

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15055
ORDER NO. R-13786**

**APPLICATION OF SUNDOWN ENERGY L.P. FOR UNIT APPROVAL, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 am on October 31, 2013, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 21st day of January, 2014, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Applicant, Sundown Energy L.P. ("Sundown"), seeks approval of its Reeves-Queen Waterflood Unit ("Unit" or "proposed Unit") for the Queen formation underlying the following-described 520 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Township 18 South, Range 35 East, NMPM

Section 21: SE/4 SE/4

Section 22: SW/4

Section 27: NW/4

Section 28: NE/4

(3) Applicant appeared at the hearing through counsel and presented testimony that demonstrates that:

- (a) The New Mexico State Land Office owns all acreage. Three State leases for the acreage are owned or controlled by Sundown. One hundred percent of the working interests (100%) and one hundred percent (100%) of the royalty and overriding royalty interests have ratified the Unit.
- (b) The Commissioner of Public Lands has given preliminary approval for this Unit.
- (c) The proposed Unitized Formation for the Unit is the Queen formation from 100 feet above and 100 feet below the stratigraphic equivalent of the interval from 4,430 feet to 4,490 feet below surface as found in the Compensated Neutron-Litho Density Log of the Reeves 21 State No. 1 Well (API No. 30-025-30514), located 330 feet from the South line and 660 feet from the East line (Unit letter P) of Section 20, Township 18 South, Range 36 East, NMPM, in Lea County, New Mexico.

(4) In Case No. 15048, Applicant seeks approval of a waterflood project involving the injection of produced water into the Queen formation, within the Unit Area, initially through two existing plugged wells which Applicant proposes to convert to injection as follows:

Arco 28 State No. 1 (API No. 30-025-29340) located 660 feet from the North line and 660 feet from the East line (Unit letter A), Section 28, Township 18 South, Range 35 East, NMPM, in Lea County, New Mexico.

Arco 28 State No. 2 (API No. 30-025-29526) located 330 feet from the North line and 1650 feet from the East line (Unit letter B), Section 28, Township 18 South, Range 35 East, NMPM, in Lea County, New Mexico.

(5) No other party appeared at the hearing or otherwise opposed this application.

(6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(7) The approval of the proposed unit agreement should serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Reeves-Queen Waterflood Unit Agreement executed by Sundown Energy L.P. is hereby approved for all oil and gas in the Queen formation underlying the

following-described 520 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Township 18 South, Range 35 East, NMPM

Section 21: SE/4 SE/4

Section 22: SW/4

Section 27: NW/4

Section 28: NE/4

(2) The Unitized Formation shall consist of the Queen formation from 100 feet above and 100 feet below the stratigraphic equivalent of the interval from 4,430 feet to 4,490 feet below surface as found in the Compensated Neutron-Litho Density Log of the Reeves 21 State No. 1 Well (API No. 30-025-30514), located 330 feet from the South line and 660 feet from the East line (Unit letter P) of Section 20, Township 18 South, Range 36 East, NMPM, in Lea County, New Mexico.

(3) Sundown Energy L.P. (OGRID 232611) is hereby designated the operator of the Unit.

(4) The plan submitted with the Reeves-Queen Waterflood Unit Agreement for the exploration, development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

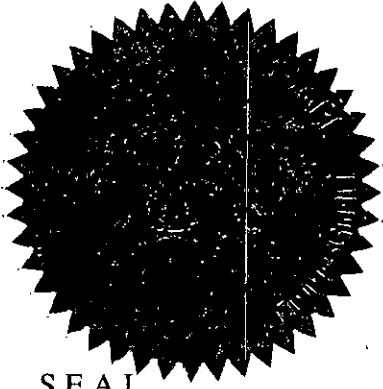
(5) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(6) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(7) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of the Unit Agreement. The last unit operator shall notify the Division immediately in writing of such termination

(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director