

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

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May 24, 2011

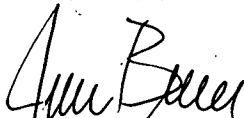
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14675

Dear Florene:

Enclosed for filing, on behalf of Celero Energy II, L.P., is an application for approval of unit expansion, etc., together with a proposed advertisement. Please set this matter for the June 23, 2011 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Celero Energy II, L.P.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF CELERO ENERGY II, LP
TO APPROVE THE EXPANSION OF THE
DRICKEY QUEEN SAND UNIT AREA AND
TO CONSOLIDATE SECONDARY RECOVERY
PROJECTS WITHIN THE EXPANDED UNIT
AREA, CHAVES COUNTY, NEW MEXICO.

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Case No. 14675

APPLICATION

Celero Energy II, LP, for its application, states:

2. Applicant is the operator of the Drickey Queen Sand Unit Area (the "Unit Area").

The Unit Area was approved by Commission Order No. R-1477, and originally covered the lands located in Chaves County, New Mexico described below:

Township 13 South, Range 31 East, N.M.P.M.

Section 33: E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$

Section 34: SW $\frac{1}{4}$ *etc.*

Section 35: S $\frac{1}{2}$

Township 14 South, Range 31 East, N.M.P.M.

Section 1: Lots 3, 4, and SW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 2: Lots 2-4, SE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and S $\frac{1}{2}$

Section 3: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)

Section 10: All

Section 11: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, and SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, and SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 15: All

Section 16: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$

Section 22: E $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, and NW $\frac{1}{4}$ SE $\frac{1}{4}$

Containing 5241.59 acres, more or less, of federal, state, and fee lands. A plat of the Unit Area as originally approved by the Commission is attached hereto as Exhibit A.

3. The Unit Area was formed for purposes of instituting a secondary recovery project in a portion of the Caprock-Queen Pool.

4. The Unit Area has been expanded at various times since it was originally approved, and now covers the lands described below:

Township 13 South, Range 31 East, N.M.P.M.

Section 33: E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$ ✓

Section 34: S $\frac{1}{2}$

Section 35: NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and S $\frac{1}{2}$

Township 14 South, Range 31 East, N.M.P.M.

Section 1: Lots 3, 4, and SW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 2: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)

Section 3: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, and S $\frac{1}{2}$ (All)

Section 4: N $\frac{1}{2}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$

Section 9: All

Section 10: All

Section 11: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, and SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, and SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 15: All

Section 16: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, ~~SW $\frac{1}{4}$ SW $\frac{1}{4}$~~ ^E, and SE $\frac{1}{4}$

Section 22: N $\frac{1}{2}$ and NW $\frac{1}{4}$ SE $\frac{1}{4}$

Containing 7002.52 acres, more or less, of federal, state, and fee lands. A plat of the Unit Area, as expanded, is attached hereto as Exhibit B.

5. While the Bureau of Land Management and Commissioner of Public Lands have approved all expansions, the Division may not have approved all unit expansions. Applicant requests Division approval of the expansions of the Unit Area.

6. All of the tracts in Unit Area, as expanded, are either subject to Division-approved secondary recovery operations in the Caprock-Queen Pool, or have been offset by tracts which have been subject to secondary recovery operations. These orders include:

- (a) Commission Order No. R-1128, as amended;
- (b) Administrative Order WFX-79;
- (c) Administrative Order WFX-86;
- (d) Commission Order No. R-1456; and

(e) Division Order No. R-12912, as amended.

7. Incorporating the additional tracts into the Drickey Queen Sand Unit Secondary Recovery Project will allow applicant to conduct secondary recovery operations in a more efficient and effective method.

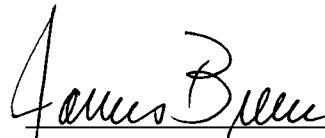
8. The allocation of production to all of the tracts within the Unit Area, as expanded, is subject to a production allocation formula contained within the Drickey Queen Sand Unit Agreement.

9. Approval of the consolidation of the various secondary recovery projects described above will benefit the working interest owners and royalty owners in the Queen reservoir underlying the Unit Area, as expanded.

