

UNITED STATES 1625 N. French Drive
DEPARTMENT OF THE INTERIOR Hobbs, NM 88240
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☐ Gas Well ☒ Other *Inj*

2. Name of Operator
Celero Energy II, LP

3a. Address 3b. Phone No. (include area code)
400 W. Illinois, Ste. 1601 Midland TX 79701 (432)686-1883

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1980' S 1980' E
UL: J, Sec: 3, T: 14S, R: 31E

5. Lease Serial No.

LC-068474

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

DRICKEY QUEEN SAND UNIT #21

9. API Well No.

30-005-00965

10. Field and Pool, or Exploratory Area

CAPROCK; QUEEN

11. County or Parish, State

CHAVES
NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please see BLM Written Order attached.

All problems have been corrected and are ready for inspection.

Also, attached is a signed Damage Release Agreement from the surface owner releasing Celero Energy II, LP from further responsibility.

RECEIVED

NOV 29 2010
HOBSOCD

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Lisa Hunt

Title Regulatory Analyst

Signature

Lisa Hunt

Date 11/02/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE OR RECORD

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

NOV 22 2010

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.

(Instructions on page 2)

DAMAGE RELEASE

THE STATE OF NEW MEXICO §
COUNTY OF CHAVES §

KNOW ALL MEN BY THESE PRESENTS:

For and in consideration of the sum of TEN DOLLARS and other good and valuable consideration, cash in hand paid, the receipt of which is hereby acknowledged, the undersigned, **CAPROCK LAND & CATTLE, LLC**, does hereby release, acquit and forever discharge **CELERO ENERGY II, LP**, hereinafter referred to as "Operator", its employees, agents and contractors, from any and all losses, liabilities, claims, damages, demands and causes of action for any and all injuries and damage to the surface of the tract of land hereinbelow described and to the appurtenances and improvements thereon as well as for any and all injuries and damages to, including the death of livestock and/or wildlife thereon and for any and all damages to and/or loss of the trees, crops and vegetation owned and/or being cultivated on said tract of land by the undersigned, their respective employees and/or tenants, arising directly or indirectly in connection with the operations of Operator, its employees, agents and contractors associated with access to and the drillsite location, operational pad and reclamation of the surface for the **DRICKEY QUEEN SAND UNIT WELL NO. 21** (API No. 30-005-00965), said tract of land being more particularly described as follows, to-wit:

DRICKEY QUEEN SAND UNIT WELL NO. 21

1980' FSL and 1980' FEL of Section 3
NW/4SE/4 of Section 3, Township 14 South, Range 31 East
Chaves County, New Mexico

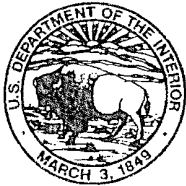
For the same consideration hereinabove referenced and paid, the undersigned does hereby agree to protect, indemnify and save Operator, its employees, agents and contractors free and harmless from any and all of the abovementioned losses, claims, damages, demands and causes of action arising directly or indirectly in connection with the abovementioned operations associated with the **DRICKEY QUEEN SAND UNIT WELL NO. 21** and to relieve Operator, its employees, agents and contractors from any and all liability incurred directly or indirectly as a result of such operations.

The undersigned, does hereby further agree that the payment and acceptance of the consideration set forth above is in full and complete payment, settlement, compromise and satisfaction of any and all of the abovementioned losses, liabilities, claims, damages, demands and causes of action accrued or accruing to the undersigned, its respective employees and/or tenants arising directly or indirectly in connection with the abovementioned operations by Operator, its employees, agents and contractors and that such payment is in no way an admission of liability by Operator, its employees, agents and contractors.

EXECUTED this 25th day of October, 2010.

CAPROCK LAND & CATTLE, L.L.C.


By: John E. Lodge, Vice President



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.blm.gov/nm/st/en.html



In Reply Refer To:
Case/Lease Number: NMLC 068474
3160(NMP0130)
Order No. 04-104-10W

OCT 01 2010

CERTIFIED MAIL--RETURN RECEIPT REQUESTED
7008 1830 0002 6036 2949

Celero Energy II, LP
400 W. Illinois Suite 1601
Midland, TX 79701

NOTICE OF ORDERS OF THE BLM AUTHORIZED OFFICER

Gentlemen:

On September 16, 2010 an inspection was performed by Randy Legler, Natural Resource Specialist on Federal Lease NMLC068474, Drickey QN Sand #21, API No.: 30-005-00965, 1980 FSL & 1980 FEL, NW¼SE¼ Section 3, T. 14 S. R. 31 E. Chaves County, New Mexico. It was found that reclamation has not been accomplished in a manner designed to protect the mineral resources, other natural resources, and environmental quality (43 CFR 3162.5).

