30-005-29192

**Celero Energy II LP**
**Surface Use Plan of Operations**
**Rock Queen Unit (RQU) # 301**
**Surface Location: 660' FNL & 860' FWL**
**Section 25, T-13S, R31E**
**Chaves County, New Mexico**



**1. Existing Access Roads.**

A. The well site survey and elevation plat for the proposed well is shown in Exhibit 4. It was staked by John West Surveying Company, Hobbs, N.M.

B. All existing roads to the location are shown on the topographic map (Exhibit 2) and/or the elevation plat (Exhibit 4). The existing lease roads are illustrated and are adequate for travel during drilling and production operations. If necessary, existing roads will be upgraded before the well is spudded.

C. Directions to location: From Lovington, N. M., take Highway 82 West and go 24 miles to the intersection with Highway 249. Turn north(right) on Highway 249 and go 10 miles to the intersection with Highway 172. Continue north on Highway 172 approximately 11 miles to cattle guard #6 and turn east(right). Go 1 mile then turn north (left) and go 1/4 mile to location.

D. Routine grading and maintenance of existing roads is ongoing; most of the Rock Queen Unit is actively operated.

**2. Proposed Access Road.**

The elevation plat (Exhibit 4) shows that new road to the RQU # 301 will not be required as the location for the RQU # 301 is next to an existing lease road. Any new road that ultimately may be required will be constructed as follows:

A. The maximum width of the driving surface will be 14 feet. The road will be crowned, ditched, and constructed of 6" rolled and compacted caliche with a 2% slope from the tip of the crown to the edge of the driving surface. Ditches will be a 3:1 slope and one foot deep. Water will be diverted where necessary to avoid ponding, prevent erosion, and to maintain good drainage while being consistent with local drainage patterns.

B. The average grade will be less than 1 %.

C. No turnouts are planned.

D. No culverts, gates, fence cuts or low-water crossings are necessary.

E. Surfacing materials will consist of native caliche. Caliche will be obtained from the BLM-approved caliche pit.

F. The average grade of the entire road will be approximately 1 %.

G. Approximately 6 inches of topsoil (root zone) will be stripped from the proposed access road prior to any construction activity. The topsoil that is stripped will be spread along the edge of the road and within the ditch. The topsoil will be seeded with the proper, BLM-approved seed mix.

**3. Locations of existing wells are shown on Exhibit 5.**

**4. Location of Existing and/or Proposed Facilities.**

A. The well will be completed as a **W**ater-**A**lternating-**G**as injection well. There will not be any production facilities constructed on the location. Carbon dioxide and water will be transported to the well from the existing Celero production facility located in Section 25 as shown on Exhibit 6, POD.

B. If and when the well is completed, contemplated facilities are as follows:

1) Carbon dioxide and produced water will be transported through a flow line from the facility described in **4.A**.

2) Any additions to the existing tank battery, facilities, and piping will be installed according to API specifications.

3) Additional caliche is not anticipated; however, should additional caliche be needed, it will be obtained from the BLM-approved caliche pit described in **2.E**. Additional construction materials will be purchased from contractors.

4) Approximately 1600 feet of flow line will be constructed to the well and laid alongside the access road from the well to the production facility described in **4.A**. The line will be constructed of 2-inch OD Fiberspar pipe having a working pressure rating of 2500 psig and it will be laid on the surface. The proposed route of the line is highlighted in red on Exhibit 6.

5) No electric service is contemplated for the well. However, should the need arise, power line(s) will be constructed alongside access roads existing at the time of construction. Existing and proposed roads are shown on Exhibit 6.

**5. Location and Type of Water Supply**

Celero owns water wells on the lands to the east of the well location. The well will be drilled with a combination of freshwater and brinewater mud as outlined in the drilling program. The water will either be hauled to the location by transport truck over the existing and proposed roads shown on Exhibit 6, or pumped to the well location via a temporary line laid alongside existing access roads. A water well will not be drilled on the location.

**6. Source of Construction Materials**

Approximately 688 cubic yards of caliche required for the location will be obtained from the BLM-approved pit described in **2.E**.

