

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ben Stone		Agent for Sundown Energy, LP	1/21/17
Print or Type Name	Signature	Title	Date
		ben@sosconsulting.us	
		e-mail Address	

- WFX
 - Sundown Energy LP
 23 2611
 W 411
 - Bobbistata WFX
 Unit #8
 30-025-26605
 Pool
 - Arkansas Junction West
 2503

2017 JAN 25 4:11:35
 RECEIVED 000



January 23, 2017

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attn: Mr. David Catanach, Director

Re: Application of Sundown Energy, LP to reinstate injection authority for its Bobbi State Waterflood Unit Well No.8), API No.30-025-26605 located in Section 28, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico.

Dear Mr. Catanach,

Please find enclosed the form C-108; Application for Authority to Inject, supporting the above-referenced request to reinstate injection authority for this well. The Bobbi State Waterflood Unit and the authorization of two wells was permitted by R-13731 on January 21, 2013. Sundown converted one well to injection but due to economic reasons, the No.8 well was not converted and injection authority expired ipso facto on January 21, 2016. Sundown Energy is now prepared to move forward with this conversion.

Sundown Energy, LP seeks to optimize efficiency, both economically and operationally, of its assets. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

Published legal notice ran in the January 21, 2017 edition of the Hobbs News-Sun. As Sundown is the operator of record for all affected tracts, no additional notice was required. Some updated maps and diagrams are included in this application for clarity although, nothing has changed in the area of review. The well is located on state land and minerals and a copy of this application has been submitted to the State Land Office, Oil & Gas Division.

I respectfully request that the reinstatement of this injection well proceed swiftly and if you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stone", is written over a light blue horizontal line.

Ben Stone, Partner
SOS Consulting, LLC
Agent for Sundown Energy, LP

Cc: Application attachment and file

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: **Waterflood Expansion (RENEWAL)** and the application **qualifies** for administrative approval.
- II. OPERATOR: **Sundown Energy, LP (Ogrid – 232611)**
ADDRESS: **16400 Dallas Parkway, St 100, Dallas, TX 75248**
- CONTACT PARTY: **Ralph Butler (214) 368-6100**
Agent: SOS Consulting, LLC – Ben Stone (903) 488-9850
- III. WELL DATA: **All well data and applicable wellbore diagrams are ATTACHED hereto.**
- IV. **This is an expansion of an existing project. (Previously permitted by R-13785; expired 1/21/2016.)**
- V. **A map is ATTACHED** that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- *VI. **PREVIOUSLY SUBMITTED** - A tabulation of of data on all wells of public record within the area of review which penetrate the proposed injection zone. *The data includes* a description of each well's type, construction, date drilled, location, depth, and a schematic of any plugged well illustrating all plugging detail. **P&A DATA PREVIOUSLY SUBMITTED**
- VII. Attach data on the proposed operation, including: **ALL PREVIOUSLY SUBMITTED**
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval. **PREVIOUSLY SUBMITTED**
- IX. Describe the proposed stimulation program, if any. **The well may be acidized when converted to injection.**
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted). **PREVIOUSLY SUBMITTED**
- *XI. **State Engineer's records indicate there are 17 water wells within one mile the proposed injection well.**
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. **"Proof of Notice" section on the next page of this form has been completed and ATTACHED. Affected parties have not changed. Legal Notice was published 1/17/17 in the Hobbs News-Sun.**
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: **Ben Stone** TITLE: **SOS Consulting, LLC agent / consultant for Sundown Energy, LP.**

SIGNATURE:  DATE: **1/21/2017**

E-MAIL ADDRESS: **ben@sosconsulting.us**

- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal:

III. WELL DATA – *The following information and data was PREVIOUSLY SUBMITTED:*

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE *pursuant to the following criteria is ATTACHED.*

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

C-108 - APPLICATION FOR AUTHORIZATION TO INJECT

Sundown Energy, LP Bobbi State Waterflood Unit Well No.8 30-025-22605

- I. This application is being submitted to reauthorize the subject previously permitted well. The Bobbi State WFU Well No.8 (formerly the State of New Mexico W No.2) is one of two wells authorized for the initial waterflood project. The Bobbi State Waterflood Unit and the two wells were authorized on January 21, 2013 by R-13731, Case File No.14982 (unitization) and No.14983 (Waterflood). The other well was converted and is currently on injection. Due to economic reasons, the subject well was never converted and authorization expired ipso facto on January 21, 2016.

This application qualifies for administrative approval.

- II. ***ALL operater data is shown previously and throughout.***
- III. ***ALL well data has been submitted*** – no changes to the well details are proposed. The original wellbore diagram is included for clarity.
- IV. We believe this would now be considered an expansion of the original project as authorized by R-13731.
- V. An updated 2-Mile Area of Review Map is attached. The AOR has not changed however; the new map is included for clarity and presentation of water well locations.
- VI. ***The AOR has not changed*** and the previously submitted tabulation of well construction data and P&A diagrams as applicable are valid.
- VII. ***Data on the proposed operation has been previously submitted***, but is shown here for clarity including:
1. The well is expected to inject between 100 and 200 bwpd (lower than originally anticipated);
 2. The system is closed;
 3. Average injection pressure is expected to be 900 psi with a maximum of 1057 psi (originally authorized);
 4. Produced water from the lease and some make up water as required; all applicable water data was previously submitted and approved; and,
 5. Injection will be into the San Andres as authorized for secondary recovery.
- VIII. ***All Geologic Data has been previously submitted*** and approved.
- IX. A routine small acid job may be performed to clean the perforations and formation wall.
- X. Logs are on file with the Division and were presented for project initialization.

C-108 - APPLICATION FOR AUTHORIZATION TO INJECT (cont.)

**Sundown Energy, LP
Bobbi State Waterflood Unit Well No.8
30-025-22605**

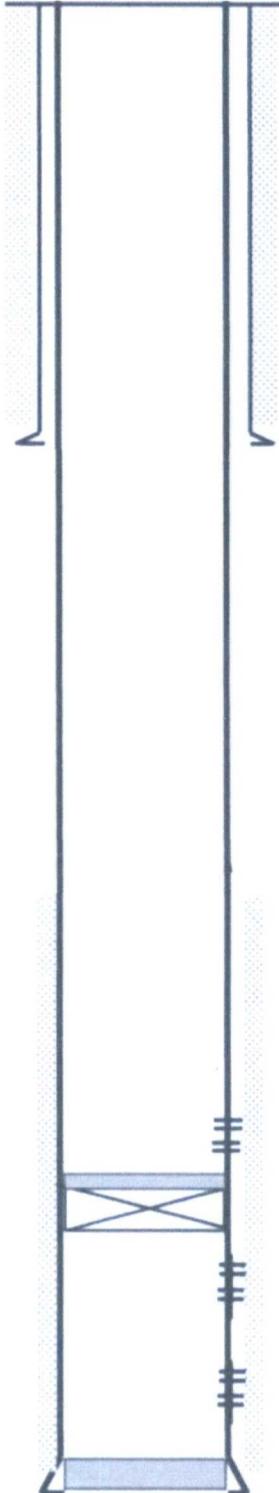
- XI. Water analyses for 3 water wells were submitted with the original application. An updated water well exhibit is included in this application.
- XII. Applicant stated during hearing testimony that seismic data indicated no evidence of open faults or any other hydrologic connection between the injection zone and any underground sources of drinking water.
- XIII. ***Legal notice*** was published for this application in the Hobbs News-Sun on January 21, 2017. No offset notification was required for the unitized tracts operated by Sundown Energy, LP. A copy of this application was submitted to the NM State Land Office, Oil & Gas Division via Fed Ex. An updated lease plat is included with this application that shows some of the area of review tracts are currently unleased for oil & gas.
- XIV. The application has been signed and dated.