ORDERS OF THE AUTHORIZED OFFICER

Pursuant to Federal Regulation 43 CFR 3162.5-1(b), "... Upon the conclusion of operations, the operator shall reclaim the disturbed surface in a manner approved or reasonably prescribed by the authorized officer..." the following environmental compliance problems were identified during the latest inspection of the subject location. Specifically:

- **Environmental Problem No. 1:** Idle/abandoned electric service lines.

Corrective Action: Remove the idle/abandoned electric service lines and appurtenances from the location back to the distribution line. If you don't own the service line and appurtenances have your service provider remove them.

- **Environmental Problem No. 2:** Anchors not removed.

Corrective Action: Remove all anchors and any remaining oil field debris.

- **Environmental Problem No. 3:** Barren areas around well bore and two stub roads entering the pad.

Corrective Action: Reclaim and seed the barren areas of the location and both pad access roads. Place berms/barricades at the entrances of both pad access roads.

We have no record of a preconstruction archaeological survey for the Drickey QN Sand #21 location. To avoid the need for an archaeological survey to current BLM standards keep all remediation and reclamation surface disturbances within the previously disturbed areas. If this is not possible an archaeological survey is required and must be approved by BLM in writing before surface disturbance occurs. See Enclosure 1 for more details on the archaeological options for the Drickey QN Sand #21 location.

- **Environmental Problem No. 4:** The disturbed/reclaimed areas of the Drickey QN Sand #21 location require seeding with BLMs Desired Plant Community Seed Mixture.

Corrective Action: Seed the disturbed/reclaimed areas of the Drickey QN Sand #21 location with BLM's Desired Plant Community seed mixture for this location specified in Enclosure 2. If necessary, repeat seeding until a satisfactory stand is established as determined by BLM's Authorized Officer.

- **Environmental Problem No. 5:** No surface owner release for the Drickey QN Sand #21 location.

Corrective Action: A signed written concurrence and/or current surface owner release stating satisfaction with the surface reclamation and releasing Celero Energy II, LP from further responsibility for the Drickey QN Sand #21 location is required.

Report your compliance with this Written Order on a Subsequent Sundry Notice using Form 3160-5 (Sundry Notice and Reports on Wells) stating the above problems have been corrected and are ready for inspection, an original and 5 copies is required.

In accordance with 43 CFR 3163.1(a), please comply with the corrective action(s) for the identified environmental problems no later than November 8, 2010. If you fail to comply within the time frames specified, you will be subject to further enforcement action as necessary.

WARNING

Orders of the Authorized Officer or Incidents of Non Compliance and reporting time frames begin upon receipt of the Notice or 7 business days after the date it is mailed, whichever is earlier. Each problem or violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above.

For Incidents of Non Compliance, please note that you already may have been assessed for noncompliance (see amount under "Assessed for Noncompliance"). If you do not comply as noted above under "Corrective Action to Be Completed By," you may incur additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

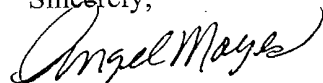
Note: Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting an order of the authorized office or violation must request a State Director Review of the Order or Incident of Noncompliance. This request must be filed within 20 working days of receipt of the Order or Incident of Noncompliance with the appropriate State Director at PO Box 27115, Santa Fe, NM 87502-0115 (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, MS 300-QC, Arlington, Virginia 22203 (see 43CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

If you have any questions concerning our Written Orders for the Drickey QN Sand #21 location, please contact Randy Legler, Natural Resource Specialist at the Roswell Field Office at 575-627-0215.

Sincerely,



Angel Mayes
Assistant Field Manager,
Lands and Minerals

3 Enclosures

1- Archaeological Survey Limits for the Drickey QN Sand #21 location (1p)

2- Pecos District Desired Plant Community seed mixture for the Drickey QN Sand #21 location (1p)

Photos (4p)

cc:

Oxy USA WTP LP

P.O. Box 50250

Midland, TX 79710-0250

Enclosure 1
Archaeological Survey Limits

We have no record of a preconstruction archaeological survey for the Drickey QN Sand #21 location. To avoid the need for an archaeological survey to current BLM standards keep all remediation and reclamation surface disturbances within the previously disturbed areas. If this is not possible an archaeological survey is required and must be approved by BLM in writing before surface disturbance occurs.