**7. Methods of Handling Waste.**

A. The well will be drilled using a closed-loop mud system. Drill cuttings will be held in rolloff-style mud boxes and then taken to an NMOCD-approved disposal site.

B. Drilling fluids will be confined to steel mud tanks.

C. Any water utilized in or produced by the well during the completion phase of the well will be held in steel tanks until it is taken to an NMOCD-approval disposal facility.

D. Garbage and trash produced during drilling and completion will be collected and held in a trash bin until it is hauled to an approved landfill. Toxic waste or hazardous materials will not be produced during the drilling and completion of the well.

E. Once the well is completed, all waste materials will be cleaned up, and any equipment not necessary for continued operations will be removed from the well site within 30 days. Only a dry-hole marker will remain in the event of a dry hole.

**8. Ancillary Facilities.**

No airstrip, camp, or other facilities or any type will be built as a result of the operations on this well.

**9. Well Site Layout.**

A. The drilling pad, with elevations as staked by John West Surveying Company, is shown on Exhibit 4. Dimensions of the pad, including the closed-loop mud system, are shown on Exhibit 8. Topsoil, if present, will be stockpiled in the form of a berm or berms approximately 1 foot in height. No major 'cut' is anticipated since the location is nearly level. All service equipment and vehicles will be confined to the disturbed areas of this APD (access road, well pad, closed loop mud system area and any topsoil storage areas). In order to minimize disturbance, the closed loop mud system and panic tank may be located on native soil on the edge of the caliche well pad as shown on Exhibit 8. The panic tank will be in a plastic-lined area approximately 30' by 30' surrounded by a 2-3 foot berm.

B. Exhibit 8 shows the planned orientation of the closed loop mud system and access road. Permanent living facilities will not be constructed on the location; however, temporary quarters for the foreman/toolpusher and crew will be on location during drilling operations. The temporary quarters are part of the drilling rig move.

**10. Plans for Restoration of the Surface.**

A. General Provisions:

All interim and final reclamation shall be performed according to BLM standards. Weather permitting, earthwork for interim and final reclamation will be completed within 6 months of well completion or plugging unless a delay is approved in writing by an authorized BLM officer. The BLM will be notified at least 3 days before the start of any reclamation operations. Re-seeding reclaimed areas shall be in accordance with BLM standards.

B. Interim Reclamation.

1) The well pad will be smaller than usual because Celero will locate its closed loop mud system and panic pit on native soil. Consequently, stripping the pad of surfacing material for interim reclamation is not anticipated. The areas of native soil used for the closed loop mud system and panic pit will be restored and reseeded as necessary to native conditions.
2) If it becomes necessary to remove any surfacing material, the material will be stockpiled and saved for future roads or well pads. Otherwise, it will be returned to the pit from which it was removed. Topsoil stockpiled during the construction of the pad will be spread on the closed loop mud system location or retained as a berm to prevent or retard drainage.
3) Roads and, where applicable, well production equipment such as tanks, treaters, separators, vents, electrical boxes, and equipment associated with pipeline operations will be placed on location in a manner to permit maximum interim reclamation of disturbed areas. If equipment is found to interfere with the proper interim reclamation of disturbed areas, the equipment will be moved so proper recontouring and revegetation can occur.

C. Final Reclamation.

All surfacing material will be removed from the well pad and roads before reclamation begins. All disturbed areas, including roads, pipelines, pads, facilities and interim reclaimed areas will be contoured to the contour existing prior to construction or to a contour that blends indistinguishably with the surrounding landscape. Salvaged topsoil in the interim reclaimed areas will be spread evenly over the entire disturbed site to ensure successful revegetation. If necessary to ensure revegetation, the pad will be fenced to BLM standards to exclude grazing for the first two growing seasons or until seeded species become firmly established, whichever occurs later.

Final abandonment of pipelines and flow lines will involve flushing and proper disposal of fluids from the lines. All surface lines and any lines buried close to the surface that may become exposed in the foreseeable future due to water or wind erosion, soil movement, or subsequent use, will be removed. Deeply buried lines may remain in place unless otherwise directed by an authorized officer.

