

**HOBBS OCD**

**NOV 28 2011**

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**Celero Energy II LP  
Surface Use Plan of Operations  
Drickey Queen Sand Unit (DQSU) # 703  
Surface Location: 10' FNL & 1309' FWL  
Section 10, T-14S, 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 8 miles to cattle guard #12 and turn west(left). Go approximately ¼ mile, continue north-northwest about ¼ mile to new road to location.
- D. Routine grading and maintenance of existing roads is ongoing; most of the Drickey Queen Sand Unit is actively operated.

**2. Proposed Access Road.**

The elevation plat (Exhibit 4) shows that roughly 481' of new road will be required for the DQSU #703. 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 located in Section 34, T-13S, R31E. We have secured approval from the BLM to purchase caliche from this 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.

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

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

- A. The well will be completed to produce from the Queen Formation. There will not be any production facilities constructed on the location. Produced oil, gas, and water will be transported to Tank Battery #1 of the DQSU located in Section 3, T14S, R31E as shown on Exhibit 6, POD.
- B. If and when the well is completed, contemplated facilities are as follows:
- 1) Produced oil, gas, and water will be transported through a steel flow line to 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 3300 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**. Depending on availability, the line will be constructed of used, 2-3/8" or 2-7/8", J-55 tubing having a working pressure in excess of 5000 psi. The line will be laid on the surface, and its proposed route is highlighted in blue on Exhibit 6.
  - 5) Electric service is necessary for the well, and power lines will be installed alongside access roads 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.

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- 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.

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- B. There is not any permanent or live water in the immediate area
- C. There are not any dwellings within 1.9 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)

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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 26 day of August, 2011

Signed: Bruce Woodard

Printed Name: Bruce Woodard

Position: Operations Manager

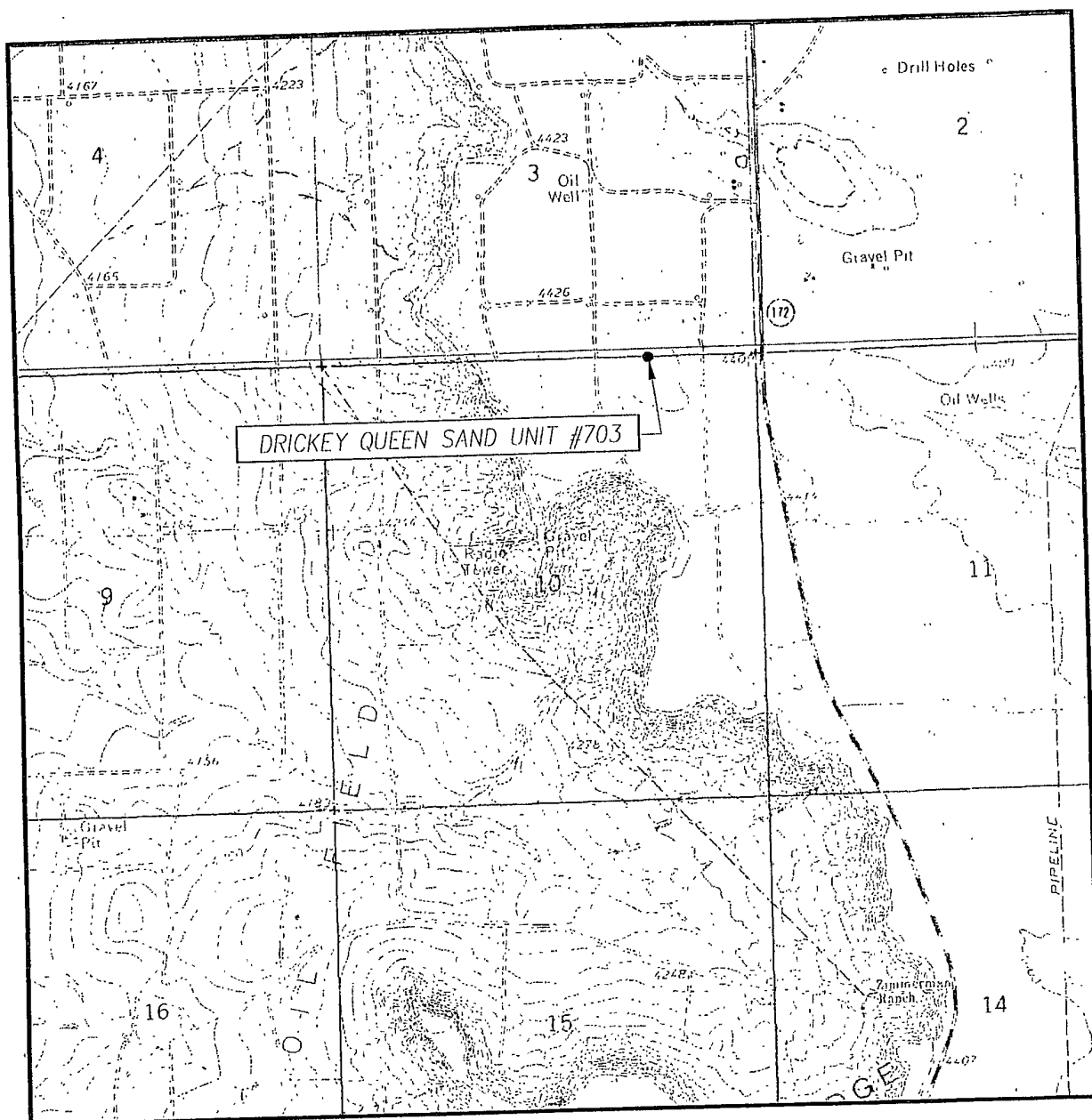
Address: 400 W. Illinois, Suite 1601  
Midland, TX 79701