WELL DATA SHEET

LEASE: BOBBI STATE WATERFLOOD UNIT **WELL:** 8 **FIELD:** Arkansa Junction, San Andres
LOC: 660' FNL & 660' FWL **Unit D** **SEC:** 28 **T:** 18S **R:** 36E **SURVEY:**
STATUS: ACTIVE **CO:** LEA **API NO:** 30-025-26605
TD: 5670 **ST:** NM **LEASE #**
PBTD: 5620
COTD: CURRENT **R-13731**

Spud Date: 12/28/1979
Comp. Date: 2/29/80

GL: 3822
RT: 3830'
KB: _____



Csg Detail:
Hole Size: 12-1/4"
8-5/8" OD, 24 #/ft, grade _____
csg set @ 1876' w/ 925 sx.
Circ? YES **TOC @** _____ **By** _____

Hole Size: 7-7/8"
4-1/2" OD, 9.5 #/ft, grade _____
csg set @ 5670' w/ 275 sx.
in _____ **stages w/DV tool @** _____
Stage 1 circ? _____ **TOC** 4670' **By** _____ **Cal.**
Stage 2 circ? _____ **TOC** _____ **By** _____

TOC @ 4670' by calc.

San Andres Perfs
5320 - 26' 2 SPF, 17 holes **Frac w/ 10,000# 1980**
 (2/10/1980)

CIBP @ 5335' w/ 12' cmt on top

San Andres Perfs
5428 - 5433' 2 SPF
 (11/1980)

San Andres perfs
5574 - 5584' 1 SPF **Frac w/ 15,000# 1980**
 (1/21/1980)

TD 5670'

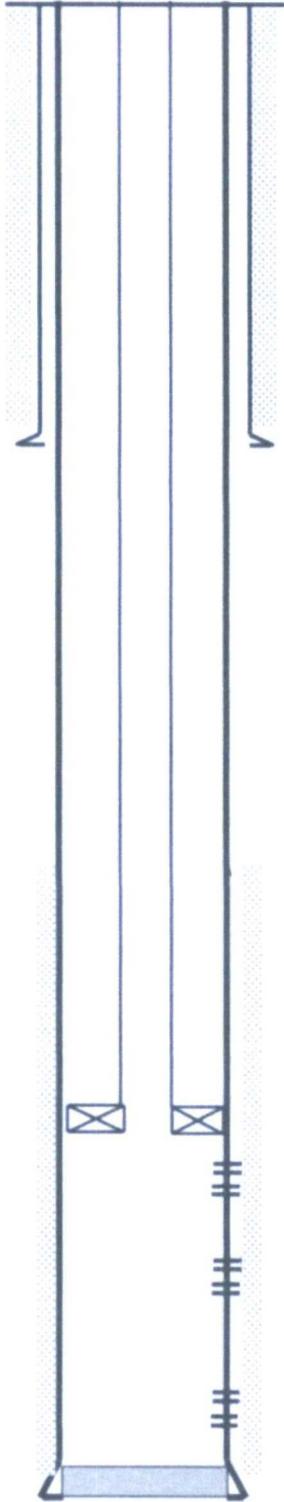
PBD 5620'

WELL DATA SHEET

LEASE: BOBBI STATE WATERFLOOD UNIT **WELL:** 8 **FIELD:** Arkansa Junction, San Andres
LOC: 660' FNL & 660' FWL **Unit D SEC:** 28 **T:** 18S **R:** 36E **SURVEY:**
STATUS: *ACTIVE* **CO:** LEA **API NO:** 30-025-26605
TD: 5670 **ST:** NM **LEASE #**
PBTD: 5620
COTD: **PURPOSED** R-13731

Spud Date: 12/28/1979
Comp.Date: 2/29/80

GL: 3822'
RT: 3830'
KB:



Csg Detail:
Hole Size: 12-1/4"
 8-5/8" OD, 24 #/ft, grade
csg set @ 1876' w/ 925 sx.
Circ? YES **TOC @** **By**

Hole Size: 7-7/8
 4-1/2" OD, 9.5 #/ft, grade
csg set @ 5670' w/ 275 sx.
 in stages w/DV tool @
Stage 1 circ? **TOC** 4670' **By** Cal
Stage 2 circ? **TOC** **By**

TOC @ 4670' by calc.

2-3/8" 4.7# IPC tbg set in a Baker AD-1 inj packer @ 5300'

San Andres Perfs
5320 - 26'

San Andres Perfs
5428 - 33'

San Andres perfs
5574 - 5589'

