



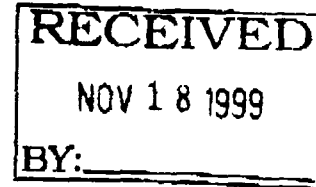
NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

CONSERVATION DIVISION
DISTRICT I HOBBS
PO BOX 1980, Hobbs, NM 88241
(505) 393-8161
FAX (505) 393-0720

Jennifer A. Salisbury
CABINET SECRETARY

November 8, 1999

Quay Valley Inc.
P.O. Box 10280
Midland, TX 79702



Attn: Stella Swanson

RE: ANNUAL TESTING
N.E. MALJAMAR UNIT

Mrs. Swanson

In regards to our conversation on November 5, 1999, regarding the above referenced waterflood unit, the OCD will grant your request on an extension.

The OCD will require that you notify us within 90 days as to the commencement of your plans for this waterflood. According to our discussion, your plans were to apply the micro-emulsion project to the above waterflood, after successfully completing this plan on the Wallen- Tonto waterflood.

We again stress that the above unit must be brought into compliance with OCD rules and guidelines. If the above plans cannot be met within the 90 days, we will require that the wells be tested for TA status.

If you have any questions, please contact Gary Wink at the above number.

Sincerely,

CHRIS WILLIAMS
District I Supervisor

/sad

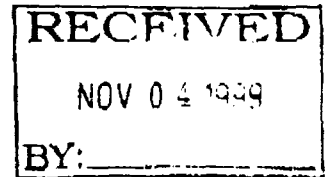
cc: Santa Fe-OCD
Gary Wink
File



Underground Injection Control Program
"Protecting Our Underground Sources of Drinking Water"

21-Oct-99

QUAY VALLEY INC.
PO BOX 10280
MIDLAND TX 79702-



Dear Sirs:

Our records indicate that the following well(s) are due for the type of mechanical integrity test indicated. If the required test is a pressure test, please have the necessary equipment on location and ready to commence the test at the specified time. For all types of tests, please have a representative on location to operate any valves or other equipment as necessary. Your representative should meet our inspector at the 1st well listed below at the specified schedule date and time.

Scheduled Inspections / MITs

Scheduled Date:	UL	S-T-R	API Well No	Well No.	Type MIT	Property IDN	19492
11/22/99 8:30:00 AM							
Property Name: NORTH EL MAR UNIT							
	P 24	26S 32E	30-025-08269-00-00	002	Pressure Test	W/W	I
	B 25	26S 32E	30-025-08280-00-00	006	Pressure Test	W/W	I
	D 25	26S 32E	30-025-08287-00-00	008	Pressure Test	W/W	I
	F 25	26S 32E	30-025-08277-00-00	014	Pressure Test	W/W	I
	H 25	26S 32E	30-025-08281-00-00	016	Pressure Test	W/W	I
	J 25	26S 32E	30-025-08278-00-00	022	Pressure Test	W/W	I
	L 25	26S 32E	30-025-08275-00-00	024	Pressure Test	W/W	I
	N 25	26S 32E	30-025-08274-00-00	035	Pressure Test	W/W	I
	P 25	26S 32E	30-025-08283-00-00	037	Pressure Test	W/W	I
	F 26	26S 32E	30-025-08299-00-00	010	Pressure Test	W/W	I
	F 26	26S 32E	30-025-08299-00-00	010	Pressure Test	--	
	H 26	26S 32E	30-025-08294-00-00	012	Pressure Test	W/W	I
	L 26	26S 32E	30-025-08296-00-00	028	Pressure Test	W/W	I
	N 26	26S 32E	30-025-08292-00-00	031	Pressure Test	W/W	I
	P 26	26S 32E	30-025-08288-00-00	033	Pressure Test	W/W	I
	P 27	26S 32E	30-025-08300-00-00	029	Pressure Test	W/W	I
	1 34	26S 32E	30-025-08305-00-00	050	Pressure Test	W/W	I
	1 35	26S 32E	30-025-08313-00-00	052	Pressure Test	W/W	I
	3 35	26S 32E	30-025-08312-00-00	051	Pressure Test	W/W	I
	B 35	26S 32E	30-025-08311-00-00	046	Pressure Test	W/W	I
	D 35	26S 32E	30-025-08309-00-00	048	Pressure Test	W/W	I
	1 36	26S 32E	30-025-25422-00-00	062	Pressure Test	W/W	I
	3 36	26S 32E	30-025-08318-00-00	054	Pressure Test	W/W	I

PLEASE NOTE THAT THE ABOVE TESTING WILL BE PRESSURE TESTED FOR TEMPORARY ABANDONED STATUS.

Handwritten notes:
 N.E.M.U. (19) 5-115
 #1 POW P #5 TA S
 #34 POW P #7 TA S
 #23 POW P #11 TA S
 #15 POW P #9 TA S
 #36 POW P #45 TA S

Handwritten notes:
 Status?
 #26 W/W I
 002508293
 26-26S-32E

Examiner Hearing – May 4, 2000

Docket No. 12-00

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CASE 12384: Continued from April 20, 2000, Examiner Hearing.

