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November 13, 2012

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14942

Dear Florene:

Enclosed for filing, on behalf of Celero Energy II, LP, is an application for expansion of the Rock Queen Unit enhanced recovery project, together with a proposed advertisement. Please set this matter for the December 13, 2012 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Celero Energy II, LP

Parties Being Notified

Bureau of Land Management

Commissioner of Public Lands

Oil Conservation Division
Hobbs Office

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CELERO ENERGY II, LP
TO EXPAND THE WATERFLOOD PROJECT
AND TERTIARY RECOVERY PROJECT FOR
THE ROCK QUEEN UNIT, AND TO QUALIFY
THE EXPANDED PROJECT FOR THE
RECOVERED OIL TAX RATE, CHAVES AND
LEA COUNTIES, NEW MEXICO.

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Case No. 14942

APPLICATION

Celero Energy II, LP, whose address is Suite 1601, 400 West Illinois Avenue, Midland, Texas 79701, applies for an order approving an expansion of the waterflood project and tertiary recovery project in the Rock Queen Unit (the "Unit Area"), and qualifying the expanded project for the recovered oil tax rate. In support thereof, applicant states:

1. Applicant is the operator of the Unit Area, which covers the lands located in Chaves and Lea Counties, New Mexico described below:

Township 13 South, Range 31 East, N.M.P.M.

Section 22: E $\frac{1}{2}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, and E $\frac{1}{2}$ SW $\frac{1}{4}$
Section 23: W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, and S $\frac{1}{2}$
Section 24: SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 25: All
Section 26: All
Section 27: E $\frac{1}{2}$ and E $\frac{1}{2}$ NW $\frac{1}{4}$
Section 34: NE $\frac{1}{4}$ and S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$
Section 36: All

Township 13 South, Range 32 East, N.M.P.M.

Section 19: Lot 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$
Section 30: Lots 1-4, NE $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, and SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 31: Lot 1

Containing 4939.77 acres, more or less, of federal, state, and fee lands.

2. The unitized interval is the Queen formation, as further described in the Unit Agreement for the Unit Area.

3. Under Division regulations, the Queen formation is developed on statewide rules, with 40 acre well spacing, and wells to be located no closer than 330 feet to a quarter-quarter section line.

4. A waterflood project was previously approved for the Unit Area, as described in Commission Order No. R-1541. In 2010, Division Order Nos. R-1541-A and R-1541-B approved expansion of the waterflood project, and institution of a tertiary recovery project (named the Rock Queen CO2 Pilot Project), for the Unit Area, comprised of the following lands:

Township 13 South, Range 31 East, N.M.P.M.

Section 25: N $\frac{1}{2}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, and NE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 26: All

Section 36: N $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ NW $\frac{1}{4}$

Township 13 South, Range 32 East, N.M.P.M.

Section 30: Lots 1, 2, and NE $\frac{1}{4}$ NW $\frac{1}{4}$

5. Applicant seeks to expand the waterflood project and tertiary recovery project to cover the entire Unit Area. A plat outlining the Unit Area, initial project area, and well locations, is attached hereto as Exhibit A. A list of expansion area wells, and their status, is attached hereto as Exhibit B.

6. Applicant requests that additional injection wells be approved administratively.

7. Applicant further requests that the expanded Rock Queen Unit enhanced recovery project be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act (L. 1992, ch. 38) and Division regulations.

8. A Form C-108 for the project will be submitted separately.

9. Approval of this application will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order approving the injection application.

