



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

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

Daniel Sanchez
Acting Division Director
Oil Conservation Division



February 25, 2011

Celero Energy II, LP
Attn: David Catanach
400 W. Illinois Ave.
Suite 1601
Midland, TX 79701

Administrative Order NSL-6340

Re: State A Well No. 3
API No. 30-025
1470 feet FSL & 880 feet FWL
Unit L, Section 2-15S-37E
Lea County, New Mexico

Dear Mr. Catanach:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-05453515**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 23, 2011, and

(b) the Division's records pertinent to this request.

Celero Energy II, LP (Celero) has requested to drill the above-referenced well as a directional well to the Devonian formation. The well will be drilled from the surface location described in the caption of this letter to an unorthodox bottom hole location, 1372 feet from the South line and 1273 feet from the West line (Unit L) of Section 2. The NW/4 SW/4 of Section 2 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing unit in the Denton-Devonian Pool (16910).

Spacing in this pool is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The proposed bottom hole location for this well is less than 330 feet from the unit boundaries.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13.C and 4.12.A(2).

It is our understanding that you are seeking this location in order to optimize recovery of reserves in this reservoir, and that notice to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Daniel Sanchez', with a long, sweeping horizontal line extending to the right.

J. Daniel Sanchez
Acting Director

DS/db