

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Celero

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
 Print or Type Name

David Catanach
 Signature

Agent for Celero Energy II, LP
 Title

9/19/11
 Date

drcatanach@netscape.com
 E-Mail Address

September 19, 2011

Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey, CPG
Division Director

HAND DELIVERED

Re: Form C-108
Celero Energy II, LP
Rock Queen Unit Wells No. 314, 315 & 316
Caprock-Queen Pool (8551)
Chaves County, New Mexico

Dear Ms. Bailey,

Enclosed please find a Division Form C-108 (Application for Authorization to Inject) to expand the Rock Queen Unit CO2 Pilot Project. Division Order No. R-1541 dated November 30, 1959 established the Rock Queen Unit Area ("Unit Area") and approved secondary recovery operations within the Unit Area. By Order No. R-1541-A dated November 9, 2010 the Division authorized Celero Energy II, LP ("Celero") to institute a CO2 pilot project within a portion of the Unit Area. The following-described three wells were among the twelve total wells authorized by R-1541-A for CO2/Water (WAG) injection within the pilot area:

Well Name	API Number	Well Location
RQU No. 40	30-005-00877	1980' FNL & 1980' FWL (F) 26-13S-31E
RQU No. 42	30-005-00871	1980' FNL & 660' FEL (H) 26-13S-31E
RQU No. 44	30-005-00873	1980' FSL & 1980' FEL (J) 26-13S-31E

Celero has elected not to utilize the Rock Queen Unit Wells No. 40, 42 and 44 for injection. Consequently, Celero has plugged and abandoned the Rock Queen Unit Wells No. 40, 42 and 44.

Celero now proposes to drill and complete three new wells as WAG injectors as replacement wells for the Rock Queen Unit Wells No. 40, 42 and 44. The Rock Queen Unit Wells No. 314, 315 and 316 are currently being drilled, or will be drilled in the near future. Celero seeks authority to utilize the Rock Queen Unit Wells No. 314, 315 and 316 as WAG injectors in order to complete an efficient production/injection pattern within the Unit Area. These wells are located in Section 26, Township 13 South, Range 31 East, NMPM, Chaves County, New Mexico.

Celero Energy II, LP
Form C-108, Application for Authorization to Inject
Rock Queen Unit Wells No. 314, 315 & 316
Page 2

All the required information is enclosed. If additional information is needed,
please contact me at (505) 690-9453.

Sincerely,

A handwritten signature in black ink that reads "David Catanach". The signature is written in a cursive style with a long horizontal stroke at the end.

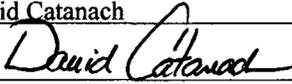
David Catanach
Agent for Celero Energy II, LP
400 W. Illinois, Suite 1601
Midland, Texas 79701

Xc: OCD-Hobbs

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? Yes No
- II. OPERATOR: Celero Energy II, LP
ADDRESS: 400 W. Illinois Avenue Suite 1601 Midland, Texas 79701
CONTACT PARTY: Mr. David Catanach PHONE: (505) 690-9453
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? Yes No
If yes, give the Division order number authorizing the project: R-1541 as amended, dated 11/30/1959. Also, R-1541-A dated 11/9/2010 approved CO2 injection within a pilot area contained within the Rock Queen Unit Area.
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: David Catanach TITLE: Agent for Celero Energy II, LP

SIGNATURE:  DATE: 9/19/11

E-MAIL ADDRESS: drcatanach@netscape.com

- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted.
Please show the date and circumstances of the earlier submittal: Case No. 14505 8/19/2010; WFX Nos. 880, 883 & 885

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

C-108 Application
Celero Energy II, LP
Rock Queen Unit Wells No. 314, 315 & 316
Section 26, T-13S, R-31E, NMPM
Chaves County, New Mexico

- I. The purpose of the application is to request approval to convert three (3) wells to CO₂/water (WAG) injection within the Rock Queen CO₂ Pilot Project/Rock Queen Unit, Caprock-Queen Pool, Chaves County, New Mexico, in order to complete an efficient injection/production pattern. The wells will be replacement wells for the Rock Queen Unit Wells No. 40, 42 and 44 which were approved as WAG injection wells by Order No. R-1541-A. Celero has elected not to utilize these wells for injection and has plugged the Rock Queen Unit Wells No. 40, 42 and 44.

- II. Celero Energy II, LP (“Celero”)
400 W. Illinois
Suite 1601
Midland, Texas 79701
Contact Party: Mr. David Catanach (505) 690-9453

- III. Injection well data sheets and wellbore diagrams for each injection well are attached showing the proposed wellbore configurations. **(Note: As of the date of filing of this application, Celero has not yet drilled and/or completed the wells. An estimated perforated injection interval is provided for all wells.**

- IV. This is an expansion of the Rock Queen CO₂ Pilot Project. The initial waterflood project within the Rock Queen Unit was approved by Division Order No. 1541 dated 11/30/1959. Order No. R-1541-A dated 11/9/2010 approved CO₂/Water (WAG) injection into the Rock Queen Unit CO₂ Pilot Project. Order No. R-1541-A also approved the statutory unitization of the Rock Queen Unit Area.

- V. Enclosed are maps that identify all wells/leases within a 2-mile radius of the proposed injection wells and a map that identifies the ½ mile “Area of Review” (“AOR”). **(Note: The 2-mile radius map shows the Rock Queen Unit boundary in yellow, and the Rock Queen CO₂ Pilot Project Area in blue. The ½ mile AOR map shows a red AOR outline and a grey AOR outline. The red AOR outline represents the AOR area that Celero presented as evidence in its Form C-108 in Case No. 14505 on August 19, 2010. The grey AOR outline represents the AOR area for the wells that are the subject of this application. With the exception of plugging schematics for the Rock Queen Unit Wells No. 40, 42, 44 and 54, all AOR well data was previously submitted in Case No. 14505, or in the**

administrative applications resulting in Orders No. WFX-880, WFX-883 and WFX-885.)

- VI. AOR well plugging diagrams for the Rock Queen Unit Wells No. 40, 42, 44 and 54 are attached. This data indicates that these wells are plugged so as to confine the injected fluid to the proposed injection interval. (**Note: Finding No. (28) of Order No. R-1541-A states that: "all wells in the Area of Review ("AOR") that have penetrated the Unitized Formation are properly cased and cemented to prevent vertical migration of injection fluids"**).
- VII. 1. The propose water injection rate is 600 BWPD per well, and the proposed maximum injection rate is 1,500 BWPD per well. The proposed average CO2 injection rate is 1,250 MCFGPD per well, and the proposed maximum injection rate is 3,000 MCFGPD per well. If the average or maximum rates increase in the future, the Division will be notified.
2. This will be a closed system.
3. The proposed average and maximum water injection pressure is 800 psi. The proposed average and maximum CO2 injection pressure is 1,200 psi. (**Note: In Case No. 14505, Celero presented extensive step rate test data for wells within the Rock Queen Unit to support a unit-wide injection pressure of 800 psi for water and 1,200 psi for CO2. Consequently, Order No. R-1541-A, as amended, approved these CO2 and water injection pressures on a unit-wide basis).**
4. Produced water from the Caprock-Queen Pool originating from wells within the Unit Area will be re-injected into the subject injection wells. In addition, Celero uses fresh make-up water as necessary. A representative formation water analysis obtained from the Celero Rock Queen Unit Well No. 84 is included. This formation water analysis shows total dissolved solids to be approximately 298,000 mg/L. Also attached is a fresh water analysis obtained from a fresh water well located in Section 35, T-13S, R-31E.
5. Injection is to occur into a formation that is oil productive.
- VIII. Geologic Age: Permian
Geologic Name: Queen (A member of the Artesian Group)
Average Thickness: 15 Feet (calculated from available core data)
Lithology: Shaly sandstone
Measured Depth: 3,000'-3,100'

USDW's: Ogallala is present at depths from 100'-200'

- IX. No stimulation is planned, however, should a stimulation treatment become necessary, then a mild 7 ½% NEFE HCL treatment with the appropriate additives will be used.
- X. Logs were filed at the time of drilling or will be filed subsequent to completion of drilling operations.
- XI. Attached is a water analysis from a fresh water well located in Unit F of Section 35, Township 13 South, Range 31 East, NMPM.
- XII. Affirmative statement is enclosed.
- XIII. Proof of Notice is enclosed.

INJECTION WELL DATA SHEET

OPERATOR: Celero Energy II, LP

WELL NAME & NUMBER: Rock Queen Unit No. 314 (API No. 30-005-29183)

WELL LOCATION: 2145' FNL & 1980' FWL F 26 13 South 31 East
FOOTAGE LOCATION UNIT LETTER SECTION TOWNSHIP RANGE

WELLBORE SCHEMATIC

See Attached Wellbore Schematic

WELL CONSTRUCTION DATA (PROPOSED)

Surface Casing

Hole Size: 11" Casing Size: 8 5/8" @ 350'

Cemented with: 270 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Intermediate Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ or _____ ft³

Top of Cement: _____ Method Determined: _____

Production Casing

Hole Size: 7 7/8" Casing Size: 5 1/2" @ 3,115'

Cemented with: 800 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Total Depth: 3,115' PBTD: 3,071'

Injection Interval (Estimated)

Queen Formation: 3,049'-3,062' Perforated

INJECTION WELL DATA SHEET

Tubing Size: 2 3/8" 4.7# J-55 Lining Material: Internally Plastic Coated

Type of Packer: Arrowset IX Packer

Packer Setting Depth: 3,000' or within 100' of the uppermost injection perforations

Other Type of Tubing/Casing Seal (if applicable): None

Additional Data

1. Is this a new well drilled for injection: Yes No

If no, for what purpose was the well originally drilled: _____

2. Name of the Injection Formation: Queen

3. Name of Field or Pool (if applicable): Caprock-Queen Pool (8551)

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used.

None

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area:

None

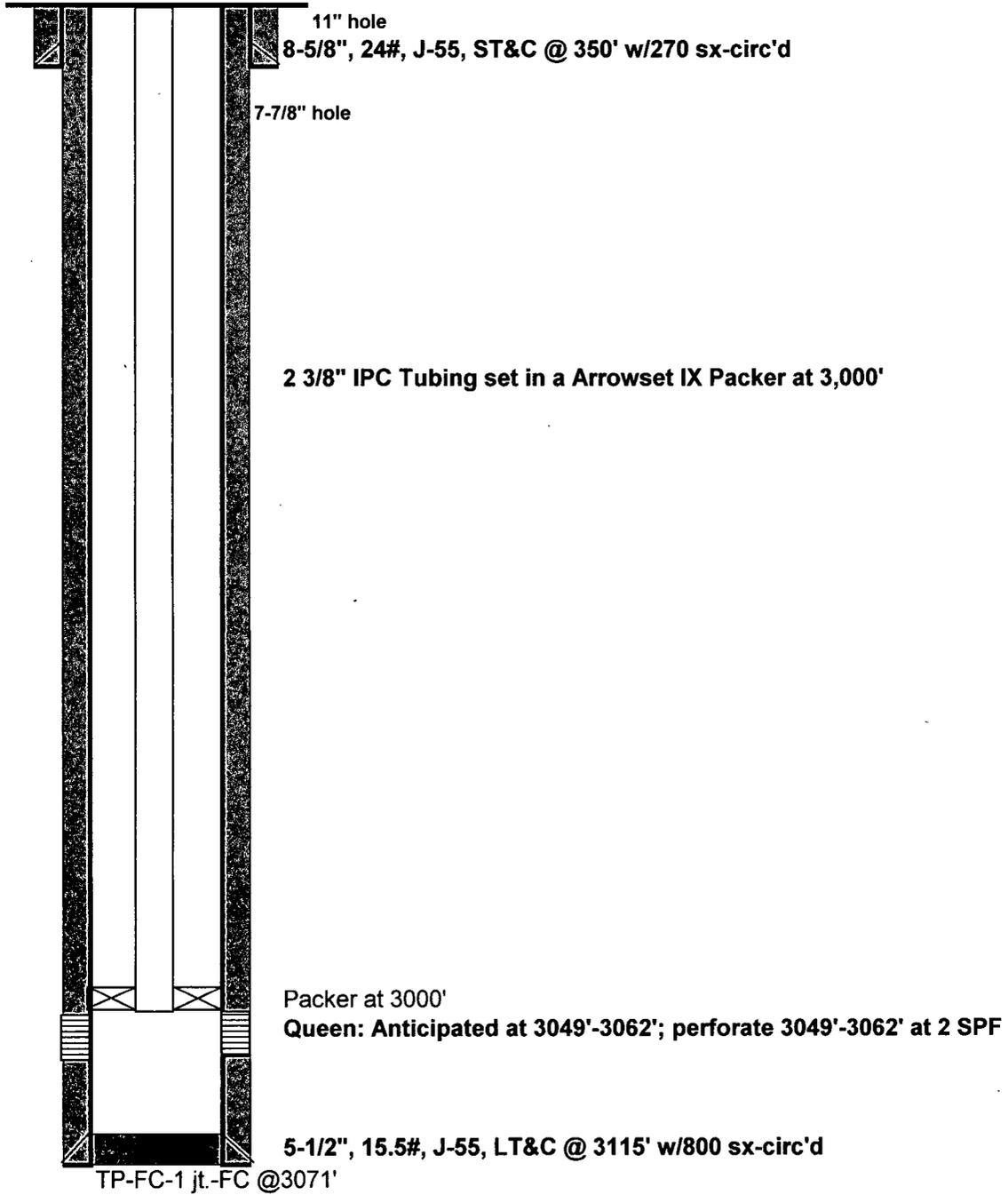
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen Unit
COUNTY: Chaves

DATE: Sep. 08, 2011
BY: MWM
WELL: 314
STATE: New Mexico

Location: 2145' FNL & 1980' FWL, Sec 26F, T13S, R31E
SPUD: 9/7/11 COMP:
CURRENT STATUS: Pending D&C

KB = 13' AGL
GL = 4411'
API = 30-005-29183



PBTD - 3071est
TD - 3115'

INJECTION WELL DATA SHEET

OPERATOR: Celero Energy II, LP

WELL NAME & NUMBER: Rock Queen Unit No. 315 (API No. 30-005-29184)

WELL LOCATION: 2140' FNL & 660' FEL H 26 SECTION 13 TOWNSHIP South RANGE 31 East
FOOTAGE LOCATION UNIT LETTER

WELLBORE SCHEMATIC

WELL CONSTRUCTION DATA (PROPOSED)

Surface Casing

See Attached Wellbore Schematic

Hole Size: 11" Casing Size: 8 5/8" @ 350'

Cemented with: 270 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Intermediate Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ or _____ ft³

Top of Cement: _____ Method Determined: _____

Production Casing

Hole Size: 7 7/8" Casing Size: 5 1/2" @ 3,125'

Cemented with: 800 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Total Depth: 3,125' PBTD: 3,081'

Injection Interval (Estimated)

Queen Formation: 3,060'-3,073' Perforated

INJECTION WELL DATA SHEET

Tubing Size: 2 3/8" 4.7# J-55 Lining Material: Internally Plastic Coated

Type of Packer: Arrowset IX Packer

Packer Setting Depth: 3,000' or within 100' of the uppermost injection perforations

Other Type of Tubing/Casing Seal (if applicable): None

Additional Data

1. Is this a new well drilled for injection: X Yes No

If no, for what purpose was the well originally drilled: _____

2. Name of the Injection Formation: Queen

3. Name of Field or Pool (if applicable): Caprock-Queen Pool (8551)

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used.

