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FEBRUARY 23 2000
FEBRUARY 23 3:55

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February 23, 2000

Chris Williams
Oil & Gas Inspector District Supervisor
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1625 N. French Drive
Hobbs, New Mexico 88240

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. Williams:

Enclosed please find the Application of Quay Valley, Inc., 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, you sent a letter to Stella Swanson of Quay Valley, in which you extend 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.

In light of Quay Valley's stated intention, in the enclosed Application, to conduct a micro-emulsion flood, instead of carbon dioxide injection, we request that the Division extend the time in which Quay Valley must commence tertiary recovery operations in the North El Mar Unit, until the Division has considered and issued a ruling in the re-opened Case No. 11826

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

**IN THE MATTER OF THE APPLICATION
OF QUAY VALLEY, INC. TO REOPEN
DIVISION CASE NO. 11826, FOR
AMENDMENT OF DIVISION ORDERS R-
4629 AND R-4629-A TO AUTHORIZE A
TERTIARY RECOVERY PROJECT BY THE
INJECTION OF MICROEMULSION IN ITS
NORTH EL MAR WATERFLOOD
PROJECT AREA, AND TO QUALIFY SAID
PROJECT FOR THE RECOVERED OIL
TAX RATE PURSUANT TO THE
ENHANCED OIL RECOVERY ACT, LEA
COUNTY, NEW MEXICO.**

OIL CONSERVATION DIVISION
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CASE NO. 11826

**APPLICATION TO REOPEN CASE NO. 11826
AND AMEND ORDERS R-4629 AND R-4629-A**

QUAY VALLEY, INC. ("Quay Valley") through its attorneys, Campbell, Carr, Berge & Sheridan, P. A., hereby makes application for an order amending Division Orders No. R-4629 and R-4629-A, to authorize a tertiary recovery project by the injection of microemulsion into the Delaware formation in its North El Mar Waterflood Project Area, El Mar-Delaware Pool, and to increase the authorized pressure in this project area for Microemulsion injection, and in support thereof states:

1. By Order No. R-4629, dated September 13, 1973, the Division granted the application of Continental Oil Company for approval of the North El Mar Unit Agreement.

TOWNSHIP 26 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 19: SW/4 SW/4
Section 30: NW/4 NW/4, S/2 NW/4 and SW/4
Section 31: E/2 NW/4 and Lots 1 and 2

3. Pursuant to the provisions of Division Order No. R-4629 a waterflood project was approved for the North El Mar Unit for the injection of water into the El Mar-Delaware Pool

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.

7. Due to an economic downturn, Quay Valley, as the operator of the El Mar Delaware Unit, did not commence WAG injection within one year of the effective date of Order No. R-4629-A.

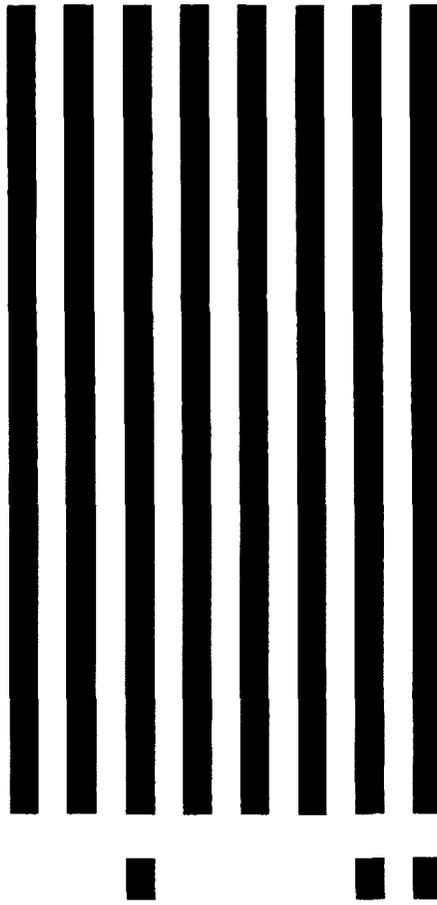
8. Quay Valley seeks amendment of Order No. R-4629 and Order No. R-4629-A to authorize the implementation of tertiary recovery operations in this project area by the injection of microemulsion into the Delaware formation.

9. Quay Valley also seeks amendment of Order No. R-4629, to establish a special injection pressure limitation for microemulsion equal to a surface injection pressure of 1160 pounds.

10. The factors justifying the implementation of tertiary recovery operations have not changed since Quay Valley's Application, filed July 15, 1997, by which Quay Valley sought approval for WAG injection, which Application resulted in Order No. R-4629-A. A copy of Oil Conservation Division Form C-108 was attached to that application. The engineering and geologic conditions reflected in that Division Form C-108 have not changed since Quay Valley's filing of that Form C-108, and that Form C-108 forms the basis for Quay Valley's proposed microemulsion injection project, which is the subject of the instant Application. Quay Valley hereby incorporates herein the Form C-108, filed with its July 15, 1997 Application, in support of its Application herein.

APPLICATION

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Job separation sheet

CAMPBELL CARR BERGE
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& SHERIDAN, P.A.

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February 22, 2000

HAND-DELIVERED

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

RECEIVED 22 FEB 2000 9:42 AM

Re: 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 Ms. Wrotenberry:

Enclosed in triplicate is the Application of Quay Valley, Inc. in the above-referenced case as well as a copy of a legal advertisement. Quay Valley respectfully requests that this matter be set for hearing before a Division Examiner on March 2, 2000.

Your attention to this request is appreciated.

Very truly yours,


William F. Carr
Paul R. Owen

Enclosures

cc: Ms. Stella Swanson (w/enclosures)
Quay Valley, Inc.
1608 North Big Spring
Midland, Texas 79701