10. Approval of this application will prevent waste and protect correlative rights.

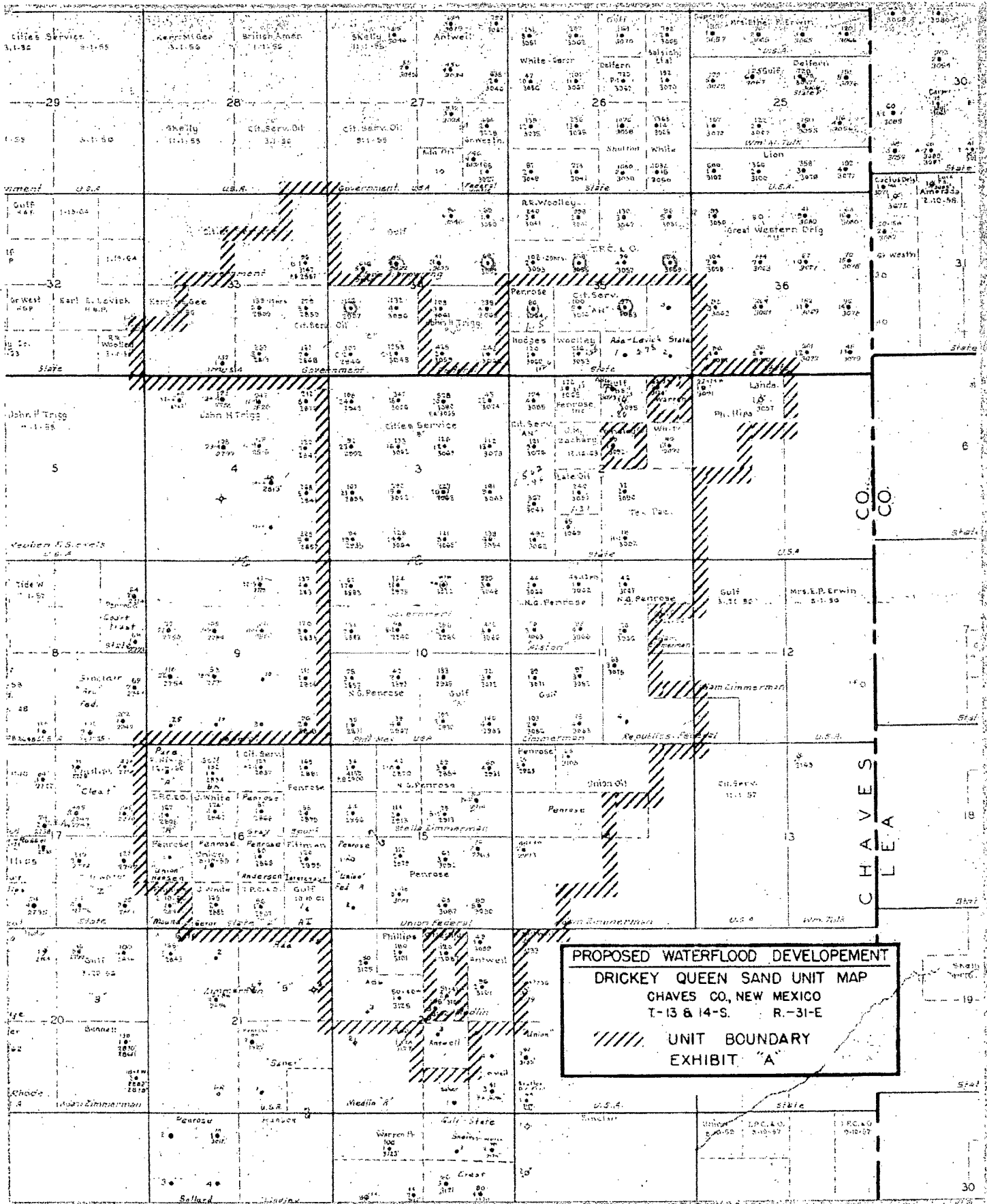
WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order approving the relief requested herein.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