None

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area:

None

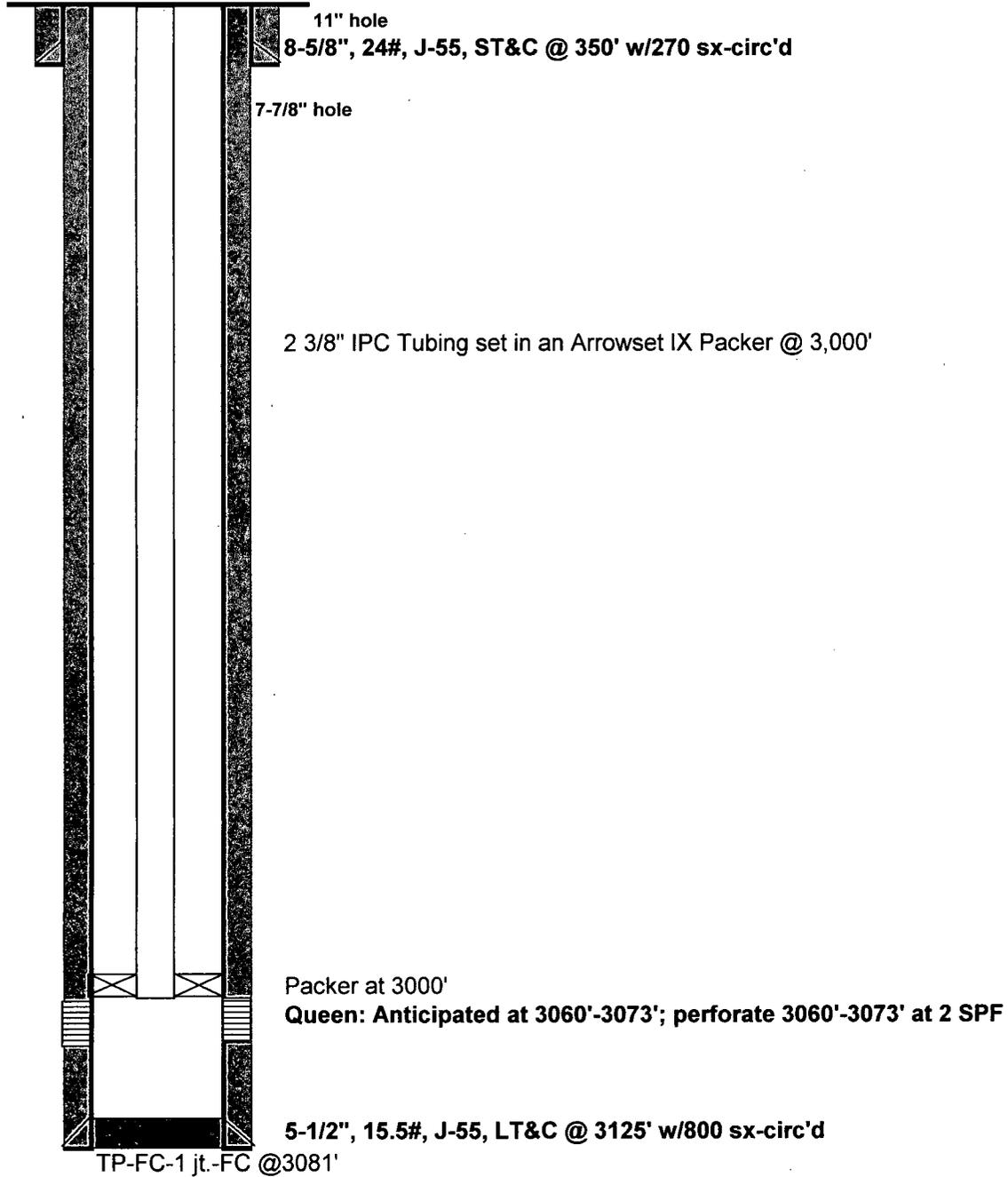
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen Unit
COUNTY: Chaves

DATE: Sep. 08, 2011
BY: MWM
WELL: 315
STATE: New Mexico

Location: 2140' FNL & 660' FEL, Sec 26H, T13S, R31E
SPUD: COMP:
CURRENT STATUS: Pending D&C

KB = 13' AGL
GL = 4411'
API = 30-005-29184



PBTD - 3081est
TD - 3125'

INJECTION WELL DATA SHEET

OPERATOR: Celero Energy II, LP

WELL NAME & NUMBER: Rock Queen Unit No. 316 (API No. 30-005-29185)

WELL LOCATION: 2080' FSL & 1830' FEL J 26 -13 South 31 East
FOOTAGE LOCATION UNIT LETTER SECTION TOWNSHIP RANGE

WELLBORE SCHEMATIC

See Attached Wellbore Schematic

WELL CONSTRUCTION DATA (PROPOSED)

Surface Casing

Hole Size: 11" Casing Size: 8 5/8" @ 350'

Cemented with: 270 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Intermediate Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ or _____ ft³

Top of Cement: _____ Method Determined: _____

Production Casing

Hole Size: 7 7/8" Casing Size: 5 1/2" @ 3,115'

Cemented with: 800 Sx. or _____ ft³

Top of Cement: Surface Method Determined: Circulate

Total Depth: 3,115' PBTD: 3,071'

Injection Interval (Estimated)

Queen Formation: 3,037'-3,050' Perforated

INJECTION WELL DATA SHEET

Tubing Size: 2 3/8" 4.7# J-55 Lining Material: Internally Plastic Coated

Type of Packer: Arrowset IX Packer

Packer Setting Depth: 3,000' or within 100' of the uppermost injection perforations

Other Type of Tubing/Casing Seal (if applicable): None

Additional Data

1. Is this a new well drilled for injection: Yes No

If no, for what purpose was the well originally drilled: _____

2. Name of the Injection Formation: Queen

3. Name of Field or Pool (if applicable): Caprock-Queen Pool (8551)

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used.

None

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area:

None

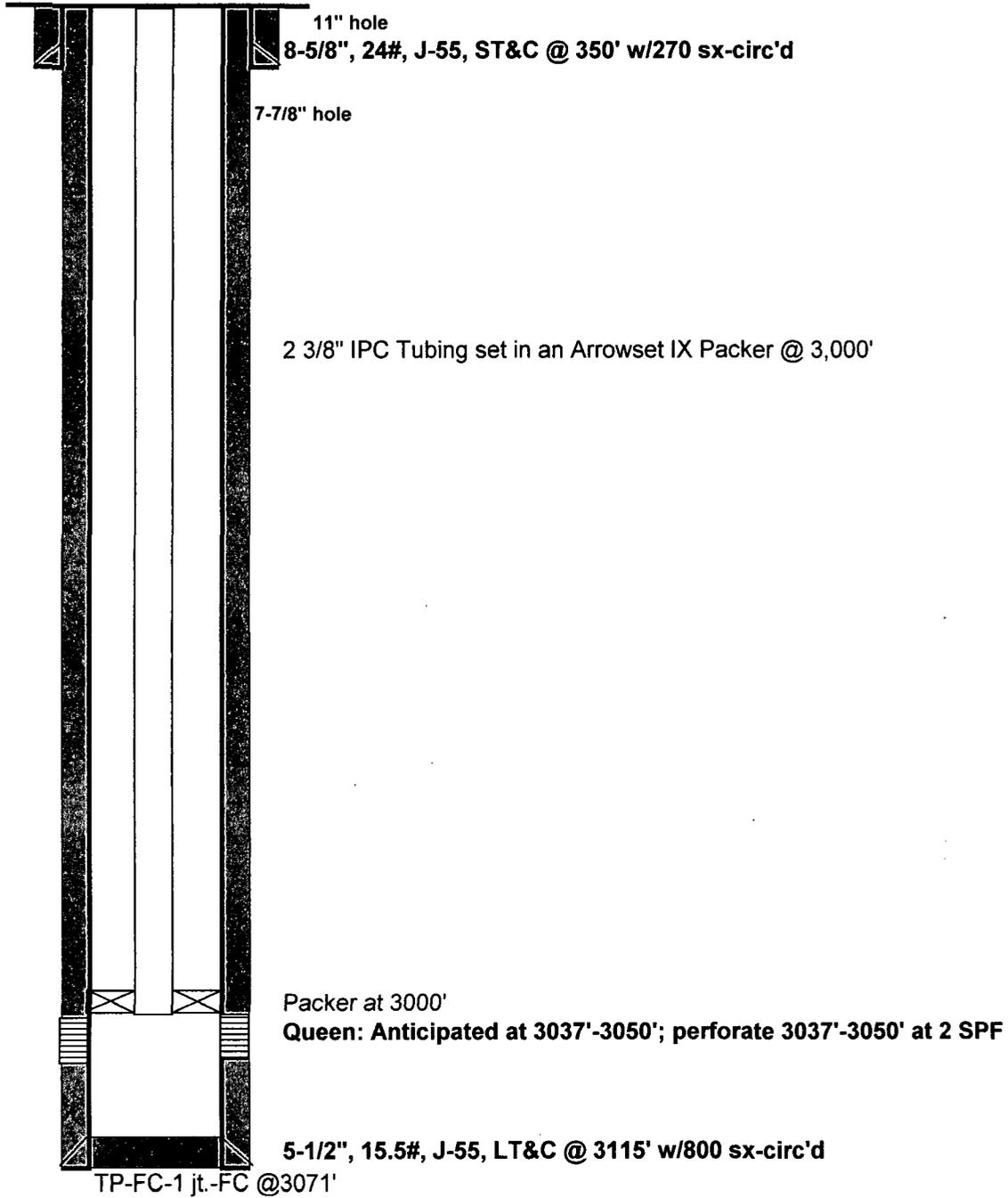
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen Unit
COUNTY: Chaves

DATE: Sep. 08, 2011
BY: MWM
WELL: 316
STATE: New Mexico

Location: 2080' FSL & 1830' FEL, Sec 26J, T13S, R31E
SPUD: COMP:
CURRENT STATUS: Pending D&C

KB = 13' AGL
GL = 4405'
API = 30-005-29185



PBTD - 3071est
TD - 3115'



