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Case 14914

September 18, 2012

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Celero Energy II, LP, are applications for approval of statutory unitization and an enhanced recovery project, together with proposed advertisements. Please set these matters for the October 18, 2012 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Celero Energy II, LP

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF CELERO ENERGY II, LP
FOR STATUTORY UNITIZATION, CHAVES
AND LEA COUNTIES, NEW MEXICO.**

Case No. 14914

APPLICATION

Celero Energy II, LP, for its application, states:

1. Applicant is engaged in the business of producing and selling oil and gas as defined in the Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.* (the "Act").
2. Applicant is a working interest owner in, and the operator of, the proposed North Caprock Celero Queen Unit Area, (the "Unit Area"), comprising 2,846.66 acres of state and fee lands in Chaves and Lea Counties, New Mexico, described as follows:

Township 12 South, Range 31 East, N.M.P.M., Chaves County

Section 36: S/2 NE/4, SE/4SW/4, and SE/4

Township 12 South, Range 32 East, N.M.P.M., Lea County

Section 30: S/2SE/4

Section 31: Lots 3, 4, E/2, NE/4NW/4, and E/2SW/4

Section 32: SW/4NE/4, W/2, and NW/4SE/4

Township 13 South, Range 32 East, N.M.P.M., Lea County

Section 5: Lots 3, 4, SW/4NW/4, and NW/4SW/4

Section 6: Lots 1-7, S/2NE/4, SE/4NW/4, E/2SW/4, and SE/4 (All)

Section 7: E/2 and E/2W/2

Section 8: NW/4NW/4, S/2NW/4, and SW/4

A plat of the Unit Area is attached hereto as Exhibit A. A description of the lands and interest owners in the Unit Area is attached hereto as Exhibit B.

2. Applicant is obtaining preliminary approval of the Unit Agreement from the Commissioner of Public Lands.

3. The vertical limits of the unitized formation are confined to the Queen formation. The Queen reservoir underlying the Unit Area has been reasonably defined by development.

4. Applicant proposes to initiate a waterflood project (secondary recovery) and carbon dioxide project (tertiary recovery) in the Unit Area, as further described in an injection application filed concurrently with this application.

5. The Unit Area will be subject to a Unit Agreement and Unit Operating Agreement which will be submitted to the Division.

6. The statutorily unitized management, operation, and further development of the Queen reservoir underlying the Unit Area is reasonably necessary in order to effectively carry on secondary and tertiary operations and to substantially increase the ultimate recovery of oil and gas therefrom.

7. The secondary and tertiary projects, as applied to the Queen reservoir underlying the Unit Area, are feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil and gas from the Queen reservoir than would otherwise be recovered.

8. The estimated additional costs of conducting unitized operations will not exceed the estimated value of the additional oil and gas recovered thereby, plus a reasonable profit.

9. Unitization and approval of the waterflood project will benefit the working interest owners and royalty owners in the Queen reservoir underlying the Unit Area.

10. Approval of this application will prevent waste and protect correlative rights.

11. Due to expiring leases, **applicant requests expedited approval of this application.**

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order approving statutory unitization of the North Caprock Celero Queen Unit Area, and approving the Unit Agreement and Unit Operating Agreement therefor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Celero Energy II, LP

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North Caprock
Celero Queen
Unit

