

Brooks, David K., EMNRD

From: David Catanach [drcatanach@netscape.com]
Sent: Wednesday, November 17, 2010 2:22 PM
To: Brooks, David K., EMNRD; Warnell, Terry G, EMNRD
Cc: Bruce Woodard; Mike Metza; James Bruce
Subject: Order No. R-1541-A

14504

Mr. Brooks/Mr. Warnell,

Thanks for the timely entry of Order No. R-1541-A for Celero Energy II, LP.

We would like to bring to your attention a couple of issues that may not have been completely addressed in the order. The first issue is related to Celero's request to increase the surface injection pressure on all existing and future injection wells within the Rock Queen Unit to 800 psi for water, and 1,200 psi for CO2 (See Page 39 of hearing transcript). We believe sufficient evidence was presented at the hearing (See Exhibit 33) to justify the pressure increase on a unit-wide basis. We further believe that the requested pressures are very conservative, and in fact calculate to a gradient of approximately 0.262 psi/ft. The evidence also demonstrates that the geologic properties of the Queen interval are uniform and continuous across the entire unit area.

Ordering Paragraph No. 12 references "the injection wells" with regards to the approval of the increased injection pressures. It is not clear whether "the injection wells" refers to all injection wells within the Rock Queen Unit, or the twelve (12) injection wells referenced in Ordering Paragraph No. 9. Again, we would request that 800 psi for water and 1,200 psi for CO2 injection be authorized for all existing and future injection wells within the Rock Queen Unit.

Issue No. 2 relates to Celero's request for approval to utilize seventeen (17) wells as monitor wells for a period of two years. (See Pages 43-45 of hearing transcript). Exhibit No. 28 shows the locations of the proposed monitor wells. Of the seventeen wells, eight are shut-in producers, six are TA'd producers, and three are shut-in injection wells. The proposed monitor wells are currently considered inactive wells. Prior to the hearing, the plan to utilize these 17 wells as monitor wells within the pilot CO2 project was discussed in meetings with Gail MacQueston, Daniel Sanchez and William Jones. Gail and Daniel advised Celero that they did not have a problem with these wells being utilized as monitor wells, as long as the engineering bureau signed off on the plan. That was the reason this request was incorporated into the application. We believe that in order to execute an agreed compliance order with the enforcement/compliance bureau regarding these wells, we first need formal approval from the Division to utilize these wells as monitor wells, in accordance with the plan outlined at the hearing. Order No. R-1541-A does not appear to address this request at all. We would request that approval of Celero's plan for the proposed monitor wells be approved by the Division, either formally via entry of an amended order, or by other means the Division deems appropriate.

If I can answer any questions to aid in our request, please advise.

Thanks,

David Catanach