Celero Energy

EXHIBIT #

STEP RATE TEST WELLS

Ratio Scale = 1 : 36,000

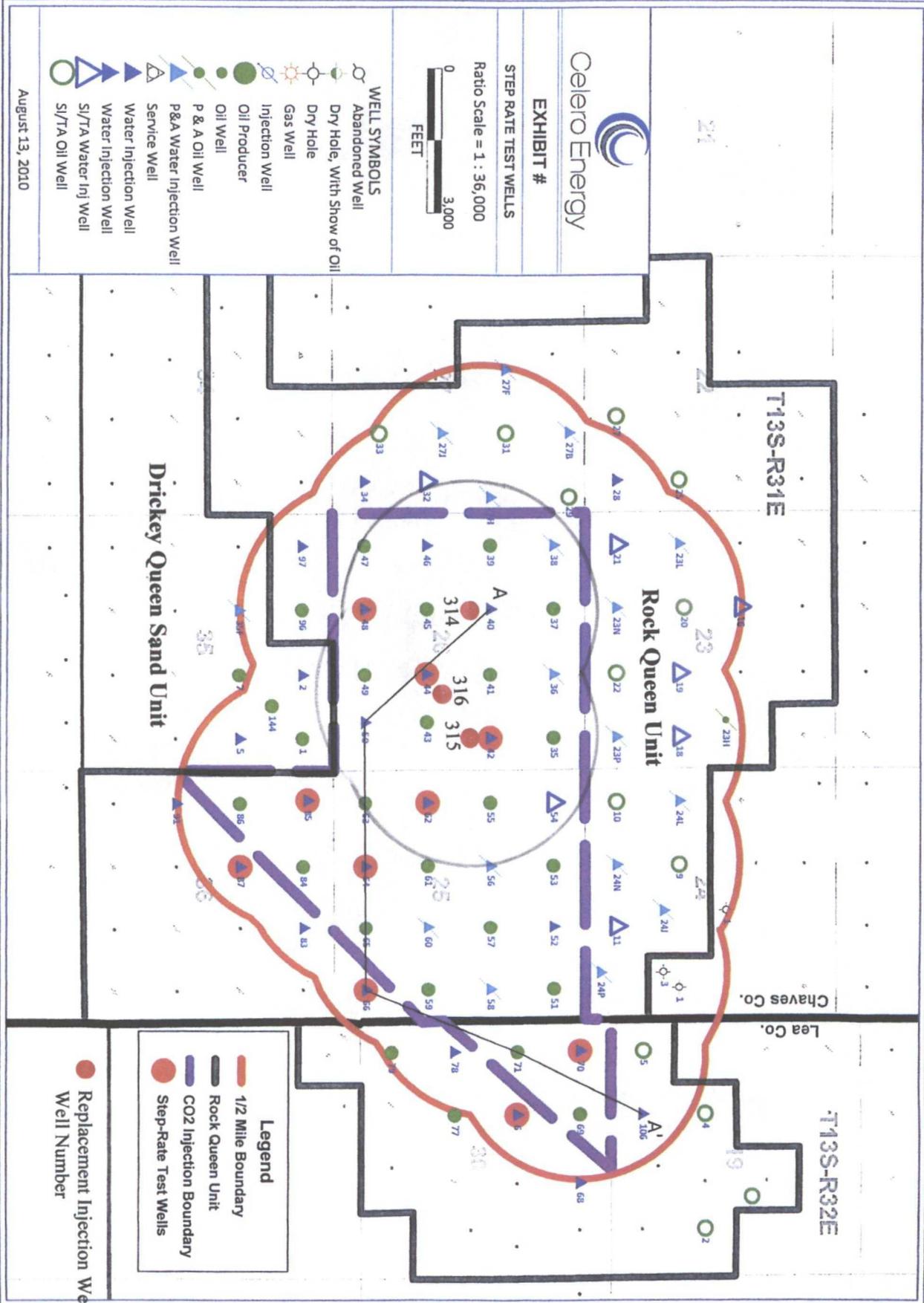


WELL SYMBOLS

- Abandoned Well
- Dry Hole, With Show of Oil
- Dry Hole
- Gas Well
- Injection Well
- Oil Producer
- Oil Well
- P & A Oil Well
- P&A Water Injection Well
- Service Well
- Water Injection Well
- S/TA Water Inj Well
- S/TA Oil Well

August 13, 2010

PCTVA 0/13/2010 10:02:31 AM



Legend

- 1/2 Mile Boundary
- Rock Queen Unit
- CO2 Injection Boundary
- Step-Rate Test Wells
- Replacement Injection Well
- Well Number

Form C-108

Celero Energy II, LP

Rock Queen Unit Wells No.

314, 315 & 316

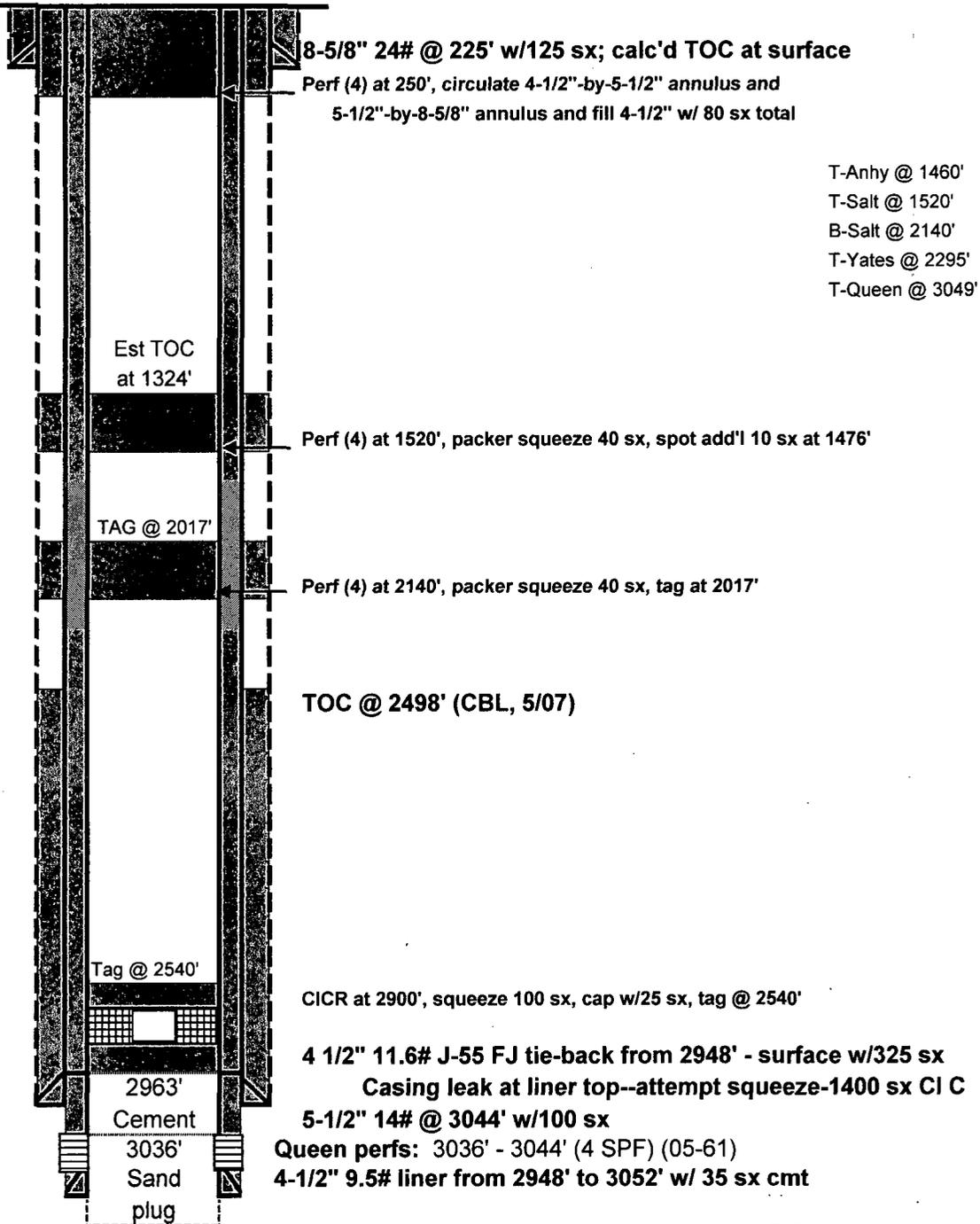
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen
COUNTY: Chaves

DATE: Sep. 09, 2011
BY: MWM
WELL: 40
STATE: New Mexico

Location: 1980' FNL & 1980' FWL, Sec 26F, T13S, R31ECM
 SPUD: 2/55 COMP: 2/55
 CURRENT STATUS: PA
 Original Well Name: State #11

KB = 4425'
GL = 4416'
API = 30-005-00877



PBTD - 3085'
 TD - 3085'

Celero Energy II, LP
Form C-108: RQU 314-316
PA Schematic
RQU No. 40

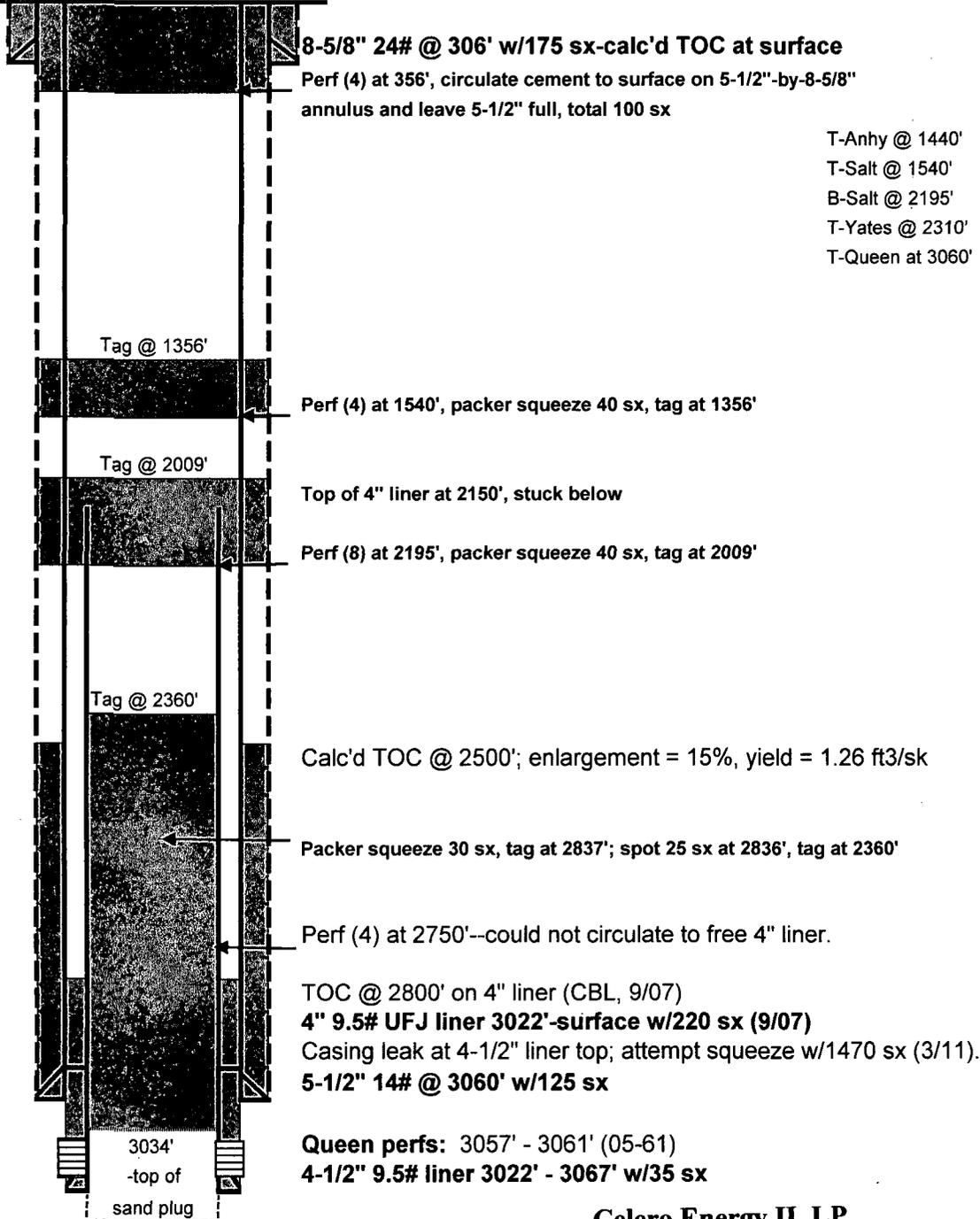
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen
COUNTY: Chaves

DATE: Sep. 09, 2011
BY: MWM
WELL: 42
STATE: New Mexico

Location: 1990' FNL & 660' FEL, Sec 26H, T13S, R31ECM
 SPUD: 4/55 COMP: 4/55
 CURRENT STATUS: PA'D 8/11
 Original Well Name: Levick State #1

KB = 4418'
GL = 4,408'
API = 30-005-00871



PBTD - 3088'
 TD - 3090'

Celero Energy II, LP
Form C-108: RQU 314-316
PA Schematic
RQU No. 42

Submit 1 Copy To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87418
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 October 13, 2009

HOBBS OCD
AUG 29 2011

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO.	30-005-00871
5. Indicate Type of Lease	STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name	Rock Queen Unit
8. Well Number	42
9. OGRID Number	247128
10. Pool name or Wildcat	Caprock; Queen
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other Injector

2. Name of Operator
 Celero Energy II, LP

3. Address of Operator
 400 W. Illinois, Ste. 1601
 Midland, TX 79701

4. Well Location
 Unit Letter H : 660 feet from the East line and 1980 feet from the North line
 Section 26 Township 13S Range 31E NMPM County Chaves

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input checked="" type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

8/4/11 - Pump @ 14.8 ppg, 30 sx Class "C" cmt w/ 2% CaCl2. Displaced cmt 1/2+ bbls below pkr (pkr @ 2804') to 2837'. WOC. TOH w/ tbg & pkr. Ran 2 3/8" tbg w/ 2 3/8" x 4" bull plugged perf nipple. Ran & tag @ 2837'. TOH w/ tbg & BPPN. NDBOP, install 4" pull nipple. Ran free point on 4" csg, working csg up & down. Found csg free @ 1600'.

8/5/11 - Ran free point after working 4" csg. Found free @ 2100' & 60% free @ 2150'. Checked depths @ 2750', 2500' & 2200', were 100% stuck. Perf @ 2750' & pressured up to 1000# to try to circ out 5 1/2" x 4" annulus to free 4" csg. Unable to free. Chemical cut 4" csg w/ 3 1/8" tool. Pulled 20K over weight & cut csg, came free. TOH w/ 46 jts & 3 pieces of 4" 9.5# UFJ J-55 csg (2150'). TIH w/ 2 3/8" OD tbg open ended to 2836'. Spot 25 sx of Class "C" cmt w/ 2% CaCl2 & spot from 2836'-2346'.

