

CANO PETROLEUM, INC
Form SC 13D/A
March 04, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 8)

CANO PETROLEUM, INC.
(Name of Issuer)

Common Stock, par value \$0.0001 per share
(Title of Class of Securities)

137801106
(CUSIP Number)

Steven J. Pully
Carlson Capital, L.P.
2100 McKinney Avenue, Suite 1800
Dallas, TX 75201
(214) 932-9600

with a copy to
Peter Halasz
David E. Rosewater
Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

March 3, 2011
(Date of Event which Requires
Filing of this Schedule)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. []

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

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* 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).

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1	NAME OF REPORTING PERSON	
	Double Black Diamond Offshore Ltd.	
2	CHECK THE APPROPRIATE BOX IF A	(a) <input type="checkbox"/>
	MEMBER OF A GROUP*	(b) <input type="checkbox"/>
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL	<input type="checkbox"/>
	PROCEEDING IS REQUIRED PURSUANT TO	
	ITEMS 2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Cayman Islands	
	7	SOLE VOTING POWER
	NUMBER OF	2,601,578
	SHARES	
	8	SHARED VOTING POWER
	BENEFICIALLY	0
	OWNED BY	
	9	SOLE DISPOSITIVE POWER
	EACH	2,601,578
	10	SHARED DISPOSITIVE POWER
	REPORTING	0
	PERSON WITH	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	2,601,578	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES	<input type="checkbox"/>
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	5.7%	
14	TYPE OF REPORTING PERSON*	
	CO	

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1	NAME OF REPORTING PERSON	
	Black Diamond Offshore Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) "	
	GROUP*	(b) "
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL	"
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS	
	2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Cayman Islands	
	7	SOLE VOTING POWER
NUMBER OF		133,351
SHARES		
8	BENEFICIALLY OWNED BY	SHARED VOTING POWER
		0
9	EACH	SOLE DISPOSITIVE POWER
		133,351
10	REPORTING PERSON WITH	SHARED DISPOSITIVE POWER
		0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	133,351	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES	"
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	0.3%	
14	TYPE OF REPORTING PERSON*	
	CO	

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1	NAME OF REPORTING PERSON	
	Black Diamond Relative Value Offshore Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A	"
	GROUP*	(b) "
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL	"
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS	
	2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Cayman Islands	
	7	SOLE VOTING POWER
	NUMBER OF	1,273,158
	SHARES	
	8	SHARED VOTING POWER
BENEFICIALLY		0
	9	SOLE DISPOSITIVE POWER
OWNED BY		1,273,158
EACH		
	10	SHARED DISPOSITIVE POWER
REPORTING		0
PERSON WITH		
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	1,273,158	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES	"
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	2.8%	
14	TYPE OF REPORTING PERSON*	
	CO	

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1	NAME OF REPORTING PERSON	
	Carlson Capital, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A	"
	GROUP*	(b) "
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL	"
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS	
	2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Delaware	
	7	SOLE VOTING POWER
	NUMBER OF	4,181,598
	SHARES	
	8	SHARED VOTING POWER
BENEFICIALLY		0
	OWNED BY	
	9	SOLE DISPOSITIVE POWER
	EACH	4,181,598
	10	SHARED DISPOSITIVE POWER
REPORTING		0
PERSON WITH		
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	4,181,598	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES	"
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	9.2%	
14	TYPE OF REPORTING PERSON*	
	PN	

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1	NAME OF REPORTING PERSON	
	Asgard Investment Corp. II	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) "	
	GROUP*	(b) "
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL "	
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS	
	2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Delaware	
	7	SOLE VOTING POWER
NUMBER OF		4,181,598
SHARES		
8	BENEFICIALLY	SHARED VOTING POWER
		0
9	OWNED BY	SOLE DISPOSITIVE POWER
EACH		4,181,598
10	REPORTING	SHARED DISPOSITIVE POWER
PERSON WITH		0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	4,181,598	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES "	
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	9.2%	
14	TYPE OF REPORTING PERSON*	
	CO	