The BLM is willing to examine the location and pin flag the previously disturbed area. If the area encompassed by the BLM pin flagging is adequate for all remediation and reclamation surface disturbances, an archaeological survey will not be required. If a larger work area is necessary the operator is required to pay for an archaeological survey by a BLM approved archaeologist.

If a larger work area is required an archaeological survey must be conducted before any surface disturbance is authorized. This survey shall consist of a 50' wide survey outside of the existing disturbance creating a buffer area around the pad and both sides of the pad access road when needed. The survey shall be completed by a contract archaeologist approved by BLM for the southeastern portion of New Mexico. For further information and a list of BLM approved contract archaeologists contact Justin Peters, Archaeologist, Roswell Field Office, at 575-627-0277.

Enclosure 2

Desired Plant Community Seed Mixture

Seed the Drickey QN Sand #21 location with the Pecos District Desired Plant Community seed mixture for the Very Shallow HP-3 Ecological Site (dated September 22, 2010):

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Sideoats grama, var. Vaughn or El Reno	<i>Bouteloua curtipendula</i>	1.5
Blue grama	<i>Bouteloua gracilis</i>	0.75
Sand dropseed	<i>Sporobolus cryptandrus</i>	0.5
Buffalograss	<i>Buchloe dactyloides</i>	1.75
Winterfat	<i>Ceratoides lanata</i>	1.25
Apache plume	<i>Fallugia paradoxa</i>	0.75
Indian blanket flower	<i>Gaillardia aristada</i>	1.5
Paperflower	<i>Psilostrophe tagentina</i>	0.5
Desert or Scarlet Globemallow	<i>Sphaeralcea ambigua</i> or <i>S. coccinea</i>	<u>0.5</u>
TOTAL POUNDS PURE LIVE SEED PER ACRE		9.00

If one species is not available increase ALL others proportionately. Use no less than 6 species with a minimum of one forb. No less than 9.0 lbs/acre shall be applied.

APPROVED Helen C.J. Miller
Rangeland Mgmt. Spec., RFO

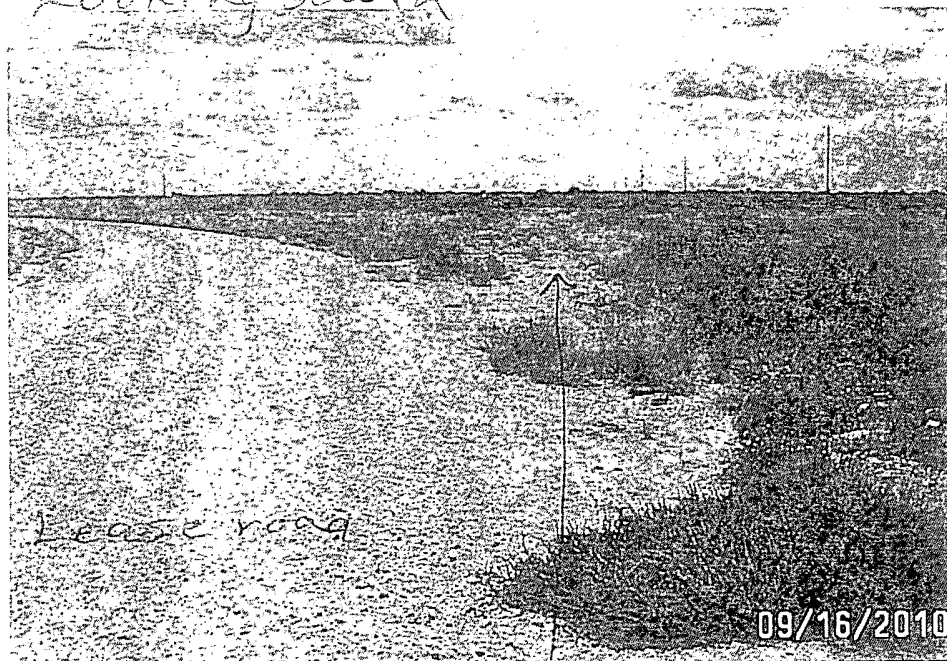
Randy Howard
Wildlife Biologist, RFO

APPROVED: J. Howard Parman
Assistant Field Office Manager- Resources, RFO

Use a certified noxious weed free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

Contact Randy Legler, Natural Resource Specialist of the Roswell Field Office at 575 - 627 - 0215 at least three (3) working days before seeding and if you have questions.