8/8/11 - Unable to get below top of 4" cut off csg @ 2150'. TIH w/ tbg WS & 3 3/8" bit. Ran & tag @ 2150'. C/O from 2150'-2360', tagging TOC. Circ hole clean & TOH. Perf 4" csg w/ 4 shots @ 2195'.

*Continued on attached sheet

Spud Date:

[Empty box for Spud Date]

Rig Release Date:

[Empty box for Rig Release Date]

Approved for plugging of well bore only.
 Liability under bond is retained pending receipt of C-103 (Subsequent Report of Well Plugging) which may be found at OCD Web Page under Forms, www.oemnr.state.nm.us/osd.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Lisa Hunt TITLE Regulatory Analyst DATE 08/24/2011

Type or print name Lisa Hunt E-mail address: lhunt@celeroenergy.com PHONE: (432)686-1883

For State Use Only

APPROVED BY: [Signature] TITLE State Rep DATE 8-30-2011

Conditions of Approval (if any):

AUG 30 2011

Rock Queen Unit #42

8/9/11 - C/O WB to 2262'. Circ clean, TOH. Re-ran pkr to 2110'. Unable to pump into perms w/ 1000#. TOH. Ran 2 1/8" perf gun w/ 4 shots. Unable to get past top of 4" csg @ 2150'. Re-ran bit on tbg, ran to 2262'. TOH. Ran 2 1/8" perf gun w/ 4 shots & re-perf 4" csg @ 2195'. TIH w/ tbg & 5 1/2" pkr. Ran to 2110' & pumped into perms @ 2195' w/ 1000# psi @ 1/2 BPM. Raise pkr to 1856'. Pump 5 BFW @ 0.6 BPM @ 1000# psi. Pump @ 14.8 ppg, 40 sx of Class "C" cmt w/ 2% CaCl2 & displaced to 1989', 3.5 bbls below pkr w/ 1200# & 1.0 BPM. SD psi = 900#.

8/10/11 - Tag cmt @ 2009'. Circ 9.6# mud laden fluid from 2009'-1334'. TOH w/ tbg. Perf 5 1/2" csg w/ cased gun w/ 4 SPF @ 1540'. Ran & set pkr @ 1070'. Pump 5 BFW ahead of cmt @ 350# & 1 1/2 BPM followed w/ 40 sx of Class "C" cmt w/ 2% CaCl2. Displaced cmt to 1356' @ 300#. WOC 3 1/2 hrs. TOH w/ tbg & pkr. TIH w/ tbg open ended & tag cmt @ 1356'. Circ 9.6# mud laden fluid from 1356' to surface. TOH w/ tbg. Perf 5 1/2" csg w/ 4 SPF @ 356'. Ran 1 jt of tbg open ended to 30'. Pump 100 sx of Class "C" cmt w/ 2% CaCl2 & circ cmt out 5 1/2" csg & 5 1/2" x 8 5/8" annulus. Circ out 10 sx. NDBOP & remove 5 1/2" WH. Cap well off.

* **8/11/11** - Cut off WH's & install dry hole marker. Well now P&A. ✓

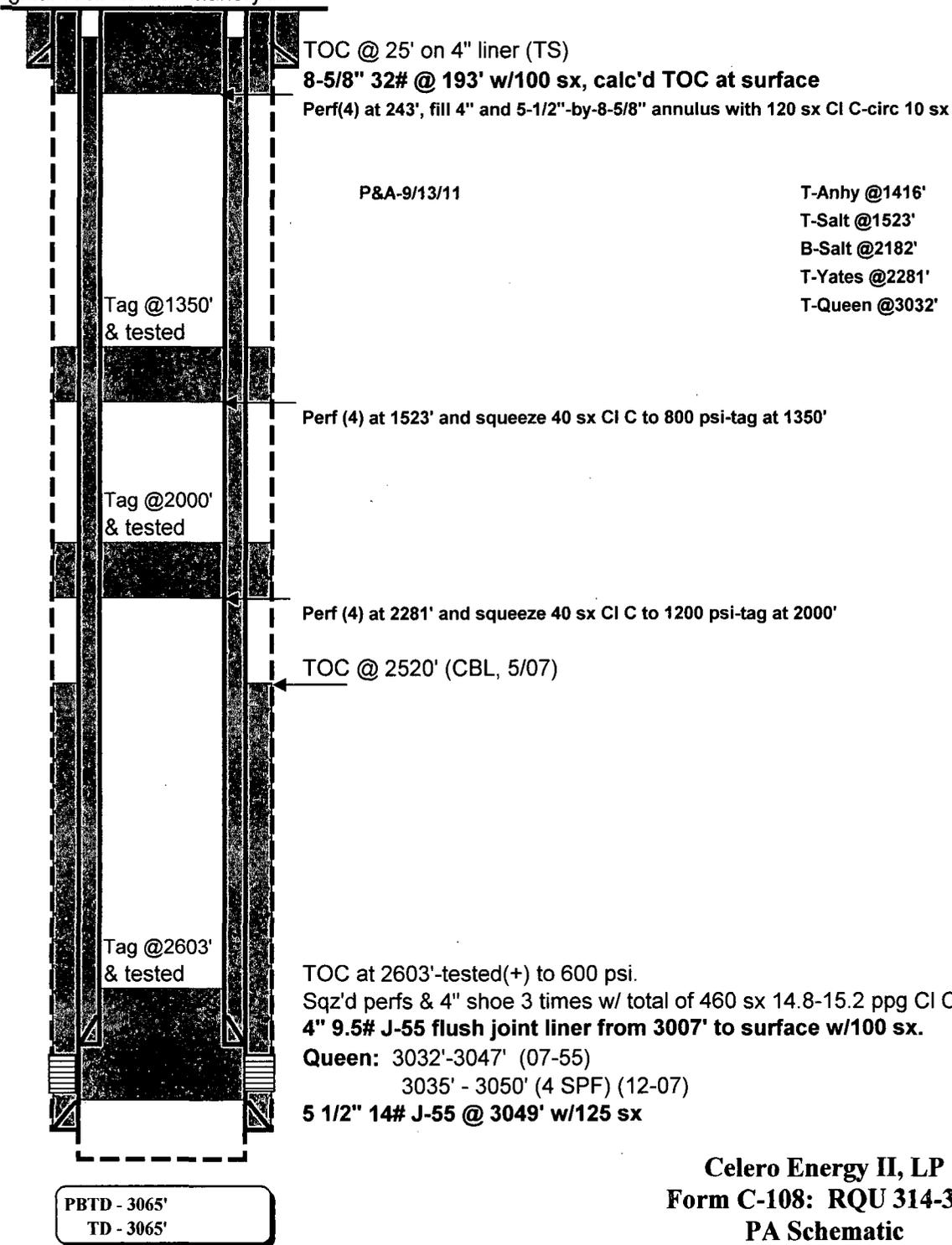
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen
COUNTY: Chaves

DATE: Sep. 15, 2011
BY: MWM
WELL: 44
STATE: New Mexico

Location: 1980' FSL & 1980' FEL, Sec 26J, T13S, R31ECM
 SPUD: 7/55 COMP: 7/55
 CURRENT STATUS: P & A
 Original Well Name: Manery #1

KB = 4406'
GL =
API = 30-005-00873



Celero Energy II, LP
Form C-108: RQU 314-316
PA Schematic
RQU No. 44

Well History: Rock Queen Unit # 44

(07-55) - Initial Completion: Orig comp thru perfs 3032'-3047'. Flowed 1076 BOPD natural.

(2-61) - Converted to Injector: Converted to water injection well. Ran 2-3/8" IPC tbg on set @ 2985'.

(12-07) - Workover: Pulled 2 3/8" IPC injection tubing and packer. Repaired wellhead. Pressure tested casing to 2954' to 500 psi, tested OK. CO/DO well to new TD @ 3065' (16' deepening). Ran GR/CCL/CN/CBL logs, TOC @ 2520'. Reperforated Queen 3035' - 3050' (16' net, 4 SPF, 60 shots). Ran 2 3/8" 4.7# J-55 IPC injection tubing and Arrowset 1X packer, and set packer @ 2890'. Acidized Queen (3035' - 3050') w/ 2,000 gal 7 1/2% NEFE acid and 1000# rock salt in three stages, @ 3.5 BPM and 2000# avg STP. Returned well to water injection.

(3-08) - Workover: Ran & set composite BP @ 3008'. Ran 95 jts. 4" 9.5# J-55 flush jt. Ultra Thread csg w/ guide shoe. Set Guide shoe @ 3007'. Mixed & pumped 100 sx Class C cmt w/ 2% CaCl & 1/4# celloflake. Plug bumped w/ 1320#. Ran temp survey. Found TOC @ 25'. Lower bit to TD @ 3065' & circ. hole clean. TIH w/ 92 jts. 2 3/8" OD 4.7# J-55 8rd EUE IPC tbg w/ turned down collars & 4" nickel plated Arrowset pkr w/ on/off tool & 150" F profile nipple. Set pkr @ 2987' w/ 10 pts. tension. Return well to injection.

(8-11) - Rpr: Set CICR at 2932' and sqz'd w/260 sx CI C. D-O to 3011' and failed to test. Run packer to 2599' and squeeze w/100 sx 14.8-15.2 ppg CI C. Resqueeze w/100 sx 14.8-15.2 ppg CI C. POOH w/ packer, RIH w/bit, and tag at 2603'. Test squeeze (+) to 600 psi w/produced water. Left 4', 2-3/8" pup looking up.

(9-11) - P&A: Perf (4) at 2281'. RIH with packer to 2600' and circulate 31 bbls 9.9 # salt mud. PU to 2094' and squeeze 40 sx CI C to 1200 psi. POOH w/packer, RIH with tbg and tag at 2000'. Pump 8 bbls slat mud and TOH. Perf (4) at 1523' and RIH w/packer to 1594'-pressure test plug to 500 psi. PU to 1333' and squeeze 40 sx CI C to 800 psi. TOH w/ packer. RIH w/tubing and tag at 1350'. Circulate 8 bbls 9.9# salt mud. POOH. Perf (4) at 243'. RIH w/packer to 300' and test plug to 500 psi. POOH and LD WS. M&P 120 sx down 4" taking returns on 5-1/2"-by-8-5/8" annulus. Circ'd 10 sx. P&A.

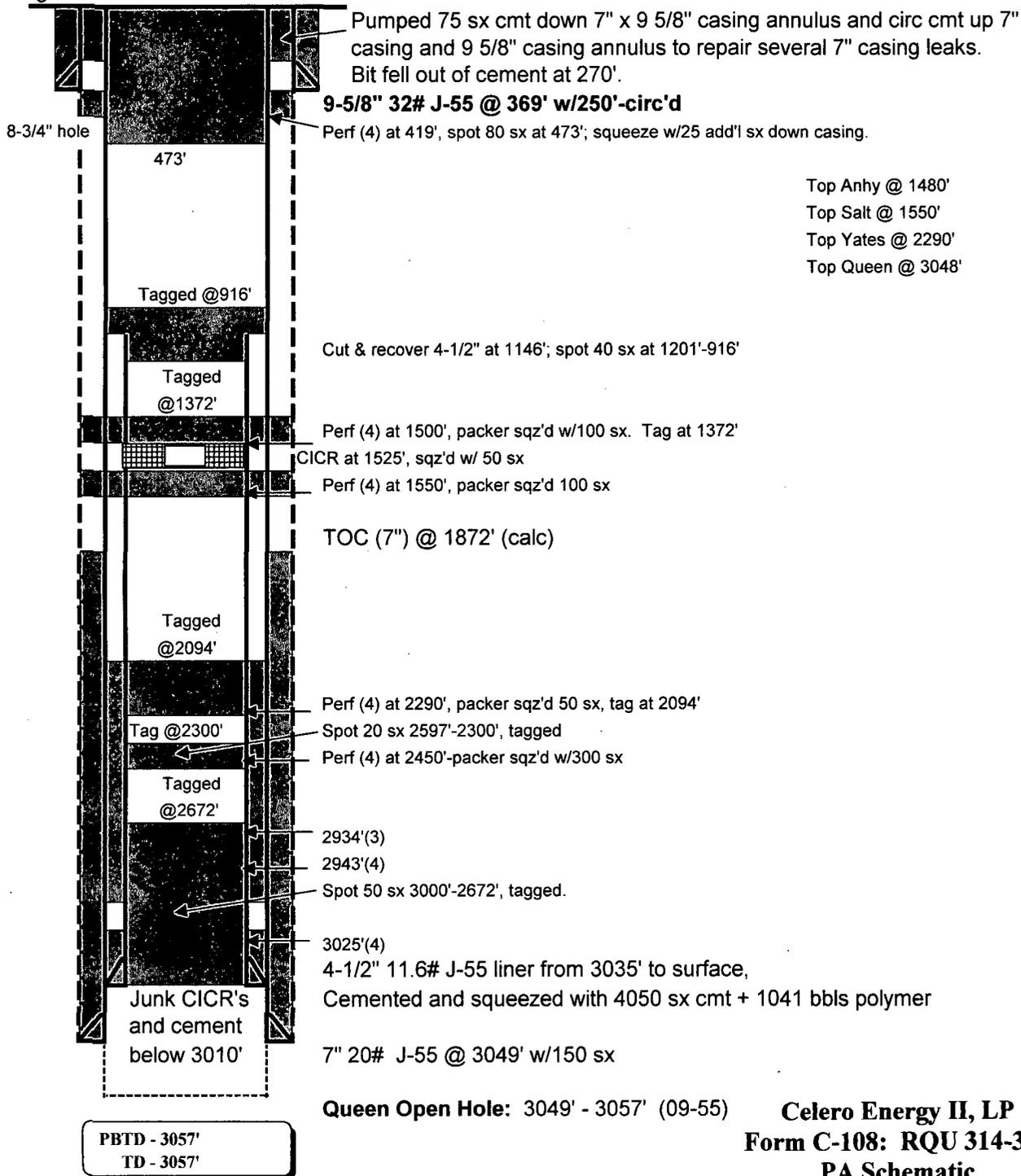
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Rock Queen
COUNTY: Chaves

