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Ray Powell, M.S., D.V.M.
COMMISSIONER

2012 OCT 29 P 12:35

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

October 17, 2012

Clero Energy II, LP
400 West Illinois Ave
Suite 1601
Midland, Texas 79701

Attention: Mr. John E. Lodge

Re: Preliminary Approval
Proposed North Caprock Celero Queen Unit
Lea and Chaves Counties, New Mexico

Dear Mr. Lodge:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed North Caprock Celero Queen Unit area, Lea and Chaves Counties, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.

Celero Energy II, LP
October 17, 2012
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4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Initial Plan of Operation.
8. Re-designation of all well names and numbers.
8. Compliance with State Land Office rule 19.2.100.51 C. (2) Use of Fresh Water.
9. Your filing fee in the amount of \$240.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm
cc: Reader File,
OCD-Attention: Mr. Ed Martin



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Ray Powell, M.S., D.V.M.
COMMISSIONER

October 31, 2012

Celero Energy II, LP
400 West Illinois, Suite 1601
Midland, Texas 79701

Attn: Mr. John Lodge

Re: Final Approval
North Caprock Celero Queen Unit
Chaves and Lea Counties, New Mexico

Dear Mr. Lodge:

Thank you for your letter of October 26, 2012 requesting final approval of the North Caprock Celero Queen Unit Agreement, Chaves and Lea Counties, New Mexico.

It is our understanding that all tracts are fully committed to the unit agreement at this time.

The Commissioner of Public Lands has this date granted final approval to the North Caprock Celero Queen Unit Agreement. Also approved is your initial plan of operation. Our approval is subject to like approval by the New Mexico Oil Conservation Division. This approval, effective October 31, 2012, will hold your five leases unless the New Mexico Oil Conservation Division rejects your unit agreement, in which case this approval date cannot effectively hold your leases.

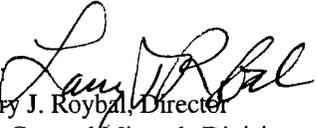
Enclosed are five (5) Certificates of Approval.

Your \$240.00 filing fee has been received.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm
cc: Reader File,
OCD-Attention: Mr. Ed Martin
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Mr. Kurt McFall