Application of Louis Dreyfus Natural Gas for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from a depth of 4,000 feet to the base of the Morrow formation, underlying the following described acreage in Section 34, Township 17 South, Range 28 East, and in the following manner: (a) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Empire-Pennsylvanian Gas Pool; (b) the NW 4 to form a standard 160-acre gas spacing and proration unit for all formations developed on 160-acre spacing within said vertical extent; and (c) the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes the Undesignated Empire-Wolfcamp Pool. These three units are to be dedicated to a single well, the proposed Geronimo "34" State Com. Well No. 1, to be drilled within the SW/4 NW/4 (Unit E) of Section 34 at a location considered to be standard for all three units. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and units, and a charge for risk involved in drilling the well. The proposed well location is approximately one-quarter mile southwest of the junction of U. S. Highway No. 82 and New Mexico State Road No. 360.

CASE 12398: **Application of EOG Resources, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing in the E/2, including but not limited to the Undesignated Crow flats-Morrow Gas Pool, in all formations developed on 160-acre spacing in the SE/4, including but not limited to the Vandagriff Keyes-Queen Gas Pool, and in all formations developed on 40-acre spacing in the SE/4 SE/4 including but not limited to the Undesignated East Red Lake Queen-Grayburg Pool, all in Section 33, Township 16 South, Range 28 East. Said units are to be dedicated to its Zephyr "33" State Com Well No. 1 to be drilled at a standard location in the SE/4 SE/4 of said Section 33 to a depth sufficient to test all formations from the surface to the top of the Mississippian formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 13 miles east of Artesia, New Mexico.

CASE 12399: **Application of EOG Resources, Inc. for approval of a Pilot Waterflood Project in the North Red Hills Unit, Lea County, New Mexico.** Applicant seeks approval of a pilot project for the injection of water into the Bone Spring formation, Red Hills-Bone Spring Pool through one injection well in its proposed North Red Hills Unit Area. The Project Area for this pilot waterflood project is the following area:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 12: S/2

Section 13: N/2

This area is located approximately 21 miles west by north of Jal, New Mexico.

CASE 12329: Continued from April 6, 2000, Examiner Hearing.

Application of EOG Resources, Inc. for a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Red Hills North Unit Area containing 3478.30 acres, more or less, of Federal and State lands comprising all or portions of Sections 6, 7, 8, 17 and 18, Township 25 South, Range 34 East, and all or portions of Sections 1, 12 and 13, Township 25 South, Range 33 East. The unit area is located approximately 19 miles west by north of Jal, New Mexico.

CASE 11826: Reopened. Continued from March 16, 2000, Examiner Hearing.

Application of Quay Valley, Inc. to reopen Case No. 11826 and for amendment of Division Order Nos. 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. 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, NMSA 1978, Sections 7-29A-1 through 7-29A-5. The unit is located approximately 26 miles west-southwest of Jal, New Mexico.

CASE 12400: **Application of Yates Petroleum Corporation for special pool rules and amendment of the depth bracket allowable for the Northwest Shoe Bar-Strawn Pool, Lea County, New Mexico.** Applicant seeks an increase in the depth bracket allowable for the Northwest Shoe Bar-Strawn Pool located in portions of Section 15 of Township 16 South, Range 35 East, to 365 barrels of oil per day for each 40-acre unit to conform the depth bracket allowable to the depth from which wells in this pool are producing. Applicant also seeks the adoption of special pool rules and regulations for this pool including a limiting gas-oil ratio of 6000 cubic feet of gas per barrel of oil produced. Said pool is located approximately 5.5 miles west of Lovington, New Mexico.

Examiner Hearing – May 4, 2000

Docket No. 12-00

Page 3 of 7

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- CASE 12396:** **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests underlying the E/2 of Section 12, Township 22 South, Range 25 East, to form a standard 320-acre gas spacing and proration unit for formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the undesignated Catclaw Draw-Wolfcamp Gas Pool, undesignated Hackberry Hills-Canyon Gas Pool, undesignated Hackberry Hills-Atoka Gas Pool, and Revelation-Morrow Gas Pool. Said spacing and proration unit is to be dedicated to Nearburg's proposed White Tip 12 Fed. Com. Well # 1, to be drilled at a standard location in the SE/4 (Unit P) of said Section 12. Also to be considered will be: the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision; designation of Nearburg Producing Company, L.L.C., as operator of the well; and, a charge for risk involved in drilling said well. Said area is located approximately 7 miles southwest of Carlsbad, New Mexico.
- CASE 12397:** **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing in the W/2 of Section 19

**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:**

CASE NO. 11826 - Reopened

OCT 12 2010
11:12:54 AM
OIL CONSERVATION DIVISION

**APPLICATION OF QUAY VALLEY, INC. TO
REOPEN CASE NO. 11826 AND FOR AMENDMENT
OF DIVISION ORDER Nos. 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.**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Quay Valley, Inc.
Attn: Ms. Stella Swanson
P.O. Box 10280
Midland, Texas 79702-7280
(915) 687-4220

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

OPPOSITION OR OTHER PARTY

ATTORNEY

Pre-hearing Statement

NMOCD Case No. 11826 - Reopened

Page 2

STATEMENT OF CASE

APPLICANT

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 36 East; Application also seeks to qualify the project area for the recovered oil tax rate pursuant to the New Mexico Enhance Oil Recovery Act, NMSA 1978, 1978, Sections 7-29A-1 through 7-29 A-5. The unit is located approximately 26 miles of west-southwest of Jal. New Mexico.