Chaves & Lea Counties

New Mexico

Tract Number

EXHIBIT

A

0 2,288
FEET

EXHIBIT "B"
NORTH CAPROCK CELERO QUEEN UNIT
UNIT TRACT INFORMATION AND PERCENTAGE

Tract No.	Description	Section	Township	Range	Number of Acres	Lease Number Date of Lease Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty Owners	ORRI Percentage	Working Interest Owner and Percentage	WI Percentage	Percent Participation of Tract in Unit
STATE LAND													
1	S/2NE/4; SE/4 & SE/4SW/4	36	12S	31E	280	VB1235 10/1/2007 9/30/2012	18.75%	Charles D. Ray	Crown Oil Partners IV, LP Crump Oil Partners, LLC Hanley Petroleum, Inc. Charles D. & Lynne W. Ray	0.008775 0.008750 0.008125 0.006825	Celero Energy II, LP	100%	9.4012%
2	W/2	32	12S	32E	320	VO8139 11/1/2007 10/31/2012	16.67%	Celero Energy II, LP			Celero Energy II, LP	100%	14.3931%
3	SW/4 NE/4 & NW/4SE/4	32	12S	32E	80	VO8140 11/1/2007 10/31/2012	16.67%	Celero Energy II, LP			Celero Energy II, LP	100%	2.6528%
4	Lots 3, 4, 5, 6, & 7; SE/4NW/4; E/2 SW/4	6	13S	32E	325.23	VO8141 11/1/2007 10/31/2012	16.67%	Celero Energy II, LP			Celero Energy II, LP	100%	13.9834%
5	Lots 1 & 2; S/2NE/4; SE/4	6	13S	32E	318.89	VB1275 11/1/2007 10/31/2012	18.75%	Celero Energy II, LP			Celero Energy II, LP	100%	11.3538%
6	E/2 W/2	7	13S	32E	160	VB1276 11/1/2007 10/31/2012	18.75%	Celero Energy II, LP			Celero Energy II, LP	100%	3.7844%
7	S/2 SE/4	30	12S	32E	80	VO8168 12/1/2007 11/30/2012	18.75%	Celero Energy II, LP			Celero Energy II, LP	100%	1.2268%
8	Lots 3 & 4; SW/4 NW/4; NW/4 SW/4	5	13S	32E	159.2	VB1305 12/1/2007	18.75%	Celero Energy II, LP			Celero Energy II, LP	100%	7.4494%

EXHIBIT B

Tract No.	Description	Section	Township	Range	Number of Acres	Lease Number	Basic Royalty	Lessee of Record	Overriding Royalty Owners	ORRI Percentage	Working Interest Owner and Percentage	WI Percentage	Percent Participation of Tract in Unit
						Date of Lease Expiration Date							
						11/30/2012							
9	Lots 3 & 4; SE/4; E/2SW/4	31	12S	32E	323.34	VO8891 2/1/2011 1/31/2016	16.67%	Celero Energy II, LP			Celero Energy II, LP	100%	15.0314%
10	NE/4 NW/4 NE/4;	31	12S	32E	200	VO8894 2/1/2011 1/31/2016	16.67%	Black Crown Energy Partners, LP	Crown Oil Partners IV, LP Crump Energy Partners, LLC	0.026650 0.026650	Celero Energy II, LP	100%	4.8689%
FEE LAND													
11	E/2	7	13S	32E	320	SETTERLUND 6/1/2009 5/31/2014	18.75%	Celero Energy II, LP	Jeff Brock Andy Luck Ashley Scott Drew & April Scott Randy & Jo Anne Scott Larry Douglas Matt & Tiffany Daugherty	0.187500 0.187500 0.187500 0.187500 0.083334 0.208333 0.208333	Celero Energy II, LP	100%	8.8367%
	S/2 NW/4; NW/4 NW/4; SW/4	8	13S	32E	280								7.0181%
Total Acreage					2846.66								100.0000%
SUMMARY													
					<u>Number of Tracts</u>	<u>Acreage</u>		<u>Percent of Unit Area</u>					
STATE LAND					10	2246.66		78.92%					
FEE LAND					1	600.00		21.08%					
TOTAL					11	2846.66		100.00%					

PROPOSED ADVERTISEMENT

Case No. 14914

Application of Celero Energy II, LP for statutory unitization, Chaves and Lea Counties, New Mexico. Applicant seeks an order statutorily unitizing all mineral interests in the Queen formation in the proposed North Caprock Celero Queen Unit underlying 2846.66 acres of state and fee lands covering all or parts of Section 36 of Township 12 South, Range 31 East, N.M.P.M., Sections 30-32 of Township 12 South, Range 32 East, N.M.P.M., and Sections 5-8, 13 South, Range 32 East, N.M.P.M. Among the matters to be considered at hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*, will be: The necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the working interest owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. The unit area is centered approximately 12 miles south-southwest of Caprock, New Mexico.

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