Respectfully submitted,

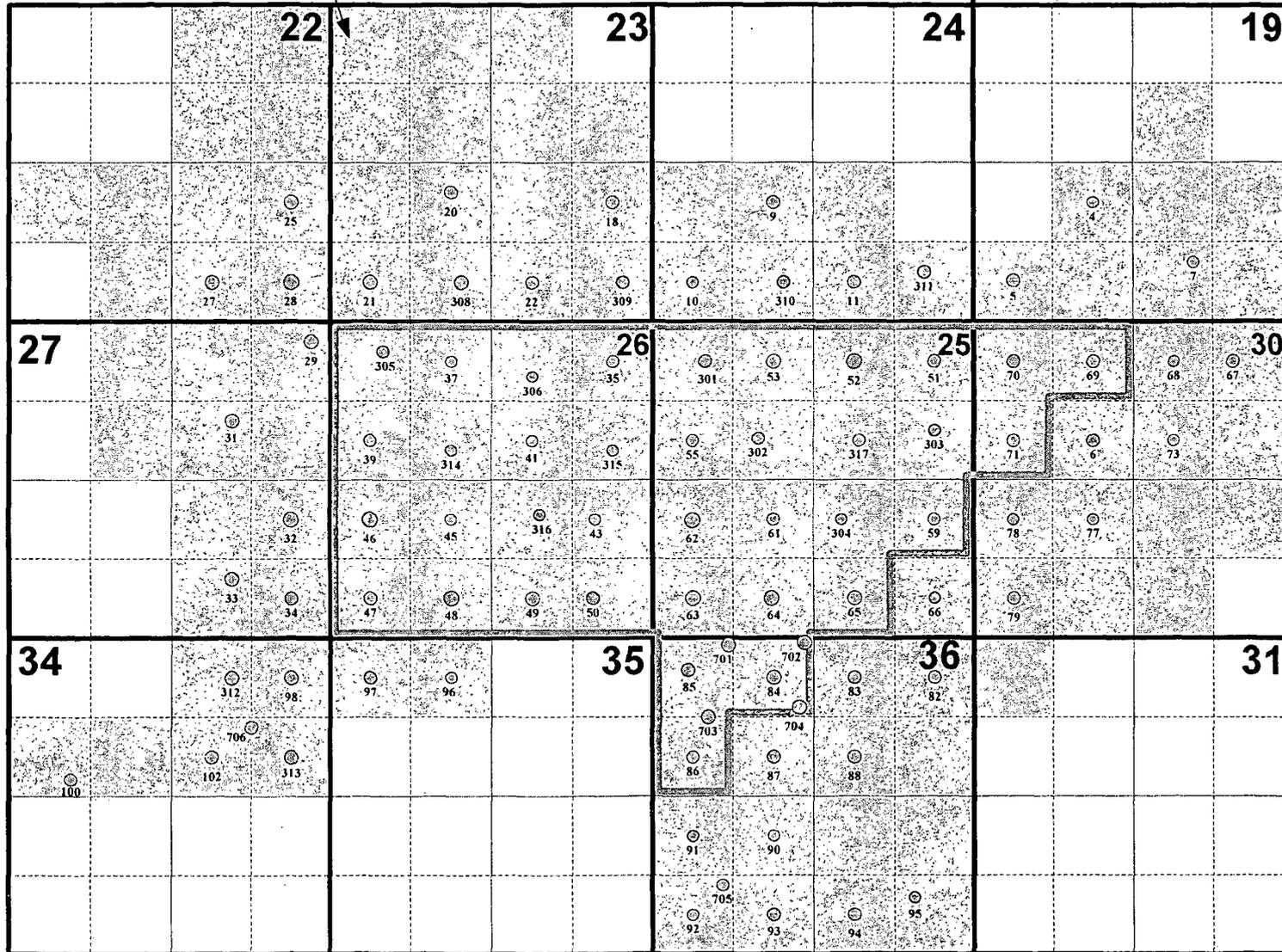
A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Celero Energy II, LP