**11. Surface Ownership.**

A. The surface at this location is owned by Caprock Land & Cattle LLC, 400 W. Illinois, Suite 1601, Midland, TX, 79701. Caprock Land & Cattle LLC is owned and controlled by Celero Energy II LP. Caprock Land & Cattle LLC approves and ratifies this Surface Use Plan of Operations.

**12. Other Information.**

A. The area around the well site is grassland and there is a limited amount of topsoil. What topsoil exists is sandy clay. The vegetation is sparse with native prairie grasses and some mesquite. No wildlife was actually observed on the location; however, it is likely that mule deer, rabbits, coyotes, and rodents frequent the area.

B. There is not any permanent or live water in the immediate area.

C. There are not any dwellings within 1.2 miles of this site.

D. An archaeological survey of this location previously performed by Southern New Mexico Archaeological Services, Inc. has been submitted to the BLM Roswell office.

**13. Bond Coverage.**

Bond coverage is provided by U.S. Specialty Insurance Company, 13403 Northwest Freeway, Houston, TX 77040. BLM Bond Number B003298.

**14. Lessee's and Operator's Representative.**

The Celero Energy II, LP representative for complying with this surface use plan is:

Mr. Evan Wauhob
Field Superintendent
400 W. Illinois, Suite 1601
Midland, TX. 79701
432-686-1883, X-114 (Office)
432-813-5439 (Cell)

## CERTIFICATION

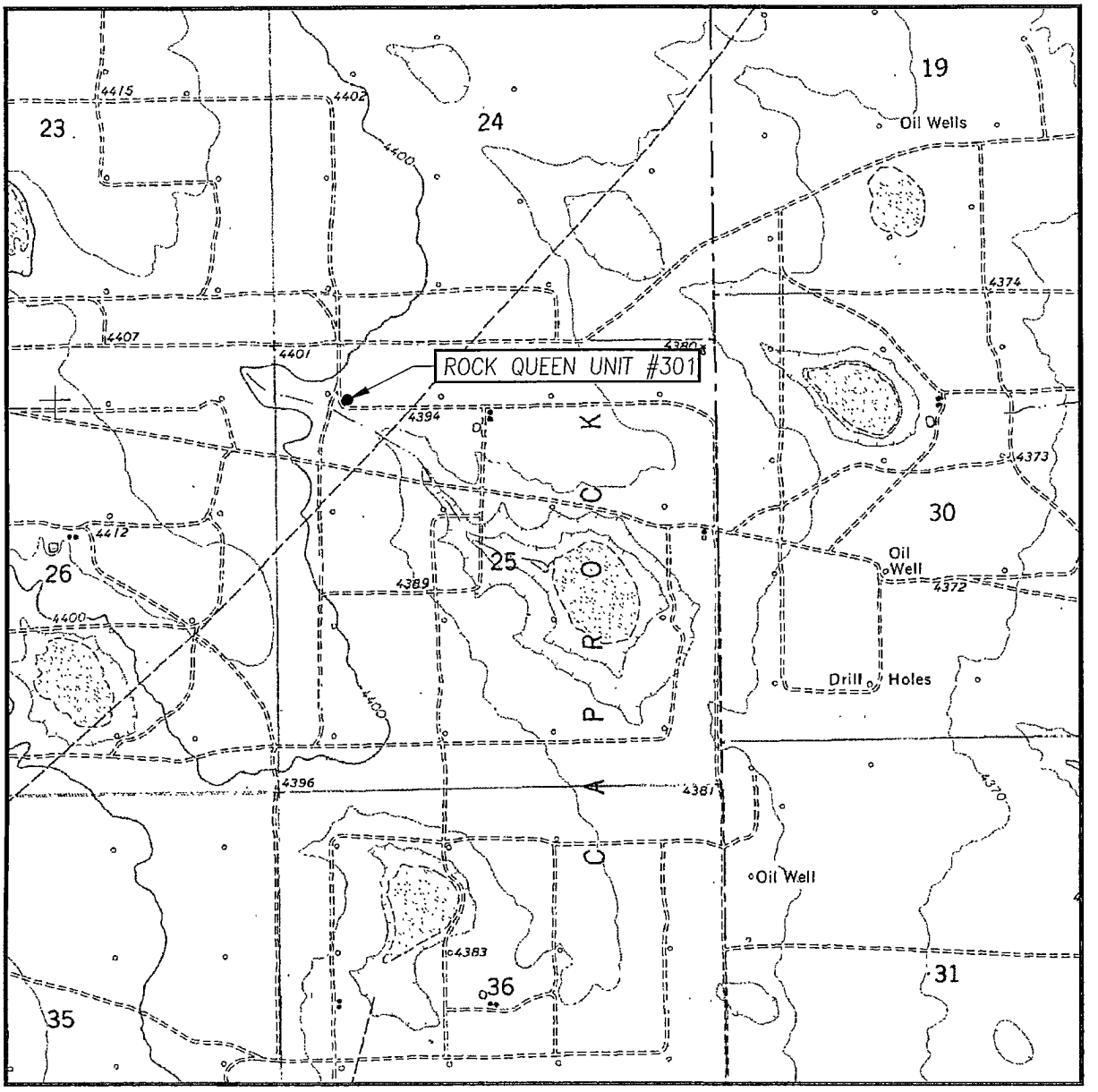
I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein, that I am familiar with the conditions that presently exist, that I have full knowledge of State and Federal laws applicable to this operation, that the statements made in this APD package are, to the best of my knowledge true and correct, and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Celero Energy II, LP, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 29 day of June, 2010

