

Submit 3 Copies to Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Azusa, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
June 19, 2008

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.	30-025-07145 ✓
5. Indicate Type of Lease	STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name	Continental Wallace ✓
8. Well Number	1 ✓
9. OGRID Number	247128 ✓
10. Pool name or Wildcat	Gladiola; Devonian ✓

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/>	
2. Name of Operator	CELERO ENERGY II, LP ✓
3. Address of Operator	400 W. Illinois, Ste. 1601 Midland, TX 79701
4. Well Location	Unit Letter P : 660 feet from the South line and 660 feet from the East line Section 6 Township 12S Range 38E. NMPM County Lea ✓
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3875' GR	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input checked="" type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

10/2 - 10/8/08

MIRU well service rig. POOH w/tbg. RU tbg testers. PU 5 1/2" HD pkr, 2 3/8 SN, x-over & tbg. Tested in hole to 7000 psi w/341 2 7/8" jts 6.5# L-80 8rd tbg - 10939.59', x-over, 32 jts PH-5 tbg - 1004.40'. Attempted to set HD pkr repeatedly @ 11951.51', 71.49' above top perf. Pkr did not give any indication of trying to set. Attempted to set 1 jt above & still would not set. Pkr finally set @ 11,936' in middle of jt. Attempted to release pkr and move down hole. Pkr would not release to run to a deeper hole position. Unset pkr. RIH & reset pkr @ 11951.51' w/ 36 pts compression. Load csg w/180 bbls produced wtr, CP 720 PSI. Bled off to 700 PSI in 20 min. Load tbg w/60 bbls. Est inj rate of 6.5 BPM @ 1100 psi. Unset HD pkr. POOH w/production equipment. SWI RD.

Original MIT chart is attached.

Plans are to evaluate this well for future use.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

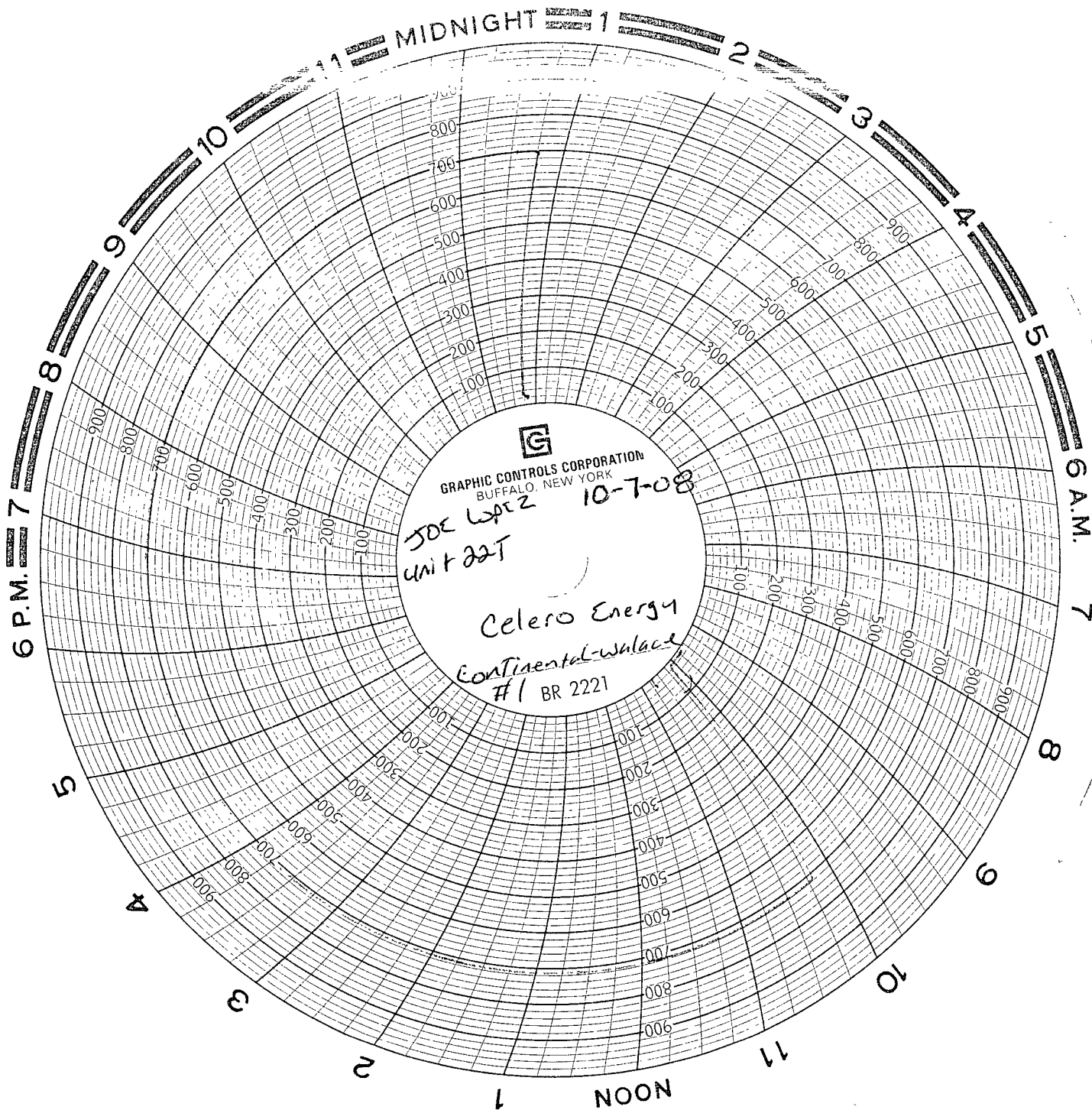
SIGNATURE Lisa Hunt TITLE Regulatory Analyst DATE 10/20/2008

Type or print name Lisa Hunt E-mail address: LHunt@celeroenergy.com PHONE: (432)686-1883

For State Use Only

APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE OCT 28 2008

Conditions of Approval (if any):





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

16-Jul-08

SABER RESOURCES LLC

400 W ILLINOIS AVE SUITE 950

MIDLAND TX 79701-

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, 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. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

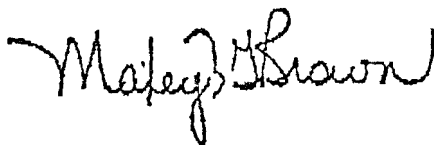
IDLE WELL INSPECTION DETAIL SECTION

CONTINENTAL WALLACE 001	N-6-12S-38E	30-025-07145-00-00	Inspection No. iMGB0819839612
Inspection Date:	7/16/2008 10:59:59 AM	Corrective Action Due by: 10/19/2008	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Maxey Brown	Yes	No
Comments on Inspection:	Idle Well (Rule 201). NEED TO RETURN TO PROD., T/A OR P/A WELL. JOHN IS CORRECTING SIGN. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB.		

XC: BW 9/16/08

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

A handwritten signature in black ink, appearing to read "M. J. Brown". The signature is fluid and cursive, with the first name "M. J." and the last name "Brown" clearly distinguishable.

Hobbs OCD District Office

COMPLIANCE OFFICER

* Significant Non-Compliance events are reported directly to the U S Environmental Protection Agency, Region VI, Dallas, Texas.