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1	NAME OF REPORTING PERSON		
	Asgard Investment Corp.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A	(a) "	
	GROUP*	(b) "	
3	SEC USE ONLY		
4	SOURCE OF FUNDS*		
	AF		
5	CHECK BOX IF DISCLOSURE OF LEGAL		"
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS		
	2(d) or 2(e)		
6	CITIZENSHIP OR PLACE OF ORGANIZATION		
	Delaware		
	7	SOLE VOTING POWER	
	NUMBER OF	4,181,598	
	SHARES		
	8	SHARED VOTING POWER	
	BENEFICIALLY	0	
	OWNED BY		
	9	SOLE DISPOSITIVE POWER	
	EACH	4,181,598	
	10	SHARED DISPOSITIVE POWER	
	REPORTING	0	
	PERSON WITH		
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON		
	4,181,598		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES		"
	CERTAIN SHARES*		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		
	9.2%		
14	TYPE OF REPORTING PERSON*		
	CO		

1	NAME OF REPORTING PERSON	
	Clint D. Carlson	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A	"
	GROUP*	(b) "
3	SEC USE ONLY	
4	SOURCE OF FUNDS*	
	AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL	"
	PROCEEDING IS REQUIRED PURSUANT TO ITEMS	
	2(d) or 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	USA	
	7	SOLE VOTING POWER
NUMBER OF		0
SHARES		
8		SHARED VOTING POWER
BENEFICIALLY		4,181,598
OWNED BY	9	SOLE DISPOSITIVE POWER
EACH		0
REPORTING	10	SHARED DISPOSITIVE POWER
PERSON WITH		4,181,598
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON	
	4,181,598	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES	"
	CERTAIN SHARES*	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	9.2%	
14	TYPE OF REPORTING PERSON*	
	IN	

The Schedule 13D filed on August 25, 2008, as amended by Amendment No. 1 filed on September 9, 2008, Amendment No. 2 filed on September 25, 2008, Amendment No. 3 filed on October 8, 2008, Amendment No. 4 filed on October 31, 2008, Amendment No. 5 filed on May 26, 2009, Amendment 6 filed on August 11, 2010 and Amendment 7 filed on October 20, 2010 (the "Schedule 13D") by Double Black Diamond Offshore Ltd., a Cayman Islands exempted company, Black Diamond Offshore Ltd., a Cayman Islands exempted company, Black Diamond Relative Value Offshore Ltd., a Cayman Islands exempted company, Carlson Capital, L.P., a Delaware limited partnership, Asgard Investment Corp., a Delaware corporation and Clint D. Carlson (together, the "Reporting Persons"), relating to the shares ("Shares") of common stock, par value \$0.0001 per share, of Cano Petroleum, Inc. (the "Issuer"), is hereby amended as set forth below by this Amendment No. 8 to the Schedule 13D.

Item 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Item 3 of the Schedule 13D is hereby amended and supplemented by the addition of the following:

A total of approximately \$395,123.55 was received by the Reporting Persons in the transactions regarding the Shares reported herein.

Item 4. PURPOSE OF TRANSACTION.

Item 4 of the Schedule 13D is hereby amended and restated as follows:

The Reporting Persons originally acquired the Shares for investment in the ordinary course of business because they believed that the Shares, when purchased, were undervalued and represented an attractive investment opportunity.

Except as set forth herein, the Reporting Persons have no present plan or proposal that would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D. The Reporting Persons intend to review their investments in the Issuer on a continuing basis and, depending on various factors including, without limitation, the Issuer's financial position and strategic direction, actions taken by the Board, price levels of the Shares, other investment opportunities available to the Reporting Persons, conditions in the securities market and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investments in the Issuer as they deem appropriate, including, without limitation, selling some or all of the Shares and/or otherwise changing their intention with respect to any and all matters referred to in Item 4 of Schedule 13D.

Item 5. INTEREST IN SECURITIES OF THE ISSUER.