Signed: _____

Printed Name: Bruce Woodard
Position: Operations Manager
Address: 400 W. Illinois, Suite 1601
Midland, TX 79701
Telephone: 432-686-1883, X-123 (Office); 432-894-2640 (Cell)
Field Representative: Mr. Evan Wauhob
E-mail address: bwoodard@celeroenergy.com; ewauhob@celeroenergy.com

# LOCATION VERIFICATION MAP




SCALE: 1" = 2000'

CONTOUR INTERVAL:
CAUDILL RANCH, N M. – 10'

SEC. 25 TWP. 13-S RGE. 31-E

SURVEY N M.P.M

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FNL & 860' FWL

ELEVATION 4397'

OPERATOR CELERO ENERGY II LP

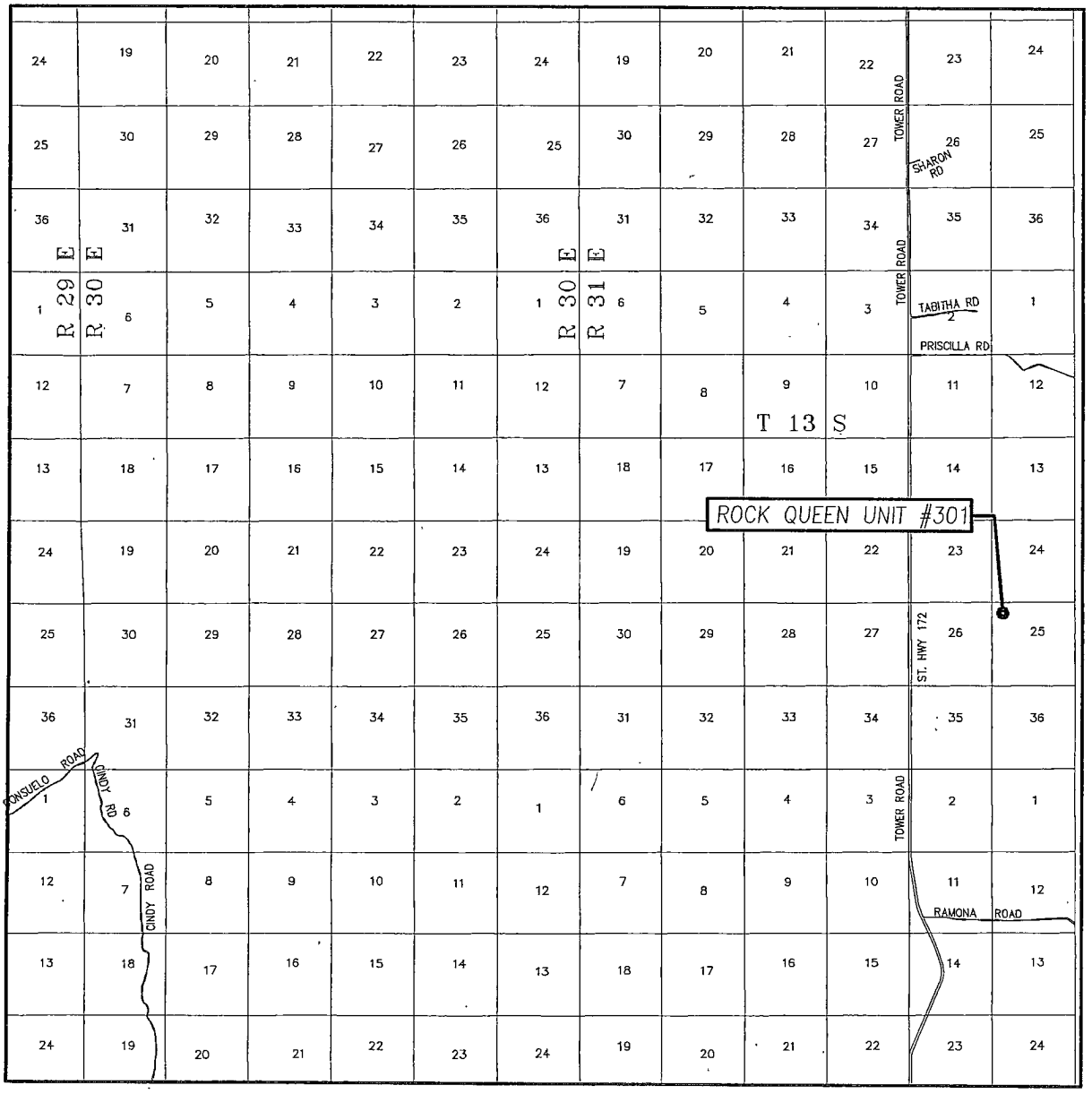
LEASE ROCK QUEEN UNIT

U.S.G S. TOPOGRAPHIC MAP
CAUDILL RANCH, N M.

PROVIDING SURVEYING SERVICES
SINCE 1946
*JOHN WEST SURVEYING COMPANY*
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

EXHIBIT 2

# VICINITY MAP




SCALE – 1"=2 MILES

SEC. 25 TWP. 13-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FNL & 860' FWL

ELEVATION 7397'