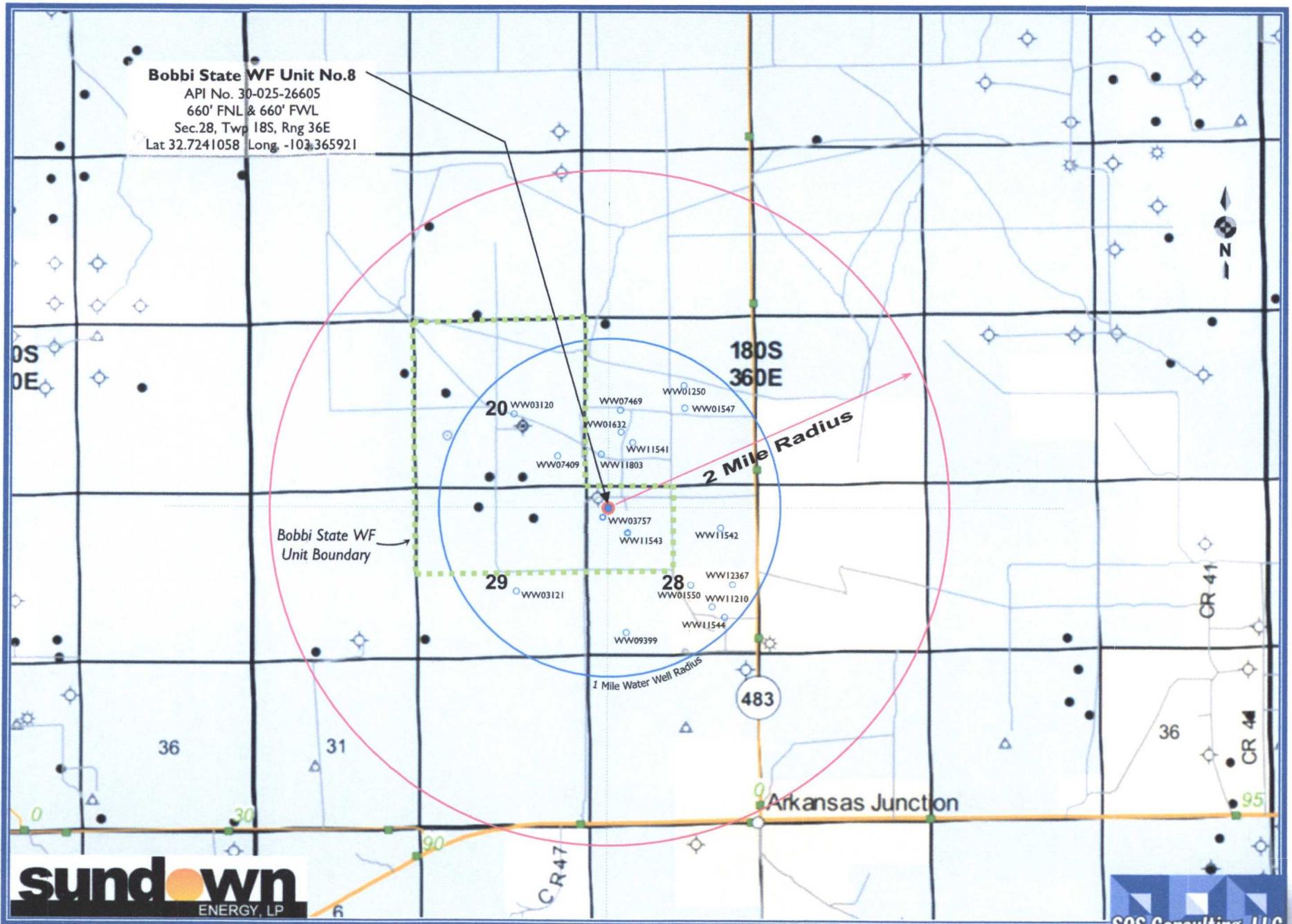
PBD 5620'

TD 5670'

11/4/2015
Belinda Bradley

Bobbi State WF Unit Well No.8 - Area of Review / 2 Miles

(Attachment to NMOCD Form C-108 - Item V)



C-108 ITEM XI – WATER WELL DATA

Water wells within one mile of proposed injection well as Documented in NM Office of State Engineer's Database



New Mexico Office of the State Engineer Active & Inactive Points of Diversion (with Ownership Information)

WR File Nbr	Sub basin	Use	Diversion	Owner	County	POD Number	Code	Grant	(quarters are 1=NW 2=NE 3=SW 4=SE)				X	Y			
									Source	q	q	q					
L 01250	L	PRO	0	GULF OIL CORPORATION	LE	L 01250			Shallow	3	3	2	21	18S	36E	653812	3622986*
L 01533	L	IND	3840	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 01547			Shallow	1	1	4	21	18S	36E	653819	3622784*
					LE	L 01550			Shallow	1	1	4	28	18S	36E	653846	3621171*
					LE	L 03120			Shallow	1	1	4	20	18S	36E	652208	3622756*
					LE	L 03121			Shallow	1	1	4	29	18S	36E	652235	3621143*
L 01547	L	IND	0	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 01547			Shallow	1	1	4	21	18S	36E	653819	3622784*
L 01550	L	IND	0	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 01550			Shallow	1	1	4	28	18S	36E	653846	3621171*
L 01632 A	L	IRR	91.4	SNYDER RANCHES, INC.	LE	L 01632	POD5		Shallow	4	1	3	21	18S	36E	653213	3622570*
L 03120	L	IND	0	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 03120			Shallow	1	1	4	20	18S	36E	652208	3622756*
L 03121	L	IND	0	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 03121			Shallow	1	1	4	29	18S	36E	652235	3621143*
L 03757	L	PRO	0	ROWAN DRILLING COMPANY	LE	L 03757			Shallow	1	1	28	18S	36E	653128	3621865*	
L 07409	L	PRO	0	MCVAY DRILLING CO.	LE	L 07409			Shallow	1	4	4	20	18S	36E	652618	3622360*
L 07469	L	DOL	3	SNYDER RANCHES INC	LE	L 07469			Shallow	2	1	3	21	18S	36E	653213	3622770*
L 09399	L	DOM	3	RUSSELL BULLINGTON	LE	L 09399			Shallow	2	3	3	28	18S	36E	653246	3620753*
L 11210	L	DOM	0	RUDY LIZARDO	LE	L 11210				4	1	4	28	18S	36E	654046	3620971*
L 11541	L	PRO	0	SPS - CUNNINGHAM STATION	LE	L 11541				3	21	18S	36E	653322	3622470*		
L 11542	L	PRO	0	SPS - CUNNINGHAM STATION	LE	L 11542				2	28	18S	36E	654141	3621677*		
L 11543	L	PRO	0	SPS - CUNNINGHAM STATION	LE	L 11543				1	28	18S	36E	653335	3621662*		
L 11544	L	PRO	0	SPS - CUNNINGHAM STATION	LE	L 11544				4	28	18S	36E	654155	3620870*		
L 11803	L	STK	0	SNYDER RANCHES	LE	L 11803				1	3	3	21	18S	36E	653020	3622368*
L 12367	L	EXP	0	SOUTHWESTERN PUBLIC SERVICE CO	LE	L 12367	POD1		Shallow	1	2	4	28	18S	36E	654243	3621167*

Record Count: 21

PLSS Search:

Section(s): 20, 21, 28, 29 Township: 18S Range: 36E

Sorted by: File Number

*UTM location was derived from PLSS - see Help

The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

1/21/17 10:28 AM

Page 2 of 2

ACTIVE & INACTIVE POINTS OF DIVERSION

Please Note: There are 17 unique Water Wells represented by 21 Points of Diversion in the database. (The 17 locations are indicated on various maps contained herein.)

