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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CELERO ENERGY II, LP
TO AMEND THE UNIT AGREEMENT AND THE
UNIT OPERATING AGREEMENT FOR THE
ROCK QUEEN UNIT, AND FOR STATUTORY
UNITIZATION, CHAVES AND LEA COUNTIES,
NEW MEXICO.**

Case No. 14,504

**APPLICATION OF CELERO ENERGY II, LP
TO EXPAND THE WATERLOOD PROJECT
AND INSTITUTE A TERTIARY RECOVERY
PROJECT FOR THE TOCK QUEEN UNIT,
AND TO QUALIFY THE PROJECT FOR THE
RECOVERED OIL TAX RATE, CHAVES AND
LEA COUNTIES, NEW MEXICO.**

Case No. 14,505

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Celero Energy II, L.P.
Suite 1601
400 West Illinois
Midland, Texas 79701

Attention: John E. Lodge
(432) 686-1883

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order amending the Unit Agreement and Unit Operating Agreement, and statutorily unitizing all mineral interests in, the Queen formation in the previously approved Rock Queen Unit underlying 4939.77 acres of federal, state, and fee lands covering all or parts of Sections 22-27 and 34-36 of Township 13 South, Range 31 East, N.M.P.M., and Sections 19, 30, and 31 of Township 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.

Applicant further seeks approval to expand the waterflood project, and for a tertiary recovery project, in the Rock Queen Unit by the injection of water and carbon dioxide into the Queen formation in approximately 42 wells located on 4939.77 acres of federal, state, and fee lands covering all or parts of Sections 22-27 and 34-36 of Township 13 South, Range 31 East, N.M.P.M., and Sections 19, 30, and 31 of Township 13 South, Range 32 East, N.M.P.M. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5).

OPPONENT

PROPOSED EVIDENCE

APPLICANT

| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|--------------------------|------------------|-----------------|
| Jim Gresham (landman) | 30 min. | Approx. 8 |
| <hr/> (geologist) | 15 min. | Approx. 4 |
| <hr/> (engineer) | 30 min. | Approx. 5 |

OPPONENT

| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|------------------|------------------|-----------------|
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PROCEDURAL MATTERS

Respectfully submitted,

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

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Celero Energy II, L.P.