

ORIGINAL

3 IN THE MATTER OF THE HEARING CALLED  
4 BY THE OIL CONSERVATION DIVISION FOR  
5 THE PURPOSE OF CONSIDERING:

6 APPLICATION OF SUNDOWN ENERGY,  
7 L.P. FOR UNIT APPROVAL, LEA  
8 COUNTY, NEW MEXICO.

CASE NO. 15055

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 October 31, 2013

12 Santa Fe, New Mexico

13  
14 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
15 DAVID K. BROOKS, LEGAL EXAMINER

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18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Phillip Goetze,  
20 Chief Examiner, and David K. Brooks, Legal Examiner, on  
21 Thursday, October 31, 2013, at the New Mexico Energy,  
22 Minerals and Natural Resources Department, 1220 South  
23 St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
24 New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

1 APPEARANCES  
 2 FOR APPLICANT SUNDOWN ENERGY, L.P.:  
 3 J. SCOTT HALL, ESQ.  
 4 MONTGOMERY & ANDREWS LAW FIRM  
 5 325 Paseo de Peralta  
 6 Santa Fe, New Mexico 87501  
 7 (505) 982-3873  
 8 shall@montand.com

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16	Sundown Energy, L.P. Exhibit Numbers 1 through 6 and Attachments A and B	6

1 (8:20 a.m.)

2 EXAMINER GOETZE: Let's begin with Case  
3 15055, application of Sundown Energy, L.P. for unit  
4 approval, Lea County, New Mexico.

5 Call for appearances.

6 MR. HALL: Good morning, Mr. Examiners.  
7 Scott Hall of Montgomery & Andrews Law Firm, Santa Fe,  
8 appearing on behalf of the Applicant, Sundown Energy,  
9 L.P. I'll be presenting this case by affidavit.

10 EXAMINER GOETZE: Very good. Proceed.

11 MR. HALL: Before you, we have file folders  
12 with exhibits, and if I could direct your attention to  
13 Exhibit A on the right side of the folder. This is the  
14 affidavit of Kyle Paxton. Mr. Paxton is landman for  
15 Sundown Energy in their Dallas office, and he is  
16 responsible for the company's land operations in Lea  
17 County.

18 Sundown is seeking approval of their  
19 Reeves-Queen Waterflood Unit in Lea County. It's  
20 comprised of 520 acres of State of New Mexico lands  
21 located in 18 South, 35 East, in Sections 21, 22, 27 and  
22 28. The lands are depicted on Exhibit 1. There is a  
23 locator plat on the left side of your folder.

24 Sundown is proposing to implement  
25 waterflood operations in their unit by converting two

1 wells and utilizing them for injection water through a  
2 closed system into the Queen Formation. Those wells are  
3 identified on page 2 of the affidavit. They are the  
4 Arco 28 State Well #1 and the Arco State Well #2. They  
5 are also located on Exhibit Number 1, the locator plat.

6 If you turn to Exhibit 2, on the left side  
7 of the folder, you will see the plan of operations for  
8 the waterflood project. The Examiners may recall that  
9 on October 3rd of this year, Sundown presented its case  
10 to the Division with geologic and petroleum engineering  
11 evidence in support of its waterflood project to obtain  
12 injection authorization. And that was in Case Number  
13 15048. The order in that case is still pending.

14 EXAMINER BROOKS: What date did you say  
15 that was presented?

16 MR. HALL: October 3rd.

17 EXAMINER BROOKS: Oh, yeah, I know about  
18 it. Just wanted to be sure I had it identified.

19 MR. HALL: If you look at Exhibit 3, it is  
20 a copy of a unit agreement for the unit, and it's on the  
21 Land Commissioners form. Within that exhibit, Exhibit B  
22 to the agreement shows the schedule of ownership of all  
23 the land and leases within the unit. And Exhibit C to  
24 the unit agreement exhibit shows the tract participation  
25 schedule.

1                   If you'll turn to Exhibit 4, that is a copy  
2   of the Land Commissioner's March 18th, 2013 preliminary  
3   approval for the unit.

4                   And if you will turn to Exhibit 5, you will  
5   see copies of all of the elections and ratifications for  
6   100 percent of the working interest owners and  
7   overriding royalty interest owners. Everyone has  
8   approved the unit.

9                   The Unitized Formation under the unit, it's  
10   described within the unit agreement itself. It's the  
11   Queen Formation 100 feet above and 100 feet below the  
12   correlative interval found in the Reeves State 21  
13   compensated neutron lithodensity density log from 4,430  
14   feet to 4,490 feet, and a copy of that log is attached  
15   as Exhibit C. If you turn to that, the productive  
16   interval of the Queen Formation is highlighted in yellow  
17   on the log. The actual Unitized Formation I just  
18   described is bracketed by the twin title blocks on the  
19   right side of the column.

20                  The last point of Mr. Paxton's affidavit  
21   indicates that approval of the unit agreement and the  
22   development of the unit are in the best interest of  
23   conservation the prevention of waste and the protection  
24   of correlative rights.

25                  Underneath Mr. Paxton's affidavit is

1 Exhibit B, and that is our Affidavit of Notice showing  
2 everyone who received notice of this proceeding. It's  
3 all the interest owners in the unit and all the offset  
4 operators, as well as the State Land Office. There have  
5 been no objections received to the unit at all.

6 That's all I have on this case,  
7 Mr. Examiner. We'd move the admission of Exhibits A and  
8 B and the attachments to those exhibits and that the  
9 case be taken under advisement.

10 EXAMINER GOETZE: Attachments A and B and  
11 Exhibits 1 through 6 are so accepted.

12 (Sundown Energy, L.P. Exhibit Numbers 1  
13 through 6 and Attachments A and B were  
14 offered and admitted into evidence.)

15 EXAMINER GOETZE: Do you have any  
16 questions?

17 EXAMINER BROOKS: I have no questions.

18 EXAMINER GOETZE: I have a couple.

19 First of all, has there been a C-108  
20 submitted on these wells.

21 MR. HALL: Yes, in conjunction with the  
22 other case.

23 EXAMINER GOETZE: And it's the same wells?

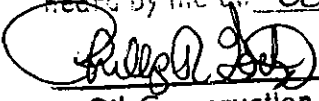
24 MR. HALL: Yes.

25 EXAMINER GOETZE: I don't have any further

1 questions.

2 So we will take Case 15055 under  
3 advisement, and we'll proceed on to the next case.

4 (Case Number 15055 concludes, 8:27 a.m.)  
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10 I do hereby certify that the foregoing is  
11 a complete record of the proceedings in  
12 the Examiner hearing of Case No. 15055  
13 heard by me on October 31, 2013  
14 , Examiner  
15 Oil Conservation Division  
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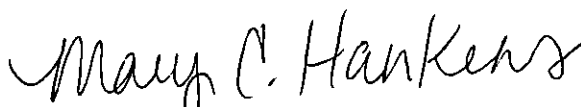
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither  
16 employed by nor related to any of the parties or  
17 attorneys in this case and that I have no interest in  
18 the final disposition of this case.

19   
20

21 MARY C. HANKINS, CCR, RPR  
22 Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2013

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