C-108 - Item XI – Water Well Data

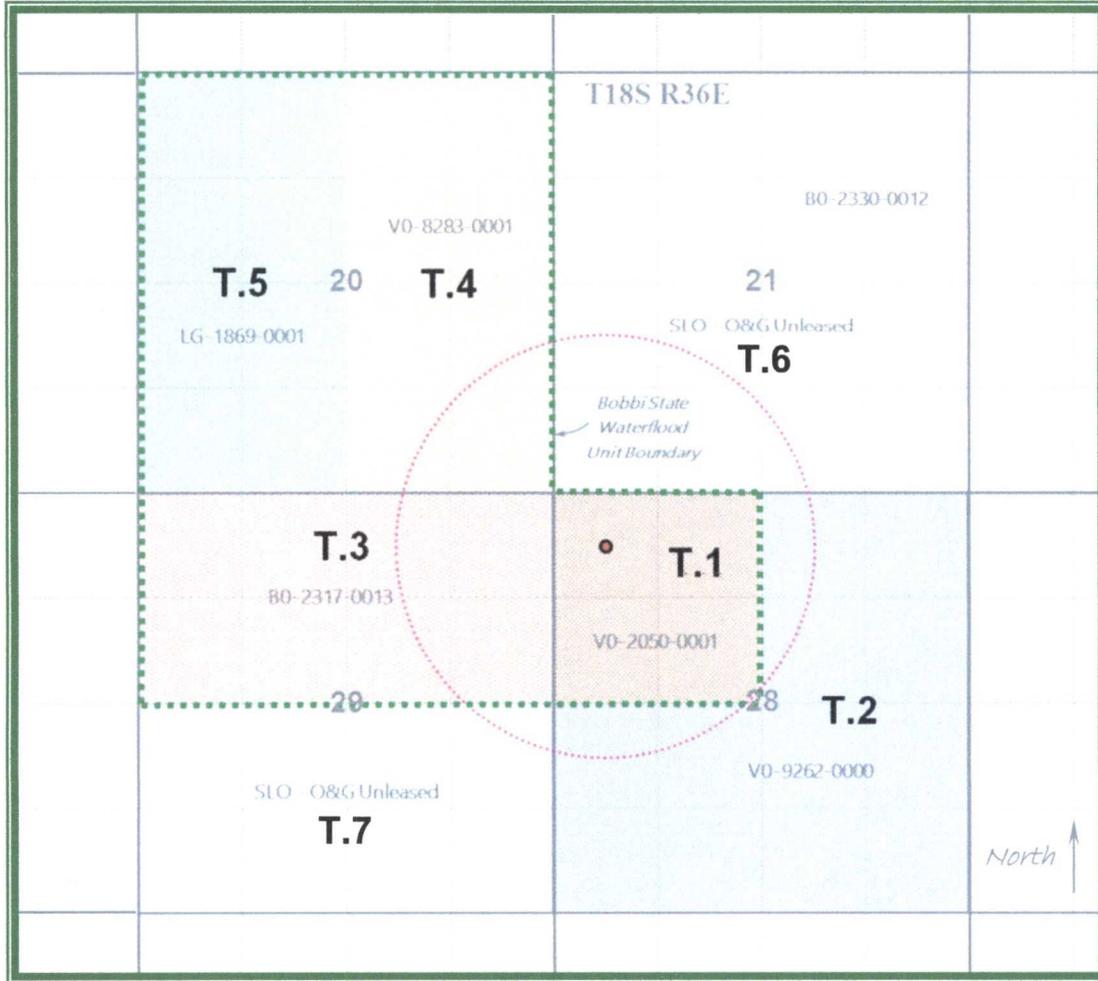
Bobbi State Waterflood Unit No. 8 - Aerial Overview



Image generated in Google Earth with NMOSE Water Well Data Spotted.
(Water Wells are also presented on the 2-Mile AOR Map.)

Bobbi State WF Unit Well No.8 - Leasehold Plat

(Attachment to NMOCD Form C-108, Application for Authority to Inject.)



LEGEND

Bobbie State WF Unit Operator: Sundown Energy, LP

T.4 – VO-8283-0001 – Fortune Natural Rec's Corp.

T.1 – VO-2050-0001 – Crown Energy Partners V

T.5 – LG-1869-0001 – EOG Resources, others

T.2 – VO-9262-0008 – Fortune Natural Rec's Corp.

T.6 – NM State Land Office - Unleased

T.3 – BO-2317-0013 – Crown Energy Partners V

T.7 – NM State Land Office - Unleased

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST**

Note: There have been no essential changes to the list of affected parties since the original application in 2013. Some previously leased tracts now show to be unleased (see plat) according to NMSLO Land Detail database records.

SURFACE & MINERALS OWNER

STATE OF NEW MEXICO (*FedEx'ed copy*)
Oil, Gas and Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

OFFSET MINERALS LESSEES and OPERATORS (NO NOTIFICATION REQUIRED)

State Lease VO-2050-0001; VO-8283-0001 (T.1 and T.4 on plat)

Lessee

FORTUNE NATURAL RESOURCES CORP.*
16400 Dallas Parkway, Ste.100
Dallas, TX 75248

**Fortune is wholly owned by Sundown Energy, LP*

Operator

SUNDOWN ENERGY, LP
16400 Dallas Parkway, Ste.100
Dallas, TX 75248

State Lease VO-9262-0000; BO-2317-0013 (T.2 and T.3 on plat)

Lessee

CROWN OIL PARTNERS V
Attn: Brian Arnold
P.O. Box 50820
Midland, TX 79701

Operator

SUNDOWN ENERGY, LP
16400 Dallas Parkway, Ste.100
Dallas, TX 75248

State Lease LG-1869-0001

Lessee

EOG RESOURCES & KING RESOURCES
P.O. Box 4362
Houston, TX 77210-4362

Operator

SUNDOWN ENERGY, LP
16400 Dallas Parkway, Ste.100
Dallas, TX 75248

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST (cont.)**

REGULATORY

NEW MEXICO OIL CONSERVATION DIVISION (*FedEx'ed original and copy*)
1220 S. St. Francis Dr.
Santa Fe, NM 87505

NEW MEXICO OIL CONSERVATION DIVISION (*FedEx'ed copy*)
1625 N. French Drive
Hobbs, NM 88240

C-108 - Item XIV

Proof of Notice – Legal Notice Newspaper of General Circulation

LEGAL NOTICE January 21, 2017

TO THE FOLLOWING ENTITIES, INDIVIDUALS, THEIR HEIRS, PERSONAL REPRESENTATIVES, TRUSTEES, SUCCESSORS OR ASSIGNS: JACK CASE; WRIGHT PETROLEUM LTD.; WILLIAM GOFFE, HAROLD GOLDBERG; MAY ENERGY PARTNERS, LTD.

Sundown Energy, LP, 16400 Dallas Parkway, St 100, Dallas, TX 75248, is filing Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval to reauthorize a previously permitted injection well in its Bobbi State Waterflood Unit. The well was authorized for injection into the San Andres formation between 5320' and 5589' by Division Order R-13731 on August 13, 2013.

