

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

NMOCD ACOI 216-C

IN THE MATTER OF CELERO ENERGY II, LP,

Respondent.

**THIRD AMENDED
INACTIVE WELL AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 7 of Inactive Well Agreed Compliance Order 216, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Inactive Well Agreed Compliance Order 216 ("ACOI 216" or "Order") required Celero Energy II, LP ("Operator") to return to compliance with OCD Rule 19.15.25.8 NMAC ("Part 25.8") by September 1, 2010 at least 8 of the wells identified in Exhibit "A" of ACOI 216, and file a compliance report by that date.

2. ACOI 216 required that 4 of the 8 wells be wells that are identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older.

3. Operator filed a timely compliance report for the first six-month period, and the OCD verified that the following 8 wells identified in Exhibit "A" of the Order were returned to compliance:

<u>API</u>	<u>WELL</u>	<u>LAST PRODUCTION</u>
30-025-31882	CONE #004	01/1996
30-025-00291	ROCK QUEEN UNIT #004	02/1999
30-025-00292	ROCK QUEEN UNIT #005	08/1996
30-005-00839	ROCK QUEEN UNIT #009	12/1992
30-005-00830	ROCK QUEEN UNIT #020	11/1986
30-005-00834	ROCK QUEEN UNIT #022	11/1984
30-005-00816	ROCK QUEEN UNIT #025	08/1986
30-005-00812	ROCK QUEEN UNIT #027	09/1986

4. Because Operator met its compliance goal for the first six-month period, the OCD amended the Order to extend its terms by six months, requiring Operator to return at least 8

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additional wells identified in Exhibit "A" of ACOI 216 to compliance with Part 25.8 by March 1, 2011, with at least 4 of the 8 wells being wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older.

5. Operator filed a timely compliance report for the second six-month period, and the OCD verified that the following 8 wells identified in Exhibit "A" of the Order were returned to compliance:

<u>API</u>	<u>WELL</u>	<u>LAST PRODUCTION</u>
30-005-01076	DRICKEY QUEEN SAND UNIT #42	06/1998
30-005-00841	ROCK QUEEN UNIT #010	03/1999
30-005-00835	ROCK QUEEN UNIT #015	10/1986
30-005-00831	ROCK QUEEN UNIT #017	10/1986
30-005-00821	ROCK QUEEN UNIT #018	06/1984
30-005-00825	ROCK QUEEN UNIT #021	08/2002
30-005-00883	ROCK QUEEN UNIT #029	08/1986
30-005-01092	WEST CAP QUEEN SAND UNIT #4	03/2005

6. Because Operator met its compliance goal for the second six-month period, the OCD amended the Order to extend its terms by six months, requiring Operator to return at least 8 additional wells identified in Exhibit "A" of ACOI 216 to compliance with Part 25.8 by September 1, 2011, with at least 4 of the 8 wells being wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older.

7. Operator has filed a timely compliance report for the third six-month period, and the OCD has verified that OCD records indicate that Operator has returned the following 10 wells identified in Exhibit "A" of the Order to compliance:

<u>API</u>	<u>WELL</u>	<u>LAST PRODUCTION</u>
30-005-01059	DRICKEY QUEEN SAND UNIT #48	04/1995
30-025-00286	ROCK QUEEN UNIT #002	12/1992
30-005-00886	ROCK QUEEN UNIT #031	01/2002
30-005-00888	ROCK QUEEN UNIT #032	04/2001
30-005-00890	ROCK QUEEN UNIT #033	05/2002
30-005-00863	ROCK QUEEN UNIT #054	09/2002
30-005-00943	ROCK QUEEN UNIT #089	04/2001
30-005-00909	ROCK QUEEN UNIT #099	04/1996
30-005-00905	ROCK QUEEN UNIT #103	12/1992

8. Operator failed to return any wells having a date of last production or injection of 1990 or older into compliance as provided by the Order. Operator's compliance report indicates that Operator completed the work on 4 wells having a date of last production or injection of 1990 or older, but has not been able to return the wells to compliance due to construction delays with a tank battery. Operator indicates that tank battery construction will be completed in September 2011.

9. Under the terms of the Order, Operator is subject to a penalty of \$1,000 times the number of wells it failed to bring into compliance under its agreed schedule. Because Operator was required to bring to compliance with Part 25.8 by September 1, 2011 at least 4 additional wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older, Operator is subject to a civil penalty of \$4,000. The Order provides, however, that the OCD may waive the penalty and may exercise its discretion and amend the Order to extend its terms for an additional six-month period.

10. Ordering Paragraph 6 of ACOI 216 provides that if Operator returns more wells to compliance than the numbered required under the Order for that six-month period, the wells in excess of the numbered required will count towards the Operator's requirements for the next six-month period. However, none of the excess wells will count towards Operator's requirements for bringing at least 4 wells identified in Exhibit "A" with a date of last production or injection of 1990 or older to compliance in a six-month period unless the excess wells are identified in Exhibit "A" as having a date of last production or injection of 1990 or older.

11. The OCD has decided to waive the penalties and exercise its discretion and amend the Order to extend its terms for an additional six-month period, requiring Operator to return to compliance with Part 25.8 by March 1, 2012 at least 4 additional wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older.

CONCLUSIONS

1. Operator failed to meet its goal of returning at least 4 additional wells identified in Exhibit "A" as having a date of last production or injection of 1990 or older, but exceeded its goal of returning at least 4 other additional wells identified in Exhibit "A" of ACOI 216 to compliance with Part 25.8 by September 1, 2011.

2. The OCD will exercise its discretion and amend ACOI 216 to extend its terms through March 1, 2012 and require Operator to return to compliance by that date at least 4 additional wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older. None of the wells shall be wells identified in Findings Paragraphs 3, 5, and 7 above.

3. The OCD will waive the penalties that Operator was subject to for not meeting its compliance goal for the third six-month period.

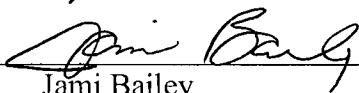
ORDER

1. Operator shall return at least 4 additional wells identified in Exhibit "A" of ACOI 216 as having a date of last production or injection of 1990 or older to compliance with Part 25.8 by March 1, 2012. None of the wells shall be wells identified in Findings Paragraphs 3, 5, and 7 above.

2. Operator shall file a written compliance report by March 12, 2012 identifying the wells returned to compliance in the fourth and final period, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status). The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us) and Assistant General Counsel Sonny Swazo (email: sonny.swazo@state.nm.us) so that it is received by the compliance deadline of March 1, 2012.

3. The terms of ACOI 216 otherwise remain in effect.

Done at Santa Fe, New Mexico this 23 day of Sept, 2011

By: 
Jami Bailey
Oil Conservation Division Director