Looking south

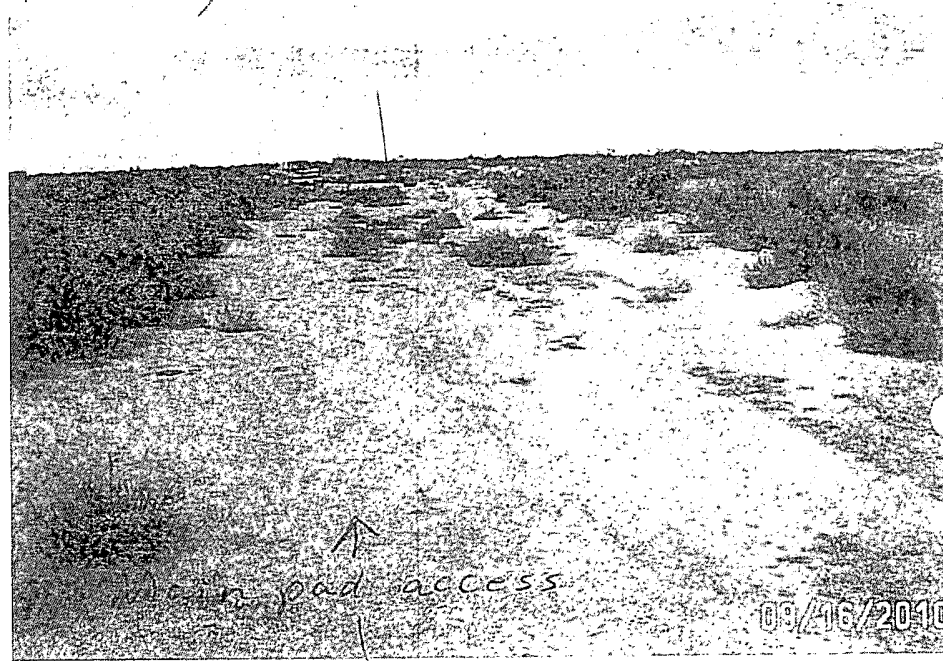


Lease road

North-south 2-track

09/16/2010

Looking west

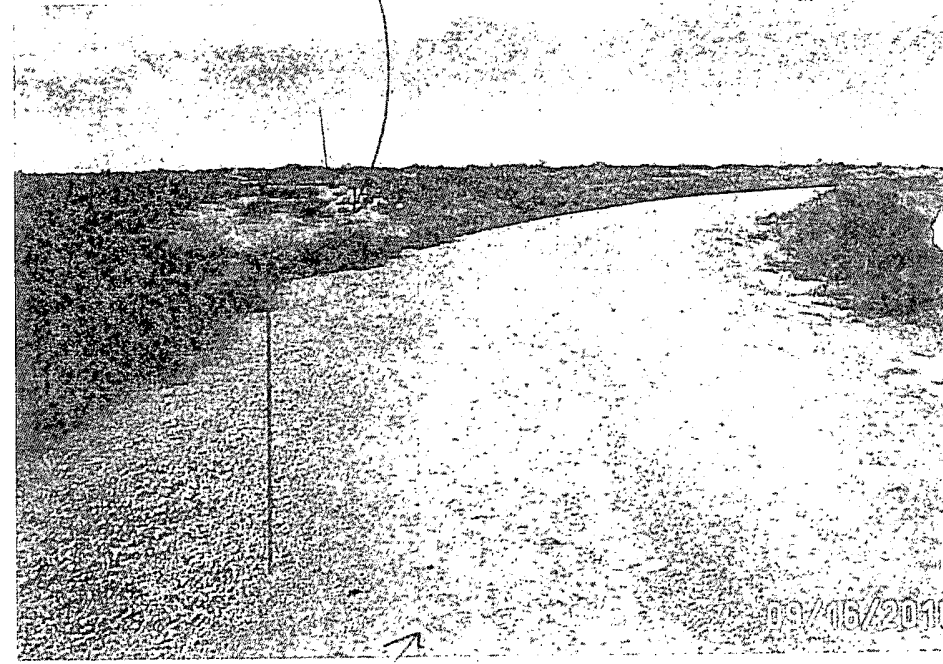


