



## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Mark E. Fesmire, P.E.**  
Director  
Oil Conservation Division

June 29, 2004

Ms. Lorraine Hollingsworth  
Dolan & Domenici, P.C.  
6100 Seagull NE, Suite 205  
Albuquerque, NM 87109

Via e-mail: [Hollings@dolan-domenici.com](mailto:Hollings@dolan-domenici.com)  
Via fax: (505) 884-3424

Re: Gandy Corporation, State "T" Well No. 2, T16S, R36E, NMPM, Lea County, New Mexico NMOCD SWD 836

Dear Ms. Hollingsworth,

Your letter dated June 22, 2004, addressed to Chris Williams, Director of the Oil Conservation Division's District I office, was referred to the Division's Legal Bureau for a response. That letter seeks confirmation that Mr. Williams provided Gandy Corporation ("Gandy") with verbal permission to operate the State "T" Well No. 2 pending the hearing on Gandy's application for an amendment to its permit.

The State "T" Well No. 2 is permitted under Commission Order No. R-11855. The Order permits injection from 6,000 to 6,400 feet. According to Division records, the well was perforated from 4,810 to 6,880 feet. On May 3, 2004, Cabinet Secretary Joanna Prukop, as Acting Director of the Oil Conservation Division, issued an "Emergency Shut-In Order" notifying Gandy that the well was in violation of the permit, Commission Order No. R-11855-B and Division rules, and ordering Gandy to cease injection into the State "T" Well No. 2 until such time as

- a. all perforation depths not permitted under Commission Order No. R-11855-B are squeezed off to the satisfaction of the Division's District I office, or
- b. Gandy obtains an approved permit to inject into the depths already perforated.

Gandy subsequently applied for a permit to inject into the depths already perforated. The hearing on that application is scheduled for July 8, 2004.

The districts do not have the authority to override a directive issued by the Cabinet Secretary or Division Director. As stated in Secretary Prukop's notice, Gandy must cease injection into the State "T" Well No. 2 until all perforation depths not permitted under the Order are squeezed off, or until Gandy obtains an approved permit to inject into the depths already perforated.

Injection outside the zone allowed by the applicable injection permit constitutes injection without a permit, in violation of Division rule 701 [19.15.9.701 NMAC]. Any person who knowingly and willfully violates a Division rule shall be subject to a civil penalty of not more than one thousand dollars for each violation, and in the case of a continuing violation, each day of violation constitutes a separate violation. NMSA 1978, § 70-2-31(A). With this letter the Division notifies Gandy that any continued violation will be viewed as "knowing and willful."

Very truly yours,

Gail MacQueen

BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. I  
Case No. 13293  
DKD, L. L.C.

Oil Conservation Division \* 1220 South St. Francis Drive \*  
Phone: (505) 476-3440 \* Fax (505) 476-3462 \* <http://>

Submitted by:

DKD, L. L.C.

476-3451

JUN. 30. 2004 11:55AM DOLAN &  
JUN-29-2004 TUE 08:26 AM

FAX NO.

NO. 8320 P. 14/16  
P. 03

Assistant General Counsel

cc: Gandy Corporation  
cc: Chris Williams, District I