DATE: Dec. 02, 2010
BY: MWM
WELL: 54
STATE: New Mexico

Location: 660' FNL & 660' FWL, Sec 25D, T13S, R31ECM
 SPUD: 09/55 COMP: 09/55
 CURRENT STATUS: P&A'd, 11/2010
 Original Well Name: Government #1-337

KB = 4,403'
GL =
API = 30-005-00863



Celero Energy II, LP
Form C-108: RQU 314-316
PA Schematic
RQU No. 54

Well History: Rock Queen Unit #54

- (9-55) - Initial Completion:** Orig comp in open hole 3049' - 3057'
- (8-61) - Convert to Injection:** Pulled well and cleaned out hole to TD. Reran 2-3/8" Tbg. And Pkr. Set Pkr @ 3013'. Converted well to water injection.
- (6-85) - Workover:** Pulled and laid down 50 JTS 2-3/8" Tbg. Reset Howco R-4 pkr @ 1401' +/- (45 JTS 2-3/8" Tbg). Tubing was pulled because 7" casing would not hold pressure above pkr set at 2989'. Will hold pressure with pkr @ 1401'.
- (7-07) - Workover:** Replaced wellhead. Was able to CO well to only 1838' due to bad casing and lost circulation. RDMO WSU. Plan is to P&A this well and redrill this injector location.
- (08-08) - Workover:** Drill out and mill out 7" casing from 1308' - 2535'. Ran and set RBP @ 1181'. Several leaks in the 7" casing were identified. Pumped 75 sx cmt down the 7" x 9 5/8" casing annulus. Circulated cmt up 7" casing and 9 5/8" casing annulus (10 sx cmt). DO cement from 10' to 270' and CO well to RBP @ 1,181'. Retrieved RBP @ 1,181' and POOH w/ workstring and RBP. Drilled out 7" casing from 2517' - 3035'. Ran 67 jts of 4 1/2" 11.6# J-55 casing from surface to 3035'. Cemented 4 1/2" casing in place w/ 350 sx Class C cement (50/50 poz mix) w/ additives. DO cement to 3035'. Ran CBL, TOC @ 3022' w/ stringers to 2938'. Perforated 4 1/2" casing w/ 3 shots @ 2934'. Ran and set cement retainer at 2644'. Squeeze cemented holes @ 2934' w/ 35 bbls of sodium silicate, 55 bbls CaCl, followed by 250 sx of thixotropic cmt w/ additives. Pumped an additional 35 bbls of sodium silicate, 55 bbls CaCl, but was unable to pump second stage of 250 sx of thixotropic cement. Drilled out cmt retainer @ 2644' and pushed to 3034'.

The following is a summary of the cement work that was performed on this well attempting to achieve an acceptable cement job on the 4 1/2" casing:

- + Pumped 30 sx thixotropic cmt into holes @ 2934' under a packer. Cement pump truck failed.
- + Pumped 220 sx thixotropic cmt, 500 sx 50/50 poz mix cmt w/ additives, 300 sx Class C cmt w/ additives under a cmt retainer @ 2500'.
- + DO cmt retainer @ 2500' and cmt to 3008'. Ran CBL. Perf squeeze holes @ 2450' in casing.
- + Pumped 300 sx 50/50 poz mix cmt w/ additives and 200 sx Class C cmt w/ additives under a cmt retainer.
- + Pumped 350 sx Class C cmt w/ additives under a cmt retainer.
- + DO cmt retainer and cement to 3014'. Ran CBL.
- + Pumped 350 sx Class C cmt w/ additives under a packer @ 2174'.
- + Pumped 100 sx thixotropic cmt and 200 sx Class C cmt w/ additives under a cmt ret @ 2200'.
- + DO cmt retainer @ 2200' and cmt to 3014'.
- + Spotted a balanced plug of 50 sx Class C cmt w/ additives across squeeze holes @ 2450' and 2934'. DO cmt to 3014'.
- + Spotted a balanced plug of 100 sx Class C cmt w/ additives across squeeze holes.
- + Pumped 100 sx thixotropic cmt under a packer @ 2112'.
- + Spotted 200 sx Class C cmt w/ additives at perfs @ 2450'.
- + Spotted 100 sx Class C cmt w/ additives at perfs @ 2450'.
- + Pumped 50 sx Class C cmt w/ additives under a cmt retainer @ 2012'.
- + DO cmt retainer and cement to 2500'.
- + Spotted 25 sx Class C cmt w/ additives at perfs @ 2450'. DO cmt to 3035'.
- + Spotted a balanced plug of 25 sx Class C cmt w/ additives across squeeze holes @ 2450' and 2934'.
- + DO cmt to 3035'. Ran CBL, cmt from 2404' to 2934', but no cmt from 2934' - 2996'.
- + Spotted 50 sx cmt plug of thixotropic cmt @ 2958'.
- + DO cmt to 3032'. Perforated 4 squeeze holes in 4 1/2" casing @ 3025'.
- + Pumped 50 sx Class C cmt w/ additives under a cmt retainer @ 2990'.
- + DO cmt retainer @ 2990' and pushed to 3032'.
- + Perforated 4 squeeze holes in 4 1/2" casing @ 2943'.
- + Pumped 50 sx Class C cmt w/ additives under a cmt retainer @ 2990'.
- + Pumped 100 sx thixotropic cmt w/ additives into sqz holes @ 2934' and 2943'.
- + DO cmt and cmt retainer to 3010'. Set cmt retainer @ 2863'.
- + Pumped 1041 bbl of polymer at concentrations from 4000 ppm to 50,000 ppm over a four day period.
- + Shut-in well and RDMO.

Rock Queen Unit #54 - C103 Continued

11/3/10 - WOC 15.5 hrs, tag TOC @ 2,094' covering perfs @ 2,450'. Test cmt job w/ 500# & held okay for 15 minutes. Raise pkr from 2,048' to 1,288'. Perf 4 1/2" csg @ 1,550'. Pumped 10 bbls of 10 ppg salt mud & establish a rate into perfs of 2 bpm & 50# pressure. Pump 50 sx of Class "C" cmt w/ 2% CaC12, displaced 1 bbl below pkr & shut off displacing fluid. WOC 3 hrs. Ran & tag @ 1,544'. Pumped 10 BPW on vacuum @ 2 bpm. Did not get cmt to hold above perfs 1,550'. Pump 10 bbls of 10 ppg salt mud, followed w/ 50 sx of Class "C" cmt w/ 2% CaC12. Displaced w/ 2 bbls of fresh water & SD pumps. Cmt continued to fall w/ a total of 6 bbls displacement on 1/4 bpm vacuum. Shut off displacing fluid after 6 bbls. WOC 3 1/2 hrs. Ran & tag @ 1,542'. Pumped 10 BPW to see if hole would load. Failed to load. Took 1 bpm @ 0# pressure. CWI.

11/4/10 - Visit w/David Glass @ BLM on cementing procedure for perfs @ 1,550'. Ran gauge ring for 4 1/2" OD, 11.6# csg to 1,551'. Ran & set 4 1/2" cmt retainer @ 1,525'. TIH w/ tbg & cmt retainer stinger. Stung into retainer & Pump 10 bbls of 10 ppg salt mud, followed w/ 50 sx of Class "C" cmt w/ 2% CaC12 & displaced cmt to retainer @ 1 1/2 bpm & 0# pressure. Unstung from cmt retainer & reversed out 2 sx of cmt. TOH w/ tbg & cmt retainer. WOC 2 hrs. Perf 4 1/2" csg @ 1,500' w/ 4 shots. TIH w/ tbg & pkr. Set pkr @ 1,256'. Attempt to pump into perfs @ 1,500#. Pumped 0.1 bpm @ 1,000#. Pressure would bleed off to 200#. Tried to establish rate, 0.1 bpm @ 1,000#, again. Unable to cmt squeeze perfs. Release pkr & TOH. TIH w/ tbg open ended to 1,519'. Pump 15 sx of Class "C" cmt w/ 2% CaC12 down tbg & spot as balanced cmt plug. TOH w/ tbg. WOC.

11/5/10 - WOC 15 hrs, tag TOC @ 1,512'. The 15 sx cmt spot over perfs @ 1,500' did not stay in the 4 1/2" csg. Ran pkr to 1,505'. Test cmt retainer @ 1,525'. Tested to 500# & held. Pumped down the 4 1/2" x 2 3/8" annulus into perfs 1,500' w/ 20 BPW. The perfs had broke down & would take fluid @ 1 1/2 bpm & 0# pressure. Raise pkr to 1,100'. Pump 100 sx of Class "C" cmt w/ 2% CaC12 down tbg & pkr. Displaced w/ 4+ BFW taking fluid @ 1+ bpm & 0# pressure. Shut off displacing fluid to let cmt equalize to cover perfs @ 1,500'. WOC 3 hrs. TOH w/ tbg & pkr. TIH w/ tbg & tag cmt @ 1,372'. Tested to 500# & held for 15 min. Pick up 4 1/2" csg & remove the WH slips. Ran free point tool. Found 4 1/2" csg free @ 1,148' & stuck @ 1,150'. Jet cut 4 1/2" csg @ 1,146' & pulled free.

11/8/10 - LD 24 full jts + 1- 44' piece of 4 1/2" csg. Total of 1,139'. TIH w/ tbg, open ended to 1,201' (4 1/2" csg stub @ 1,146'). Pump 40 sx of Class "C" cmt w/ 2% CaC12. Spot cmt as balanced plug @ 1,201'. TOH w/ tbg. WOC 3 1/2 hrs. Tag TOC w/ tbg @ 916'. TOH. RU Basic WL. Perforated 7" csg w/ 4 shots @ 419'. Closed BOP rams & pumped down 7" csg to establish rate of 2 bpm @ 400# pressure pumping 9 BFW. CWI.

* **11/9/10** - TIH w/ tbg open ended. Ran to 473'. Pump 80 sx of Class "C" cmt w/ 2% CaC12 & circulated 7" & 9 5/8" csgs w/ cmt to surface. TOH. LD 2 3/8" OD tbg work string. Tied onto WH & pumped an additional 25 sx of cmt w/ 400# squeeze pressure. Total cmt pumped = 105 sx. NDBOP. Remove & cut off WH's. Install dry hole marker. Well now PA'd.

Copy of this sundry also sent to OCD Hobbs.

Pro-Kem, Inc.

WATER ANALYSIS REPORT

SAMPLE

Oil Co. : **Celero**
 Lease : **Rock Queen**
 Well No.: **84**
 Location:
 Attention:

Date Sampled : **17-July-2007**
 Date Analyzed: **20-July-2007**
 Lab ID Number: **Jul2307.004-1**
 Salesperson :
 File Name : **jul2307.004**

ANALYSIS

- 1. Ph 6.500
- 2. Specific Gravity 60/60 F. 1.204
- 3. CACO3 Saturation Index @ 80F
- @140F

1.125 Moderate
 2.505 Severe

Dissolved Gasses

- 4. Hydrogen Sulfide Not Present
- 5. Carbon Dioxide 300
- 6. Dissolved Oxygen Not Determined

MG/L. EQ. WT. *MEQ/L

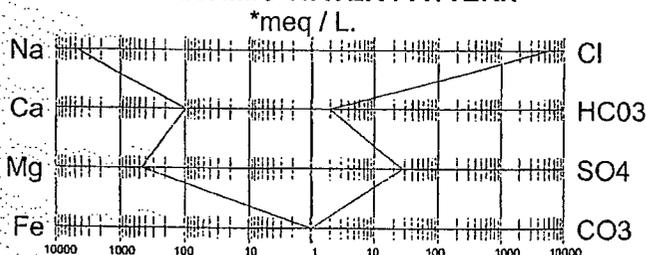
Cations

- 7. Calcium (Ca++) 1,876 / 20.1 = 93.33
- 8. Magnesium (Mg++) 5,310 / 12.2 = 435.25
- 9. Sodium (Na+) (Calculated) 107,113 / 23.0 = 4,657.09
- 10. Barium (Ba++) Not Determined

Anions

- 11. Hydroxyl (OH-) 0 / 17.0 = 0.00
- 12. Carbonate (CO3=) 0 / 30.0 = 0.00
- 13. Bicarbonate (HCO3-) 117 / 61.1 = 1.91
- 14. Sulfate (SO4=) 1,300 / 48.8 = 26.64
- 15. Chloride (Cl-) 182,959 / 35.5 = 5,153.77
- 16. Total Dissolved Solids 298,675
- 17. Total Iron (Fe) 11.50 / 18.2 = 0.63
- 18. Manganese (Mn++) Not Determined
- 19. Total Hardness as CaCO3 26,544
- 20. Resistivity @ 75 F. (Calculated) 0.001 Ohm · meters

LOGARITHMIC WATER PATTERN

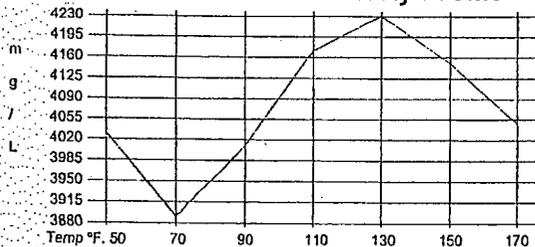


PROBABLE MINERAL COMPOSITION

COMPOUND	*meq/L	X	EQ. WT. =	mg/L.
Ca(HCO3)2	1.91		81.04	155
CaSO4	26.64		68.07	1,813
CaCl2	64.78		55.50	3,595
Mg(HCO3)2	0.00		73.17	0
MgSO4	0.00		60.19	0
MgCl2	435.25		47.62	20,726
NaHCO3	0.00		84.00	0
NaSO4	0.00		71.03	0
NaCl	4,653.75		58.46	272,058

