



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Harrison H. Schmitt
Cabinet Secretary-Designate

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Administrative Order WFX-883

March 24, 2011

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 has made application (*administrative application reference No. pTGW1105957882*) to the Division for permission to expand the Rock Queen CO2 Pilot Project by converting the Rock Queen Unit Well No. 701, No. 702, and No. 703 to CO2/Water injection wells and the Rock Queen Unit Well No. 704 to a water injection well in the Caprock-Queen Pool (8551) in Section 36, Township 13 South, Range 31 East, NMPM, 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 26.8C(2). The proposed injection wells are eligible for conversion to injection under the terms of Rule 26.8. The operator is in compliance with Rule 5.9.

The proposed expansion of the above-referenced waterflood project, will prevent waste, is in the best interests of conservation, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED THAT:

Celero Energy II, LP (OGRID No. 247128) is hereby authorized to inject water, CO2 and produced gas into the Queen formation, Caprock-Queen Pool, through selected perforations within the unitized interval from approximately 3,000 feet to 3,100 feet through plastic-lined tubing set in packers located within 100 feet of the top of the injection intervals in the following-described wells for purposes of secondary recovery:



API	RQU Well #	Unit	Sec	Tsp	Rge	Est. Interval	Tubing	Surf Pressures Water/Gas
30-005-29159	701	D	36	13S	31E	3030-3070 est. perfs	2.375	800/1,200
30-005-29160	702	C	36	13S	31E	3035-3075 est. perfs	2.375	800/1,200
30-005-29161	703	D	36	13S	31E	3025-3060 est. perfs	2.375	800/1,200
30-005-29162	704	C	36	13S	31E	3040-3075 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 control devices or acceptable substitute that will limit the surface injection pressure to no more than **800 pounds per square inch (psi)**, while injecting water, and no more that **1,200 psi** while injecting CO₂ and or produced gas. Order No. R-1541-A, as amended, approved these CO₂ and water injection pressures on a unite-wide basis.

The injection wells or pressurization system 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.

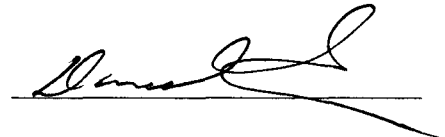
The operator shall notify the supervisor of the District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

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, and Rules 26.9 through 26.13 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 at least one of 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.

A handwritten signature in black ink, appearing to read 'Daniel Sanchez', is written over a horizontal line.

Daniel Sanchez
Acting Division Director

DS/tw

cc: Oil Conservation Division –Hobbs