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April 4, 2013

Ms. Jami Bailey, Director
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87501

Hand-Delivered

**Re: NMOCD Case No. 14982 : Application of Sundown Energy LP for
Statutory Unitization, Lea County, New Mexico**

Dear Ms. Bailey:

On behalf of Sundown Energy LP, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the May 16, 2013 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosures

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REPLY TO:

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Case 14982 : Application of Sundown Energy LP for Statutory Unitization, Lea County, New Mexico. Applicant seeks an order for the consolidation by statutory unitization of all mineral interests in the San Andres formation, West Arkansas Junction San Andres Pool (2503) for the Bobbi State Waterflood Unit. The Unit Area of the Bobbi State Waterflood Unit is comprised of approximately 1,120 acres of state land in Lea County described as follows:

Township 18 South, Range 36 East, NMPM

Section 20: All

Section 29: N/2

Section 28: NW/4

Among the matters to be considered at the hearing will be the necessity of unit operations; designation of the unit operator; designation of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area, the determination of credits and charges to be made among the working interest owners in the unit area for their investment in wells and equipment; a non-consent penalty for risk to be charged against carried working interests in the unit; and such other matters as may be appropriate. The unit area is located approximately two miles northwest of Arkansas Junction, New Mexico.

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF SUNDOWN ENERGY LP FOR
STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 14982

APPLICATION

Sundown Energy LP, ("Sundown" or "Applicant"), through its undersigned counsel, Montgomery and Andrews, P.A. (J. Scott Hall, Esq.), applies pursuant to the Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.* for unitization of the Bobbi State Waterflood Unit in the San Andres formation, West Arkansas Junction San Andres Pool (2503), located Lea County, New Mexico. In support of its Application, Sundown states:

1. Applicant is a Texas limited partnership authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.

2. Applicant is a working interest owner and operator of the Bobbi State Waterflood Unit. The Unit Area of the Bobbi State Waterflood Unit is comprised of approximately 1,120 acres of state land in Lea County, described as follows:

Township 18 South, Range 36 East, NMPM

Section 20: All
Section 29: N/2
Section 28: NW/4

A plat of the Unit Area is shown on Exhibit A, attached. Exhibit B is a schedule of the acreage comprising each tract within the Unit Area and the interest owners in each tract.

3. The vertical limits of the Unitized Formation within the proposed Unit Area includes the interval which extends from a point 100 feet above and 100 feet below the correlative interval in the San Andres formation from 5,086 feet to 5,577 feet as found in the compensated neutron density log for the Bobbi No. 3 Well (API No. 30-025-26954) located 330 feet from the South line and 2,310 feet from the West line (N) of Section 20, Township 18 South, Range 36 East, N.M.P.M., in Lea County.

4. The San Andres reservoir within the Unit Area has been reasonably defined by development.

5. Sundown proposes to conduct secondary recovery operations within the Unit Area by means of a waterflood. A separate application for authorization to inject for waterflood project operations has been filed in conjunction with this Application for Statutory Unitization.

6. Applicant has prepared a Unit Agreement and a Unit Operating Agreement providing for the supervision and management of the Unit, as well as the allocation and payment of the costs of unit operations.

7. The Commissioner of Public Lands has preliminarily approved the Unit Agreement and Unit Operating Agreement.

8. Sundown Energy further states:

- a. Unitized management, operating and further development of the San Andres reservoir is reasonably necessary in order to effectively

carry on secondary recovery operations and to substantially increase the ultimate recovery of oil and gas from the unitized portion of the San Andres formation.

- b. Unitized methods of operations applied to the San Andres formation are feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool than would otherwise be recovered.
- c. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil and gas so recovered, plus a reasonable profit.
- d. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within the reservoir.
- e. Sundown Energy LP, as operator, has made a good faith effort to secure voluntary unitization of all interests in the Unit.
- f. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

9. Statutory unitization of the reservoir is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Sundown Energy LP requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 16,

2013 and, that after notice and hearing as required by law, the Division enter its order approving statutory unitization of the Bobbi State Waterflood Unit Area, and approving the Unit Agreement and Unit Operating Agreement therefor.

Montgomery and Andrews, P.A.

By: 

J. Scott Hall, Esq.

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Attorneys for Sundown Energy LP

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EXHIBIT "B"
SCHEDULE OF OWNERSHIP SHOWING ALL LAND AND LEASES
Within the BOBBI STATE WATERFLOOD UNIT
LEA COUNTY, NEW MEXICO

TRACT LETTER	DESCRIPTON OF LANDS	ACRES	NUMBER & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	NE/4, E/2 SE/4, SECTION 20, T18S, R36E	240	V0-8283-0001, 6/1/2013	0.1667	FORTUNE NATURAL RESOURCES CORP.	0.0533	0.78
2	NE/4 NW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.0675	0.8075
3	NW/4 NW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.0675	0.8075
4	SW/4 NW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.1125	0.7625
5	SE/4 NW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.0675	0.8075
6	NW/4 SE/4 SECTION 20, T18S, R36E	40	V0-8283-0001, 6/1/2013	0.1667	FORTUNE NATURAL RESOURCES CORP.	0.0533	0.78
7	NE/4 SW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.145	0.73
8	NW/4 SW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.145	0.73
9	SW/4 SW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.145	0.73
10	SE/4 SW/4 SECTION 20, T18S, R36E	40	LG-1869-0001, SECONDARY TERM	0.125	EOG RESOURCES, KING RESOURCES	0.145	0.73

EXHIBIT B

Exhibit "B" Continued

TRACT LETTER	DESCRIPTON OF LANDS	ACRES	NUMBER & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
11	SW/4 SE/4 SECTION 20, T18S, R36E	40	V0-8283-0001, 6/1/2013	0.1667	FORTUNE NATURAL RESOURCES CORP.	0.0533	0.78
12	NE/4 NE/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
13	NW/4 NE/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.25	0.625
14	NE/4 NW/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
15	NW/4 NW/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
16	SW/4 NW/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
17	SE/4 NW/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
18	SW/4 NE/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
19	SE/4 NE/4 SECTION 29, T18S, R36E	40	V0-2317-0013, SECONDARY TERM	0.125	CRESCENT PORTER HALE FOUNDATION	0.125	0.75
20	NE/4 NW/4, S/2 NW/4 SECTION 28, T18S, R36E	120	VB-2050-0001, 6/1/2016	0.1875	FORTUNE NATURAL RESOURCES CORP.	0	0.8125
21	NW/4 NW/4 SECTION 28, T18S, R36E	40	VB-1968-0000, 1/1/2016	0.1875	FORTUNE NATURAL RESOURCES CORP.	0	0.8125
	TOTAL	1120	ACRES				
		1120	ACRES STATE OF NEW MEXICO LANDS				

