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

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

Case No. 14942

AFFIDAVIT OF NOTICE

COUNTY OF SANTA FE

STATE OF NEW MEXICO

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am an attorney for Celero Energy II, LP.

) ss.

3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the surface owners and offset interest owners entitled to receive notice of the application filed herein.

4. Notice of the application was provided to the interest owners, at their correct addresses, by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rules NMAC 19.15.4.9 and 19.15.4.12.C.

James Bruce

SUBSCRIBED AND SWORN TO before me this <u>23rd</u> day of January, 2013 by James Bruce.

My Commission Expires:

Notary Public

Oil Conservation Division Case No.

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

January 3, 2013

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application to expand the enhanced recovery project for the Rock Queen Unit, filed with the New Mexico Oil Conservation Division by Celero Energy II, LP.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, January 24, 2013, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an interest owner who may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting this matter at a later date.

A party appearing in a Division case is required to file a Pre-Hearing Statement no later than Thursday, January 17, 2013. This statement must be filed with the Division's Santa Fe office at the above address, and with the undersigned, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing.

Very truly yours,

/s/

James Bruce

Attorney for Celero Energy II, LP

cc: Oil Conservation Division (Hobbs Office) w/encl.



Exhibit "A"

Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251

Mobil Producing Texas & New Mexico Inc. P.O. Box 2305 Houston, Texas 77201-2305

Petro-Guard Company, Inc. 2450 Fondren, Suite 105 Houston, Texas 77063 Attn: Land Dept.

Great Western Drilling Company P.O. Box 1659 Midland, Texas 79702

ConocoPhillips Company P.O. Box 7500 Bartlesville, Oklahoma 74005

Abo Petroleum Corp. Myco Industries, Inc. Yates Petroleum Corp. 105 S. Fourth Street Artesia, New Mexico 88210

Oxy USA WTP Ltd. Partnership P.O. Box 4294 Houston, Texas 77210

James S. Lebsack P.O. Box 22215 Denver, Colorado 80222

Kerr McGee O/G Onshore, LP 5735 Pineland Dr., Suite 300 Dallas, Texas 75231

Bureau of Land Management 2909 W. 2nd Street Roswell, New Mexico **88201**

Exhibit "A" (Cont.)

Wanda Williams 717 E. Water Avenue Lovington, New Mexico 88260

Slash Ranch Jim Owens P.O. Box 1876 Lovington, New Mexico 88260

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

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 14942

APPLICATION

Celero Energy II, LP, whose address is Suite 1601, 400 West Illinois Avenue, Midland, Texas 79701, applies for an order approving an expansion of the waterflood project and tertiary recovery project in the Rock Queen Unit (the "Unit Area"), and qualifying the expanded project for the recovered oil tax rate. In support thereof, applicant states:

1. Applicant is the operator of the Unit Area, which covers the lands located in

Chaves and Lea Counties, New Mexico described below:

Township 13 South, Range 31 East, N.M.P.M. Section 22: E¹/₂, NW¹/₄SW¹/₄, and E¹/₂SW¹/₄ Section 23: W1/2NE1/4, SE1/4NE1/4, NW1/4, and S1/2 Section 24: SW1/4, W1/2SE1/4, SE1/4SE1/4 Section 25: All Section 26: All Section 27: $E^{1/2}$ and $E^{1/2}NW^{1/4}$ Section 34: NE¹/₄ and S¹/₂NW¹/₄ Section 35: $N_{2}NW_{4}$ Section 36: All

 Township 13 South, Range 32 East, N.M.P.M.

 Section 19:
 Lot 4, SW¹/₄NE¹/₄, E¹/₂SW¹/₄, and SE¹/₄

 Section 30:
 Lots 1-4, NE¹/₄, E¹/₂W¹/₂, N¹/₂SE¹/₄, and SW¹/₄SE¹/₄

 Section 31:
 Lot 1

Containing 4939.77 acres, more or less, of federal, state, and fee lands.

2. The unitized interval is the Queen formation, as further described in the Unit Agreement for the Unit Area. 3. Under Division regulations, the Queen formation is developed on statewide rules, with 40 acre well spacing, and wells to be located no closer than 330 feet to a quarter-quarter section line.

