

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

NOV 28 2011

RECEIVED

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. R1477	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Drickey Queen Sand Unit #703	
2. Name of Operator Celero Energy II, LP (247128)		9. API Well No. 30-005-29197	
3a. Address 400 W. Illinois, Ste. 1601 Midland, TX 79701		10. Field and Pool, or Exploratory Caprock; Queen (8559)	
3b. Phone No. (include area code) (432)686-1883		11. Sec., T. R. M. or Blk. and Survey or Area (A) Sec 10, T14S, R31E	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 10' FNL & 1309' FEL (A) At proposed prod. zone		12. County or Parish Chaves	
14. Distance in miles and direction from nearest town or post office*		13. State NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 10'	16. No. of acres in lease 1597.56	17. Spacing Unit dedicated to this well 40 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 918'	19. Proposed Depth 3115'	20. BLM/BIA Bond No. on file B003298	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4421'	22. Approximate date work will start* 10/25/2011	23. Estimated duration 7 days	

24. Attachments

ROSWELL CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature <i>Lisa Hunt</i>	Name (Printed/Typed) Lisa Hunt	Date 08/26/2011
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Regulatory Analyst

Approved by (Signature) <i>151 Angel Mayes</i>	Name (Printed/Typed) Angel Mayes	Date 11-23-11
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	

APPROVED FOR 2 YEARS

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

DECLARED WATER BASIN

CEMENT BEHIND THE 8 1/2" CASING MUST BE CIRCULATED

WITNESS

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**

DEC 07 2011

EXHIBITS TO FORM 3160-3, Application for Permit to Drill or Reenter

Exhibit	Description
1	NMOCD Form C-102 (Plat)
2	Topographic Map
3	Vicinity Map and Area Roads
4	Elevation Plat
5	Ownership Map with Well Location and Wells within a 1-mile Radius
6	Plan of Development Map
7	Drilling Plan
8	Rig Layout and Closed-Loop Schematic
9	BOPE and Choke Manifold
10	NMOCD Form C-144 CLEZ, Closed Loop System Permit Application
11	Caprock Area H2S Contingency Plan
12	Surface Use Plan of Operations and Operator Certification

Celero Energy II LP Drilling Plan
 Dickey Queen Sand Unit (DQSU) # 703
 Surface location: 10° FNL & 1309° FWL
 Section 10, T-14S, R31E
 Chaves County, New Mexico

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1. The estimated tops (MD) of relevant geologic markers are as follows:

Rustler	1382'
Salado	1472'
Tansill	2182'
Yates	2289'
Seven Rivers	2397'
Queen	3045'

2. The estimated depths at which water, oil, or gas formations are anticipated:

Freshwater at surface to maximum 185' as recorded in Section 35 to the south and west.
 Formation/salt water below 350'.
 Oil and/or gas in the Queen Formation at 3045'.

3. Pressure control equipment:

There will not be any pressure control equipment on the well until the surface pipe is set at roughly 350'. After setting surface pipe and before drilling out, a 3000 psi working pressure, double-ram BOP will be flanged to the surface casinghead. A rotating head will be installed on top of the BOP. The BOPE controls will be installed at the time the BOPE is installed. All equipment will remain in use until the production casing is cemented or the well is abandoned as a dry hole. The BOPE will be cycled and casing will be pressure tested by a third party before the surface casing shoe is drilled out. A schematic of the BOPE and choke manifold is attached as Exhibit # 9. A mud-gas separator will be installed downstream of the choke manifold and will be of sufficient height to return mud and cuttings to the shaker.

Ancillary Equipment:

A kelly cock and a flow sensor recorder will be in service on the mud return line after the surface pipe is set and the BOPE is nipped up. A sub with full-opening valve (in the open position) to fit the drill pipe and drill collars will be on the rig floor at all times the Kelly is not in use.

4. Proposed casing and cementing program:

Hole size(in)	Casing size(in)	Weight (lbs/ft)	Grade	Coupling	Depth fr-to(ft)	Length (feet)
12-1/4	8-5/8	24	J-55	ST&C	0-350	350
7-7/8	5-1/2	15.5	J-55	LT&C	0-3115	3115

any completion bed between 400' to 1285'

The well will be drilled vertically; natural walk (deviation) will be maintained at 5 (five) degrees or less.