OPERATOR CELERO ENERGY II LP

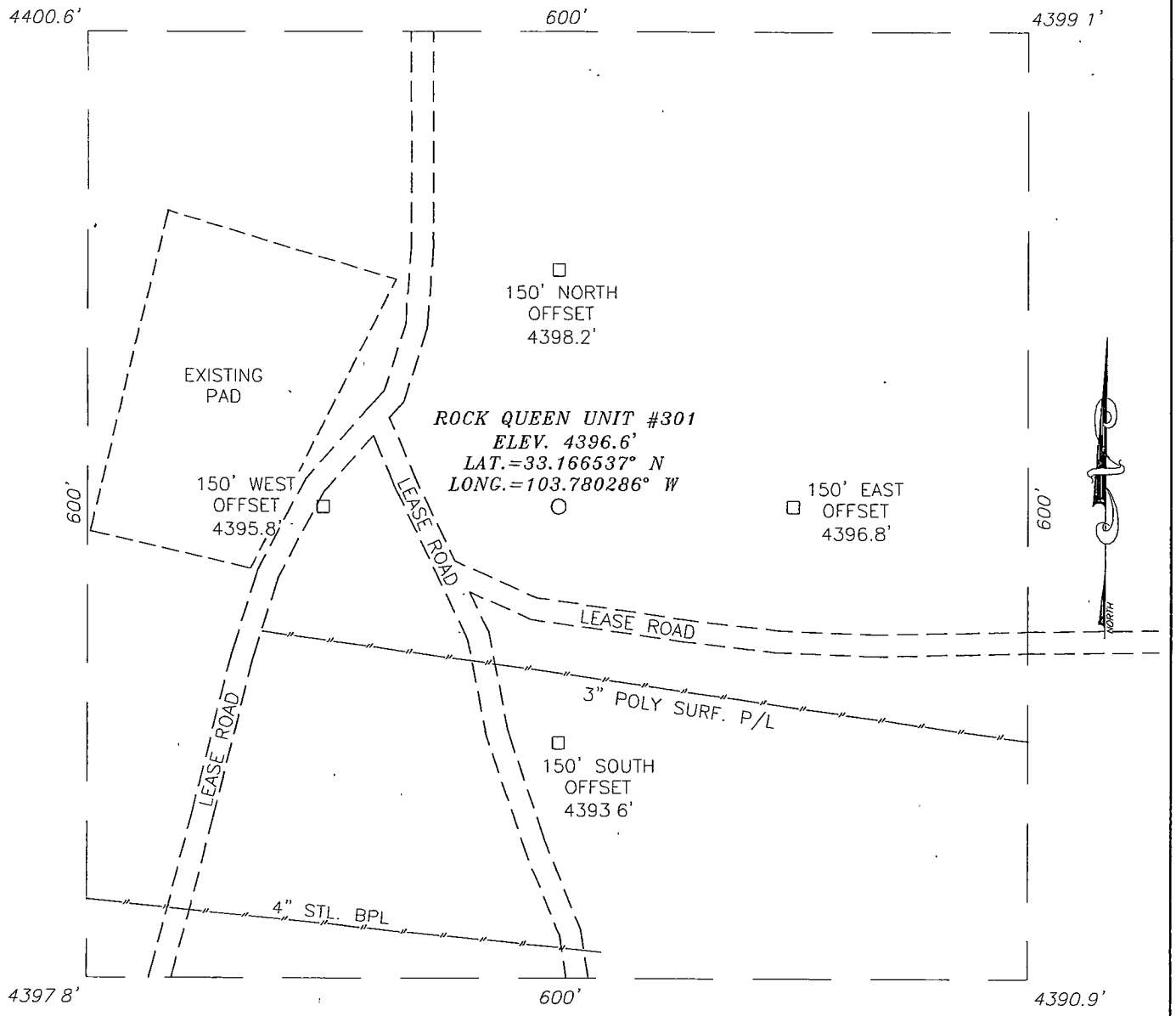
LEASE ROCK QUEEN UNIT

PROVIDING SURVEYING SERVICES
SINCE 1946
*JOHN WEST SURVEYING COMPANY*
412 N DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

EXHIBIT 3

# SECTION 25, TOWNSHIP 13 SOUTH, RANGE 31 EAST, N.M.P.M.,

CHAVES COUNTY, NEW MEXICO




DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST HWY #249 AND ST. HWY #172, GO NORTH ON ST. HWY. #172 APPROX 10.5 MILES. TURN RIGHT AND GO EAST APPROX 1 25 MILES TURN RIGHT AND GO SOUTH APPROX. 550 FEET THE LOCATION STAKE IS APPROX. 150 FEET EAST OF EXISTING ROAD

100 0 100 200 Feet

Scale: 1"=100'

## EXHIBIT 4


PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117


## CELERO ENERGY II LP

ROCK QUEEN UNIT #301 WELL
LOCATED 660 FEET FROM THE NORTH LINE
AND 860 FEET FROM THE WEST LINE OF SECTION 25,
TOWNSHIP 13 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

| | | | |
|---|---|---|---|
| Survey Date: 10/29/10 | Sheet 1 of 1 Sheets | | |
| W.O. Number. 10 11.1611 | Dr By. LA | Rev 1.N/A | |
| Date: 11/4/10 | | 10111611 | Scale 1"=100' |