OPPOSITION OR OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

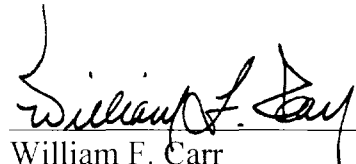
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Dave Rose (Landman)	Approx. 10 min.	Approx. 4
Stan Atnipp (Petroleum Engineer)	Approx. 15 min.	Approx. 2
J. L. Atnipp (Petroleum Engineer)	Approx 15 min.	Approx. 2

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

Quay Valley, Inc. has none at this time.



William F. Carr
Attorney for Quay Valley, Inc.

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 16, 2000

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 9-00 and 10-00 are tentatively set for April 6 and April 20, 2000. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12353: **Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 10, Township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated South Shoe Bar-Atoka Gas Pool, the Undesignated South Shoe Bar-Morrow Gas Pool, and the Undesignated South Shoe Bar-Mississippian Gas Pool. The unit is to be dedicated to its South Shoe Bar "10" State Com. Well No. 4 to be drilled at an orthodox location in the NE/4 NW/4 of Section 10. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 8 ½ miles southwest of Lovington, New Mexico.

CASE 12354: **Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the S/2 of Section 25, Township 22 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The unit is to be dedicated to its Tin Cup "25" State Com. Well No. 1 to be drilled at an orthodox location in the SW/4 SW/4 of Section 25. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 13 ½ miles southwest of Oil Center, New Mexico.

CASE 12348: **Continued from March 2, 2000, Examiner Hearing.**

Application of David H. Arrington, Oil & Gas, Inc. for an Unorthodox Injection Well Location, approval of its Mayfly "14" State Leasehold Pressure Maintenance Project, 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 of its gas injection pressure maintenance project within the Strawn formation of the North Shoe Bar-Strawn Pool to be located within the NE/4 of Section 14, Township 16 South, Range 35 East, to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29/A-1 through 7-29A-5, NMSA 1978). Applicant also seeks approval to drill its injection well at an unorthodox well location 535 feet from the North line and 2300 feet from the East line and of this section. This project is located approximately 4 miles southeast of Lovington, New Mexico.

CASE 12355: **Application of Matador E & P Company to establish infill well procedures and to amend well location requirements for the Red Hills-Wolfcamp Gas Pool or, in the alternative, for simultaneous dedication, Lea County, New Mexico.** Applicant seeks an order amending the Special Rules and Regulations of the Red Hills-Wolfcamp Gas Pool as follows: (a) amend Rule 2 to provide that a second well be drilled within a standard 640-acre spacing unit but on a governmental quarter section not containing a first well and (b) amend Rule 4 to conform the well location rules to Division Rule 104.C(2). In the alternative, applicant seeks the simultaneous dedication of the Red Hills Unit Well No. 2 located in Unit B and the Red Hills Unit Well No. 3 in Unit K of Section 5, Township 26 South, Range 33 East, to a standard 640-acre gas spacing unit consisting of this section. This pool is located approximately 21 ½ miles west of Jal, New Mexico.

CASE 12356: **Application of Phillips Petroleum Company for approval of six non-standard gas spacing and proration units and an unorthodox gas well location, San Juan County, New Mexico.** Applicant seeks the approval of six non-standard gas spacing and proration units within the 32-7 Unit to be dedicated to any production from the Pictured Cliffs formation of the South Pinos-Pictured Cliffs Gas Pool, the units to be configured from all or portions of Irregular Sections 4, 5, 6, and 7, Township 31 North, Range 7 West. These proposed units are made necessary as a result of variations in the legal subdivision of the United State Public Land Survey and are configured to be compatible with the non-standard gas spacing and proration units which have been approved for the Basin Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and the Basin-Fruitland Coal Gas Pool. In addition, the applicant seeks approval for the recompletion of the San Juan 32-7 Unit Well No. 18 from the Mesaverde formation to a Pictured Cliffs formation gas well at an unorthodox location 2225 feet from the South line and 400 feet from the East line of Irregular Section 5 to be dedicated to a standard 160-acre spacing unit consisting of the SE/4 of this section. These units are located approximately 6 miles south-southeast of the intersection of New Mexico State Highway 511 and the borders of the States of New Mexico and Colorado. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12336: **Reopened**

Application of Yates Petroleum Corporation approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Shinnery State Unit for an area comprising 2400 acres of State lands in Section 32, Township 9 South, Range 34 East, and Sections 5, 8 and 9, Township 10 South, Range 34 East, which is located approximately 5 miles southwest of Crossroads, New Mexico.