Minimum design factors are: 1.125 Burst; 1.1 Collapse; 1.5 Tension.

Celero Energy II LP Drilling Plan
Drickey Queen Sand Unit (DQSU) # 703
Surface location: 10' FNL & 1309' FWL
Section 10, T-14S, R31E
Chaves County, New Mexico

4. Proposed casing and cementing program:(cont)

Cementing program

Surface casing set at 350': Pump 270 sx Class C cement containing 2% CaCl₂, celloflake, and a defoamer and circulate cement to surface.

Production casing set at 3115'. Anticipate TOC at surface. Pump lead slurry consisting of 500 sx Class C 50/50 Poz containing 10% bentonite, 5% salt, and a defoamer, followed by 300 sx Class C 50/50 Poz containing 2% bentonite, 5% salt, and a defoamer. In the event that a stage (DV) tool is necessary to cement the production casing, it will be placed around 2500'. The production casing will then be cemented using the above two cement slurries; stage one will be 300 sx and stage 2 will be 500 sx of the above slurries.

5. Drilling mud program/auxiliary equipment:

Interval (feet)	Mud Type	Weight (ppg)	Viscosity	Fluid Loss (cc)
0-350	Freshwater	8.6		Uncontrolled
350-TD	Saltwater	10-10.2	40-45	< 10

As mud is circulated out of the hole, mud cuttings are caught in moveable storage bins until the cuttings are eventually hauled to an approved disposal site.

Sufficient mud materials are held on location to: 1) maintain mud properties, 2) control lost circulation by continuously adding lost-circulation material to the mud system or pumping concentrated lost-circulation pills, and 3) contain/control any possible flow from the well. The mud system will be checked each tour by rig personnel.

6. Formation Evaluation Program:

Samples: None
 Logging: Cased-hole GR/CNL
 Coring: None
 DST: None
 Mudlog: None

7. Abnormal conditions, bottomhole pressure and potential hazards:

Abnormal pressures or temperatures are not anticipated.

Bottomhole pressures:

Surface to 350 feet: Anticipated maximum of 160 psi.
 350 feet to TD: Anticipated maximum of 1500 psi.

Lost circulation zones are possible and generally occur below 2300 feet. Lost circulation will be controlled either by adding lost-circulation material continuously to the drilling fluid or by spotting heavy LCM pills. In certain circumstances, no attempt will be made to control lost-circulation.

Celero Energy II LP Drilling Plan
Drickey Queen Sand Unit (DQSU) # 703
Surface location: 10' FNL & 1309' FWL
Section 10, T-14S, R31E
Chaves County, New Mexico

7. Abnormal conditions, bottomhole pressure and potential hazards: (cont.)

Produced gas from the Queen Formation occurring at 3045' is known to contain H₂S. Anticipated maximum concentration is 10080 ppm; maximum anticipated produced gas rate is 6 MCFPD. The 100 ppm ROE is 17 feet; the 500 ppm ROE is 8 feet. Please see Celero Energy's H₂S Contingency Plan, Caprock Field Area, Chaves & Lea Cos., New Mexico for Celero's response plans regarding any H₂S release while drilling this well.

Maximum anticipated bottomhole temperature is 90 degrees F.

8. Anticipated spud date: October 25, 2011.

Drilling rig will be under continuous contract. It will take roughly 7 days from rig up to rig down and move to drill the well. It will take only 3 days to complete the well to produce. Production should start as soon as electricity is installed.

