



New Mexico Energy, Minerals and Natural Resources Department

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Administrative Order WFX-885

May 4, 2011

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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. pTGW1109739603*) to the Division for permission to add two (2) injection wells to its Rock Queen Unit CO₂ Pilot Project in the Caprock-Queen Pool (8551) 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 19.15.26.8C(2). The proposed injection 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.

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	Interval	Tubing	Surf Pressures Water/Gas
30-005-00935	90	K	36	13S	31E	3062-3069 O.H.	2.375	800/1,200
30-005-00933	92	M	36	13S	31E	3065-3085 O.H.	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.

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.

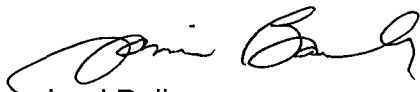
The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-1541-A, and Rules 19.15.26.9 through 19.15.26.13 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.

Sincerely,



Jami Bailey
Director

JB/tw

cc: Oil Conservation Division –Hobbs