

P 14

**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

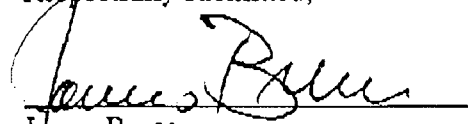
<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Jim Gresham (landman)	30 min.	Approx. 8
_____ (geologist)	15 min.	Approx. 4
_____ (engineer)	30 min.	Approx. 5

### OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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**PROCEDURAL MATTERS**

Respectfully submitted,

A handwritten signature in cursive script, 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.