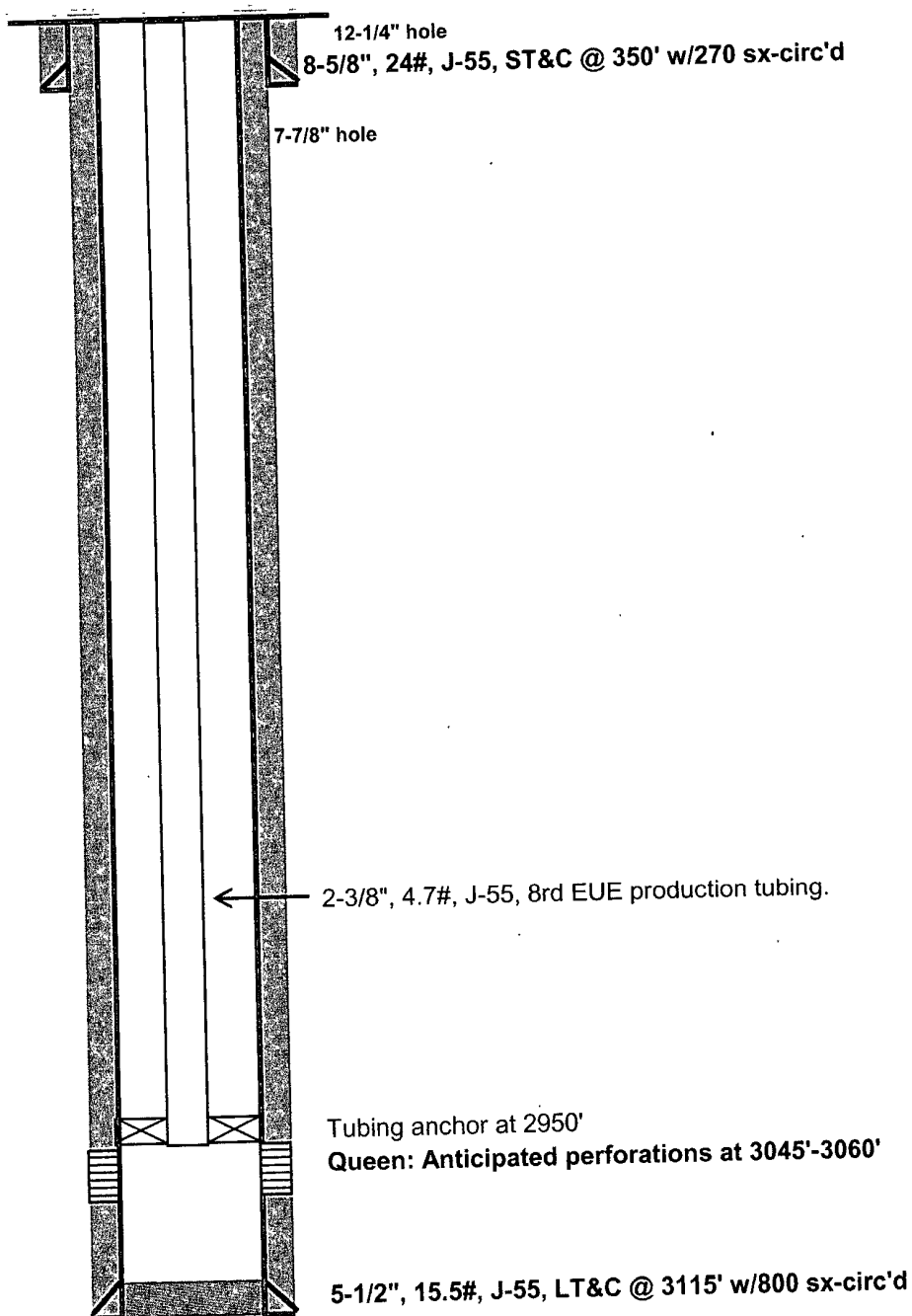
CELERO ENERGY

FIELD: Caprock
LEASE/UNIT: Drickey Queen Sand Unit
COUNTY: Chaves

DATE: Aug. 25, 2011
BY: MWM
WELL: 703
STATE: New Mexico

Location: 10' FNL & 1309' FEL, Sec 10A, T14S, R31E
SPUD: COMP:
CURRENT STATUS: Pending Permit

