

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

ORIGINAL

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

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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

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APPEARANCES

FOR APPLICANT SUNDOWN ENERGY, L.P.:

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EXHIBITS OFFERED AND ADMITTED

Sundown Energy, L.P. Exhibit Numbers 1 through 6 and Attachments A and B	6
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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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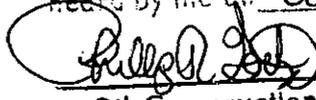
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the examiner hearing of Case No. 15055
heard by me on October 31, 2013

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 , Examiner
Oil Conservation Division

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

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

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

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



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