4. A waterflood project was previously approved for the Unit Area, as described in Commission Order No. R-1541. In 2010, Division Order Nos. R-1541-A and R-1541-B approved expansion of the waterflood project, and institution of a tertiary recovery project (named the Rock Queen CO2 Pilot Project), for the Unit Area, comprised of the following lands:

Township 13 South, Range 31 East, N.M.P.M.Section 25:N½, SW¼, W½SE¼, and NE¼SE¼Section 26:AllSection 36:N½NW¼, and SW¼NW¼

Township 13 South, Range 32 East, N.M.P.M. Section 30: Lots 1, 2, and NE¹/₄NW¹/₄

5. Applicant seeks to expand the waterflood project and tertiary recovery project to cover the entire Unit Area. Attached hereto are (i) a plat of the unit area showing the initial project area, and (ii) a list of expansion area wells, and their status.

6. Applicant requests that additional injection wells be approved administratively.

Applicant further requests that the expanded Rock Queen Unit enhanced recovery project be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act (L. 1992, ch. 38) and Division regulations.

8. A Form C-108 for the project is attached hereto.

9. 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 injection application.

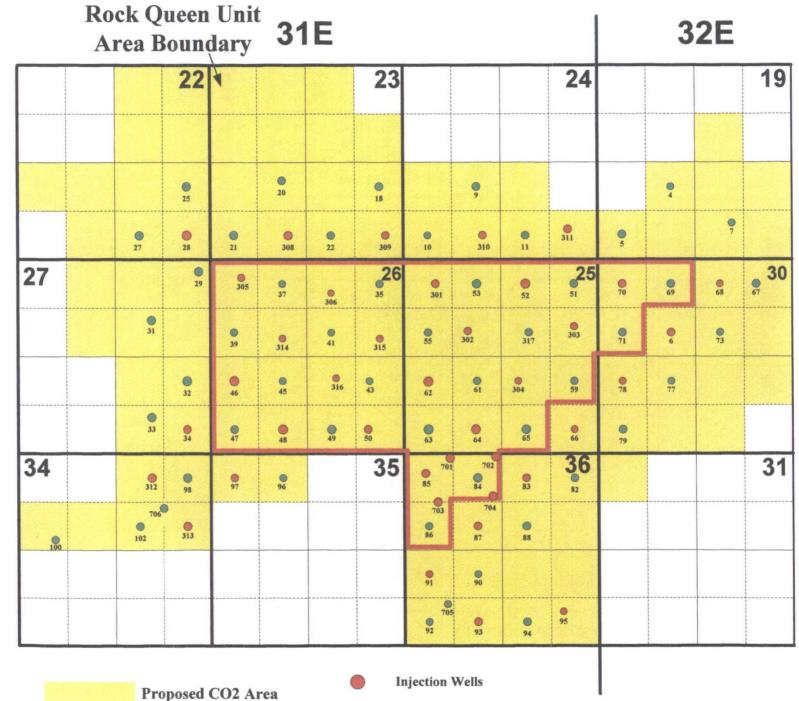
Respectfully submitted,

2

COPY

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

Attorney for Celero Energy II, LP



13S

Current Pilot CO2 Area

Producing Wells

Exnan	ck - Rock Queer sion Area Wells						1		
-xpan	ISIOII AIGA WEIIS								
					1			-	
(1)	(2)	(2)	(4)	(5)	(0)	(7)	(0)	(0)	(40)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			Location						
Well		API Number 30-		Unit				Planned	Current We
No.	Original Well Name	XX-XXXXX	Footage	Loc.	S	T	R	Well Type	Status
					-				
	State #1-331	3002500291	1980' FSL & 1980' FWL	19K	19	135	32E	Prod	Active-Monit
	State 333 #1-333	3002500292	660' FSL and 660' FWL	19M	19	13S	32E	Prod	Active-Monit
	State #2-335	3002500294	660' FSL & 1980' FEL	190	19	135	32E	Prod	Active-Pro
	State Caprock A #1	3002500284	660' FSL & 1980' FWL	19N	19	13S	32E	Inj	P&A
	State W #1	3000500839	1980' FSL & 1980' FWL	24K	24	13S	31E	Prod	Active-Monit
	State W #3	3000500841	660' FSL & 660' FWL	24M	24	13S	31E	Prod	Active-Monit
and the second division in which the second division is not the second division of the second division is not the second division of the	State W #2	3000500840	660' FSL & 1980' FWL	24N	24	13S	31E	P&A	P&A
	Replacement well	3000529155	660' FSL & 2100 FWL	24N	24	135	31E	Inj	Active-Monit
	chaves State AH #1	3000500844	660' FSL & 1980' FEL	240	24	135	31E	Prod	Active-proc