* milliequivalents per Liter

Calcium Sulfate Solubility Profile



Kevin Byrne, Analyst

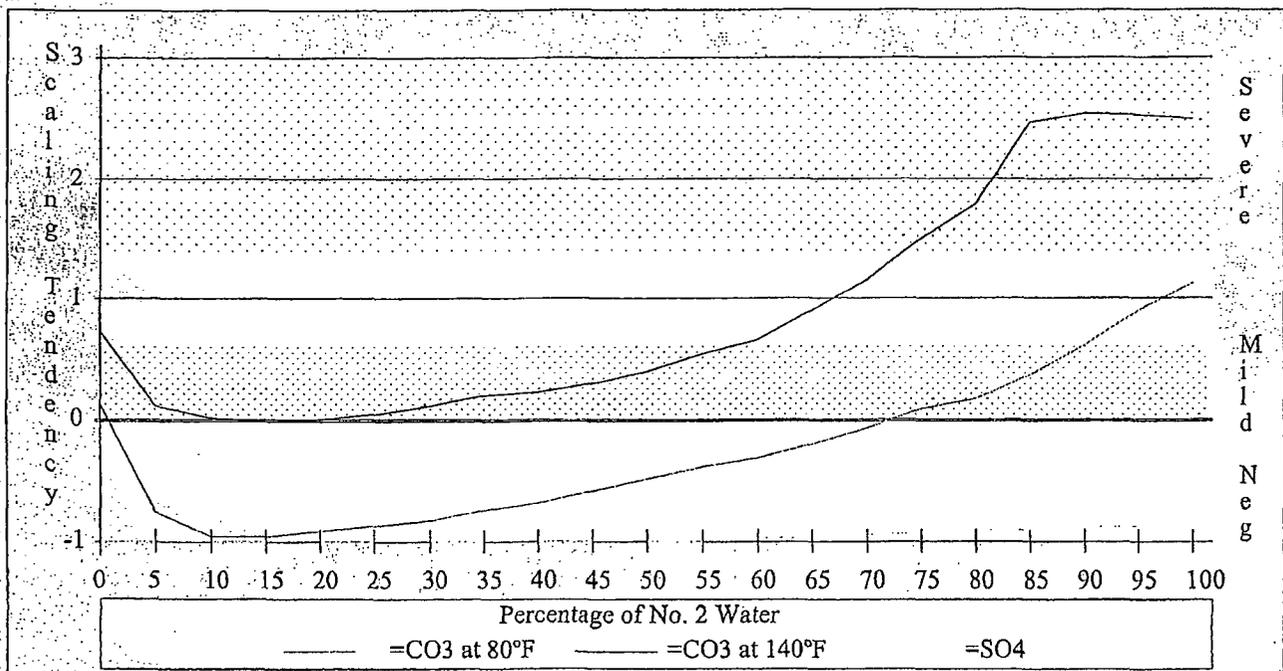
Comparison Between Two Waters

Requested by: Pro-Kem, Inc.

Sample No. 1
Celero Energy
Recovery Water

Sample No. 2
Celero Energy
Produced Water

Percent of #1 & #2	pH	TDS	SpGr	CaCO ₃ Saturation @80°F. @140°F.		Calcium Sulfate Scaling Potential
100 - 00	7.100	468	1.009	0.133	0.733	Nil
95 - 05	7.070	15,378	1.019	-0.751	0.109	Nil
90 - 10	7.040	30,289	1.029	-0.960	0.010	Nil
85 - 15	7.010	45,199	1.038	-0.952	-0.012	Nil
80 - 20	6.980	60,109	1.048	-0.908	0.002	Nil
75 - 25	6.950	75,020	1.058	-0.873	0.047	Nil
70 - 30	6.920	89,930	1.068	-0.823	0.107	Nil
65 - 35	6.890	104,840	1.077	-0.742	0.193	Nil
60 - 40	6.860	119,751	1.087	-0.679	0.226	Nil
55 - 45	6.830	134,661	1.097	-0.592	0.298	Nil
50 - 50	6.800	149,572	1.107	-0.480	0.400	Nil
45 - 55	6.770	164,482	1.116	-0.382	0.538	Nil
40 - 60	6.740	179,392	1.126	-0.307	0.653	Nil
35 - 65	6.710	194,303	1.136	-0.196	0.904	Nil
30 - 70	6.680	209,213	1.146	-0.067	1.153	Nil
25 - 75	6.650	224,123	1.155	0.080	1.500	Nil
20 - 80	6.620	239,034	1.165	0.175	1.785	Nil
15 - 85	6.590	253,944	1.175	0.367	2.467	Nil
10 - 90	6.560	268,854	1.185	0.608	2.548	Nil
05 - 95	6.530	283,765	1.194	0.898	2.528	Nil
00 - 100	6.500	298,675	1.204	1.125	2.505	Nil



Report Date: June 14, 2007
2972Work Order: 7052432
Celero Energy-Rock Queen ESAPage Number: 1 of 1
Chaves Co. NM

Summary Report

Ike Tavaréz
Highlander Environmental Services
1910 N. Big Spring Street
Midland, TX, 79705

Report Date: June 14, 2007

Work Order: 7052432

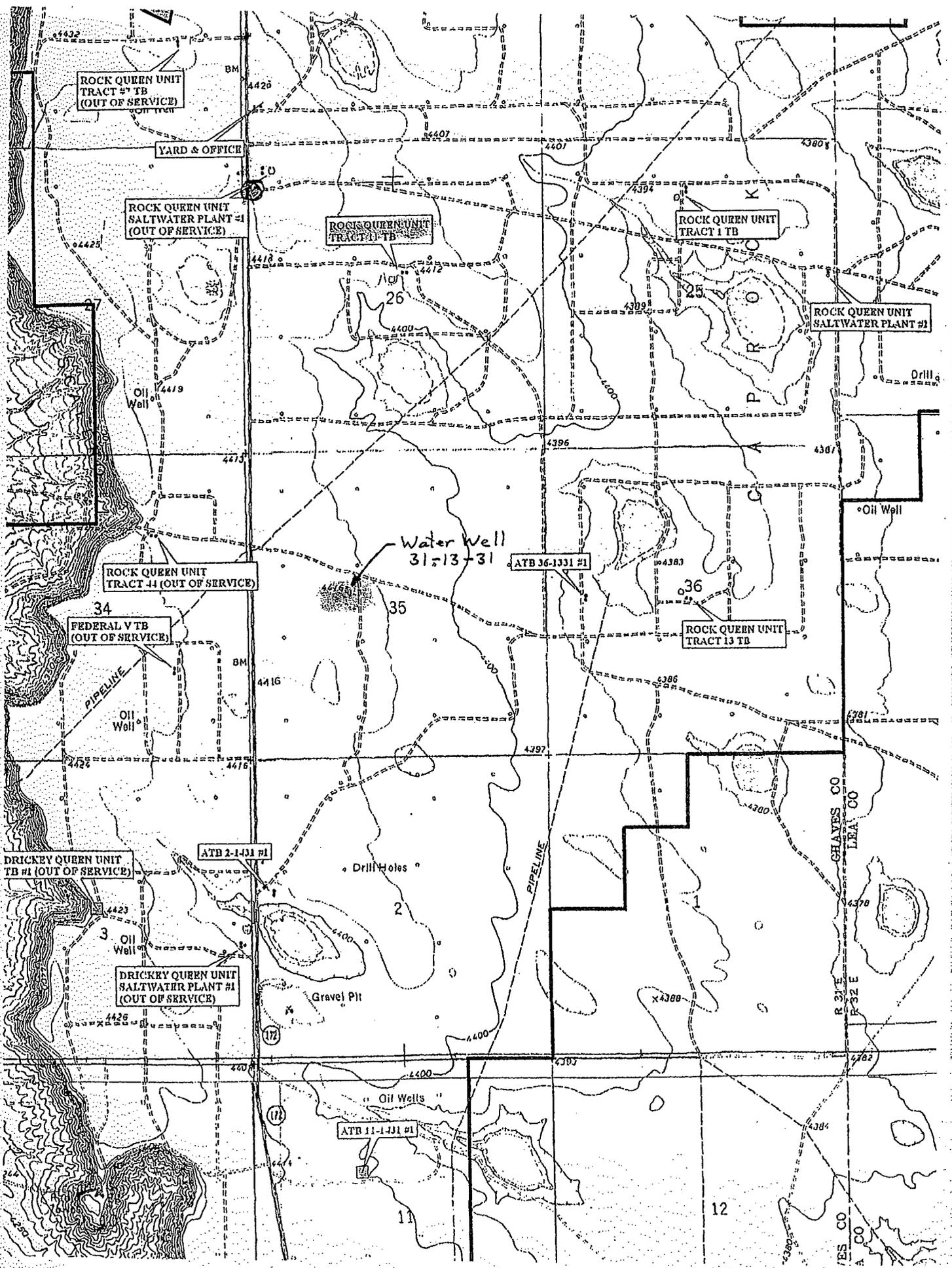
Project Location: Chaves Co. NM
Project Name: Celero Energy-Rock Queen ESA
Project Number: 2972

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
125351	Water Well 31-13-31	water	2007-05-22	00:00	2007-05-23

Location: Sec. 35 (F), T13S, R31E CM

Sample: 125351 - Water Well 31-13-31

Param	Flag	Result	Units	RL
Hydroxide Alkalinity		<1.00	mg/L as CaCo3	1.00
Carbonate Alkalinity		<1.00	mg/L as CaCo3	1.00
Bicarbonate Alkalinity		152	mg/L as CaCo3	4.00
Total Alkalinity		152	mg/L as CaCo3	4.00
Dissolved Calcium		63.5	mg/L	0.500
Chloride		32.1	mg/L	0.500
Specific Conductance		546	uMHOS/cm	0.00
Fluoride		<1.00	mg/L	0.200
Dissolved Potassium		1.98	mg/L	0.500
Dissolved Magnesium		8.79	mg/L	0.500
Dissolved Sodium		28.5	mg/L	0.500
Nitrate-N		4.10	mg/L	0.200
pH		7.83	s.u.	0.00
Sulfate		43.6	mg/L	0.500
Total Dissolved Solids		327.0	mg/L	10.00

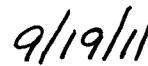


Form C-108
Affirmative Statement
Celero Energy II, LP
Rock Queen Unit Wells No. 314, 315 & 316
Section 26, T-13 South, R-31 East, NMPM,
Chaves County, New Mexico

Available geologic and engineering data has been examined and no evidence of open faults or hydrological connection between the injection zone and any underground sources of drinking water has been found.



David Catanach
Agent for Celero Energy II, LP



Date

Celero Energy II, LP
Form C-108: Rock Queen Unit Wells No. 314, 315 & 316
Section 26, T-13 South, R-31 East, NMPM
Chaves County, New Mexico

Offset Operator/Leasehold Owner Notification List

All acreage located within a ½ mile radius of the Rock Queen Unit Wells No. 314, 315 and 316, which includes the S/2 S/2 of Section 23, SW/4 SW/4 of Section 24, NW/4, N/2 SW/4 & SW/4 SW/4 of Section 25, all of Section 26, E/2 NE/4 & NE/4 SE/4 of Section 27 and the N/2 NE/4 & NE/4 NW/4 of Section 35, all in Township 13 South, Range 31 East, is currently contained within either the Rock Queen Unit Area or the Drickey Queen Sand Unit Area, both operated by Celero Energy II, LP. (See ½ Mile AOR Map).

All three wells are located on either State of New Mexico Leases No. B1-0418-0076 or B0-0399-0035. Consequently, as surface owner, notice of this application is being provided to:

Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Additional Notice

Oil Conservation Divison (Hobbs Office)
1625 N. French Drive
Hobbs, New Mexico 88240

September 19, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Celero Energy II, LP
Form C-108 (Application for Authorization to Inject)
Rock Queen Unit Wells No. 314, 315 and 316
Section 26, T-13 South, R-31 East, NMPM,
Chaves County, New Mexico

Dear Sir:

Enclosed please find a copy of Oil Conservation Division Form C-108 (Application for Authorization to Inject) for the Celero Energy II, LP's Rock Queen Unit Wells No. 314, 315 and 316 located in Section 26, T-13 South, R-31 East, NMPM, Chaves County, New Mexico. You are being provided a copy of the application as the surface owner of the land on which the proposed injection wells are located. In accordance with the provisions of Division Order No. R-1541-A, Celero Energy II, LP proposes to inject CO₂/Water (WAG) into the Rock Queen Unit Wells No. 314, 315 and 316. These wells are being drilled as new replacement injection wells for the Rock Queen Unit Wells No. 40, 42 and 44 which were originally permitted as WAG injection wells by Order No. R-1541-A. These three wells have been plugged and abandoned. The proposed expansion of the Rock Queen CO₂ Pilot Project will allow the completion of an efficient injection/production pattern within the Unit Area.

Objections must be filed with the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, within 15 days.

If you should have any questions, please contact me at (505) 690-9453.

