

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

Paul R. Owen
Direct Dial (505) 986-2538
powen@montand.com

Post Office Box 2307
Santa Fe, New Mexico 87504-2307
325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873
Fax (505) 982-4289

May 25, 2004
VIA HAND DELIVERY

RECEIVED

MAY 25 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Dr.,
Santa Fe, New Mexico 87505

**Re: Gandy Corp. State T #2 Well, T16S, R36E, NMPM, Lea County, New Mexico.
NMOCD SWD 836**

Case 13293

Dear Mr. Fesmire:

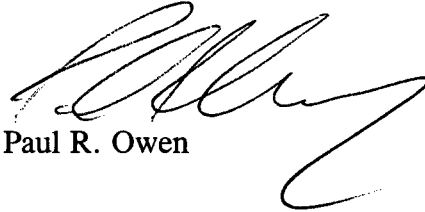
DKD, L.L.C., recently received the enclosed Application for Authority to Inject from Gandy Corp. The Application concerns a salt water disposal well that has already been the subject of Division and Commission Hearings in case No. 12905, and resulting Orders No. R-11855-B (issued May 15, 2003), and No. R-11855 (issued October 28, 2002).

DKD, L.L.C. is a party adversely affected by, and hereby objects to, the relief requested in the enclosed application, and hereby requests that the matter be set for hearing pursuant to NMOCD Rule 701(D). In addition, it appears that, despite the fact that issue of the interval into which the Applicant in Case No. 12095 may inject was specifically raised and ruled upon by the Commission (*See* Order R-11855-B at 3, ¶ 9), the enclosed Application seeks authority to inject into an interval greater than that considered and authorized by the Commission. Finally, to 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, this is a case in which it is advisable that the Director of the Division set the matter for hearing.

I look forward to notification that this matter has been set for hearing. Please let me know if you have any questions.

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
May 25, 2004
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Very truly yours,

A handwritten signature in black ink, appearing to read "P. Owen", with a long, sweeping horizontal stroke extending to the right.

Paul R. Owen

cc: DKD, LLC (via facsimile)
Gandy Corp. (via U.S. Mail)

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division 1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

FORM C-108 Revised 4-1-98

APPLICATION FOR AUTHORIZATION TO INJECT

Case 13293

I. PURPOSE: Secondary Recovery Pressure Maintenance
X Disposal Storage
 Application qualifies for administrative approval? X Yes No

II. OPERATOR: Gandy Corp.

ADDRESS: 1008 W. Broadway Hobbs N.M.

CONTACT PARTY: Dale Gandy 505-396-4948 PHONE:

III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.

Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? Yes No Revised
 If yes, give the Division order number authorizing the project:
Previous Approval SWD-836

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the

Division, they need not be resubmitted).

- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Eddie W. Seay Agent TITLE: _____

SIGNATURE: Eddie W. Seay 5/4/2004 DATE: _____

- * If the information required under Sections VI, VIII, ☒ and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: when drilled

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office