Due to economic reasons, one of two permitted wells was never converted and injection authority expired ipso facto on August 13, 2015. Sundown Energy proposes to now convert its Bobbi State WF Unit Well No.8 (API No.30-025-26605) located 660' FNL & 660' FWL in Section 28, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico as originally authorized.

Produced water from the lease and an on-lease water supply well will be will be injected at the previously authorized maximum surface injection pressure of 1057 psi (.2 psi/ft uppermost perforation). Maximum injection rates are expected to be between 100 and 200 bwpd.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505, (505) 476-3460 within 15 days of the date of this notice. Additional information may be obtained from the applicant's agent, SOS Consulting, LLC, (903)488-9850 or, email info@sosconsulting.us.

#31487

The above is the "Proof Copy" sent from the Hobbs News-Sun.
The affidavit of publication will be forwarded as soon as it is received.

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

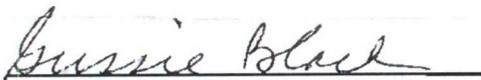
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
January 21, 2017
and ending with the issue dated
January 21, 2017.



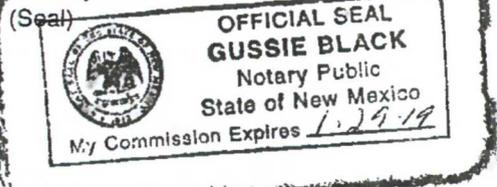
Publisher

Sworn and subscribed to before me this
21st day of January 2017.



Business Manager

My commission expires
January 29, 2019



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE January 21, 2017

TO THE FOLLOWING ENTITIES, INDIVIDUALS, THEIR HEIRS, PERSONAL REPRESENTATIVES, TRUSTEES, SUCCESSORS OR ASSIGNS: JACK CASE; WRIGHT PETROLEUM LTD.; WILLIAM GOFFE; HAROLD GOLDBERG; MAY ENERGY PARTNERS, LTD.

Sundown Energy, LP, 16400 Dallas Parkway, St 400, Dallas, TX 75248, is filing Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval to reauthorize a previously permitted injection well in its Bobbi State Waterflood Unit. The well was authorized for injection into the San Andres formation between 5320' and 5589' by Division Order R-13731 on August 13, 2013.

Due to economic reasons, one of two permitted wells was never converted and injection authority expired ipso facto on August 13, 2015. Sundown Energy proposes to now convert its Bobbi State WF Unit Well No. 8 (API No. 30-025-26805) located 660' FNL & 660' FWL in Section 28, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico as originally authorized.

Produced water from the lease and an on-lease water supply well will be will be injected at the previously authorized maximum surface injection pressure of 1057 psi (.2 psi/ft uppermost perforation). Maximum injection rates are expected to be between 100 and 200 bwpd.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505, (505) 476-3460 within 15 days of the date of this notice. Additional information may be obtained from the applicant's agent, SOS Consulting, LLC, (903)488-9850 or, email info@sosconsulting.us.

#31487

67104420

00187383

BEN STONE
SOS CONSULTING, LLC.
P.O. BOX 300
COMO, TX 75431

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:

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

CASE NO. 14982

APPLICATION OF SUNDOWN ENERGY, LP FOR
AUTHORIZATION TO INJECT FOR
WATERFLOOD PROJECT OPERATIONS,
LEA COUNTY, NEW MEXICO.

CASE NO. 14983

ORDER NO. R-13731

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on May 16, 2013, at Santa Fe, New Mexico, before Examiner David K. Brooks

NOW, on this 13th day of August, 2013, 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 these cases and their subject matter.
- (2) Cases Nos. 14982 and 14983 were consolidated for hearing. Because the cases involve the same property and subject matter, a single order is being issued for both cases.
- (3) In Case No. 14982, Sundown Energy, LP ("Applicant") seeks statutory unitization, pursuant to NMSA 1978 Sections 70-7-1 through 70-7-21, as amended ("the Statutory Unitization Act"), of its proposed Bobbi State Waterflood Unit (the "Unit" or "the proposed Unit"), comprising 1,120 acres, more or less, of State of New Mexico

lands, for the purpose of instituting secondary recovery operations by waterflooding, in the West Arkansas Junction-San Andres Pool (Pool Code 2503), and approval of the proposed Unit Agreement and Unit Operating Agreement, which were submitted as Applicant's Exhibits Nos. 1 and 6, respectively, in these cases.

(4) The proposed Unit Area consists of the following described lands:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM, LEA COUNTY

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

consisting of 1,120 acres, more or less, of State of New Mexico lands.

(5) The vertical extent of the proposed Unitized Formation is the interval within the San Andres formation from 100 feet above to 100 feet below the stratigraphic equivalent of the interval from 5,086 feet to 5,577 feet below the surface on the Compensated Neutron - Formation Density Log of the Bobbi State Well No. 3 (API No. 30-025-26954), located 330 feet from the South line and 2310 feet from the East line (Unit N) of Section 20, Township 18 South, Range 36 East, NMPM, in Lea County, New Mexico.

(6) In Case No. 14983, Applicant seeks approval of a waterflood project involving the injection of produced water into the San Andres formation, within the Unit Area, initially through two existing wells (one an existing producing well and the other a former producing well now plugged and abandoned), which Applicant proposes to convert to injection, as follows:

State of New Mexico W Well No. 2 (API No. 30-025-26605), located 660 feet from the North and West lines (Unit D) of Section 28, Township 18 South, Range 36 East, in Lea County New Mexico.

Bobbi Well No. 4 (API No. 30-025-27586), located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 20, Township 18 South, Range 36 East, in Lea County New Mexico.

(7) All owners of interests within the proposed Unit, and all affected persons in all spacing units within the one-half mile area of review (AOR) of each of the proposed injectors, were notified of these applications and of the hearing. No party appeared at the hearing to oppose these applications.

(8) Applicant appeared at the hearing through counsel and presented testimony and exhibits as follows:

- (a) The proposed Unit Area consists of 1,120 acres of exclusively State lands, comprising the proposed **Bobbi State Waterflood Unit**, which has been preliminarily approved by the Commissioner of Public Lands.
- (b) Applicant requests statutory unitization of the proposed Unit and approval of the Unit Agreement (admitted at the hearing as Exhibit 1) and Unit Operating Agreement (admitted as Exhibit 6).
- (c) There are 30 working interest owners in the Unit Area, one royalty owner, and 14 overriding royalty owners. Applicant presently owns 81% of the working interest and has entered into agreements or is negotiating to acquire additional working interests. Preliminary approval by the Commissioner of Public Lands together with approvals already obtained from owners of overriding royalty owners constitute approval by more than 75% of the non-cost bearing interests.
- (d) Applicant submitted a unitization proposal to all working interest owners whose whereabouts were ascertained, and has made offers to purchase the interests of those owners.
- (e) Applicant has given notice of this Application and of the hearing to all owners of interests in the Unit Area, and to all owners of lands within the AOR surrounding each of the proposed injection wells who are "affected persons" under Division rules. No one has indicated any objection to the granting of the proposed Application.
- (f) Nine working interest owners were unlocatable and were served with notice by publication.
- (g) The method provided for allocation of costs and revenues among tracts included in the Unit Area, as the proposed Unit Agreement (40% cumulative primary production; 30% existing wellbores; 5% 2012 production and 25% acreage) is fair and reasonable.
- (h) The San Andres reservoir which constitutes the Unitized Formation, as defined in the Unit Agreement, is continuous throughout the Unit Area, and is an attractive prospect for secondary recovery by waterflooding.
- (i) Applicant proposes a "peripheral" waterflood operation involving, initially, two injection wells located relatively low structurally in the injection formation.
- (j) The primary source of the injection water will be produced water from Delaware and San Andres wells in the vicinity. These waters are compatible with the formation waters.