	Chaves State A #1	3000500846	330' FSL & 990' FEL	24P	24	13S	31E	P&A	P&A
	Replacement well	3000529156	420' FSL & 930' FEL	24P	24	135	31E	Inj	Active-Monit
_	itate AH #8	3000500821	1980' FSL & 990' FEL	231	23	135	31E	Prod	Active-Monit
	chaves State BM #7	3000500830	1980' FSL & 1980' FWL	23K	23	13S	31E	Prod	Active-Monit
	haves State BM #2	3000500825	660' FSI & 660' FWL	23M	23	135	31E	Prod	Active-Pro
_	chaves State BM A #6	3000500829	660' FSL & 1980' FWL	23N	23	135	31E	P&A	P&A
	teplacement well	3000529158	660' FSL & 2100' FWL	23N	23	13S	31E	Inj	Active-Monit
	tate XX #1	the set of the second	660' FSL & 1980' FEL	230	23	13S	31E	Prod	Active-Monit
_	haves State BM #1	3000500833	660' FSL & 990' FEL	23P	23	13S	31E	P&A	P&A
	teplacement well	3000529154	660' FSL & 510' FEL	23P	23	13S	31E	Inj	Active-Monit
	itate #5	3000500816	1980' FSL & 660' FEL	221	22	13S	31E	Prod	Active-Monit
	tate E 4191 #1-22	3000500812	660' FSL & 1980' FEL	220	22	13S	31E	Prod	Active-Monit
	Verner State #1	3000500819	660' FSL & 660' FEL	22P	22	13S	31E	Inj	Active-Inj
	alco Federal #1	3000500883	330' FNL & 330' FEL	27A	27	13S	31E	Prod	Active-Monit
	lalco Federal #4	3000500886	1650' FNL & 1980' FEL	27G	27	13S	31E	Prod	Active-Monit
	alco Federal #2	3000500884	1980' FNL & 330' FEL	27H	27	13S	31E	P&A	P&A
and the second data	ederal Hinkle #2	3000500888	1980' FSL & 660' FEL	271	27	135	31E	Prod	Active-Monit
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	ederal Hinkle #1	3000500887	660' FSL & 660' FEL	27P	27	135	31E	Inj	Active-Inj
	thyl #4	300500862	660' FSL & 660' FEL	25P	27	13S	31E	Inj	Active - Inj
	tate #3-315	3002500306	660' FNL & 990' FEL	30A	30	135	32E	Prod	Active-Proc
	tate #1-315	3002500304	660' FNL & 1980' FEL	30B	30	13S	32E	Inj	Active-Inj
	tate #2-340	3002500308	1980' FNL & 1980' FWL	30F	30	13S	32E	Inj	Active-Inj
	tate #2-315	3002500305	1980' FNL & 1980' FEL	30G	30	13S	32E	Prod	Active-Proc
	arper Superior A #1	3002500298	1980' FSL & 1980' FWL	30K	30	13S	32E	Prod	Active-Proc
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	tate U #9	3000500938	660' FNL & 1980' FEL	36B	36	135	31E	Inj	Active-Inj
	tate U #7	3000500936	1980' FNL & 1980' FWL	36F	36	135	31E	Inj	Active-Inj
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	eplacement well		500' FNL & 1650' FEL	34A 34B	34	135	31E	Inj	Active-Inj
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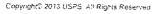
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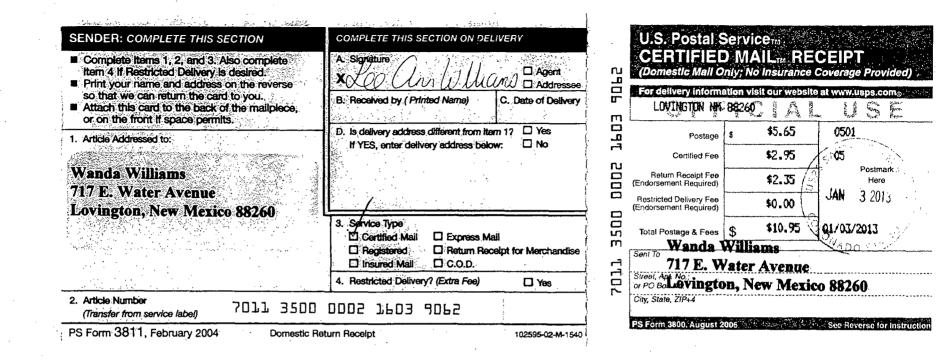
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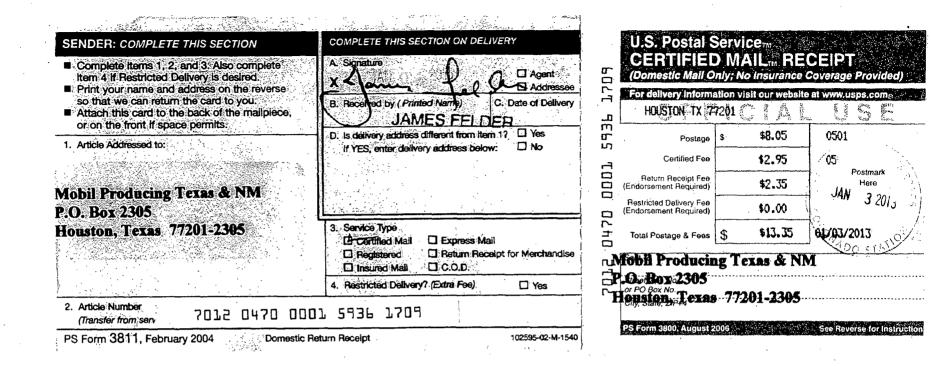


