

State of New Mexico
Energy, Minerals and Natural Resources Department

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Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



Administrative Order IPI-458
December 18, 2013

Celero Energy II, LP
400 West Illinois, Suite 1601
Midland, Texas 79701
Attn: M.W. Metz

RE: Injection Pressure Increase

Disposal Permit: Order No. R-1541-C

Pool: Caprock; Queen (Chaves) Pool (Pool Code 8551)

Rock Queen Unit Well No. 309 API 30-005-29154

Unit letter P, Sec 23, T13S, R31E, NMPM, Chaves County, New Mexico

Dear Mr. Metz:

Reference is made to your request on behalf of Celero Energy II, LP (OGRID 247128) received by the Division on September 30, 2013, to increase the maximum allowed surface tubing pressure on the above named well.

This well was permitted by the Division for water alternating gas (WAG) injection in the Queen formation by Division hearing order R-1541-C approved April 8, 2013. The order expanded the Rock Queen Unit (CO₂) Tertiary Recovery Project within the existing Rock Queen Waterflood Unit and approved the use of carbon dioxide (CO₂) and produced gas for injection in this well. The order allowed injection through perforations from 3047 feet to 3080 feet with a maximum surface injection pressure of 800 psi for water and 1200 psi for gas.

It is our understanding that this well will not take a sufficient volume of fluid at the current pressure limit and a higher pressure limit is needed. It is also understood that an increase will not result in the fracturing of the formation and confining strata.

Based on a step-rate test for this well conducted on September 17, 2013, through 2 3/8-inch tubing, you are hereby authorized to inject at the following maximum surface tubing pressure:

Rock Queen Unit Well No. 309 API 30-005-29154 1250 psig for water; 1600 psig for gas

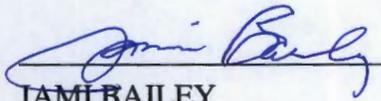
This approval is based on the provision that the tubing size, packer setting depth and completion interval for this well does not change. Any future requested pressure increase will require

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resubmission of additional data and a new step-rate test. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well. This approval is subject to your being in compliance with all other Division rules, including but not limited to Division Rule 19.15.5.9 NMAC.

The Division Director may rescind this permitted injection pressure increase if it becomes apparent that the injected fluid is not being confined to the permitted disposal interval or is endangering any fresh water aquifer.

Sincerely,



JAMI BAILEY
Director

JB/prg

cc: Oil Conservation Division – Hobbs District Office
State Land Office – Oil, Gas and Minerals Division
Case File No. 14942