

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 23, 2009

James Bruce
Attorney at Law and Agent for Coleman Energy
369 Montezuma, No. 213
Santa Fe, NM 87501

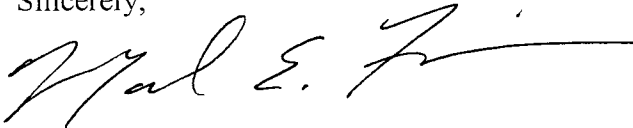
Re: **Request for Extension of Commencement of Injection Operations into Phase I Injection Wells for the Expansion of the Trigg Federal Lease - Queen Water-Flood Project, Pursuant to Order No. R-12912-B.**

Dear Mr. Bruce:

The Oil Conservation Division (OCD) received your letter of November 20, 2009, regarding the above referenced Water-flood project by fax on November 20, and by mail on November 23, 2009. Pursuant to Division Order No. R-12912-B, the authority to commence injection into this well expired on November 21, 2009. However, since your faxed request came on November 20, 2009, Celero Energy II, LP is hereby granted extension for the commencement of injection operations into Phase I of this project on or before November 30, 2010.

If you have any questions, please contact Richard Ezeanyim at (505)-476-3467.

Sincerely,



Mark E. Fesmire, P.E.
Director

Cc: Oil Conservation Division District Office – Hobbs
File – Case No. 14047 (Re-opened), Order No. R-12912-B



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November 20, 2009

Via fax and U.S. Mail

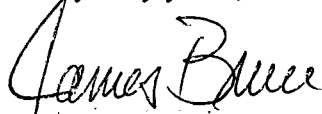
Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. R-12912-B/Celero Energy II, L.P.
Request for extension of injection commencement deadline

Dear Mr. Fesmire:

The above order, dated November 21, 2008, approved expansion of the Trigg Federal Lease (Queen) Waterflood Project. The project is in two phases, and the order requires injection into the phase I injection wells to commence within one year of the date of the order. **Ordering Paragraph (16).** (Injection must commence into the phase II wells within five years.) Development of the project was delayed over the last year when oil prices declined, and then while operators waited for drilling costs to decline. In addition, Celero Energy II, L.P. operates several offsetting Queen waterflood units, which it has been re-developing as well as planning a carbon dioxide flood. It has recently executed a contract securing a supply of carbon dioxide, and as part of that effort is considering expansion of the Drickey Queen Sand Unit to include the Trigg Federal Lease. That would allow consolidation of secondary and tertiary injection operations, but would require a hearing before the Division. As a result, Celero Energy II, L.P. requests a one year extension of the phase I injection commencement deadline.

Very truly yours,


James Bruce

Attorney for Celero Energy II, L.P.