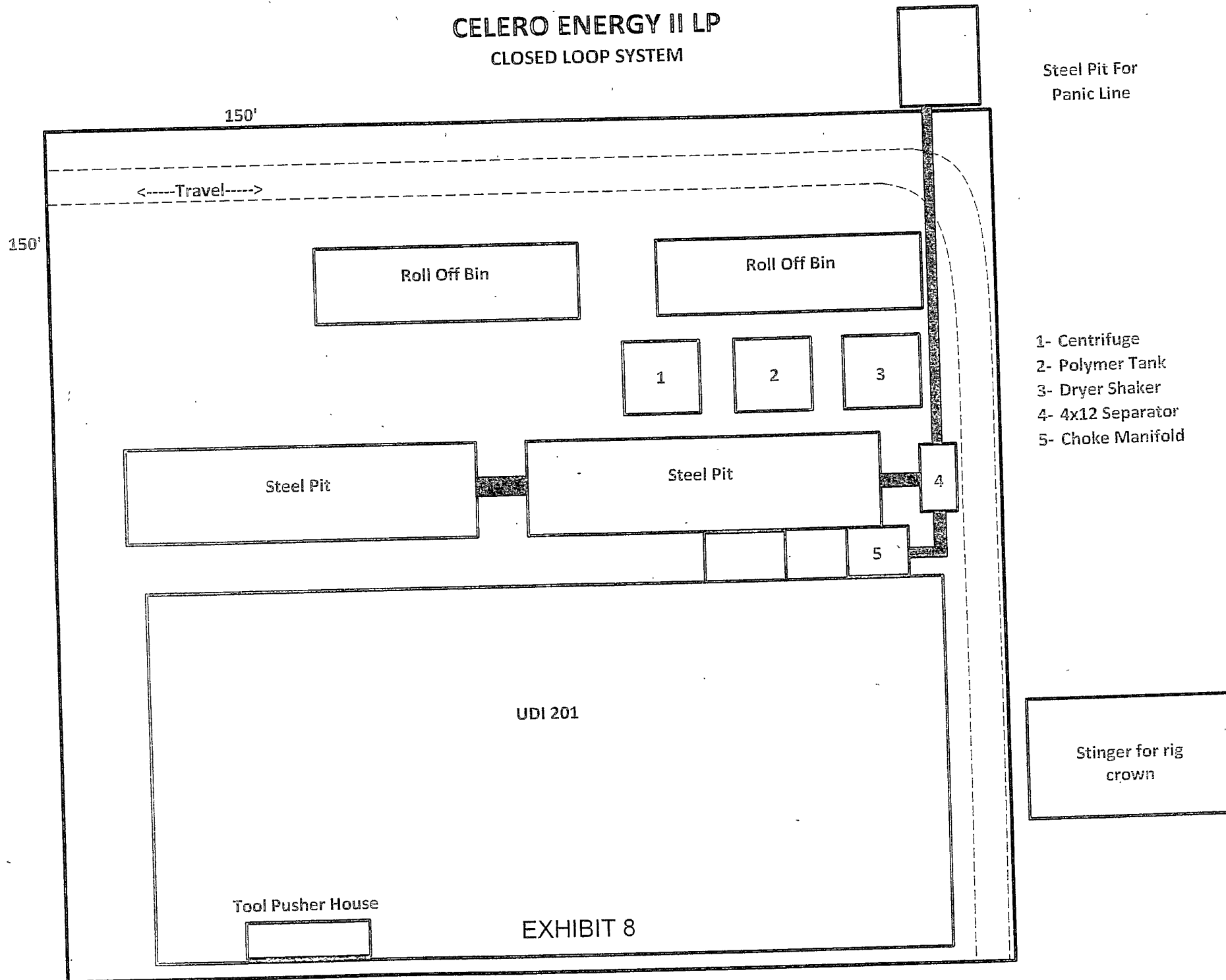
KB = 13' AGL
GL = 4421'
API = 30-005-N/A