Main pad access

09/16/2010



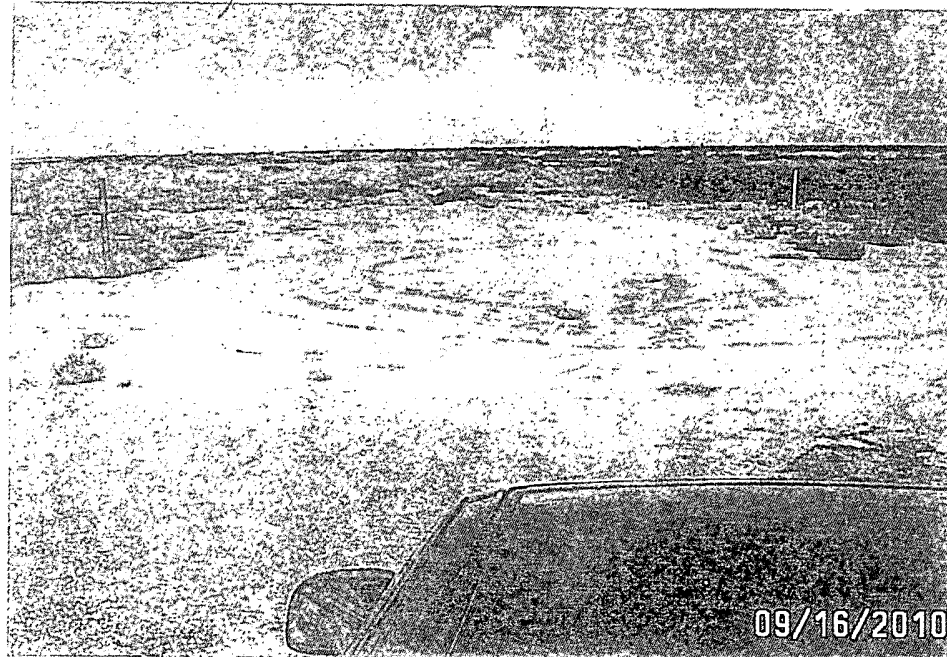
09/16/2010



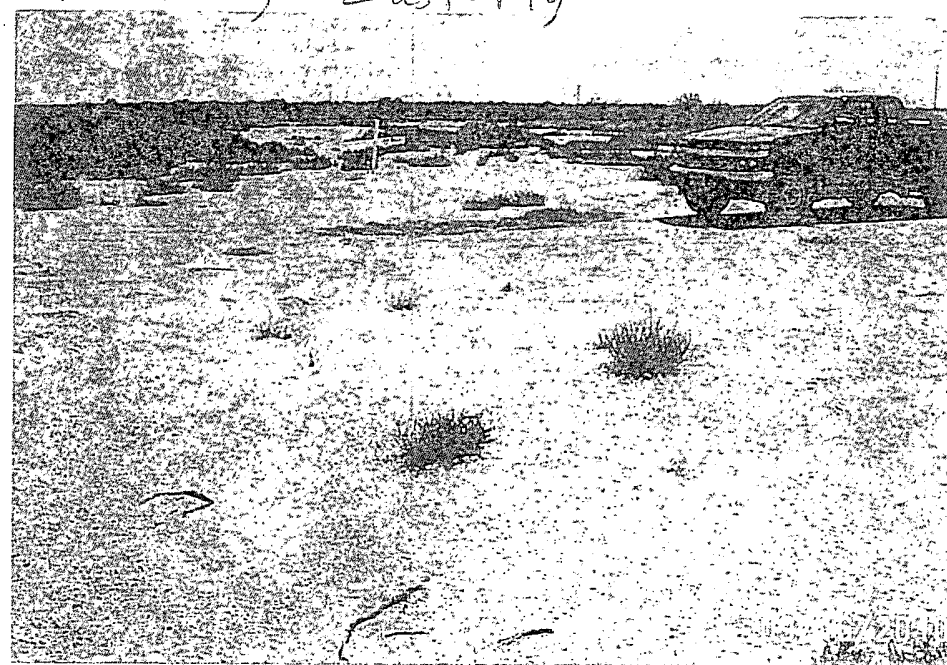