- (k) One of the proposed injection wells, the State of New Mexico W Well No. 2, is currently producing. Casing and cementing in this well is considered adequate for conversion to injection, and downhole workover for injection will be limited to installation of 2 3/8-inch plastic coated tubing and setting a packer. Injection will be through existing perforations at 5,320 to 5,584 feet.
- (l) The other proposed injection well, the Bobbi No. 4, is currently plugged and abandoned. Workover for injection will also include drilling out the plugs and squeezing additional cement behind the existing production string casing so as to provide a cement barrier from the base of the surface casing to bottom hole. Injection will be through existing perforations at 5,286 to 5,572 feet.
- (m) Injection rate will average 500 barrels of water per day, with a maximum of 1,000 barrels per day. Surface injection pressures will average 1,200 psig and will not exceed 2,500 psig unless and until a demonstration is made by step-rate test that higher injection pressures will not cause fracturing. Applicant requests that the order issued in this case include a provision for subsequent administrative approval of increased injection pressure limits upon submission of suitable demonstration.
- (n) The proposed waterflood operation is economically and technically feasible.
- (o) Applicant expects that secondary production will at least equal primary production from the Unit Area, and the value of secondary production will exceed the costs of the proposed operations.
- (p) The proposed waterflood operation will result in recovery of substantially more hydrocarbons from the pool and the Unit than would otherwise be recovered, the value of which will exceed unit costs plus a reasonable profit, and will benefit both working interest and royalty interest owners in the Unit Area.
- (q) The Ogallala fresh water aquifer overlies the Unit Area, and is found at depths from 54 to 160 feet below the surface. The only fresh water wells in the vicinity produce from these depths.
- (r) All plugged and abandoned wells that penetrate the Unitized Formation within the half-mile AOR of each proposed initial injection well are properly plugged and abandoned, and no remedial work is required on these wells to enable safe operation of the project.
- (s) There are no faults connecting the proposed unitized interval to any fresh water zone, or otherwise affecting the unitized interval.

The Division concludes as follows:

(9) Unitized management, operation and further development of the Unit Area are necessary to effectively carry on enhanced recovery operations, in order to substantially increase the ultimate recovery of oil from the Unit Area.

(10) The proposed method of enhanced recovery operations within the Unit Area, as described in this Order, is feasible, will prevent waste, and will result, with reasonable probability, in the recovery of substantially more hydrocarbons from the unitized portion of the pool than would otherwise be recovered.

(11) The estimated additional costs of the proposed operations will not exceed the estimated value of the additional hydrocarbons recovered plus a reasonable profit.

(12) Unitization and implementation of enhanced recovery operations in the Unit Area, as described in the Unit Agreement, the Unit Operating Agreement and in this Order, will benefit the working interest and royalty interest owners within the proposed Unit Area, and will protect correlative rights of all parties.

(13) Applicant has made a good faith effort to secure voluntary unitization of the Unitized Formation within the Unit Area.

(14) The provisions of the proposed Unit Agreement and Unit Operating Agreement are fair, reasonable and equitable; contain satisfactory provisions with respect to all of the matters required by NMSA 1978 Section 70-7-7, as amended; and should be incorporated by reference into this order. The participation formula contained in the Unit Agreement allocates the produced and saved, unitized hydrocarbons to the separately owned tracts in the Unit Area on a basis that is fair, reasonable and equitable under the circumstances.

(15) This Order creating a unit comprising the Unit Area and providing for the unitization and unitized operation of the Unit Area upon the terms and conditions approved herein is necessary to protect and safeguard the respective rights and obligations of the working interest owners and the royalty interest owners in the Unit Area.

(16) As of the hearing date, Applicant, as owner of at least 81% of the working interest, had voluntarily committed its interests to the Unit. However, it was not shown that a second working interest owner has ratified the Unit, as required by NMSA 1978 Section 70-7-8.

(17) Although Applicant's witness stated that the proposed Unit had been approved by more than 75% in interest of the owners of non-cost bearing interests, evidence to that effect in the form of actual ratifications was not presented.

(18) Accordingly, this order should be made contingent upon final, written approval of the plan of unit operations by at least one other owner of a working interest in the Unit Area and by the owners of at least 75% of the production or proceeds thereof that will be credited to interests which are free of cost, such as royalties, overriding royalties and production payments.

(19) Subject to the foregoing paragraph, the **Bobbi State Waterflood Unit** should be approved for statutory unitization in accordance with the Unit Agreement and Unit Operating Agreement.

(20) **Sundown Energy, LP (OGRID 232611)** should be designated as the operator of the Unit.

(21) The San Andres reservoir within the Unit Area has been so depleted that it is prudent to apply enhanced recovery techniques, as described in this Order, to maximize the ultimate recovery of crude oil from the Unit Area, and this application for approval has not been prematurely filed either for economic or technical reasons.

(22) The proposed waterflood project, as described in this Order, will prevent waste, protect correlative rights, and accordingly should be approved and called the **Bobbi State Waterflood Project**.

(23) An examination of all wellbores within one half-mile of each of the proposed injection wells indicates that all wells in the AOR that have penetrated the Unitized Formation are properly cased and cemented to prevent vertical migration of injected fluids. Accordingly, no remedial work on wells in the AOR is required prior to commencement of injection.

(24) The proposed injection operation will not pose a threat to protectable underground sources of drinking water.

IT IS THEREFORE ORDERED THAT:

(1) The application of Sundown Energy, LP for the statutory unitization of 1,120 acres, more or less, of State of New Mexico lands in Lea County, New Mexico, to be known as the **Bobbi State Waterflood Unit** (the Unit), is hereby approved pursuant to the Statutory Unitization Act, NMSA 1978, Sections 70-7-1 through 70-7-21, as amended.

