON\*

IN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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This Amendment No. 2 is filed with respect to the shares of the common stock, having \$.0001 par value (the "Common Stock"), of Cano Petroleum, Inc. ("Issuer"), beneficially owned by the Reporting Persons (as defined below) as of February 4, 2011 and amends and supplements the Schedule 13G filed on October 20, 2009, as previously amended (collectively, the "Schedule 13G"). Except as set forth herein, the Schedule 13G is unmodified.

The names of the persons filing this statement on Schedule 13G are: Sage Master Investments Ltd., a Cayman Islands exempted company ("Sage Master"), Sage Opportunity Fund (QP), L.P., a Delaware limited partnership ("QP Fund"), Sage Asset Management, L.P., a Delaware limited partnership ("SAM"), Sage Asset Inc., a Delaware corporation ("Sage Inc."), Barry G. Haimes and Katherine R. Hensel (collectively, the "Reporting Persons").

Item 4. Ownership.

(a) Amount beneficially owned:

Collectively, the Reporting Persons beneficially own 1,128,686 shares of Common Stock.

Sage Master individually owns 1,011,686 shares of Common Stock.

QP Fund, solely in its capacity as the controlling shareholder of Sage Master, individually beneficially owns the 1,011,686 shares of Common Stock owned by Sage Master.

SAM, solely in its capacity as investment manager of Sage Master, individually beneficially owns the 1,011,686 shares of Common Stock owned by Sage Master.

Sage Inc., solely in its capacity as the general partner of SAM, individually beneficially owns the 1,011,686 shares of Common Stock owned by Sage Master.

Mr. Haimes beneficially owns the 1,011,686 shares of Common Stock owned by Sage Master, solely in his capacity as a controlling person of Sage Inc., and an additional 117,000 shares of Common Stock that he owns personally.

Ms. Hensel, solely in her capacity as a controlling person of Sage Inc., individually beneficially owns the 1,011,686 shares of Common Stock owned by Sage Master.

Additionally, an employee of SAM owns 100,000 shares of Common Stock. The Reporting Persons disclaim beneficial ownership of the shares of Common Stock held by such employee.

(b) Percent of class:

The Reporting Persons' collective beneficial ownership of 1,128,686 shares of Common Stock constitutes 2.5% of all of the outstanding shares of Common Stock.

The 1,011,686 shares of Common Stock beneficially owned by Sage Master, the QP Fund, SAM, Sage Inc. and Ms. Hensel, constitutes 2.2% of all of the outstanding shares of Common Stock.

The 1,128,686 shares of Common Stock beneficially owned by Mr. Haimes constitutes 2.5% of all of the outstanding shares of Common Stock.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote

Mr. Haimes has the sole power to vote or direct the vote of 117,000 shares of Common Stock.

(ii) Shared power to vote or to direct the vote

Sage Master has shared power with QP Fund, SAM, Sage Inc., Mr. Haimes and Ms. Hensel to vote or direct the vote of 1,011,686 shares of Common Stock.

(iii) Sole power to dispose or to direct the disposition of

Mr. Haimes has the sole power to dispose or direct the disposition of 117,000 shares of Common Stock.

(iv) Shared power to dispose or to direct the disposition of

Sage Master has shared power with QP Fund, SAM, Sage Inc., Mr. Haimes and Ms. Hensel to dispose or direct the disposition of 1,011,686 shares of Common Stock.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS.

If this statement is being filed to report the fact that as of the date hereof the Reporting Persons have ceased to be the beneficial owner of more than five percent of the class of securities, check the following [X].

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Of the 1,128,686 shares of Common Stock beneficially owned by the Reporting Persons, 1,011,686 are owned directly by Sage Master. QP Fund is the controlling shareholder of Sage Master.

Item 10. Certifications.

By signing below each of the undersigned certifies that, to the best of its, his or her knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.





SIGNATURES

After reasonable inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: February 14, 2011

SAGE MASTER INVESTMENTS LTD.

By: /s/ Katherine R. Hensel  
Katherine R. Hensel  
Director

SAGE OPPORTUNITY FUND (QP), L.P.  
By: Sage Asset Management, L.P., as General Partner  
By: Sage Asset Inc., as General Partner

By: /s/ Barry G. Haimes  
Barry G. Haimes  
President

SAGE ASSET MANAGEMENT, L.P.  
By: Sage Asset Inc., as General Partner

By: /s/ Barry G. Haimes  
Barry G. Haimes  
President

SAGE ASSET INC.

By: /s/ Barry G. Haimes  
Barry G. Haimes  
President

/s/ Barry G. Haimes  
Barry G. Haimes

/s/ Katherine R. Hensel  
Katherine R. Hensel