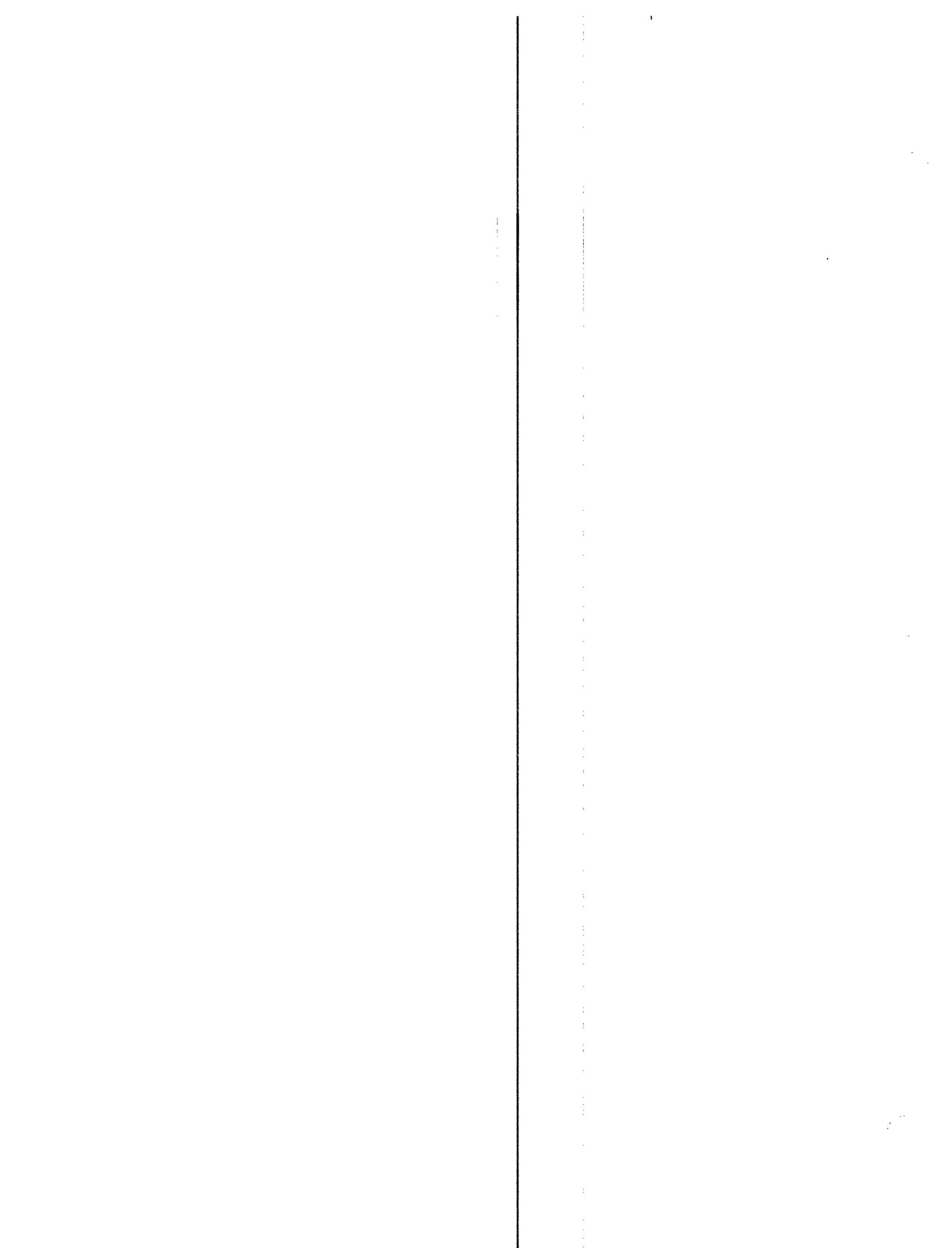
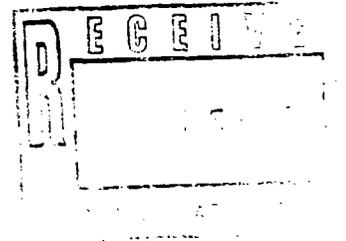


APPLICATION



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

IN THE MATTER OF THE APPLICATION
OF QUAY VALLEY, INC. FOR AMENDMENT
OF DIVISION ORDER R-4629 TO AUTHORIZE A
TERTIARY RECOVERY PROJECT BY THE
INJECTION OF CARBON DIOXIDE 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.