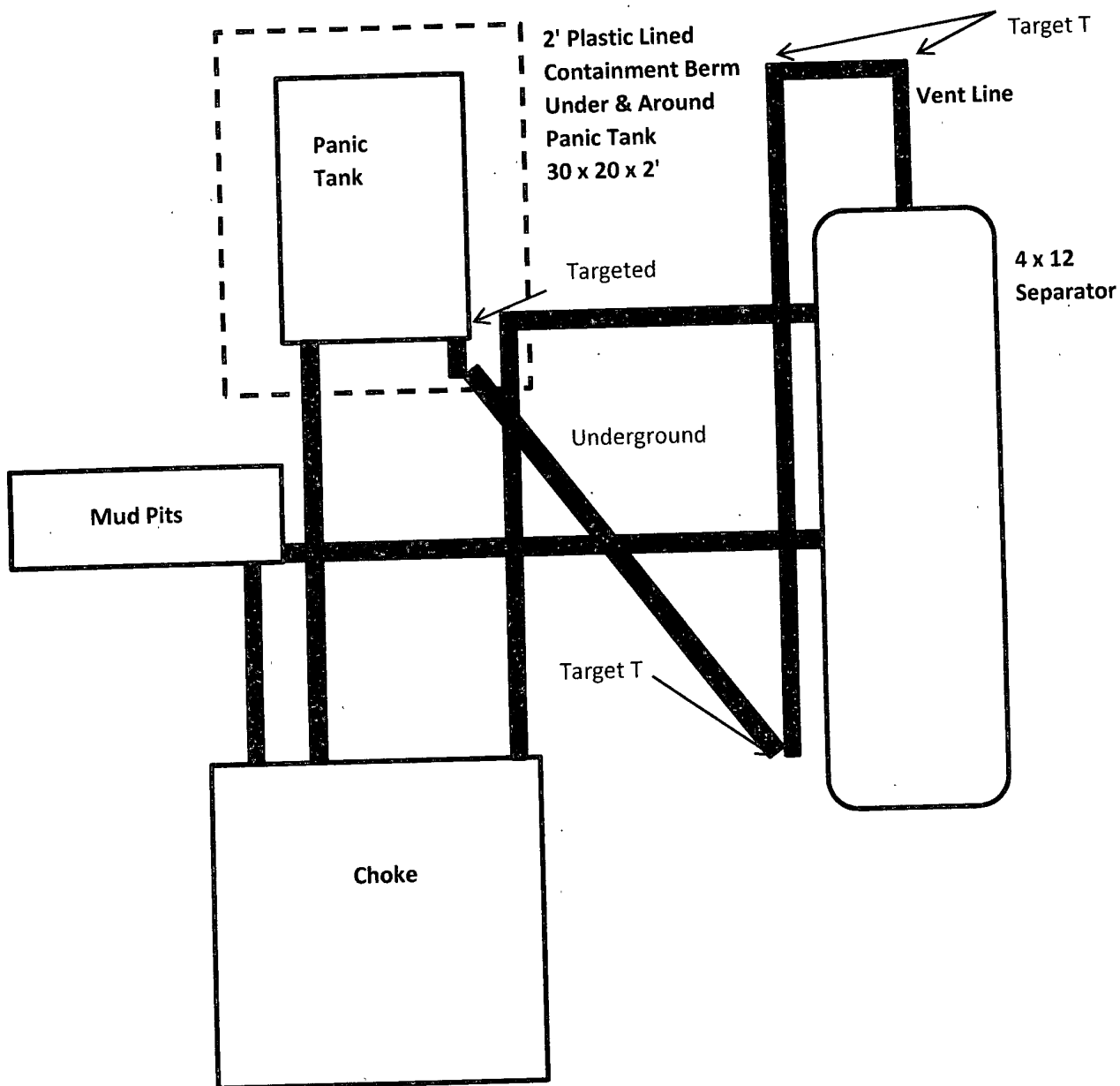


PBTD -
TD - 3115'