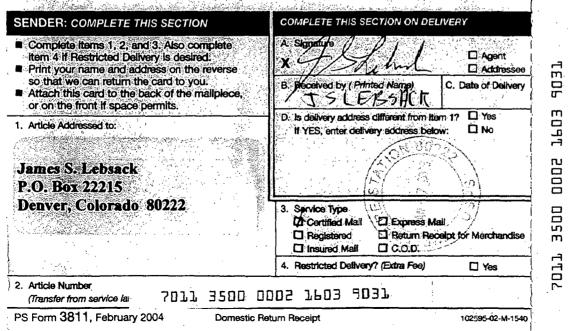
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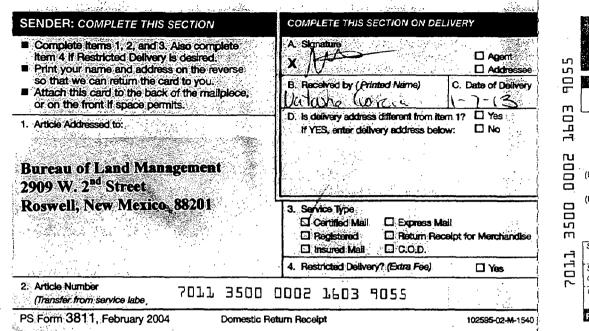
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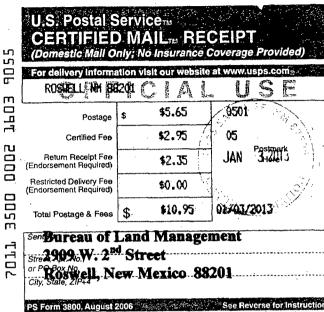






