

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
PAUL R. OWEN  
ANTHONY F. MEDEIROS

JACK M. CAMPBELL  
1916-1999

11-07-00  
CONFIDENTIAL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: law@westofpecos.com

March 6, 2000

**VIA HAND DELIVERY**

David Catanach  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

***Re: New Mexico Oil Conservation Division Case No. 11826; Application of Quay Valley, Inc. to Re-open Division Case No. 11826, and for Amendment of Division Orders No. R-4629 and R-4629-A, to authorize a tertiary recovery project by the injection of microemulsion in its North El Mar Unit Area, and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico***

Dear Mr. Catanach:

On February 22, 2000, we filed on behalf of Quay Valley, Inc., ("Quay Valley") an Application to re-open Division Case No. 11826. In that case, and by Order No. R-4229-A, the Division approved a carbon dioxide injection project in the North El Mar Unit, Lea County, New Mexico. Order No. R-4629-A also provided that the injection authority granted by that Order would terminate one year after the November 5, 1997 effective date of the Order if the operator had not commenced water-alternating-gas (WAG) injection.

On November 8, 1999, Chris Williams of the Division's Hobbs office sent a letter to Stella Swanson of Quay Valley, in which the Division extended by 90 days the time by which Quay Valley must commence injection operations under Order R-4629-A. I have enclosed a copy of that letter for your reference.

By letter to Mr. Williams dated February 23, 2000, I requested that the Division extend the time in which Quay Valley may commence tertiary recovery operations in the El Mar Unit, until the Division has considered and issued a ruling in the re-opened Case No. 11826. In response to