CELERO ENERGY II LP

CLOSED LOOP SYSTEM





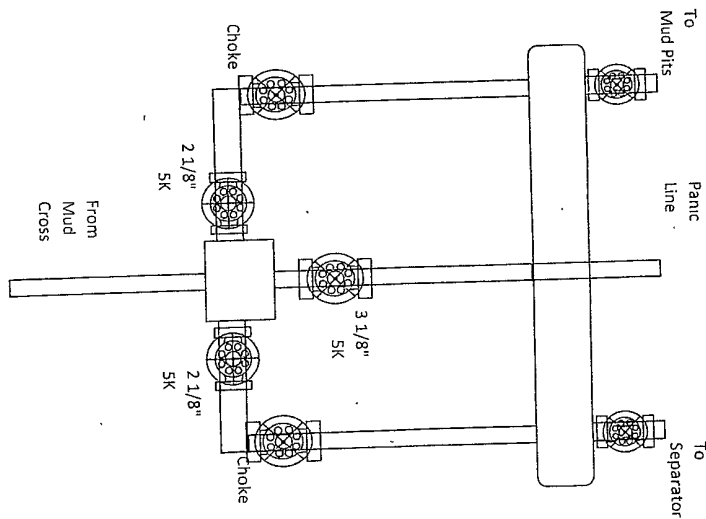
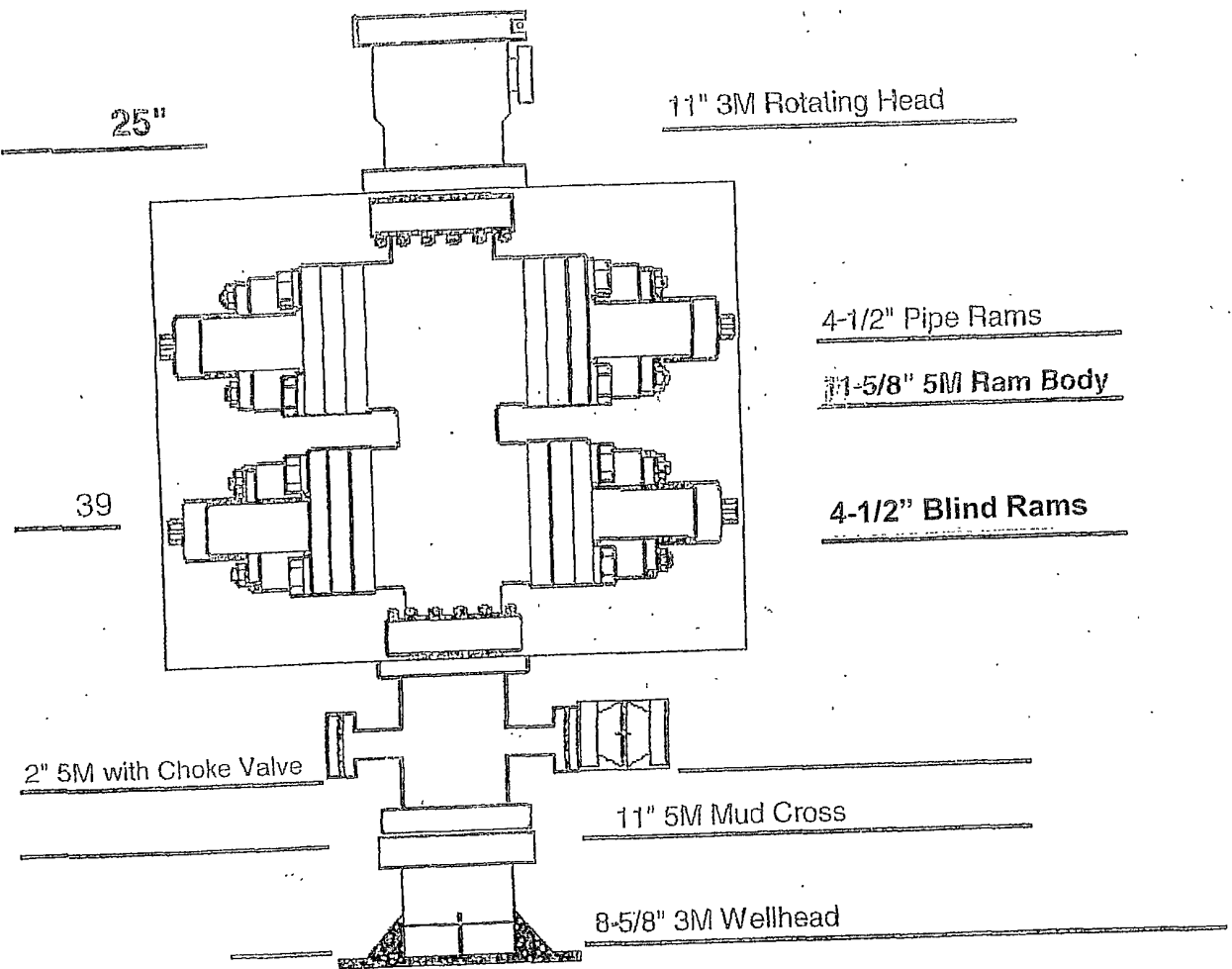


EXHIBIT 9