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:  
CEDAR POINT SE, N.M. - 10'  
CAUDILL RANCH, N.M. - 10'

SEC. 10 TWP 14-S RGE 31-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 10' FNL & 1309' FEL

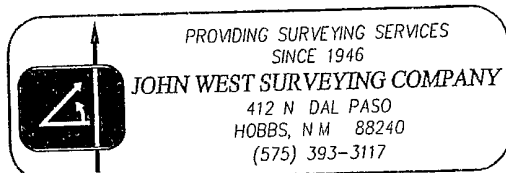
ELEVATION 4421'

OPERATOR CELERO ENERGY II LP

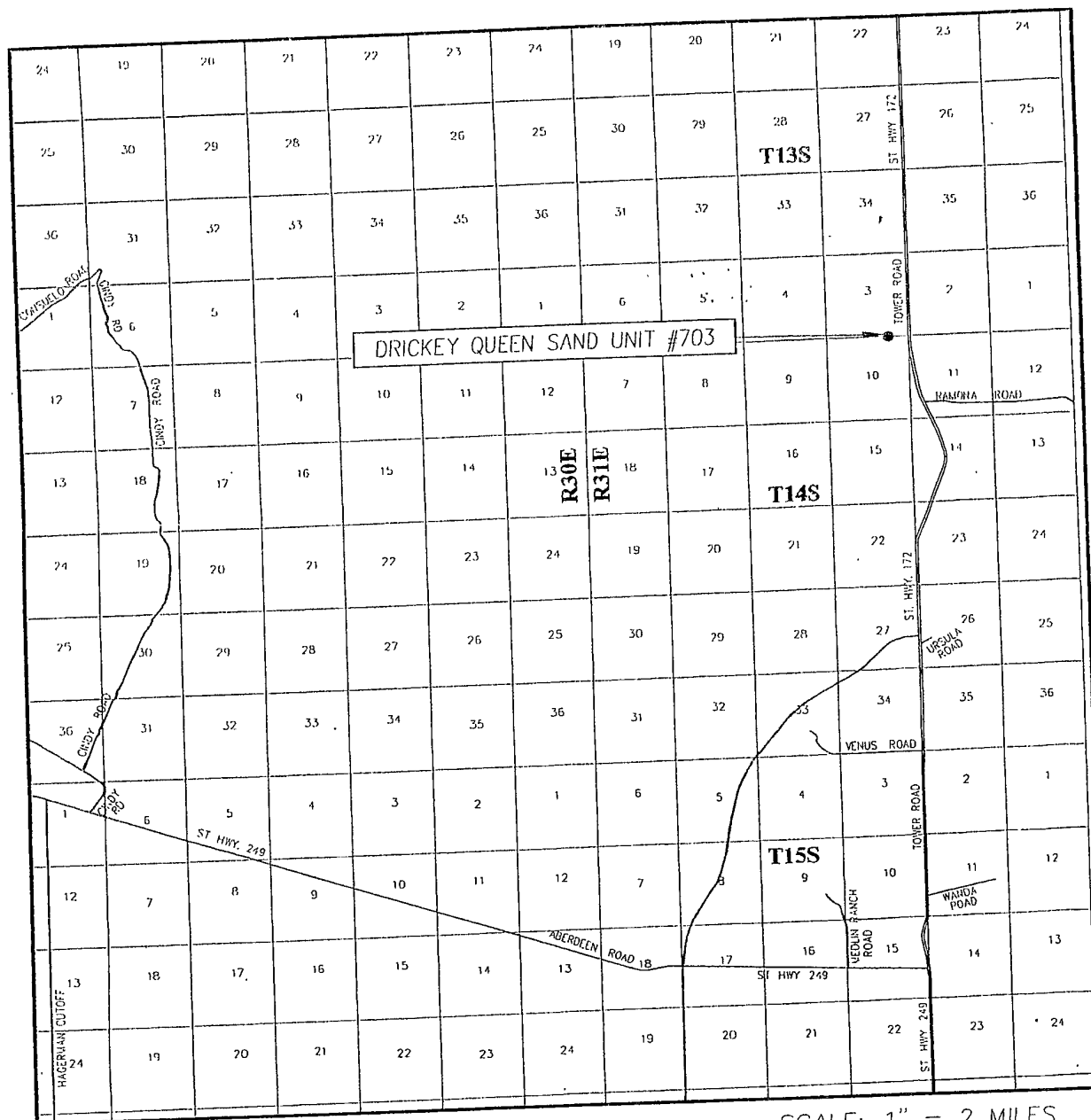
LEASE DRICKEY QUEEN SAND UNIT

U.S.G.S. TOPOGRAPHIC MAP  
CEDAR POINT SE, N.M.

## EXHIBIT 2



## VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 10 TWP. 14-S RGE 31-E

SURVEY N.M.P.M

COUNTY CHAVES STATE NEW MEXICO

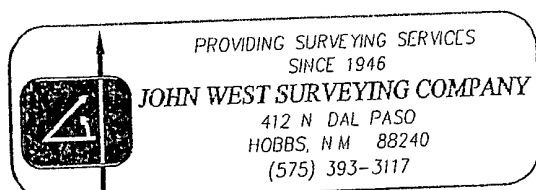
DESCRIPTION 10' FNL & 1309' FEL

ELEVATION 1421'