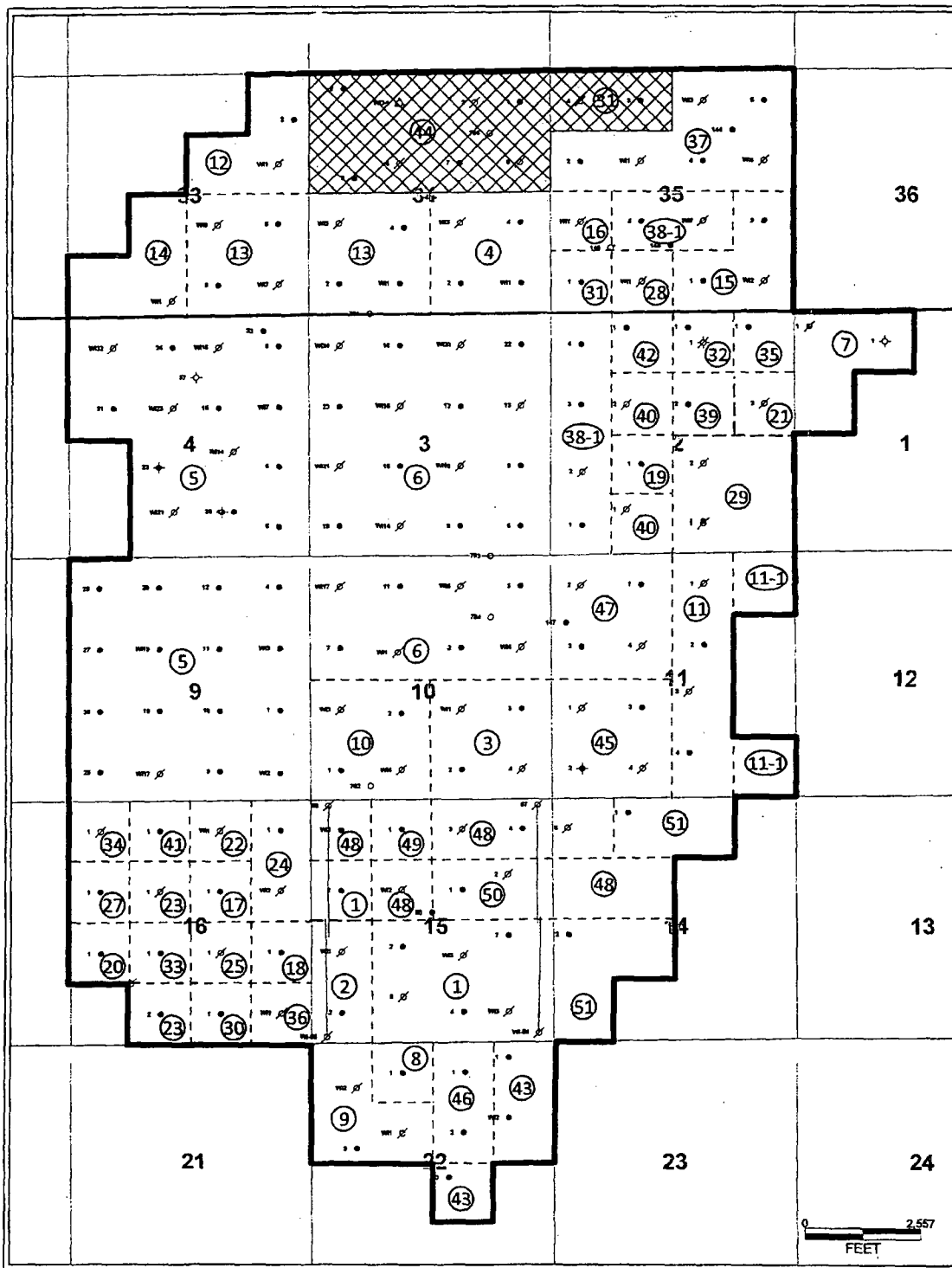
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Celero Energy II LP



EXHIBIT

A



REDA 1/24/2011 11:40:47 AM



SEVENTH

REVISED EXHIBIT "A"
DATED: FEB. 22, 2011
ATTACHED TO UNIT AGREEMENT
DRICKEY QUEEN SAND UNIT

CHAVES CO., NEW MEXICO

T-13 & 14-S. R-31-E.

- UNIT BOUNDARY AREA
- ⊙ TRACT NUMBER
- ⊗ AREA NOT QUALIFYING FOR PARTICIPATION

EXHIBIT

B

PROPOSED ADVERTISEMENT

Case No. 14675

Application of Celero Energy II, LP to approve the expansion of the Drickey Queen Sand Unit Area and to consolidate secondary recovery projects within the expanded unit area, Chaves County, New Mexico. Applicant seeks an order approving the expansion of the Drickey Queen Sand Unit Area, originally approved by Commission Order No. R-1477 and covering 5241.59 acres, to include additional tracts not originally committed to the unit. The unit area, as expanded, contains 7002.52 acres of federal, state, and fee lands covering all or parts of 33-35, Township 13 South, Range 31 East, N.M.P.M., and Sections 1-4, 9-11, 14-16, and 22, Township 14 South, Range 31 East, N.M.P.M. Applicant further seeks the consolidation of several existing Division-approved secondary recovery projects covering the lands in the unit area, as expanded, into a single project for the Drickey Queen Sand Unit Area. The unit area is centered approximately 19-1/2 miles south-southwest of Caprock, New Mexico.

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