

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



Response Required – Deadline Enclosed
Underground Injection Control Program
"Protecting Our Underground Sources of Drinking"

04-Apr-13

CELERO ENERGY II, LP
400 WEST ILLINOIS SUITE 1601
MIDLAND TX 79701-

HOBBS OCD

APR 04 2013

RECEIVED

LETTER OF VIOLATION and SHUT-IN
DIRECTIVE Failed Mechanical Integrity Test

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section. The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

ROCK QUEEN UNIT No.012

30-005-00828-00-00
B-23-13S-31E

Active Injection - (All Types)

Test Date:	3/19/2013	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	6/22/2013
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	**FAILED PRESSURE TEST*** WOULD NOT PRESSURE UP** OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11****				

DRICKEY QUEEN SAND UNIT No.005

30-005-00926-00-00
H-35-13S-31E

Active Injection - (All Types)

Test Date:	3/20/2013	Permitted Injection PSI:	Actual PSI:		
Test Reason:	5-year Test	Test Result:	F	Repair Due:	6/23/2013
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:	
Comments on MIT:	PT FAILURE 3/20/2013 WOULD NOT HOLD PRESSURE; OIL AND WATER COMING FROM BRADENHEAD; ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11****				

APR 04 2013

April 4, 2013

Page 2

ROCK QUEEN UNIT No.085

30-005-00930-00-00

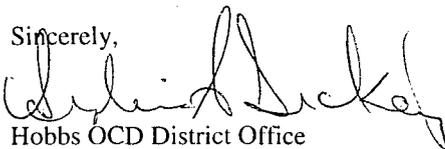
Active Injection - (All Types)

D-36-13S-31E

Test Date: 3/21/2013	Permitted Injection PSI:	Actual PSI:
Test Reason: Annual IMIT	Test Result: F	Repair Due: 6/24/2013
Test Type: Bradenhead Test	FAIL TYPE: Other Internal Failure	FAIL CAUSE:
Comments on MIT: ***OPERATOR IN VIOLATION OF NMOCD RULE 19.15.26.11 AND 19.15.26.10*** PROD. CSG HAS CONTINUOUS PRESSURE; INJECTION PRESSURE IS OVER LIMIT; APPROVED INJECTION PRESSURE LIMIT IS 800#.		

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well.

Sincerely,

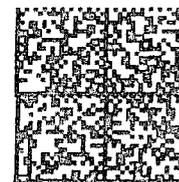


Hobbs OCD District Office

COMPLIANCE OFFICER

Note: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector-data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER 015H14150977
\$0.46
04/04/13
Mailed From 88240

US POSTAGE

CELERO ENERGY II, L.P.
ATTN: REGULATORY DEPT.
400 WEST ILLINOIS, STE, 1601
MIDLAND, TX 79701