

**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-B

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.

On November 9, 2010, the Division issued Order No. R-1541-A in these cases approving statutory unitization of the Rock Queen Unit and authorizing a pilot CO2 injection project within this Unit. On November 17, 2010 the Applicant requested certain amendments to Order No. R-1541-A.

NOW, on this 13th day of December, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) At the hearing of this case on August 19, 2010, Celero Energy II, LP (Applicant) appeared through counsel and presented evidence that resulted in the issuance of Order No. R-1541-A. No other party appeared at the hearing or otherwise entered an appearance in this case.

(3) By email dated November 17, 2010, Applicant requested amendment of Order No. R-1541-A in order to:

(a) approve, prospectively, injection pressures of 800 psig for water and 1,200 psig for CO₂, for wells that may be subsequently approved for injection into the Queen formation in the Rock Queen Unit by administrative order, and

(b) approve the use of 17 wells identified in Exhibit No. 28 as monitor wells in order to verify that the proposed pilot CO₂ injection project functions as contemplated.

(4) Because no party other than Applicant has appeared in this case, no notice or further hearing is necessary in order to consider Applicant's request to amend Order No. R-1541-A in the respects requested.

(5) The evidence admitted at the hearing on August 19, 2010 is sufficient to demonstrate that injection into the Queen formation in the Rock Queen Unit through either presently approved injection wells or future injection wells at pressures of 800 psig for water and 1,200 psig for CO₂ will not damage the formation.

(6) In support of its request to use the 17 wells referenced above as monitor wells, Applicant has submitted a supplemental affidavit of Michael W. Metza, a petroleum engineer who testified at the August 19 hearing, in which Mr. Metza testifies that the 17 monitor wells are necessary to insure that the proposed pilot CO₂ injection project will be effective.

(7) The Division accordingly concludes that approval of the proposed amendments to Order No. R-1541-A will prevent waste, will not impair correlative rights, and should be adopted.

IT IS THEREFORE ORDERED THAT:

(1) Any injection well hereafter permitted for injection into the Queen formation in the Rock Queen Unit by administrative order may inject water at pressures

up to 800 psig and CO2 at pressures up to 1,200 psig, unless the administrative order permitting such well specifically otherwise provides.

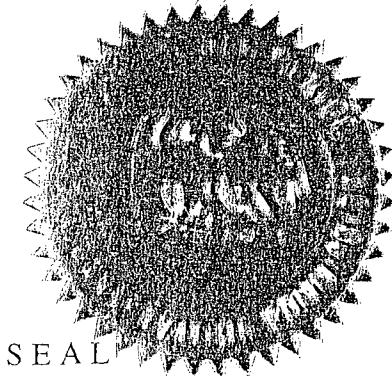
(2) Applicant is authorized to use the following wells as monitor wells in connection with the Rock Queen Unit pilot CO2 injection project, and such wells need not be plugged and abandoned so long as they are being used as monitor wells in connection with this project:

Rock Queen Unit Well No. 1	30—025-00287
Rock Queen Unit Well No. 2	30—025-00286
Rock Queen Unit Well No. 4	30—025-00291
Rock Queen Unit Well No. 5	30—025-00292
Rock Queen Unit Well No. 9	30—025-00839
Rock Queen Unit Well No. 10	30—025-00841
Rock Queen Unit Well No. 11	30—025-00844
Rock Queen Unit Well No. 18	30—025-00821
Rock Queen Unit Well No. 20	30—025-00830
Rock Queen Unit Well No. 21	30—025-00825
Rock Queen Unit Well No. 22	30—025-00834
Rock Queen Unit Well No. 25	30—025-00816
Rock Queen Unit Well No. 27	30—025-00812
Rock Queen Unit Well No. 29	30—025-00883
Rock Queen Unit Well No. 31	30—025-00886
Rock Queen Unit Well No. 32	30—025-00888
Rock Queen Unit Well No. 33	30—025-00890

(3) In all other respects, Order No. R-1541-A remains in full force and effect.

(4) Jurisdiction of this case is 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