Rock Queen Unit
Area Boundary 31E

32E



13S

EXHIBIT
A

Proposed CO2 Area
Current Pilot CO2 Area

Injection Wells
Producing Wells

Caprock - Rock Queen Unit									
Expansion Area Wells									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Well No.	Original Well Name	API Number xx-xxxxx	Footage	Location			Planned Well Type	Current Well Status	
				Unit Loc.	S	T			R
4	State #1-331	3002500291	1980' FSL & 1980' FWL	19K	19	13S	32E	Prod	Active-Monitor
5	State 333 #1-333	3002500292	660' FSL and 660' FWL	19M	19	13S	32E	Prod	Active-Monitor
7	State #2-335	3002500294	660' FSL & 1980' FEL	19O	19	13S	32E	Prod	Active-Prod
106	State Caprock A #1	3002500284	660' FSL & 1980' FWL	19N	19	13S	32E	P&A	P&A
9	State W #1	3000500839	1980' FSL & 1980' FWL	24K	24	13S	31E	Prod	Active-Monitor
10	State W #3	3000500841	660' FSL & 660' FWL	24M	24	13S	31E	Prod	Active-Monitor
24N	State W #2	3000500840	660' FSL & 1980' FWL	24N	24	13S	31E	P&A	P&A
310	Replacement well	3000529155	660' FSL & 2100' FWL	24N	24	13S	31E	Inj	Active-Monitor
11	Chaves State AH #1	3000500844	660' FSL & 1980' FEL	24O	24	13S	31E	Prod	Active-prod
24P	Chaves State A #1	3000500846	330' FSL & 990' FEL	24P	24	13S	31E	P&A	P&A
311	Replacement well	3000529156	420' FSL & 930' FEL	24P	24	13S	31E	Inj	Active-Monitor
18	State AH #8	3000500821	1980' FSL & 990' FEL	23I	23	13S	31E	Prod	Active-Monitor
20	Chaves State BM #7	3000500830	1980' FSL & 1980' FWL	23K	23	13S	31E	Prod	Active-Monitor
21	Chaves State BM #2	3000500825	660' FSL & 660' FWL	23M	23	13S	31E	Prod	Active-Prod
23N	Chaves State BM A #6	3000500829	660' FSL & 1980' FWL	23N	23	13S	31E	P&A	P&A
308	Replacement well	3000529158	660' FSL & 2100' FWL	23N	23	13S	31E	Inj	Active-Monitor
22	State XX #1	3000500834	660' FSL & 1980' FEL	23O	23	13S	31E	Prod	Active-Monitor
23P	Chaves State BM #1	3000500833	660' FSL & 990' FEL	23P	23	13S	31E	P&A	P&A
309	Replacement well	3000529154	660' FSL & 510' FEL	23P	23	13S	31E	Inj	Active-Monitor
25	State #5	3000500816	1980' FSL & 660' FEL	22I	22	13S	31E	Prod	Active-Monitor
27	State E 4191 #1-22	3000500812	660' FSL & 1980' FEL	22O	22	13S	31E	Prod	Active-Monitor
28	Werner State #1	3000500819	660' FSL & 660' FEL	22P	22	13S	31E	Inj	Active-Inj
29	Malco Federal #1	3000500883	330' FNL & 330' FEL	27A	27	13S	31E	Prod	Active-Monitor
31	Malco Federal #4	3000500886	1650' FNL & 1980' FEL	27G	27	13S	31E	Prod	Active-Monitor
27H	Malco Federal #2	3000500884	1980' FNL & 330' FEL	27H	27	13S	31E	P&A	P&A
32	Federal Hinkle #2	3000500888	1980' FSL & 660' FEL	27I	27	13S	31E	Prod	Active-Monitor
33	Federal Hinkle #4	3000500890	990' FSL & 1650' FEL	27O	27	13S	31E	prod	Active-Monitor
34	Federal Hinkle #1	3000500887	660' FSL & 660' FEL	27P	27	13S	31E	Inj	Active-Inj
66	Ethyl #4	3000500862	660' FSL & 660' FEL	25P	27	13S	31E	Inj	Active - Inj
67	State #3-315	3002500306	660' FNL & 990' FEL	30A	30	13S	32E	Prod	Active-Prod
68	State #1-315	3002500304	660' FNL & 1980' FEL	30B	30	13S	32E	Inj	Active-Inj
