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July 2, 2004

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505

2004
7/6/04

RE: Case No. 13293: The Application of Gandy Corporation for Approval of a SWD Well,
Lea County, New Mexico

Dear Ms. Davidson:

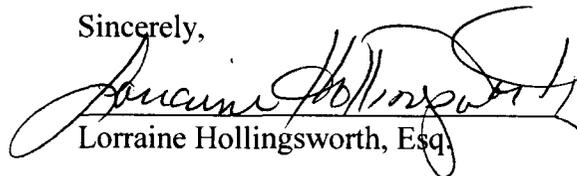
Enclosed please find the original and three copies of the following to be filed in the above captioned matter:

1. Gandy Corporation's Amended Pre-Hearing Statement
2. Gandy Corporation Request For Authorization Or Designation For Decision By Hearing Officer Or Division Director

Please return an endorsed copy in the enclosed envelope.

If you have any questions, please call me at the above number. Thank you for your assistance in this matter.

Sincerely,


Lorraine Hollingsworth, Esq.

Encls.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

2004 JUL 6 8 00 AM '04

**IN THE MATTER OF THE HEARING
BEFORE THE HEARING EXAMINER
FOR THE PURPOSE OF CONSIDERING:**

CASE NO. 13293

**THE APPLICATION OF GANDY CORPORATION
FOR APPROVAL OF A SALT WATER DISPOSAL WELL,
LEA COUNTY, NEW MEXICO**

GANDY CORPORATION AMENDED PRE-HEARING STATEMENT

COMES NOW, Applicant Gandy Corporation, by and through undersigned counsel of record, and submits the following Amended Pre-Hearing Statement. The Pre-Hearing Statement was originally filed on June 21, 2004 in anticipation of the hearing scheduled for June 24, 2004, as required by 19.15.14.1208.B NMAC. The hearing was rescheduled for July 8, 2004. The Amended Pre-Hearing Statement identifies one additional witness who may be called and identifies a procedural issue that needs to be decided prior to the July 8 hearing.

cc: m
7/6/04

1. Name of the party and its attorney: Applicant Gandy Corporation, represented by Pete V. Domenici, Esq., Dolan & Domenici, P.C., 6100 Seagull St. NE, Suite 205, Albuquerque, New Mexico, 87109.

2. Statement of the case: The Applicant, Gandy Corporation, is seeking approval to utilize its State "T" Well No. 2 (API No. 30-025-03735) located 4,290 feet from the South line and 500 feet from the West line, Lot 12, Section 6, Township 16 South, Range 36 East, to dispose of produced water into the San Andreas and Glorieta formations through perforations from 4,810 feet to 6,880 feet. The well is located approximately 2 miles west of Lovington, New Mexico.

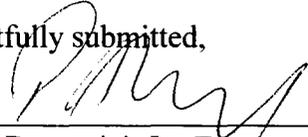
As evidenced by the Application filed by Gandy Corporation, dated May 11, 2004, the offset operators, leaseholders and surface owners were properly notified, as required by 19.15.9.701.B. Proof of Notification and Publication was attached to the Application.

The Application seeks to revise the permit previously issued pursuant to OCD Order No. R-11855-B and SWD-836. The permit authorized the injection of produced water for disposal purposes into the San Andres and Glorieta formations from a depth of 6000 feet to 6200 feet through 2 7/8" plastic-lined tubing set in a packer located approximately at 5950 feet. The current Application requests authorization for the injection of produced water in the same well from 4810 feet to 6880 feet through 3 1/2" plastic-coated tubing set in a packer located approximately at 4740 feet. Other than the change in depth, all conditions set forth in SWD-836 have been met or will be met by the Applicant. The Applicant will present testimony and exhibits demonstrating compliance with the requirements of 19.15.9.701 through 19.15.9.708 NMAC. The Applicant will present testimony and exhibits in support of the following conclusions :

- a. Of the 38 wellbores and 43 completions (or attempts) in the two sections surrounding the proposed injector, there were no tests and thus no production established from the San Andres, Glorieta, Paddock, or Blinberry.
- b. The only completions in these intervals in four townships surrounding the proposed injection well (again excluding the Lovington and West Lovington fields) were for the purpose of SWD. Several of these were completed over gross intervals similar to that under consideration in this application.
- c. The State 'T' No. 2 log indicates that all zones receiving waste in the proposed well will be water bearing.

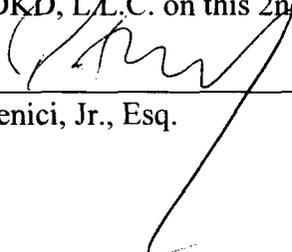
In the alternative, Gandy requests that the Division Director attend the hearing and hear the matter jointly with the Hearing Examiner, or hear the matter himself, in order to determine if Gandy should receive approval to begin immediate operation of the injection well.

Respectfully submitted,



Pete V. Domenici, Jr., Esq.
Dolan & Domenici, P.C.
Attorneys for Applicant
6100 Seagull St, NE, Suite 205
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505-883-6250

I hereby certify that a true and correct copy of the foregoing was sent by facsimile and U.S. Mail to the Gail MacQuesten of the Oil Conservation Division and Paul R. Owen, Montgomery & Andrews, attorney for DKD, L.L.C. on this 2nd day of July, 2004.



Pete V. Domenici, Jr., Esq.