(2) The Unit Area shall consist of the following described lands:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM, LEA COUNTY

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

(3) The Unitized Formation shall consist of the interval within the San Andres formation from 100 feet above to 100 feet below the stratigraphic equivalent of the interval from 5,086 feet to 5,577 feet below the surface on the Compensated Neutron - Formation Density Log of the Bobbi State Well No. 3 (API No. 30-025-26954), located 330 feet from the South line and 2310 feet from the East line (Unit N) of Section 20, Township 18 South, Range 36 East, NMPM, in Lea County, New Mexico.

(4) This Order shall not be effective until the plan of unit operations provided herein has been approved in writing by at least one other owner of a working interest in the Unit Area in addition to Applicant, and by the owners of at least 75% of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments [NMSA 1978 §70-7-8 (1975)], and the Division has made a finding in a supplemental order that the plan for unit operations has been so approved. The operator of the Unit shall comply with the requirements of this paragraph not later than one year from the date of issuance of this order, or seek an extension of time from the Division Director for good cause demonstrated by satisfactory evidence.

(5) The proposed UNIT AGREEMENT and UNIT OPERATING AGREEMENT, admitted as EXHIBITS 1 and 6, respectively, at the hearing of these cases, are hereby approved and incorporated into this Order by reference.

(6) **Sundown, LP [OGRID No. 232611]** (Operator) is hereby designated the operator of the Unit.

(7) The Operator shall notify the Division in writing of its removal or the substitution of any other working interest owner within the Unit Area as operator, or of the transfer or assignment of its entire remaining working interest in the Unit Area.

(8) The Unit established hereby shall terminate upon the plugging and abandonment of the last well in the Unit Area completed in the Unitized Formation.

IT IS FURTHER ORDERED THAT:

(9) Operator is hereby authorized to institute waterflood operations within the Unit Area initially by the injection of produced water into the Unitized Formation through the following wells:

State of New Mexico W Well No. 2 (API No. 30-025-26605), located 660 feet from the North and West lines (Unit D) of Section 28, Township 18 South, Range 36 East, in Lea County New Mexico.

Bobbi Well No. 4 (API No. 30-025-27586), located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 20, Township 18 South, Range 36 East, in Lea County New Mexico.

(10) Operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(11) Injection into each of the wells identified above shall be accomplished through plastic coated tubing installed in a packer set within 100 feet of the uppermost injection perforation or casing shoe. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(12) The injection wells or pressurization system shall be equipped with pressure control devices or acceptable substitute that will limit the surface injection pressure to no more than **1,057 pounds per square inch (psi)**, while injecting water.

(13) The Division Director may administratively authorize pressure limitations in excess of that above upon a showing by the operator that such higher pressures will not result in the fracturing of the injection formation or confining strata.

(14) The Division Director may administratively authorize additional injection wells within the Unit Area as provided in Division Rule 19.15.26.8.A NMAC.

(15) Prior to commencement of injection operations, the casing in each injection well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing. Mechanical integrity tests (MITs) shall be conducted at least once every five years thereafter.

(16) The Operator shall give at least 48 hours advance notice to the supervisor of the Division's Hobbs District Office of the date and time (i) injection equipment will be installed, and (ii) the mechanical integrity pressure tests will be conducted on each proposed injection well, so that these operations may be witnessed.

(17) The Operator shall immediately notify the supervisor of the Division's Hobbs District Office of any failure of the tubing, casing or packer in any of the injection wells, or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the Unit Area, and shall promptly take all steps necessary to correct such failure or leakage.

(18) The Operator shall conduct injection operations in accordance with Division Rules No. 19.15.26.1 through 19.15.26.15 NMAC, and shall submit monthly progress reports in accordance with Division Rules No. 19.15.26.11.B, and 19.15.7.8.D.

(19) The injection authority granted herein shall terminate two years after the date of this order if the Operator has not commenced injection operations into at least one of the herein-authorized injection wells; provided, however, the Division, upon written request filed with the Division's Santa Fe Office prior to the termination date herein

provided, may grant an extension for good cause. The injection authority shall also terminate *ipso facto*, one year after injection operations into all the wells in the Unit Area have ceased.

(20) The project authorized by this order shall be known as the **Bobbi State Waterflood Project**.

(21) The injection authority granted under this order is **not** transferable except upon Division approval. The Division may require the Operator to demonstrate mechanical integrity of each injection well that will be transferred, prior to approving transfer of authority to inject.

(22) The Division may revoke this injection permit at any time after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

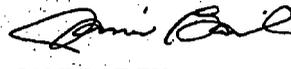
(23) This order does not relieve the Operator of responsibility should its operations cause any damage or threat of damage to protectable fresh water, human health or the environment, nor does it relieve the operator of responsibility for complying with applicable Division rules or other federal, state or local laws or regulations.

(24) Upon failure of the Operator to conduct operations (1) in such manner as will protect fresh water or (2) in a manner consistent with the requirements in this Order, the Division may, after notice and hearing, (or without notice and hearing in event of an emergency, subject to the provisions of NMSA 1978 Section 70-2-23), terminate the injection authority granted herein.

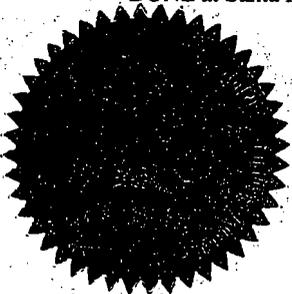
(25) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JAMI BAILEY
Director