OPERATOR CELERO ENERGY II LP

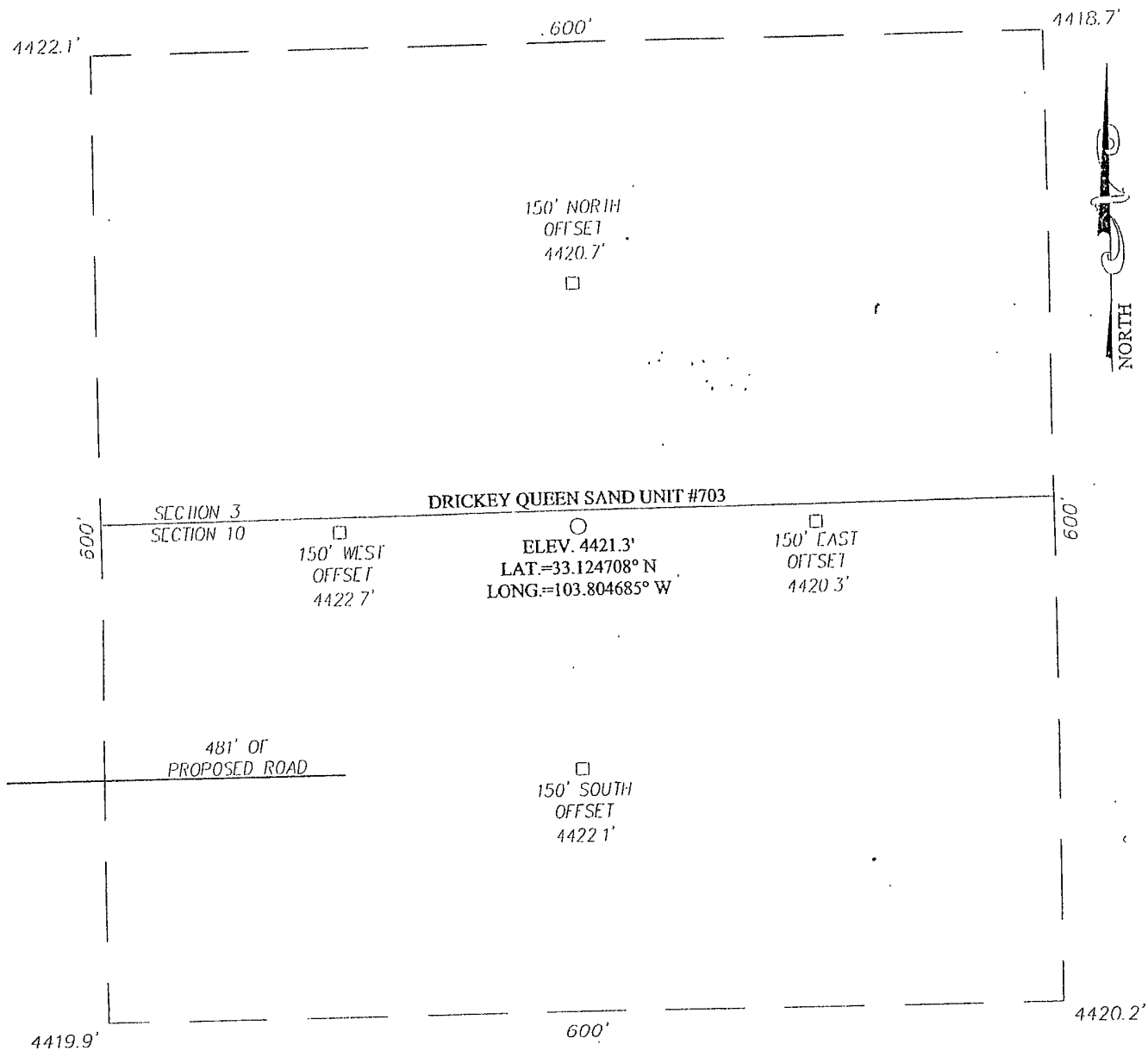
LEASE DRICKEY QUEEN SAND UNIT

EXHIBIT 3





SECTION 10, TOWNSHIP 14 SOUTH, RANGE 31 EAST, N.M.P.M.  
CHAVES COUNTY NEW MEXICO

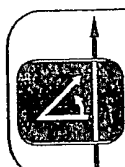


236' EXISTING LEASE ROAD

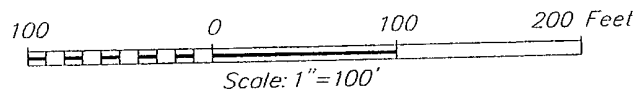
EXHIBIT 4

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #172 AND ST. HWY. #249, GO NORTH ON ST. HWY. #172 APPROX 7.7 MILES. GO WEST-NORTHWEST APPROX 0.4 MILES. GO NORTHWEST-NORTH FOR APPROX. 0.3 MILES. THE LOCATION STAKE IS APPROX 630 FEET EAST



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**CELERO ENERGY II LP**

DRICKEY QUEEN SAND UNIT #703 WELL  
LOCATED 10 FEET FROM THE NORTH LINE  
AND 1309 FEET FROM THE EAST LINE OF SECTION 10,  
TOWNSHIP 14 SOUTH, RANGE 31 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO

Survey Date	12/1/10	Sheet	1	of	1	Sheets
W.O. Number	10.11.1735	Dr. By:	LA	Rev	1:	
Date:	12/11/10	Rel. W.O.:		10111735	Scale:	1"=100'