09/16/2010

Lease road

Looking north



Looking SEasterly

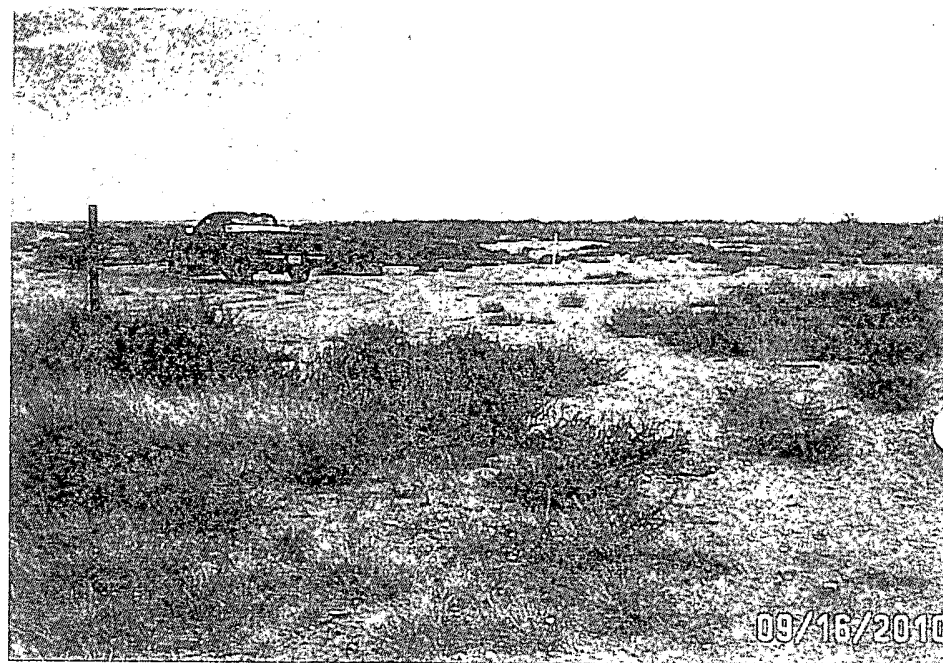
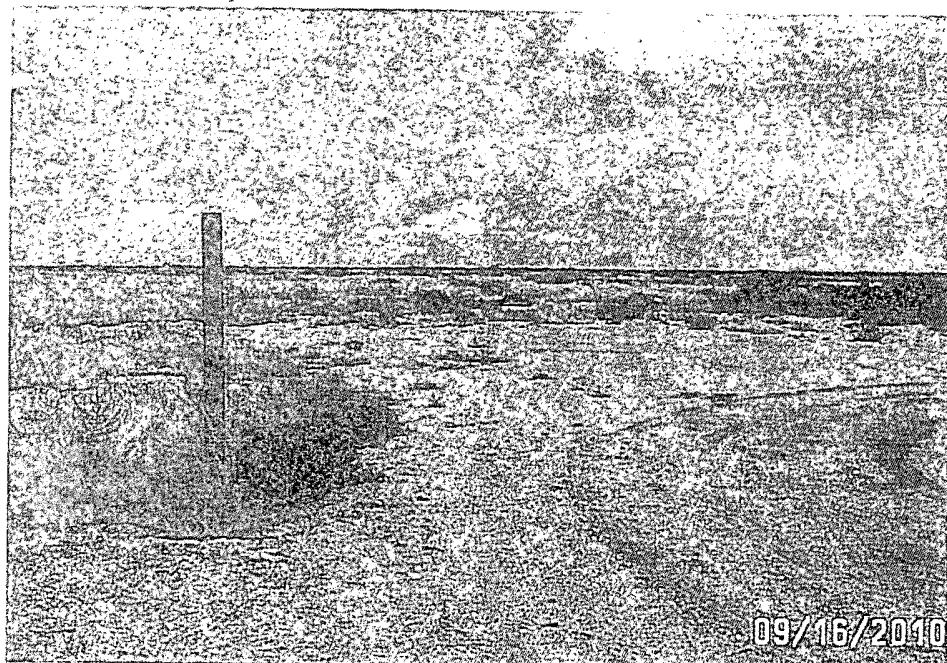