6	State #2-340	3002500308	1980' FNL & 1980' FWL	30F	30	13S	32E	Inj	Active-Inj
73	State #2-315	3002500305	1980' FNL & 1980' FEL	30G	30	13S	32E	Prod	Active-Prod
77	Carper Superior A #1	3002500298	1980' FSL & 1980' FWL	30K	30	13S	32E	Prod	Active-Prod
78	State #2-335 B	3002500310	1980' FSL & 660' FWL	30L	30	13S	32E	Inj	Active-Inj
79	State #3-335 B	3002500311	660' FSL & 660' FWL	30M	30	13S	32E	Prod	Active-Prod
82	State U #16	3000500945	660' FNL & 660' FEL	36A	36	13S	31E	Prod	Active-Prod
83	State U #9	3000500938	660' FNL & 1980' FEL	36B	36	13S	31E	Inj	Active-Inj
87	State U #7	3000500936	1980' FNL & 1980' FWL	36F	36	13S	31E	Inj	Active-Inj
88	State U #10	3000500939	1980' FNL & 1980' FEL	36G	36	13S	31E	Prod	Active-Prod
90	State U #6	3000500935	1980' FSL & 1980' FWL	36K	36	13S	31E	Prod	Active-Inj
91	State U #3	3000500932	1980' FSL & 660' FWL	36L	36	13S	31E	Inj	Active-Inj
92	State U #4	3000500933	660' FSL & 660' FWL	36M	36	13S	31E	Prod	Active-Inj
93	State U #5	3000500934	660' FSL & 1980' FWL	36N	36	13S	31E	Inj	Active-Inj
94	State U #12	3000500941	660' FSL & 1980' FEL	36O	36	13S	31E	Prod	Active-Prod
704	New Drill	3000529162	1309' FNL & 2629' FWL	36C	36	13S	31E	Inj	Active-Inj
705	New Drill	3000529166	1160' FSL & 1305' FWL	36M	36	13S	31E	Prod	Active-Prod
96	Woolley Queen #2	3000500928	660' FNL & 1980' FWL	35C	35	13S	31E	Prod	Active-Prod
97	Woolley Queen #3	3000500929	660' FNL & 660' FWL	35D	35	13S	31E	Inj	Active-Inj
98	Browning #1	3000500904	660' FNL & 660' FEL	34A	34	13S	31E	Prod	Active-Inj
312	Replacement well	3000529181	500' FNL & 1650' FEL	34B	34	13S	31E	Inj	Active-Inj
99	C. A. Browning #6	3000500909	660' FNL & 1650' FEL	34B	34	13S	31E	P&A	P&A
102	Clyde Browning #3	3000500906	1980' FNL & 1980' FEL	34G	34	13S	31E	Prod	Active-Inj
103	C. A. Browning #2	3000500905	1980' FNL & 660' FEL	34H	34	13S	31E	P&A	Active-Inj
313	Replacement well	3000529182	1980' FNL & 500' FEL	34H	34	13S	31E	Inj	Active-Inj
706	New Drill	3000529167	1478' FNL & 1330' FEL	34G	34	13S	31E	Prod	Active-Prod

EXHIBIT **B**

PROPOSED ADVERTISEMENT

Case No. 11942

Application of Celero Energy II, LP to expand the waterflood project and tertiary recovery project for the Rock Queen Unit, and to qualify the expanded project for the recovered oil tax rate, Chaves and Lea Counties, New Mexico. Applicant seeks approval to expand the waterflood project and tertiary recovery project for the Rock Queen Unit by the injection of water and carbon dioxide into the Queen formation into wells located on 4939.77 acres of federal, state, and fee lands covering all or parts of Sections 22-27 and 34-36 of Township 13 South, Range 31 East, N.M.P.M., and Sections 19, 30, and 31 of Township 13 South, Range 32 East, N.M.P.M. Applicant further seeks to qualify the expanded enhanced recovery project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5). The unit area is centered approximately 17 miles south-southwest of Caprock, New Mexico.

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