

**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.**

CLERK OF COURT
GOVERNMENT
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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.

2. The unit boundaries for the North El Mar Unit include the following acreage in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, N.M.P.M.

Section 24: S/2 SE/4
Section 25: All
Section 26: NE/4 NE/4, S/2 NE/4,
SE/4 NW/4 and S/2
Section 27: SE/4 SE/4
Section 34: N/2 NE/4 and Lots 3 and 4
Section 35: N/2 N/2 and Lots 1 through 4
Section 36: N/2 N/2 and Lots 1 through 4

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 .

4. Quay Valley is the successor operator to Continental Oil Company of the El Mar Delaware Unit.

5. On November 5, 1997, by Order No. R-4629, the Division amended Order No. R-4629 and authorized the implementation of tertiary recovery operations in this project area by the injection of carbon dioxide into the Delaware formation.

6. Order No. R-4629-A 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.

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.

11. Quay Valley also seeks to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act.

12. Approval of this application will afford Quay Valley the opportunity to produce its just and equitable share of the remaining reserves in the North El Mar-Delaware Unit Area and will otherwise be in the best interest of the conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Quay Valley, Inc. requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 2, 2000, and after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

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

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ATTORNEYS FOR QUAY VALLEY, INC.

CASE 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-Delaware Unit Waterflood Project Area, and to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval to institute a tertiary recovery project in its North El Mar Unit Waterflood Project Area by the injection of microemulsion into the Delaware formation in the El Mar-Delaware Pool. The El Mar-Delaware Unit Waterflood Project Area encompasses portions of Sections 24, 25, 26, 27, 34, 35, and 36 of Township 26 South, Range 32 East; and Sections 19, 30 and 31 of Township 26 South, Range 33 East, N.M.P.M. Applicant also seeks to increase the approved surface injection pressure for microemulsion injection in this project area to 1160 pounds. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said unit is located approximately ___ miles _____ of _____, New Mexico.