Sincerely,



David Catanach
Agent for Celero Energy II, LP
400 W. Illinois
Suite 1601
Midland, Texas 79701

Enclosure

**Form C-108
Celero Energy II, LP
Rock Queen Unit Wells No. 314, 315 & 316
Section 26, T-13 South, R-31 East, NMPM
Chaves County, New Mexico**

The following-described legal notice will be published in the:

**Roswell Daily Record
2301 N. Main
Roswell, New Mexico 88201**

The Affidavit of Publication will be forwarded to the Division upon receipt by Celero Energy II, LP

LEGAL NOTICE

Celero Energy II, LP, 400 W. Illinois Avenue, Suite 1601, Midland Texas 79701 has filed a Form C-108 (Application for Authorization to Inject) with the Oil Conservation Division seeking administrative approval to convert the following-described wells to CO2/Water (WAG) injection wells within the Rock Queen CO2 Pilot Project, Caprock-Queen Pool, Chaves County, New Mexico:

**RQU Well No. 314 (API No. 30-005-29183) 2145' FNL & 1980' FWL (Unit F)
Section 26, T-13S, R-31E
Injection Interval: 3,049'-3,062' (Estimated)**

**RQU Well No. 315 (API No. 30-005-29184) 2140' FNL & 660' FEL (Unit H)
Section 26, T-13S, R-31E
Injection Interval: 3,060'-3,073' (Estimated)**

**RQU Well No. 316 (API No. 30-005-29185) 2080' FSL & 1830' FEL (Unit J)
Section 26, T-13S, R-31E
Injection Interval: 3,037'-3,050' (Estimated)**

CO2 and Caprock-Queen Pool produced water will be injected into the wells at average and maximum rates of 1,250 MCFGPD and 3,000 MCFGPD and 600 BWPD and 1,500 BWPD, respectively. The average and maximum surface injection pressure for CO2 injection is 1,200 psi and the average and maximum surface injection pressure for water injection is 800 psi.

Interested parties must file objections with the New Mexico Oil Conservation Division, 1220 S. St Francis Drive, Santa Fe, New Mexico 87505, within 15 days of the date of this publication. Additional information can be obtained by contacting Mr. David Catanach, Agent for Celero Energy II, LP at (505) 690-9453.

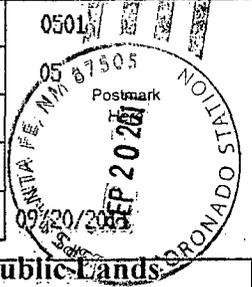
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Sent To **Commissioner of Public Lands**

Street, Apt. No., or PO Box No. **P.O. Box 1148**

City, State, ZIP+4 **Santa Fe, New Mexico 87504-1148**

Warnell, Terry G, EMNRD

From: David Catanach [drcatanach@netscape.com]
Sent: Saturday, September 24, 2011 8:28 AM
To: Warnell, Terry G, EMNRD
Subject: Celero Affidavit
Attachments: Affidavit of Publication.pdf

Terry,

Attached is the affidavit of publication for the Celero WFX application for the Rock Queen Unit Wells No. 314, 315 and 316.

If you need anything else, let me know.

Thanks,

David

Netscape. Just the Net You Need.

AFFIDAVIT OF PUBLICATION
STATE OF NEW MEXICO

I, Corinna Martínez
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

one time with the issue dated

September 21, 2011



Clerk

Sworn and subscribed to before me

this 21st September, 2011


Notary Public

My Commission expires
June 13, 2014

(SEAL)

Publish Sept. 21, 2011

Celero Energy II, LP, 400 W. Illinois Avenue, Suite 1601, Midland Texas 79701 has filed a Form C-108 (Application for Authorization to Inject) with the Oil Conservation Division seeking administrative approval to convert the following described wells to CO2/Water (WAG) injection wells within the Rock Queen CO2 Pilot Project, Caprock-Queen Pool, Chaves County, New Mexico:

RQU Well No. 314 (API No. 30-005-29183) 2145' FNL & 1980' FWL (Unit F) Section 26, T-13S, R-31E Injection Interval: 3,049'-3,062' (Estimated)

RQU Well No. 315 (API No. 30-005-29184) 2140' FNL & 660' FEL (Unit H) Section 26, T-13S, R-31E Injection Interval: 3,060'-3,073' (Estimated)

RQU Well No. 316 (API No. 30-005-29185) 2080' FSL & 1830' FEL (Unit J) Section 26, T-13S, R-31E Injection Interval: 3,037'-3,050' (Estimated)

CO2 and Caprock-Queen Pool produced water will be injected into the wells at average and maximum rates of 1,250 MCFGPD and 3,000 MCFGPD and 600 BHPD and 1,500 BHPD, respectively. The average and maximum surface injection pressure for CO2 injection is 1,200 psi and the average and maximum surface injection pressure for water injection is 800 psi.

Interested parties must file objections with the New Mexico Oil Conservation Division, 1220 S. St Francis Drive, Santa Fe, New Mexico 87505, within 15 days of the date of this publication. Additional information can be obtained by contacting Mr. David Catanach, Agent for Celero Energy II, LP at (505) 690-9453.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL
CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 14504

APPLICATION OF CELERO ENERGY II, LP TO
AMEND THE UNIT AGREEMENT AND THE UNIT
OPERATING AGREEMENT FOR THE ROCK
QUEEN UNIT, AND FOR STATUTORY
UNITIZATION, CHAVES AND LEA COUNTIES,
NEW MEXICO.

CASE NO. 14505

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

ORDER NO. R-1541-A

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on August 19, 2010, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 9th day of November, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of these cases and their subject matter.
- (2) Cases Nos. 14504 and 14505 were consolidated for hearing. Because the cases involve the same property and subject matter, a single order is being issued for both cases.

(3) In Case No. 14504, ("Applicant") seeks statutory unitization, pursuant to NMSA 1978 Sections 70-7-1 through 70-7-21, as amended ("the Statutory Unitization Act"), of the **Rock Queen Unit**, an existing voluntary unit comprising 4,899.77 acres, more or less, of federal, state and fee lands, for the purpose of instituting tertiary recovery operations in the Queen formation, and approval of an Amended Unit Agreement and Amended Unit Operating Agreement, which were submitted as Applicant's Exhibits Nos. 5 and 6 in these cases.

(4) The proposed Unit Area consists of the following described lands:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM, CHAVES COUNTY

Section 22: E/2, NW/4 SW/4, and E/2 SW/4
Section 23: W/2 NE/4, NW/4 and S/2
Section 24: SW/4, W/2 SE/4, and SE/4 SE/4
Section 25: All
Section 26: All
Section 27: E/2 and E/2 NW/4
Section 34: NE/4 and S/2 NW/4
Section 35: N/2 NW/4
Section 36 All

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY

Section 19: Lot 4, SW/4 NE/4, E/2 SW/4 and SE/4
Section 30: Lots 1-4, NE/4, E/2 W/2, N/2 SE/4 and SW/4 SE/4
Section 31: Lot 1

Comprising 4899.77 acres, more or less, of federal, state and fee lands.

(5) The vertical extent of the proposed Unitized Formation is the Queen Sand, being a member of the Queen formation of the Permian Guadalupe series and being the stratigraphic equivalent of the interval from 3,050 feet to 3,066 feet below the surface on the Gamma Ray Neutron Log of the Gulf Oil Corporation, Chaves State BMC Well No. 1, located 660 feet from the South and East lines (Unit P) of Section 23, Township 13 South, Range 31 East, NMPM, in Chaves County, New Mexico.

(6) In Case No. 14505, Applicant seeks approval of an expanded enhanced recovery pilot project involving the injection of water and Carbon Dioxide (CO2) into the Queen formation, within the Unit Area, initially through 12 existing injection wells, to be re-permitted as water-alternating-gas (WAG) injection wells, at following locations:

<u>Well Name</u>	<u>API No.</u>	<u>Surface Location</u>	<u>USTR</u>	<u>County</u>
Rock Queen U #40	30-005-00877	1990 FNL & 1980 FWL	F-26-13S-31E	Chaves
Rock Queen U #42	30-005-00871	1990 FNL & 660 FEL	H-26-13S-31E	Chaves

Rock Queen U #44	30-005-00873	1980 FSL & 1980 FEL	J-26-13S-31E Chaves
Rock Queen U #46	30-005-00878	1980 FSL & 660 FWL	L-26-13S-31E Chaves
Rock Queen U #48	30-005-00868	660 FSL & 1980 FWL	N-26-13S-31E Chaves
Rock Queen U #50	30-005-00882	660 FSL & 990 FEL	P-26-13S-31E Chaves
Rock Queen U #52	30-005-00865	660 FNL & 1980 FEL	B-25-13S-31E Chaves
Rock Queen U #54	30-005-00863	660 FNL & 660 FWL	D-25-13S-31E Chaves
Rock Queen U #62	30-005-00851	1980 FSL & 660 FWL	L-25-13S-31E Chaves
Rock Queen U #64	30-005-00860	660 FSL & 1980 FWL	N-25-13S-31E Chaves
Rock Queen U #70	30-025-00309	660 FNL & 660 FWL	D-30-13S-32E Lea
Rock Queen U #85	30-005-00930	550 FNL & 600 FWL	D-36-13S-31E Chaves

In addition, Applicant proposes to utilize five additional WAG injection wells that it will drill in the Unit Area, which it will seek to permit for injection by subsequent administrative applications.

(7) Applicant further proposes to surround the CO₂ injection area within the Unit Area with a ring of water curtain injection (WIW) wells. For this purpose, it will utilize 11 wells presently permitted for water injection and five additional wells (four new wells and one abandoned well it proposes to re-enter) that it will seek to permit for injection by subsequent administrative applications.

(8) All owners of interests within the proposed unit, and all affected persons in all spacing units within the area of review of each of the proposed injectors, were notified of these applications and of the hearing. No party appeared at the hearing to oppose these applications.

(9) Applicant appeared at the hearing through counsel and presented the following land testimony:

- (a) The proposed Unit Area consists of 4,899.77 acres of federal, state and fee lands, comprising the **Rock Queen Unit**, an existing voluntary unit approved by the Oil Conservation Commission in Order No. R-1541, issued in Case No. 1798 on November 30, 1959. The Unit Area is divided into 43 tracts (excluding uncommitted Tract 8) based on lease boundaries and differences in ownership.
- (b) The management of the Unit Area is impracticable under the terms of the existing unit agreement and unit operating agreement. Applicant accordingly proposes that the unit be re-constituted as a statutory unit pursuant to the Statutory Unitization Act, and that Applicant's proposed Amended Unit Agreement (Exhibit 5) and Amended Unit Operating Agreement (Exhibit 6) be adopted by the Division.
- (c) There are 10 working interest owners in the Unit Area, 57 royalty owners, and 72 overriding royalty owners. Parties owning 99.638249% of the working interest have ratified the proposed Amended Unit Agreement.

Preliminary approval has been requested from the United States Bureau of Land Management and the Commissioner of Public Lands of the State of New Mexico, but those agencies have not yet acted on these requests.

- (d) The Amended Unit Agreement will not change any of the unit participation factors, and accordingly will not affect revenues accruing to any royalty or overriding royalty interest.
- (e) Applicant has requested that it be designated operator of the Unit.
- (10) Applicant presented the following geological testimony:
 - (a) The Queen reservoir which constitutes the Unitized Formation, as defined in the Amended Unit Agreement, is continuous throughout the Unit Area, and has been reasonably defined by development.
 - (b) The Ogallala aquifer overlies the Unit Area, and is found at a depth of approximately 200 feet below the surface. There are no fresh water wells within the Unit Area.
 - (c) There are no apparent faults connecting the proposed unitized interval to any fresh water zone.
- (11) Applicant presented the following engineering testimony:
 - (a) There are presently 20 producing wells in the proposed Unit Area, producing an average of 4.5 barrels of oil per day, per well, and 440 barrels of water, per day, per well. Cumulative production from the proposed Unit Area to date is 8.4 million barrels of oil (MBO) and 0.8 billion cubic feet (BCF) of gas. Total primary and secondary recovery is estimated at 37 percent of original oil in place. Gas production has declined to a negligible level.
 - (b) The Unit Area has reached an advanced state of depletion such that the producing wells can be characterized as "stripper" wells.
 - (c) Applicant seeks Division approval to inject CO₂, in addition to water, into the injection interval by means of, initially, 12 injection wells, as described above in Finding Paragraph (6). In addition five new wells will be drilled to be CO₂ injectors. Eleven existing injection wells already permitted for water injection will be used to create a water curtain around the CO₂ injection area, and four new injection wells will be drilled, and a previously abandoned well will be re-entered, for this purpose. Applicant will seek to permit the new wells and the re-entry well by subsequent administrative application.

- (d) The primary source of the injection water will be produced water from the Unit Area. Make up water will be fresh water from the Ogallala formation. These waters are compatible with the formation waters.
- (e) Maximum surface injection pressures will not exceed 800 psig for water and 1,200 psig for CO₂. Step rate test results in Exhibit 33 demonstrate that these pressures do not exceed the fracture pressure for the injection formation. If a higher injection pressure is required, a subsequent administrative application will be filed.
- (f) All plugged and abandoned wells within the half-mile area of review (AOR) of each proposed initial injection well that penetrate the Unitized Formation are properly plugged and abandoned, and no remedial work is required on these wells to enable safe operation of the project.
- (g) Applicant proposes to allocate production to the various tracts in the same manner as provided in the existing voluntary unit agreement.
- (h) Unitized management of this pool is necessary to effectively implement and carry on the proposed enhanced recovery operations.
- (i) The proposed enhanced recovery operation is economically and technically feasible.
- (j) Incremental recovery through proposed enhanced recovery operations is forecast to be 2.1 MBO. The estimated total value of incremental revenue will be approximately \$132 million.
- (k) The estimated total project costs are approximately \$42 million, of which \$28 million has been incurred to date.
- (l) The proposed enhanced recovery operation will result in recovery of substantially more hydrocarbons from the pool and the Unit than would otherwise be recovered, the value of which will exceed unit costs plus a reasonable profit, and will benefit both working interest and royalty interest owners in the Unit Area.