Barren areas around well bore

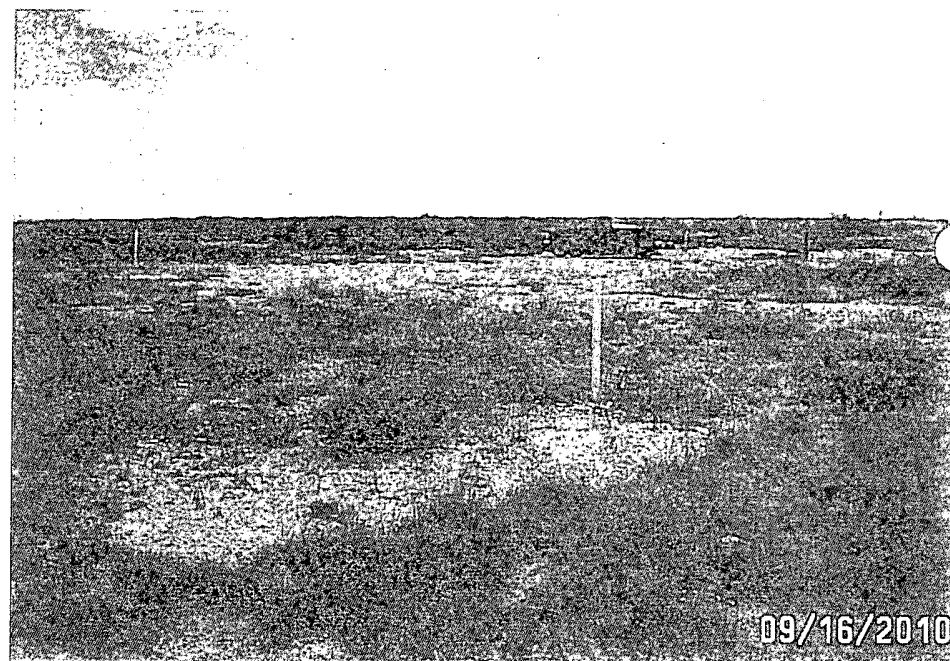


Drickey QN Sand #21 @ 130 T145 R31E Sec 3 NWSE

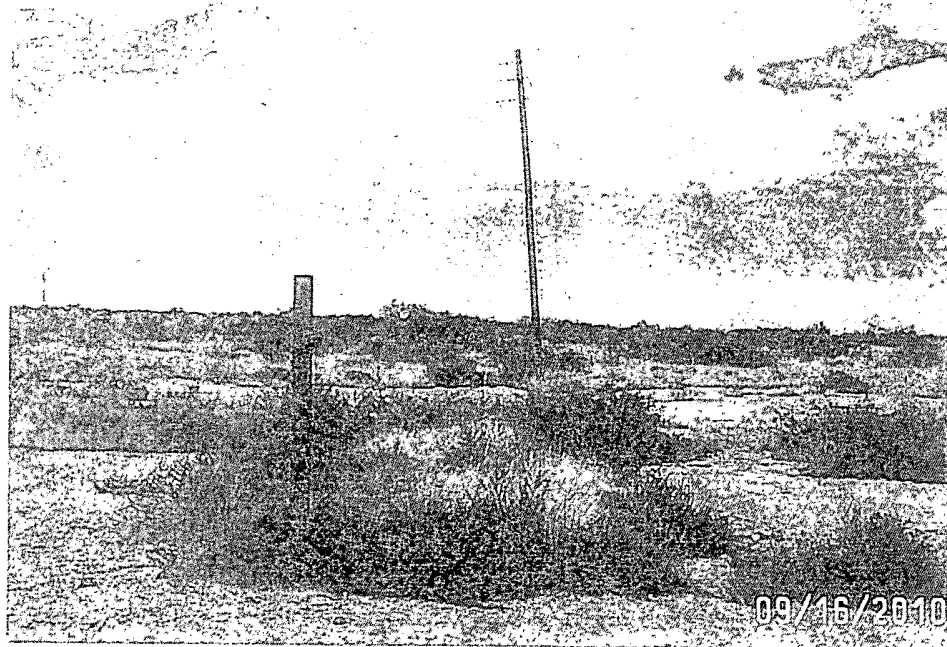
Drickey QN Sand #21 ABD T745 R31E Sec 3 NW5E



Barren areas around well bore



4 anchors in place



Idle electric service line
v2 poles

Dickey Q Sand #21 ABD
30-005-00965

T14S R31E 26 NWSE

4 anchors in place