SEAL

Inactive Well Additional Financial Assurance Report

232611 SUNDOWN ENERGY LP

Total Well Count: 37

Printed On: Tuesday, February 07 2017

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
307049	B E SHIPP #002	P	H-32-16S-37E	H	30-025-21060	O	12/2016	01/01/2019	6400	11400			0	
	B E SHIPP #003	P	A-32-16S-37E	A	30-025-21429	O	12/2016	01/01/2019	6338	11338			0	
307068	BOBBI #003	S	N-20-18S-36E	N	30-025-26954	O	09/2007	10/01/2009	5700	10700	Y		10700	
40359	BOBBI STATE WF UNIT #002	S	O-20-18S-36E	O	30-025-26796	O	12/2016	01/01/2019	5650	10650			10650	
	BOBBI STATE WF UNIT #004	S	L-20-18S-36E	L	30-025-27586	I	12/2016	01/01/2019	5600	10600			10600	
	BOBBI STATE WF UNIT #005	S	E-20-18S-36E	E	30-025-27641	O	12/2016	01/01/2019	5724	10724			0	
	BOBBI STATE WF UNIT #006	S	B-29-18S-36E	B	30-025-03978	O	12/2016	01/01/2019	12214	17214			0	
	BOBBI STATE WF UNIT #007	S	C-29-18S-36E	C	30-025-27032	O	12/2016	01/01/2019	5600	10600			0	
	BOBBI STATE WF UNIT #008	S	D-28-18S-36E	D	30-025-26605	O	12/2016	01/01/2019	5670	10670			0	
	BOBBI STATE WF UNIT #010	S	J-20-18S-36E	J	30-025-26356	W	01/1982		11050				16050	
301204	CABOT STATE #001	S	H-29-13S-32E	H	30-025-24450	O	12/2016	01/01/2019	12413	17413			0	
309088	CONNIE 19 FED COM E #001	F	2-19-16S-29E	E	30-015-36395	O	12/2016		11048				0	
301221	FEDERAL AE #001	F	J-20-22S-28E	J	30-015-23027	O	12/2016		5501				0	
301206	FLYING M STATE #001	S	N-20-09S-33E	N	30-025-25317	O	12/2016	01/01/2019	4500	9500			0	
	FLYING M STATE #002	S	M-20-09S-33E	M	30-025-25497	O	12/2016	01/01/2019	4485	9485			0	
	FLYING M STATE #003	S	L-20-09S-33E	L	30-025-25632	O	12/2016	01/01/2019	4480	9480			0	
301222	FOAL 20 FEDERAL #002	F	C-20-22S-28E	C	30-015-33879	O			Unknown				0	
312813	GOOD STATE #001	S	K-26-13S-32E	K	30-025-28538	O	12/2016	01/01/2019	9900	14900			0	
307050	H L BATTON #001	P	2-05-17S-37E	B	30-025-05400	O	12/2016	01/01/2019	11124	16124			0	
307051	H L BATTON A #001	P	E-05-17S-37E	E	30-025-05401	O	11/2015	12/01/2017	6300	11300			0	
312259	INCREDIBLE HULK 26 STATE COM #001H	S	C-26-14S-32E	C	30-025-39559	O	12/2016	01/01/2019	13240	18240			0	
306892	KOCHIA AAM STATE #001	S	O-35-15S-36E	O	30-025-28905	S	12/2015	01/01/2018	13800	18800			18800	
307052	LANDLADY #001	S	J-08-12S-32E	J	30-025-27506	O	05/2015	06/01/2017	10773	15773			0	
301212	LEA 396 STATE #002	S	F-35-15S-36E	F	30-025-03718	O	12/2015	01/01/2018	13720	18720			18720	
312814	LOVINGTON #001	S	1-05-17S-37E	A	30-025-05398	O	12/2016	01/01/2019	Unknown	Unknown			0	
312258	PONDEROSA STATE #001	S	L-09-16S-32E	L	30-025-35916	O	12/2016	01/01/2019	12050	17050			0	
40360	REEVES QUEEN WF UNIT #001	S	A-28-18S-35E	A	30-025-29340	I	12/2016	01/01/2019	10300	15300			15300	
	REEVES QUEEN WF UNIT #002	S	B-28-18S-35E	B	30-025-29526	I	12/2016	01/01/2019	4560	9560			9560	
	REEVES QUEEN WF UNIT #003	S	M-22-18S-35E	M	30-025-03127	O	12/2016	01/01/2019	11978	16978			0	
	REEVES QUEEN WF UNIT #005	S	P-21-18S-35E	P	30-025-30514	O	12/2016	01/01/2019	4565	9565			0	
301217	STATE L BATTERY 5 #007	S	3-03-21S-36E	C	30-025-27767	G	12/2016	01/01/2019	6127	11127			0	
307053	STATE P #003	S	M-32-16S-37E	M	30-025-05389	O	12/2016	01/01/2019	8424	13424			0	
	STATE P #004	S	N-32-16S-37E	N	30-025-05390	O	12/2016	01/01/2019	8415	13415			0	
	STATE P #007	S	J-32-16S-37E	J	30-025-05393	O	12/2016	01/01/2019	8406	13406			0	
	STATE P #009	S	I-32-16S-37E	I	30-025-21062	O	12/2016	01/01/2019	6400	11400			0	
	STATE P #011	S	E-32-16S-37E	E	30-025-21434	O	12/2016	01/01/2019	6400	11400			0	
	STATE P #013	S	J-32-16S-37E	J	30-025-30088	O	12/2016	01/01/2019	11240	16240			0	

WHERE Ogrid:232611

Inactive Well List

Total Well Count: 37 Inactive Well Count: 1

Printed On: Tuesday, February 07 2017

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-27506	LANDLADY #001	J-08-12S-32E	J	232611	SUNDOWN ENERGY LP	S	O	05/2015			

WHERE Ogrid:232611; County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Goetze, Phillip, EMNRD

From: Goetze, Phillip, EMNRD
Sent: Thursday, January 26, 2017 11:05 AM
To: Ben Stone (ben@sosconsulting.us)
Cc: Jones, William V, EMNRD; McMillan, Michael, EMNRD; Lowe, Leonard, EMNRD
Subject: WFX Application for Bobbi State Waterflood Project

RE: Bobbi State WF Unit No. 8 (formerly State of New Mexico W No. 2; 30-025-26605); Division Order No. R-13731

Ben:

Need some clarification on this application. First of all, need to sort out some of the particulars. If in fact the well submitted in the application is correct, the injection authority comes from R-13731 (Cases 14982 and 14983), as noted on the cover letter, that was approved on August 13, 2013 (Order R-13785 applies to the Reeves-Queen Waterflood Project). Second, the two-year period for injection to commence (in Order R-13731) ended on August 13, 2015 and Ordering Paragraph (19) states that the injection authority for the WF is maintained by the commencement of injection into, at least, one of the two wells approved in the order. The Bobbi State No. 4 initiated injection in May 2015, so this order requirement was satisfied and the injection authority continues to be in good standing (there was a nine month period of no injection, but injection in the No. 4 was restarted before the 12-month no injection/*ipso facto* loss of injection could occur).

It has been the Division's policy that the operator of a WF can move injection wells (approved in the hearing order or subsequent WFX orders) in and out of injection mode based upon the needs for the plan of operation. The only constraints being: 1. At least one of the injection wells in the order (or subsequent WFX orders) is active and 2. There has not been a change in the approved injection interval (both Unitized Formation and the proposed perforations in individual wells) as originally approved in the WF hearing order. This means that if Sundown Energy were to commence injection into the No. 8, they could do so, at their prerogative, since the injection authority is tied to the waterflood unit and not the individual well. This is where some confusion comes into what I see in the application.

The WFX application states the No. 8 will have no changes in the proposed design. Findings Paragraph (8)(k) of the order, testimony provided at hearing, and the proposed well diagram of the C-108 submitted at hearing shows the well with perforations from 5320 feet to 5584 feet. The current WFX application has a proposed well completion diagram (and publication notice) with perfs from 5320 feet to 5589 feet. Is this truly the final perf interval? If it is, then the Division will process the WFX to cover any future concerns and keep the record straight.

Please talk with your client and confirm with them where the perfs really are located. Then we can have a final decision and process the WFX (rapidly) if need be. Thanks. PRG

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