



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division

Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"

05-May-11

HOBBS OCD

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

MAY 05 2011

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.027

30-005-00812-00-00

O-22-13S-31E

Test Date:	5/4/2011	Approved TA Oil (Producing)	Permitted Injection PSI:	Actual PSI:
Test Reason:	Initial Test	Test Result:	F	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:
Comments on MIT:	Attempt to pressure up on annulus. Well would bleed of more than 10% in less than 10 minutes. NEED TO REPAIR AND RETEST.			

ROCK QUEEN UNIT No.025

30-005-00816-00-00

I-22-13S-31E

Test Date:	5/4/2011	Approved TA Oil (Producing)	Permitted Injection PSI:	Actual PSI:
Test Reason:	Initial Test	Test Result:	F	Repair Due:
Test Type:	Std. Annulus Pres. Test	FAIL TYPE:	Other Internal Failure	FAIL CAUSE:
Comments on MIT:	Attempt to pressure up on annulus. Well would bleed of more than 10% in less than 10 minutes. NEED TO REPAIR AND RETEST.			

ROCK QUEEN UNIT No.018**30-005-00821-00-00**

I-23-13S-31E

Approved TA Oil (Producing)
Test Date: 5/4/2011 Permitted Injection PSI: Actual PSI:
Test Reason: Initial Test Test Result: F Repair Due: 8/8/2011
Test Type: Std. Annulus Pres. Test FAIL TYPE: Communication Between FAIL CAUSE:
Comments on MIT: Pressure on surface casing. Oil and water flowing out surface valve. NEED TO REPAIR FLUID FLOW.

ROCK QUEEN UNIT No.001**30-025-00287-00-00**

G-19-13S-32E

Active Oil (Producing)
Test Date: 5/4/2011 Permitted Injection PSI: Actual PSI:
Test Reason: Initial Test Test Result: F Repair Due: 8/8/2011
Test Type: Std. Annulus Pres. Test FAIL TYPE: Other Internal Failure FAIL CAUSE:
Comments on MIT: Attempt to pressure up on annulus. Well would bleed of more than 10% in less than 10 minutes. NEED TO REPAIR AND RETEST.

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. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

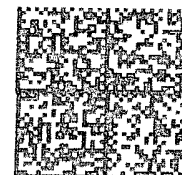
Sincerely,


COMPLIANCE OFFICER

Hobbs OCD District Office

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
\$0.44
05/05/11
Mailed From 88240
US POSTAGE

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400 WEST ILLINOIS SUITE 1601
MIDLAND, TX 79701