Paragraphs (a), (b) and (c) of Item 5 of the Schedule 13D are hereby amended and restated as follows:

(a) As of the close of business on March 3, 2011, the Reporting Persons beneficially owned an aggregate of 4,181,598 Shares, constituting approximately 9.2% of the Shares outstanding.

The aggregate percentage of Shares beneficially owned by the Reporting Persons is based upon 45,403,749 Shares outstanding, which is the total number of Shares issued and outstanding as of February 14, 2011 as reported by the Issuer on its Form 10-Q for the quarter ended December 31, 2010, filed on February 14, 2011.

(b) Carlson Capital, Asgard II, Asgard and Mr. Carlson have the power to vote and direct the disposition of (i) the 133,351 Shares reported herein as owned by Offshore Ltd., (ii) the 2,601,578 Shares reported herein as owned by

Double Offshore Ltd., (iii) the 1,273,158 Shares reported herein as owned by Relative Value Offshore Ltd., and (iv) an additional 173,511 Shares held in the Account.

(c) Information concerning transactions in the Shares effected by the Reporting Persons since the filing of Amendment No. 7 to the Schedule 13D is set forth in Appendix A hereto and is incorporated herein by reference.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 3, 2011

BLACK DIAMOND OFFSHORE LTD.

By: Carlson Capital, L.P.,
its investment manager

By: Asgard Investment Corp. II,
its general partner

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

DOUBLE BLACK DIAMOND OFFSHORE LTD.

By: Carlson Capital, L.P.,
its investment manager

By: Asgard Investment Corp. II,
its general partner

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

BLACK DIAMOND RELATIVE VALUE OFFSHORE LTD.

By: Carlson Capital, L.P.,
its investment manager

By: Asgard Investment Corp. II,
its general partner

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

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CARLSON CAPITAL, L.P.

By: Asgard Investment Corp. II,
its general partner

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

ASGARD INVESTMENT CORP. II

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

ASGARD INVESTMENT CORP.

By: /s/ Clint D. Carlson
Name: Clint D. Carlson
Title: President

/s/ Clint D. Carlson
Clint D. Carlson

APPENDIX A

TRANSACTIONS IN THE ISSUER'S SHARES OF COMMON STOCK BY THE
REPORTING PERSONS IN THE PAST SIXTY (60) DAYS

The following tables set forth all transactions in the shares of Common Stock of the Issuer effected in the past sixty (60) days by each of the Reporting Persons, as applicable. Unless otherwise noted, all such transactions were effected in private transactions.

Black Diamond Relative Value Offshore Ltd.

Trade Date	Amount Purchased (Sold)	Price per Share (\$)
03/03/11	(190,055)	\$0.64

Double Black Diamond Offshore Ltd.

Trade Date	Amount Purchased (Sold)	Price per Share (\$)
03/03/11	(388,358)	\$0.64

Black Diamond Offshore Ltd.

Trade Date	Amount Purchased (Sold)	Price per Share (\$)
03/03/11	(19,906)	\$0.64

Carlson Capital on behalf of the Account

Trade Date	Amount Purchased (Sold)	Price per Share (\$)
03/03/11	(25,901)	\$0.64

APPENDIX B

DIRECTORS AND EXECUTIVE OFFICERS OF ASGARD II AND ASGARD

The following sets forth the name, position, and principal occupation of each director and executive officer of Asgard Investment Corp. II and Asgard Investment Corp. II. Except as otherwise indicated, the business address of each director and officer is 2100 McKinney Avenue, Suite 1800, Dallas, TX. To the best of the Reporting Persons' knowledge, except as set forth in this Schedule 13D, none of the directors or executive officers of Asgard Investment Corp. II or Asgard Investment Corp. owns any Common Stock.

Asgard Investment Corp. II

Name	Position	Principal Occupation	Citizenship
Clint Carlson	Director/President	Investment Manager	United States
Nancy Carlson	Secretary/Treasurer	Executive	United States

Asgard Investment Corp.

Name	Position	Principal Occupation	Citizenship
Clint Carlson	Director/President	Investment Manager	United States
Nancy Carlson	Secretary/Treasurer	Executive	United States