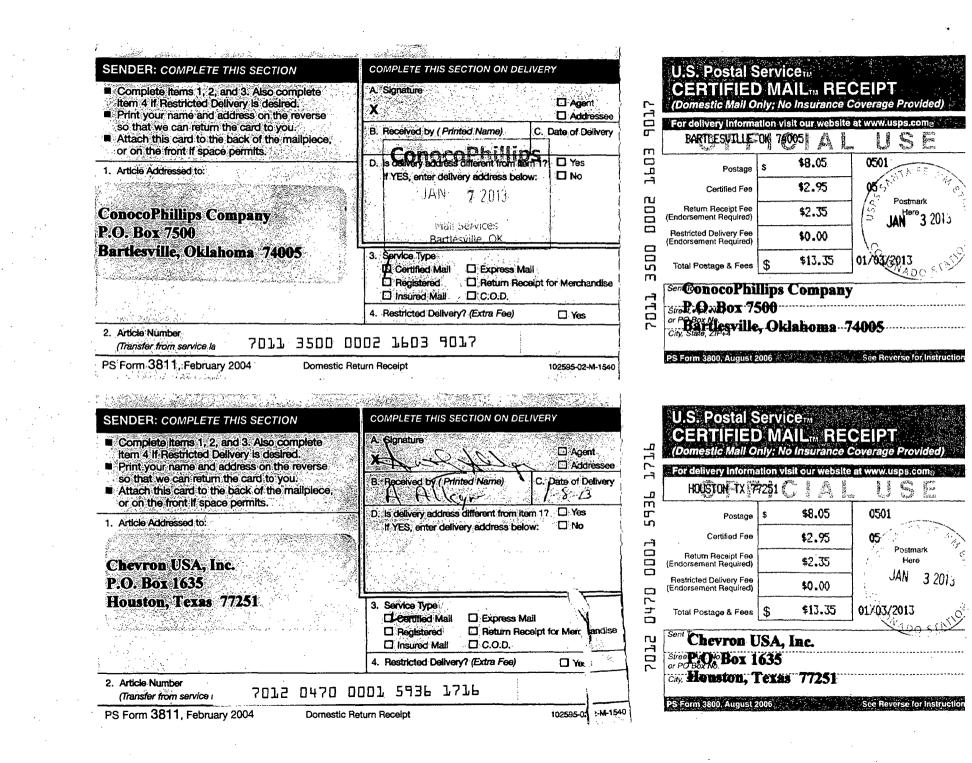
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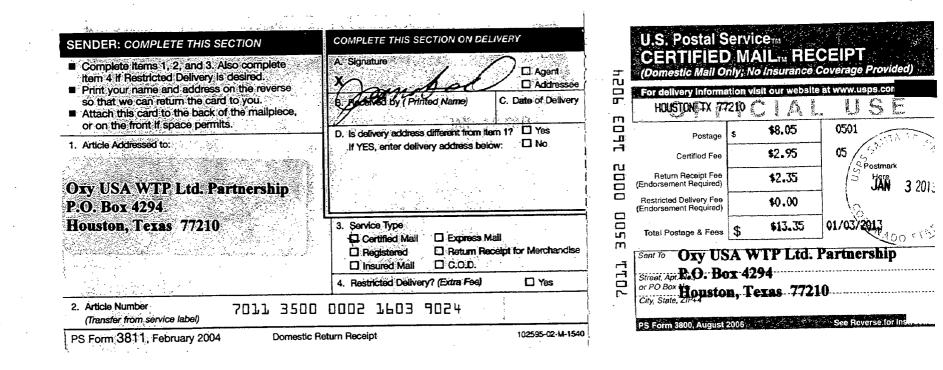


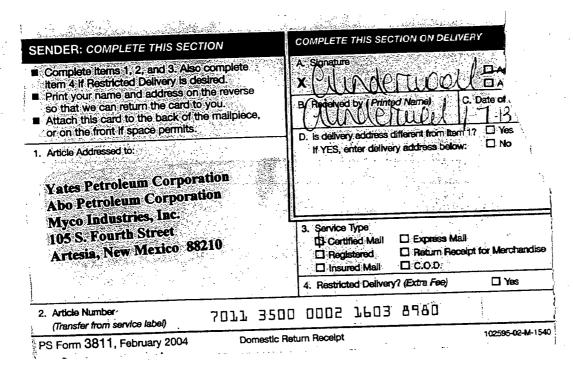


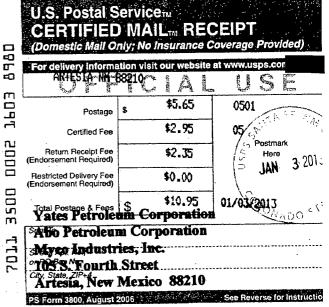
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