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June 21, 2004

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

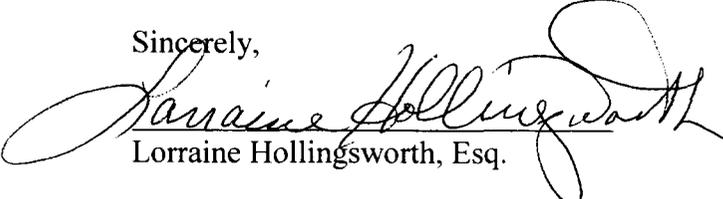
RE: Case No. 13293: The Application of Gandy Corporation for Approval of a SWD Well,
Lea County, New Mexico

Dear Ms. Davidson:

Enclosed please find the original and three copies of Gandy Corporation Pre-Hearing Statement to be filed in the above captioned matter. 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**

2007 JUN 22 AM 11 08

**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 PRE-HEARING STATEMENT

COMES NOW, Applicant Gandy Corporation, by and through undersigned counsel of record, and submits the following Pre-Hearing Statement, as required by 19.15.14.1208.B NMAC.

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 :

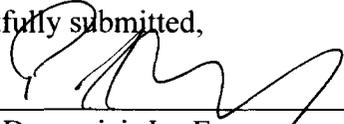
- a. Of the 38 wellbores and 43 completions (or attempts) in the two sections surrounding the proposed injector, there were no tests and thus no production established from the San Andres, Glorieta, Paddock, or Blinbry.
 - b. The only completions in these intervals in four townships surrounding the proposed 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.
3. Names of the witnesses the party will call to testify: Applicant Gandy Corporation will call Larry Scott, Lynx Petroleum Consultants, Inc., Hobbs, New Mexico.

4. Names of the witnesses the party may call to testify: Applicant Gandy Corporation may call Dale Gandy, Gandy Corporation, Hobbs, New Mexico; Eddie Seay, Hobbs, New Mexico.

5. Approximate time the party will need to present its case: Gandy Corporation will need approximately 1 hour to present its case.

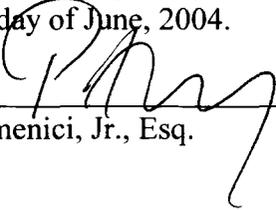
6. Identification of any procedural matters that need to be resolved prior to the hearing: None.

Respectfully submitted,



Pete V. Domenici, Jr., Esq.
Dolan & Domenici, P.C.
Attorneys for Applicant
6100 Seagull St, NE, Suite 205
Albuquerque, New Mexico 87109
505-883-6250

I hereby certify that a true and correct copy
of the foregoing was sent by facsimile and U.S. Mail
Paul R. Owen, Montgomery & Andrews, attorney for DKD, L.L.C.
on this 21st day of June, 2004.



Pete V. Domenici, Jr., Esq.

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

2007 JUN 21 PM 2 43

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

CASE NO. 13293

PREHEARING STATEMENT

DKD, LLC, an interested party herein, by and through counsel, Montgomery & Andrews, P.A. (Paul R. Owen, Esq.), submits this prehearing statement as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

OPPOSITION OR OTHER PARTY

ATTORNEY

DKD, L.L.C.
Post Office Box 682
Tatum, New Mexico 88267
(505) 398-3490

Paul R. Owen, Esq.
Montgomery & Andrews, P.A.
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

STATEMENT OF CASE

APPLICANT

Applicant's Statement of the Case should be contained in the Administrative Application which Applicant filed with the Division, and in Applicant's Prehearing Statement.

OTHER PARTY

DKD, L.L.C. anticipates developing the issue that the interval into which the Applicant in Case No. 12095 may inject pursuant to the Commission's Order (*See* Order R-11855-B at 3, ¶ 9), and the Applicant's request for authority to inject into an interval greater than that considered and authorized by the Commission. In addition, DKD, LLC anticipates developing the extent that the Applicant in the enclosed Application, or the Applicant in Case No. 12095, is exceeding the injection authority granted by Order No. R-11855-B.

PROPOSED EVIDENCE

APPLICANT

Applicant's proposed evidence should be reflected in Applicant's Prehearing Statement.

OTHER PARTY

WITNESSES

(Name and expertise)

EST. TIME

EXHIBITS

Danny R. Watson
(Lay Witness)

Approx. 45 min.

Approx. 10

PROCEDURAL MATTERS

None known at this time.

MONTGOMERY & ANDREWS, P.A.

By



for Paul R. Owen

Post Office Box 2307

Santa Fe, New Mexico 87504-2307

(505) 982-3873

ATTORNEY FOR DKD, L.L.C.

CERTIFICATE OF SERVICE

I hereby certify that on this 21 day of June, 2004, I have caused a copy of our Prehearing Statement in the above-captioned case to be served via facsimile and U.S. Mail upon the following named parties:

Pete V. Domenici
Dolan & Domenici PC
6100 Seagull St. NE #205
Albuquerque NM 87109-2500
Fax: (505) 884-3424
ATTORNEYS FOR APPLICANT


Paul R. Owen