



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

SUSANA MARTINEZ

Governor

John H. Bemis

Cabinet Secretary

Jami Bailey

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

03-Apr-13

HOBBS OCD

APR 03 2013

CELERO ENERGY II, LP

400 WEST ILLINOIS SUITE 1601

MIDLAND TX 79701

RECEIVED

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

| DRICKEY QUEEN SAND UNIT No.018 | | | | D-3-14S-31E | 30-005-00977-00-00 | |
|--------------------------------|-----------------|--|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 03/29/2013 | Bradenhead | Sylvia Dickey | Yes | No | 7/2/2013 | iSAD1308828598 |
| Comments on Inspection: | | ***OPERATION AND MAINTENANCE VIOLATION BHT SURVEY 3/18/2013 *** ** OPERATOR PERFORMED WELL WORK TO PLACE WELL BACK ON ACTIVE STATUS; WORK COMPLETED 9/1/2011; WAITING ON BATTERY***WELL INACTIVE FOR 20 YEARS***??? | | | | |

| DRICKEY QUEEN SAND UNIT No.816 | | | | B-4-14S-31E | 30-005-00985-00-00 | |
|--------------------------------|-----------------|--|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 03/29/2013 | Bradenhead | Sylvia Dickey | Yes | No | 7/2/2013 | iSAD1308827578 |
| Comments on Inspection: | | ***OPERATION AND MAINTENANCE VIOLATION BHT SURVEY 3/20/2013***PER 3160-5 RETURN TO INJECTION 07/07/2011; WORK PERFORMED APPROVED SUBJECT TO PLACING WELL ON CONTINUOUS INJECTION ON OR BEFORE 12/30/2012; NO REPORTED INJECTION AS OF 3/29/2013***WELL INACTIVE FOR 14 YEARS*** | | | | |

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well.

Sincerely,



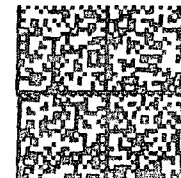
Hobbs OCD District Office

COMPLIANCE OFFICER

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER

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04/03/13

Mailed From 88240

US POSTAGE

Celero Energy LP
ATTN: LISA HUNT
400 W Illinois, Suite 1601
Midland, TX 79701