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October 28, 2011

Administrative Order WFX-892
Application No. pTGW1127244885

David Catanach (Agent)
Celero Energy II, LP
400 W. Illinois, Suite 1601
Midland, TX 79701

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-1541-A, Celero Energy II, LP (OGRID No. 247128) has made application to the Division for permission to convert two Rock Queen Unit wells from producing to water injection and to add two new WAG (water-alternating-gas) injector wells to its Rock Queen CO₂ Pilot Project located within the Caprock-Queen Pool (Pool No. 8851) in Chaves County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 19.15.26.8 (C). The proposed wells are eligible for conversion to injection under the terms of Rule 19.15.26.8. The operator is in compliance with Rule 19.15.5.9.

IT IS THEREFORE ORDERED THAT:

Celero Energy II, LP is hereby authorized to inject water and CO₂ into the unitized interval of the Rock Queen CO₂ Pilot Project, through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval in the following-described wells for purposes of tertiary recovery:

API	RQU Well #	Unit	Sec	Tsp	Rge	Interval	Tubing	Surf Pressures Water/Gas
30-005-00904	98	A	34	13S	31E	3030-3050 Open Hole	2.375	800/1,200
30-005-00906	102	G	34	13S	31E	3036-3051 Perforations	2.375	800/1,200
30-005-29181	312	B	34	13S	31E	3042-3055 Est. Perfs.	2.375	800/1,200
30-005-29182	313	H	34	13S	31E	3040-3054 Est. Perfs	2.375	800/1,200



IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into these wells, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The wells shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT testing procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC.

The injection wells or systems shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize increases in injection pressure upon a proper showing by the operator that higher pressure will not result in migration of the injected fluid from the permitted injection interval or harmful formation fracturing. Such proper showing shall consist of valid step-rate tests and possibly injection profiles or pressure transient testing run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-1541-A, as amended, and Rules 19.15.26.9 through 19.15.26.13 of the Division Rules and Regulations not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator received prior to the one year deadline, may grant an extension thereof for good cause shown.



Jami Bailey
Division Director

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cc: New Mexico Oil Conservation Division – Hobbs