The Division concludes as follows:

(12) Unitized management, operation and further development of the Unit Area are necessary to effectively carry on enhanced recovery operations, in order to substantially increase the ultimate recovery of oil from the Unit Area.

(13) The proposed method of enhanced recovery operations within the Unit Area, as described in the Plan of Unit Operations and in this Order, is feasible, will prevent waste, and will result, with reasonable probability, in the recovery of

substantially more hydrocarbons from the unitized portion of the pool than would otherwise be recovered.

(14) The estimated additional costs of the proposed operations will not exceed the estimated value of the additional hydrocarbons recovered plus a reasonable profit.

(15) Unitization and implementation of enhanced recovery operations in the Unit Area, as described in the Unit Agreement and in this Order, will benefit the working interest and royalty interest owners within the proposed Unit Area, and will protect correlative rights of all parties.

(16) Applicant has made a good faith effort to secure voluntary unitization of the Unitized Formation within the Unit Area.

(17) The provisions of the proposed Unit Agreement and Unit Operating Agreement are fair, reasonable and equitable, contain satisfactory provisions with respect to all of the matters required by NMSA 1978 Section 70-7-7, as amended, and should be incorporated by reference into this order. The participation formula contained in the Unit Agreement allocates the produced and saved, unitized hydrocarbons to the separately owned tracts in the Unit Area on the same basis as the existing voluntary unit agreement. Because substantially all of the owners of these tracts originally agreed to this basis of tract allocation when secondary recovery operations were initially contemplated, the Division concludes that the formula provided in the Unit Agreement and exhibits allocates production on a fair, reasonable and equitable basis.

(18) This Order creating a unit comprising the Unit Area and providing for the unitization and unitized operation of the unit area upon the terms and conditions approved herein is necessary to protect and safeguard the respective rights and obligations of the working interest owners and the royalty interest owners in the Unit Area.

(19) As of the hearing date, owners of 99.638249% of the working interest had voluntarily committed their interests to the Unit.

(20) Applicant argued at the hearing that approval of the owners of royalty and overriding royalty interests should not be required for statutory unitization in this case because no change in the allocation of production attributed to such interests from that provided in the Unit Agreement for the existing voluntary unit is being sought. Thus, according to Applicant's contention, any order in this case would be governed by NMSA 1978, Section 70-7-9, which provides:

An order providing for unit operations may be amended by an order made by the division in the same manner and subject to the same conditions as an original order providing for unit operations, provided:

A. if such an amendment affects only the rights and interests of the

working interest owners, the approval of the amendment by the royalty owners shall not be required [emphasis added]; and

B. no such amendment shall change the percentage for the allocation of oil and gas as established for any separately owned tract by the original order, except with the consent of all working interest owners and royalty owners in such tract, or change the percentage for the allocation of costs as established for any separately owned tract by the original order, except with the consent of all working interest owners in such tract.

(21) The Division concludes, however, that this is not a correct application of Section 70-7-9. That provision is part of the Statutory Unitization Act, which was enacted subsequent to the original formation of the unit that Applicant seeks to bring within its ambit. Accordingly the stipulations in that section regarding an amendment to "an order providing for unit operations" should be construed as referring to an amendment to a prior order issued under that Act. Furthermore, since Section 70-7-9.B stipulates that any amendment to which that section applies which changes royalty allocations would require unanimous approval of royalty owners, applying that section to an initial proceeding under the Statutory Unitization Act would deprive the Division of the authority to establish a fair and equitable allocation, subject to approval of 75 percent in interest of royalty and overriding royalty owners. The Division is unwilling to presume that the Legislature intended to thus limit the Division's authority in the case of previously existing units not established under the Act.

(22) Accordingly, this order should be made contingent upon final, written approval of the plan of unit operations by the owners of at least seventy-five percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments.

(23) The **Rock Queen Unit** should be approved for statutory unitization in accordance with the Amended Unit Agreement and Amended Unit Operating Agreement.

(24) **Celero Energy II, LP (OGRID No. 247128)** should be designated as the operator of the Unit.

(25) The Queen reservoir within the Unit Area has been so depleted that it is prudent to apply enhanced recovery techniques, as described in this Order, to maximize the ultimate recovery of crude oil from the Unit Area, and this application for approval has not been prematurely filed either for economic or technical reasons.

(26) The proposed enhanced recovery project involving CO₂ injection and a water curtain, as described in this Order, will prevent waste, protect correlative rights, should be called the **Rock Queen CO₂ Pilot Project**, and should be approved.

(27) The area to be affected by the enhanced recovery project herein described (the project area) should consist of:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM, CHAVES COUNTY

Section 25: N/2, SW/4, W/2 SE/4 and NE/4 SE/4
Section 26: All
Section 36: N/2 NW/4 and SW/4 NW/4

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY

Section 30: Lots 1 and 2 and NE/4 NW/4

(28) An examination of all wellbores within one half-mile of each of the proposed injection wells indicates that all wells in the Area of Review ("AOR") that have penetrated the Unitized Formation are properly cased and cemented to prevent vertical migration of injected fluids. Accordingly no remedial work on wells in the AOR is required prior to commencement of injection.

(29) The proposed injection operation will not pose a threat to protectable underground sources of drinking water.

(30) The evidence establishes that the proposed enhanced recovery project meets all the criteria for certification by the Division as a qualified "Enhanced Oil Recovery (EOR) Project" pursuant to the "Enhanced Oil Recovery Act" [NMSA 1978 Sections 7-29A-1 through 7-29A-5].

(31) The certified project area should initially consist of the area described in Finding Paragraph (27).

(32) The project area within the Unit Area and/or the producing wells within such area eligible for the recovered oil tax rate may be contracted and reduced dependent upon the evidence presented by the Applicant in its demonstration of the occurrence of a positive production response.

IT IS THEREFORE ORDERED THAT:

(1) The application of Celero Energy II, LP for the statutory unitization of 4,899.77 acres, more or less, of federal, state and fee land in Chaves and Lea Counties, New Mexico, to be known as the **Rock Queen Unit** (the Unit), is hereby approved pursuant to the Statutory Unitization Act, NMSA 1978, Sections 70-7-1 through 70-7-21.

(2) The Unit shall consist of the following described lands:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM, CHAVES COUNTY

Section 22: E/2, NW/4 SW/4, and E/2 SW/4
Section 23: W/2 NE/4, NW/4 and S/2
Section 24: SW/4, W/2 SE/4, and SE/4 SE/4
Section 25: All

Section 26: All
Section 27: E/2 and E/2 NW/4
Section 34: NE/4 and S/2 NW/4
Section 35: N/2 NW/4
Section 36: All

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY

Section 19: Lot 4, SW/4 NE/4, E/2 SW/4 and SE/4
Section 30: Lots 1-4, NE/4, E/2 W/2, N/2 SE/4 and SW/4 SE/4
Section 31: Lot 1

(3) The Unitized Formation shall consist of the Queen formation, which is the stratigraphic equivalent of the interval from 3,050 feet to 3,066 feet below the surface on the Gamma Ray Neutron Log of the Gulf Oil Corporation, Chaves State BMC Well No. 1, located 660 feet from the South and East lines (Unit P) of Section 23, Township 13 South, Range 31 East, NMPM, in Chaves County, New Mexico.

(4) This Order shall not be effective until the plan of unit operations provided herein has been approved in writing by the owners of at least seventy-five percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments [NMSA 1978, §70-7-8 (1975)], and the Division has made a finding in a supplemental order that the plan for unit operations has been so approved.

(5) The proposed AMENDED UNIT AGREEMENT and the AMENDED UNIT OPERATING AGREEMENT, admitted as EXHIBITS 5 and 6, respectively, at the hearing of these cases, are hereby approved and incorporated into this Order by reference.

(6) **Celero Energy II, LP [OGRID No. 247128]** (Operator) is hereby designated the operator of the Unit.

(7) The Operator shall notify the Division in writing of its removal or the substitution of any other working interest owner within the Unit Area as operator, or of the transfer or assignment of its entire remaining working interest in the Unit Area.

(8) The unit established hereby shall terminate upon the plugging and abandonment of the last well in the Unit Area completed in the Unitized Formation.

IT IS FURTHER ORDERED THAT:

(9) Operator is hereby authorized to institute enhanced recovery operations within the Unit Area initially by the injection of CO₂ and water (WAG) into the Unitized Formation through the following wells: ~~_____~~

<u>Well Name</u>	<u>API No.</u>	<u>Surface Location</u>	<u>USTR</u>	<u>County</u>
Rock Queen U #40	30-005-00877	1990 FNL & 1980 FWL	F-26-13S-31E	Chaves
Rock Queen U #42	30-005-00871	1990 FNL & 660 FEL	H-26-13S-31E	Chaves
Rock Queen U #44	30-005-00873	1980 FSL & 1980 FEL	J-26-13S-31E	Chaves
Rock Queen U #46	30-005-00878	1980 FSL & 660 FWL	L-26-13S-31E	Chaves
Rock Queen U #48	30-005-00868	660 FSL & 1980 FWL	N-26-13S-31E	Chaves
Rock Queen U #50	30-005-00882	660 FSL & 990 FEL	P-26-13S-31E	Chaves
Rock Queen U #52	30-005-00865	660 FNL & 1980 FEL	B-25-13S-31E	Chaves
Rock Queen U #54	30-005-00863	660 FNL & 660 FWL	D-25-13S-31E	Chaves
Rock Queen U #62	30-005-00851	1980 FSL & 660 FWL	L-25-13S-31E	Chaves
Rock Queen U #64	30-005-00860	660 FSL & 1980 FWL	N-25-13S-31E	Chaves
Rock Queen U #70	30-025-00309	660 FNL & 660 FWL	D-30-13S-32E	Lea
Rock Queen U #85	30-005-00930	550 FNL & 600 FWL	D-36-13S-31E	Chaves

(10) 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 from injection, production, or plugged and abandoned wells.

(11) Injection into each of the wells identified above shall be accomplished through 2 3/8-inch plastic coated tubing installed in a packer located within 100 feet of the uppermost injection perforations or casing shoe. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(12) The injection wells or pressurization system shall be equipped with 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 than **1,200 psi** while injecting CO₂.

(13) The Division Director may administratively authorize pressure limitations in excess of those above provided upon a showing by the operator that such higher pressures will not result in the fracturing of the injection formation or confining strata.

(14) The Division Director may administratively authorize expansion of the certified project area and additional injection wells, within the Unit Area, as provided in Division Rule 19.15.26.8.A NMAC.

(15) Prior to commencement of injection operations, the casing in each injection well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing. Mechanical integrity tests (MITs) shall be conducted at least once every five years thereafter.

(16) The Operator shall give at least 48 hours advance notice to the supervisor of the Division's Hobbs District Office of the date and time (i) injection equipment will

be installed, and (ii) the mechanical integrity pressure tests will be conducted on each proposed injection wells, so that these operations may be witnessed.

(17) The Operator shall immediately notify the supervisor of the Division's Hobbs District Office of any failure of the tubing, casing or packer in any of the injection wells, or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the Unit Area, and shall promptly take all steps necessary to correct such failure or leakage.

(18) The Operator shall conduct injection operations in accordance with Division Rules No. 19.15.26.1 through 19.15.26.15 NMAC, and shall submit monthly progress reports in accordance with Division Rules No. 19.15.26.11.B and 19.15.7.8.D.

(19) The injection authority granted herein shall terminate one year after the date of this order if the Operator has not commenced CO2 injection operations into at least one of the herein-authorized injection wells; provided, however, the Division, upon written request filed with the Division's Santa Fe Office prior to the termination date herein provided, may grant an extension for good cause. The injection authority shall also terminate *ipso facto*, one year after injection operations into all the wells in the Unit Area have ceased.

(20) The project authorized by this order shall be known as the **Rock Queen CO2 Pilot Project.**

(21) The injection authority granted under this order is **not** transferable except upon Division approval. The Division may require the Operator to demonstrate mechanical integrity of each injection well that will be transferred, prior to approving transfer of authority to inject.

(22) The Division may revoke this injection permit at any time after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

(23) The Rock Queen CO2 Pilot Project is hereby **certified** to the New Mexico Taxation and Revenue Department as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5). The area to be affected by the enhanced recovery project (the project area) shall consist of:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM, CHAVES COUNTY

Section 25: N/2, SW/4, W/2 SE/4 and NE/4 SE/4
Section 26: All
Section 36: N/2 NW/4 and SW/4 NW/4

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY

Section 30: Lots 1 and 2 and NE/4 NW/4

Provided, the area and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the Operator in its demonstration of a positive production response.

(24) At such time as a positive production response occurs, and within seven years from the date the project was certified to the New Mexico Taxation and Revenue Department, the Operator shall apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

(25) This order does not relieve the Operator of responsibility should its operations cause any damage or threat of damage to protectable fresh water, human health or the environment, nor does it relieve the operator of responsibility for complying with applicable Division rules or other federal, state or local laws or regulations.

(26) Upon failure of the Operator to conduct operations (1) in such manner as will protect fresh water or (2) in a manner consistent with the requirements in this Order, the Division may, after notice and hearing, (or without notice and hearing in event of an emergency, subject to the provisions of NMSA 1978 Section 70-2-23), terminate the injection authority granted herein.

(27) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P. E.
Acting Director