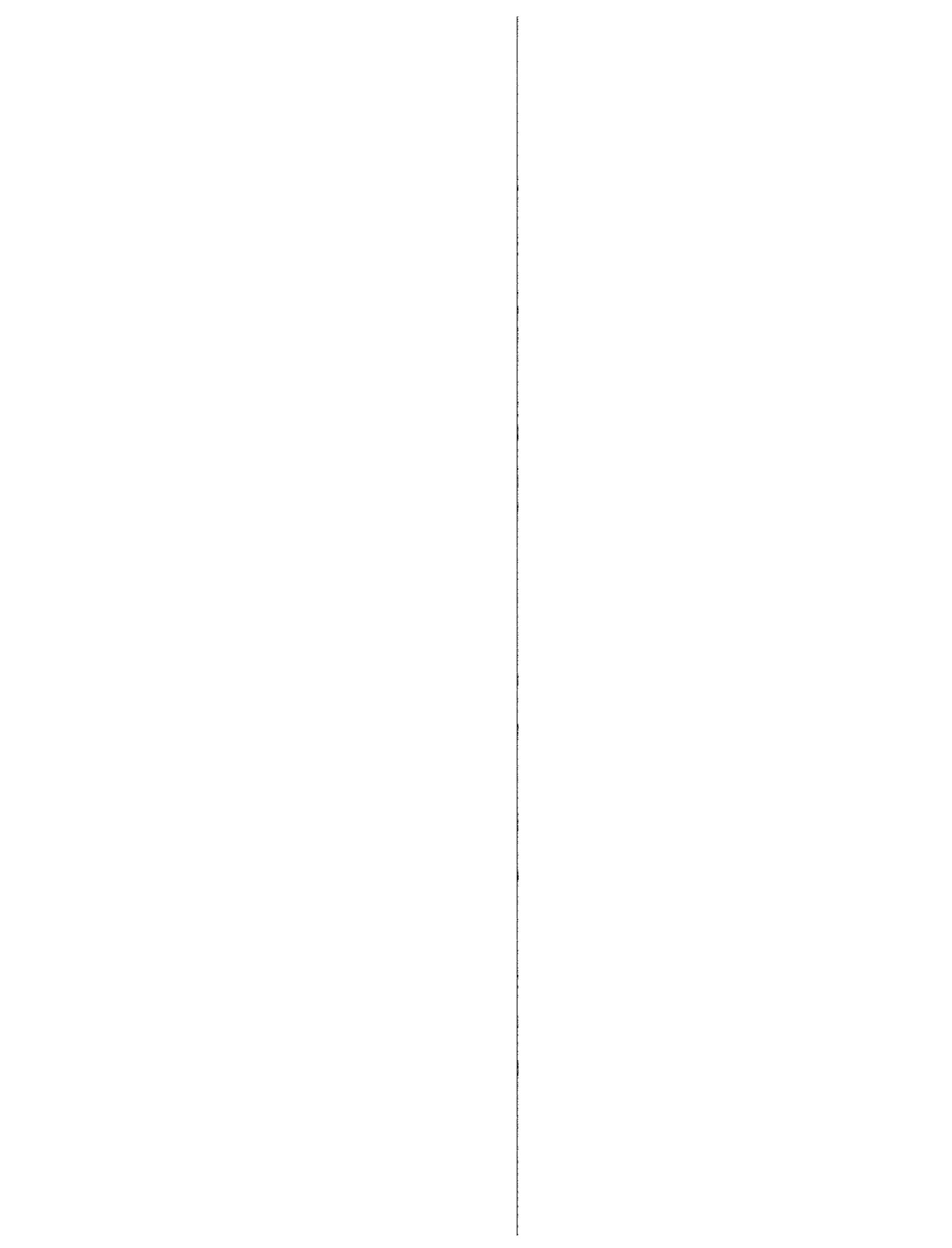


CASE NO. _____

APPLICATION

QUAY VALLEY, INC. ("Quay Valley") through its attorneys, Campbell, Carr, Berge & Sheridan, P. A., hereby makes application for an order amending Division Order No. R-4629 to authorize a tertiary recovery project by the injection of carbon dioxide 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 Carbon Dioxide 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. The unit boundaries include the following acreage in Lea County, New Mexico:



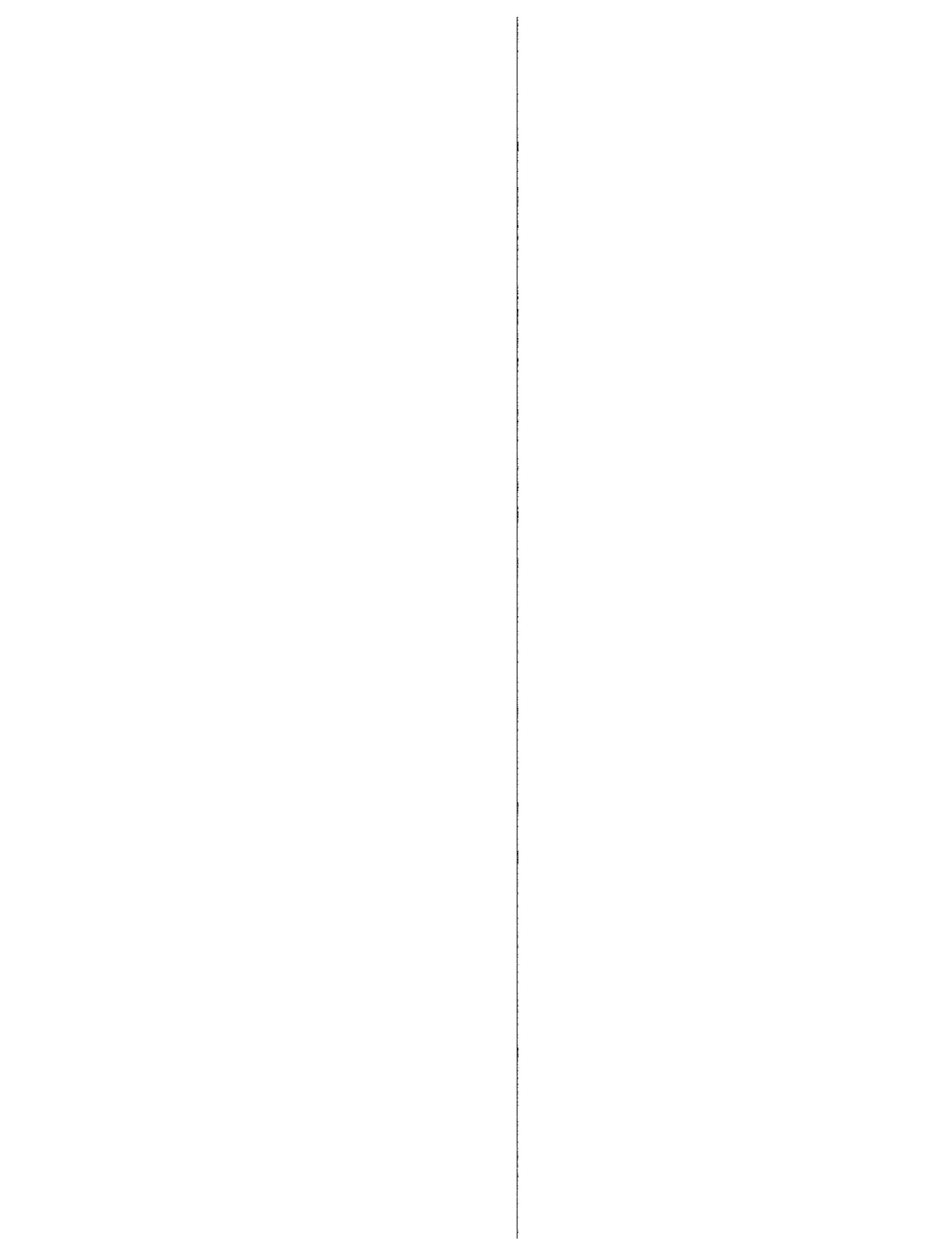
TOWNSHIP 26 SOUTH, RANGE 32 EAST, N.M.P.M.

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

2. 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 .
3. Quay Valley is the successor operator to Continental Oil Company of the El Mar Delaware Unit.
4. Quay Valley seeks amendment of Order No. R-4629 to authorize the implementation of tertiary recovery operations in this project area by the injection of carbon dioxide into the Delaware formation. A copy of Oil Conservation Division Form C-108 is attached to this application.
5. Quay Valley also seeks amendment of Order No. R-4629, to establish a special injection pressure limitation for carbon dioxide equal to a surface injection pressure of 1160



pounds.

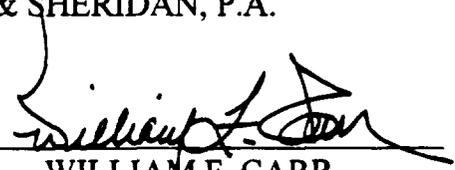
6. Quay Valley also seeks to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act.

7. 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 August 7, 1997, 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.

By: 

WILLIAM F. CARR

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Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR QUAY VALLEY, INC.

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11826 Exhibit No. 1

Submitted by: Quay Valley, Inc.

Hearing Date: August 7, 1997