



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



March 1, 2012

Administrative Order WFX-895
Corrected

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-13387, Celero Energy II, LP has made application (*administrative application reference No. pTGW1202752153*) to the Division for permission to add an injection well to its Denton Devonian Waterflood Project in the Denton Devonian Pool (16910) in Lea 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 well is 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. However, the Woodford Shale in the T D Pope 36 well No. 5 sits on top of the Devonian interval at a depth of 12,000' to 12,100' and the packer cannot be set above this zone. The proposed packer setting depth of 316 feet above the top perforation in the 7 inch casing should be denied.

IT IS THEREFORE ORDERED THAT:

Celero Energy II, LP (OGRID No. 247128) is hereby authorized to inject water into the Devonian formation through plastic-lined tubing set in a packer located within 100 feet of the top of the Devonian interval (12,100) in the following-described well for purpose of secondary recovery:



T D Pope 36 Well No. 5 (API No. 30-025-05213)
1980' FNL, 330' FWL, Unit E, Sec 36, T14S, R37E, NMPM
Permitted Vertical Injection Interval (Perforated Hole): 12,116' – 12,619'
Packer can be no shallower than 12,000 feet
Maximum Surface Injection Pressure: 2,423 PSIG

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 operation into this well, 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 gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The wells shall pass an initial mechanical integrity test ("MIT") prior to initially commencing injection and prior to resuming injection each time the injection packer is unseated. All MIT testing procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure to 0.2 psi/ft. to the uppermost injection perforations, as shown above.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such 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 a valid step-rate test run in accordance with and acceptable to the Hobbs District Office.

The operator shall notify the supervisor of the Hobbs 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.

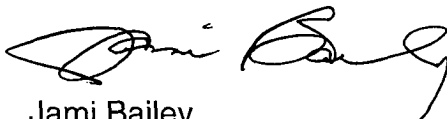
The operator shall immediately notify the supervisor of the Hobbs District Office of the failure of the tubing, casing or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-13387, 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 the subject well, 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,

A handwritten signature in black ink, appearing to read "Jami Bailey", written in a cursive style.

Jami Bailey
Director

JB/tw

cc: Oil Conservation Division –Hobbs