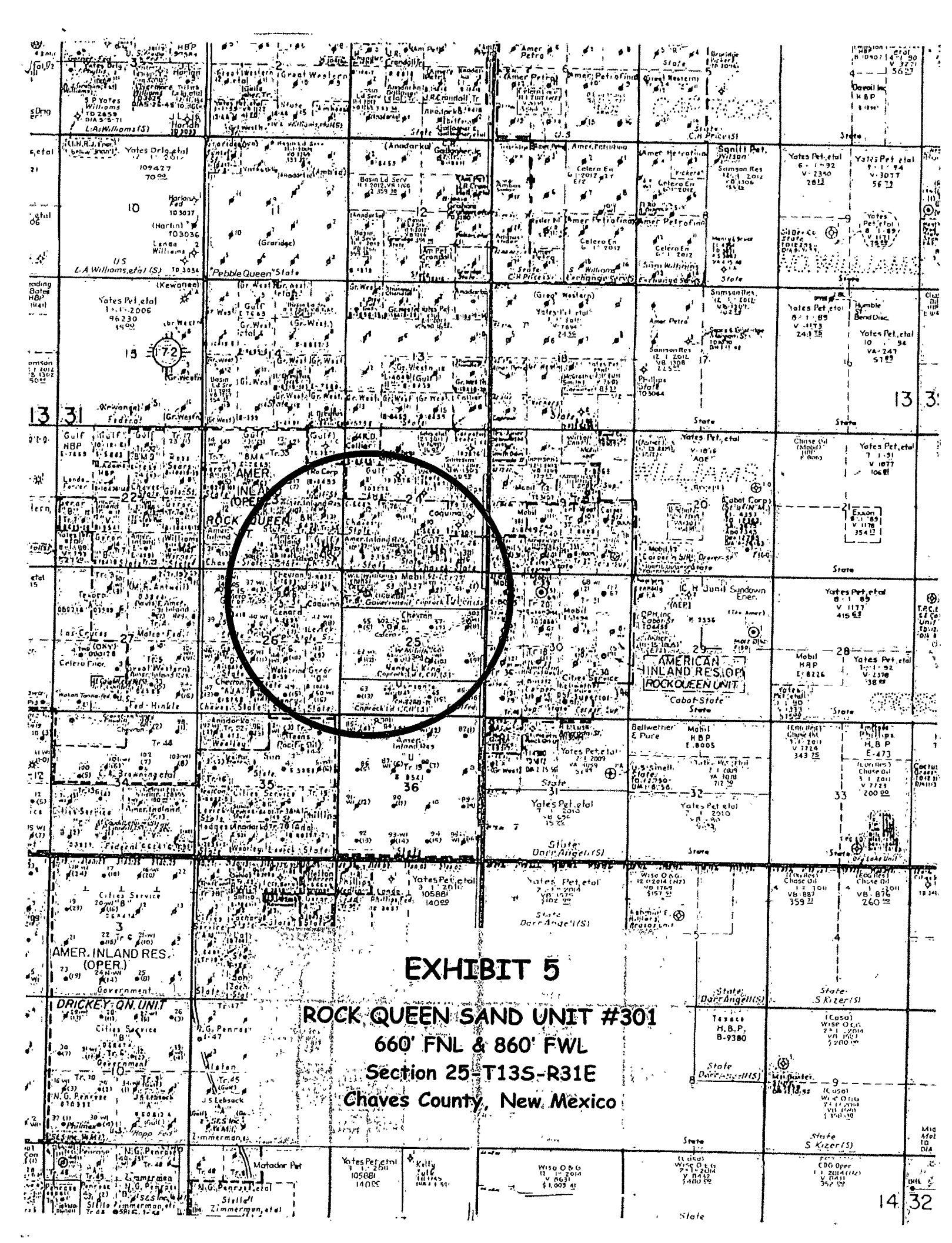
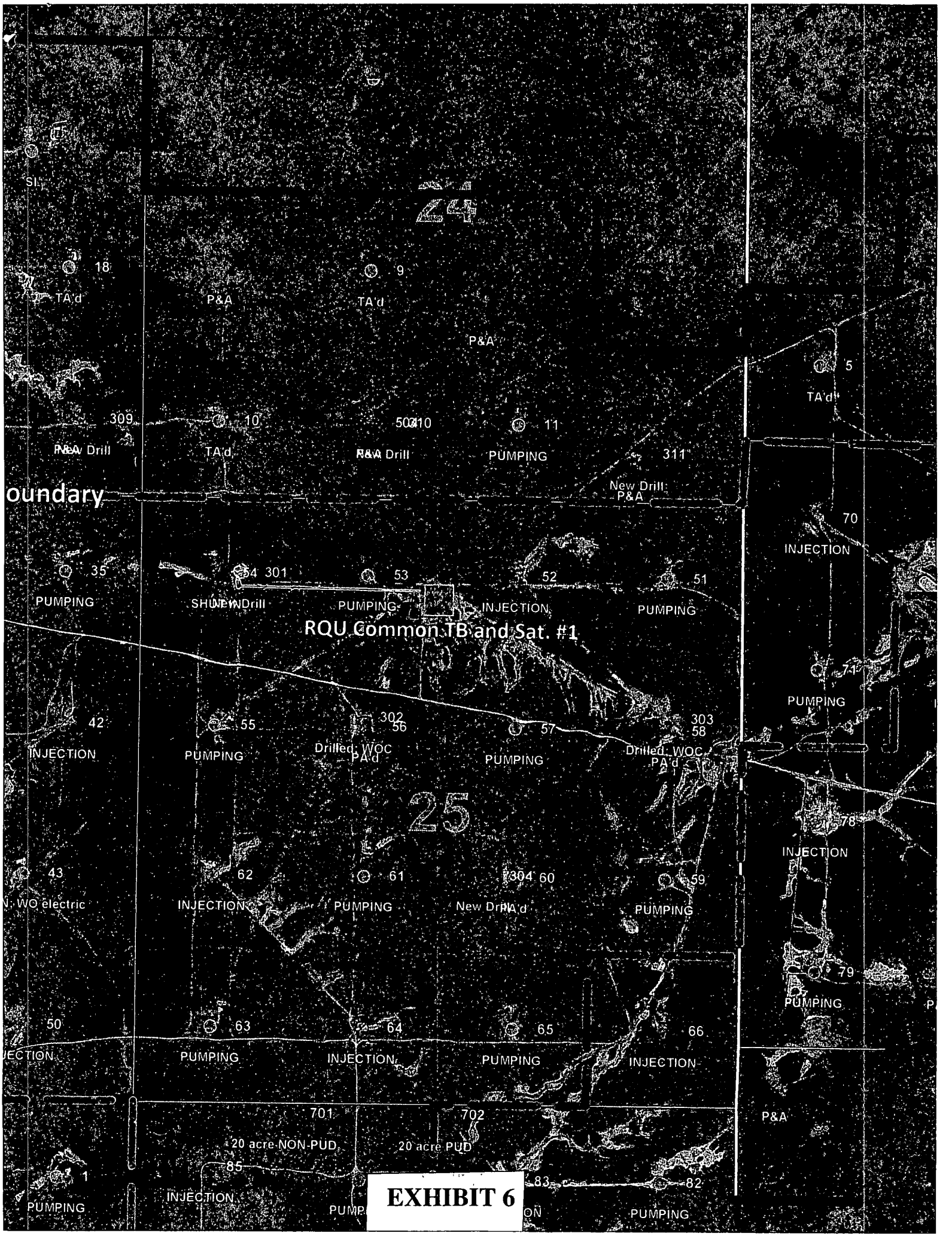


EXHIBIT 5
ROCK QUEEN SAND UNIT #301
660' FNL & 860' FWL
Section 25-T13S-R31E
Chaves County, New Mexico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New Drill
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INJECTION
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54
301
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52
51
PUMPING
SHUT-IN
New Drill
PUMPING
INJECTION
PUMPING
RQU Common TB and Sat. #1
71
PUMPING
42
55
302
56
57
303
58
INJECTION
PUMPING
Drilled, WOC
PA'd
PUMPING
Drilled, WOC
PA'd
78
INJECTION
43
62
61
304
60
59
WO electric
INJECTION
PUMPING
New Drill
PA'd
PUMPING
79
PUMPING
50
63
64
65
66
JECTION
PUMPING
INJECTION
PUMPING
INJECTION
701
702
P&A
20 acre NON-PUD
20 acre PUD
85
1
83
82
PUMPING
INJECTION
PUMP
ON
PUMPING

**EXHIBIT 6**