

DATE IN 2.23.11	SUSPENSE	ENGINEER DKB	LOGGED IN 2.23.11	TYPE NSL	APP NO. 1105453515
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Celero 247128

RECEIVED OOD

STATE A #3

2011 FEB 23 11:25 AM
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ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
 Print or Type Name

David Catanach
 Signature

Agent for Celero Energy II, LP
 Title

2/23/2011
 Date

drcatanach@netscape.com
 E-Mail Address

February 23, 2011

HAND DELIVERED

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Daniel Sanchez
Acting Director

Re: Unorthodox Well Location
State "A" No. 3
1470' FSL & 880' FWL (Unit L) Surface Location
1372' FSL & 1273' FWL (Unit L) Bottom Hole Location
Section 2, Township 15 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Mr. Sanchez:

Pursuant to Division Rule 19.15.15.13 Celero Energy II, LP ("Celero") is seeking administrative approval of an unorthodox oil well location in the Denton-Devonian Pool (Oil-16910) for its proposed State "A" Well No. 3 which is to be drilled from a surface location 1470 feet from the South line and 880 feet from the West line (Unit L) to a bottom hole location 1372 feet from the South line and 1273 feet from the West line (Unit L) of Section 2, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico. *SW rules*

The State "A" No. 3 is to be dedicated to an existing 40-acre spacing and proration unit in the Denton-Devonian Pool comprising the NW/4 SW/4 of Section 2. This unit is currently dedicated to Celero's State "A" No. 1 (API No. 30-025-05244) located 1980 feet from the South line and 660 feet from the West line. This well was temporarily abandoned in July, 2007.

The State "A" No. 3 is located within the Denton-Devonian Pool. This pool is currently governed by Division Rule 19.15.15.9 which requires standard 40 acre spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the unit.

The Denton-Devonian Pool has historically been developed and produced on 40-acre spacing. The pool is underlain by a large aquifer that provides support for the combination water drive and solution gas drive mechanism that produced the pool. A reservoir/geologic study completed on this field demonstrated the potential for improved recovery in portions/areas of this reservoir by reactivating or re-drilling wells and through infill drilling.

Due to drainage considerations, a well at the proposed location should recover additional oil and gas reserves from the Devonian reservoir underlying the SW/4 of Section 2 that will otherwise not be drained by the existing well(s), thereby preventing waste.

In support of this application, the attached Table No. 1 shows the drainage area, estimated original oil in place (OOIP), estimated ultimate oil and gas recoveries (EUR), cumulative oil and gas production, and the latest producing oil and gas rates for the offset wells.

The average offset drainage area is 18.8 acres, and the average OOIP for this drainage area is 1863 MBO. Celero estimates that a well at the proposed unorthodox location will recover an additional 200 MBO and 200 MMCF of gas.

The proposed well is to be drilled as a deviated wellbore in order to avoid surface features such as pipelines and power lines that were in the vicinity of the vertical surface location associated with the planned bottom hole location of the well.

The affected offset acreage is the NE/4 SW/4 and S/2 SW/4 of Section 2. This affected offset acreage is contained within the State "T" Lease. Celero owns the producing rights and 100% of the working interest on this lease. Consequently, notice of this application to any other party is not required.

Also attached is a Form C-102 that shows the location of the proposed well and the offsetting wells.

In summary, approval of the application will provide Celero the opportunity to further develop the NW/4 SW4 of Section 2 in the Denton-Devonian Pool, thereby increasing the recovery of the oil and gas reserves underlying this tract, thereby preventing waste, and will not violate correlative rights.

Celero anticipates moving a drilling rig onto this well location within the next 10 days, consequently, Celero requests expedited approval of this application.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach
Agent for Celero Energy II, LP
400 W. Illinois Avenue
Suite 1601
Midland, Texas 79701

Xc: OCD-Hobbs District Office

Celero Energy II, LP
Application for Unorthodox Well Location
State "A" No. 3

Table No. 1
Offset Wells Drainage Area, OOIP, EUR, Cumulative Oil and Gas Production, and Producing Oil and Gas Rates

Operator	Well Name	Unit	Reservoir	Well Status	Last Prodn Date (Mo/Yr)	Cum Oil (MBO)	Cum Gas (MMCF)	Last Oil Prodn (BOPD)	Last Gas Prodn (MCFPD)	EUR (MBO)	EUR (MMCF)	Est. OOIP** (MBO)	Est. Drainage Area** (Acres)
Celero Energy	State "A" No. 1 *	L	Devonian	TA	07/2007	1,232	579	0	10	1,605	952	3,728	17.2
Celero Energy	State "T" No. 3 *	K	Devonian	P&A	06/2007	1,637	1,108	25	35	1,832	1,303	3,894	18.8
Celero Energy	State "T" No. 4 *	M	Devonian	Shut-in	09/2007	1,151	715	17	20	1,548	1,112	3,974	15.6
Celero Energy	State "T" No. 1	N	Devonian	P&A	12/1971	1,409	750	120	120				
Celero Energy	State "T" No. 7 *	N	Devonian	Shut-in	04/2004	668	763	55	60	2,503	1,988	4,255	23.5
Celero Energy	State "T" No. 9 *	N	Devonian	TA	03/2005	213	262	20	20				

* EUR estimates are based on incremental oil and gas recoveries as a result of reactivating or drilling replacement wells for the subject wells.

** The drainage areas were calculated from estimated OOIP volumes generated from contoured isopach maps and from log calculations and data.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised July 16, 2010
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number N/A	Pool Code 16910	Pool Name Denton-Devonian Pool
Property Code	Property Name State A	Well Number 3
OGRID No. 247128	Operator Name Celero Energy II, LP	Elevation 3802'

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	2	15 South	37 East		1470'	South	880	West	Lea

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	2	15 South	37 East		1372'	South	1273	West	Lea
Dedicated Acres 40	Joint or Infill	Consolidate Code	Order No.						

No Allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the Division

				<p align="center">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottomhole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofor entered by the Division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p>
				<p align="center">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number _____</p>

State "A" No. 1
(TA)

Surface Location

880'

1273'

1470'

1372'

State "T" No. 4
(Shut-In)

State "T" No. 7
(Shut-In)

State "T" No. 1
(SWD Well)

State "T" No. 9
(TA)

BHL