

TRIGG FEDERAL LEASE PLAN OF DEVELOPMENT

August, 2007

Lease Location: Sec. 4, E/2 NE/4 and E/2 SE/4 of Sec. 5, and Sec. 9, T14S R31E, Chaves County, NM.

Operator: Celero Energy II, LP

Working Interest Owners: Celero Energy II, LP

Development History:

- Thirty-eight wells were drilled on this lease primarily on 40-acre spacing in the mid to late 1950's.
- The Oil Conservation Commission of the State of New Mexico approved John H. Trigg's application for an order authorizing a pilot water flood project on 08-01-1959, Case No. 1714, and Order No. R-1456. This order approved the injection of water into four wells, No's 34, 35, and 36 in Sec. 5, and No. 29 in Sec. 4.
- An additional three wells were approved for water injection by the Oil Conservation Commission of the State of New Mexico on 04-22-1963, Case No. 2781, and Order No. R-2470. Those three approved wells were No's 17, 26, and 28 in Sec. 9.
- The Trigg Federal waterflood was developed in the early 1960's as an 80-acre 5-spot pattern waterflood. Peak oil response was 900 BOPD in 1962 and peak water production was in 1965 at 3300 BWPD. The waterflood response was pretty much over by the early 1970's and pretty much limped along over the past 35 years +/-.
- Eighteen wells have been P&A'd primarily from 1999 to 2001 and most of the P&A'd wells are in Section 9.

Reservoir Performance:

- Based on work that was done by a consultant in the mid 1990's, the OOIP for the Trigg Federal lease is estimated to be 12 MMBO. Estimated oil production to date is 2.4 MMBO. The estimated oil recovery to date is 20%. Estimated primary recovery is 8% yielding a waterflood to primary ratio of 1.6.
- The 20% estimated oil recovery through waterflood is relatively low based on the typical waterflood performance of reservoirs of this type. There are probably several factors that contributed to this poor performance including the large 80-acre flood patterns, inefficiencies in the water injection balancing and the reservoir surveillance, inability to adequately pump the wells off to optimize production, the influence of the nearby gas cap to the West and Northwest of the lease, geologic heterogeneities, failure to penetrate the entire productive Queen sand interval, etc.

- Assuming that there is a potential target of 10% to 15% of the OOIP that could still be recoverable, this provides Celero Energy with a 1.2 MMBO to 1.8 MMBO target that would justify reactivating the Federal Trigg Lease.

Plan of Development:

- 2007 to 2009: ~~Reactivate existing TA'd and shut-in wells in Section 4 and the N/2 N/2 of Section 9 as an 80-acre waterflood~~ spending approximately \$1.4MM on well reactivations plus additional monies for new facilities including tank batteries, flowlines, injection facilities and lines.
- 2009 & 2010: Re-enter or re-drill plugged and abandoned wells primarily in Section 9 as an 80-acre waterflood as well as any additional facilities and lines needed to support the new wells.
- As Celero Energy implements this plan of development, there will likely be significant changes to the basic 80-acre waterflood redevelopment plan based on additional reservoir and geologic studies and actual operational performance as we progress this plan of development. Celero plans to keep the NM OCD apprised of the changes as we plan to implement them.
- Potential development changes may include such things as increased density drilling, changing waterflood patterns and orientations, not reactivating portions of the lease or shutting in portions of the lease due to poor performance, poor economics, and/or significant oil price softening.

Submission of Information for the Application for Authorization to Inject:

Celero Energy acquired ownership and operatorship of this lease in June of 2007. This lease is an old lease that was for the most part an inactive lease that had approximately 50% of its wells that were P&A'd. There were essentially no well files or well logs that came with the lease so the information that Celero has put together on the wells on this lease was derived from NM OCD's web site data. So in summary, what the NM OCD has is what Celero now has. As a result of this Celero, at this point in time, does not plan to submit any logs with this application, and the well information that we submit will reflect the information that we currently have on the wells which may or may not reflect current reality for the subject wells.

But Celero does plan to provide the NM OCD with updated well information and new logs through the sundry process as we begin the process of reactivating, re-entering, or re-drilling the wells on the Trigg Federal lease. Celero hopes that this is a manageable solution to providing the NM OCD with the information they require on an as timely basis as Celero can generate and provide it.