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April 4, 2006

HAND-DELIVERED

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Re: NMOCD Case No. 13686; Amended Application of DKD, LLC for an Order
Revoking the Injection Authority for the Gandy Corporation State "T" Well No. 2,
Lea County, New Mexico

Dear Mr. Fesmire:

Enclosed for filing is the Application For Emergency Order in the above-referenced matter. On behalf of the Applicant, DKD, LLC, we ask that this matter be set for hearing at the earliest opportunity. I estimate that the matter could be presented in less than one hour. Please have Mr. Apodaca or other Division counsel contact me to schedule a time to present this Application.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

cc: Pete Domenici, Esq.
Charles Lakins, Esq.
Ted Apodaca, Esq.

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2006 APR 4 PM 3 44

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

**IN THE MATTER OF THE APPLICATION OF
DKD, LLC FOR AN ORDER REVOKING THE
INJECTION AUTHORITY FOR THE GANDY
CORPORATION STATE "T" WELL NO. 2,
LEA COUNTY, NEW MEXICO**

CASE NO. 13686

APPLICATION FOR EMERGENCY ORDER

DKD, LLC ("DKD") for its Application for Emergency Order, states:

1. DKD filed its original Application in this matter on February 23, 2006, followed by its Amended Application which was filed March 27, 2006. Hearing on DKD's Application was originally scheduled for March 30, 2006.

2. Gandy Corporation operates the State "T" Well No. 2 (API No. 30-025-03735) located 4,290' FSL and 500' FWL, Lot 12, Section 6, T16S, R36E, NMPM in Lea County, New Mexico for the disposal of produced water pursuant to SWD-836 and Order No. R-12171. DKD asserts that Gandy Corporation has failed to conduct injections operations to ensure injected fluids remain in the authorized injection intervals immediately surrounding its well bore from the depths of 4,810' to 6,880' as permitted by the Division. Gandy Corporation has increased the volumes of water injected through the State "T" No. 2 well while simultaneously increasing injection pressures, at times exceeding the 962 psi wellhead injection pressure limitation established by Order No. R-12171.

3. As a result of Gandy's operations of the State "T" No. 2 Well, injected waters have been permitted to escape to other formations or onto the surface. Additionally, increased pressures against the casings of wells in the vicinity of the State "T" No. 2 injection well have been experienced. Gandy Corporation's operation of the State "T" No. 2 well is causing damage to other wells in Section 6 and there is a reasonable likelihood of future damage. There is also a

2006 APR 4 PM 3:44

reasonable likelihood that the contamination of fresh waters may occur if Gandy Corporation's operations are allowed to continue.

4. Gandy Corporation has failed to submit monthly reports of disposal operations and disposition of produced water in accordance with the Division's Rules and has further failed to notify the Division of any possible mechanical failures or of the leakage of fluids from the State "T" Well No. 2.

5. By correspondence dated February 23, 2006, the Division was requested by DKD to act to prevent further violations of its Rules, Regulations and Orders pursuant to the provisions of NMSA 1978, §70-2-28 and §70-2-29.

6. On March 14, 2006, Gandy Marley, Inc. moved to continue the March 30, 2006 examiner hearing. (On March 15, 2006 a Corrected Motion to Intervene was filed on behalf of Gandy Corporation.). On March 14, 2006 DKD objected to continuing the March 30, 2006 examiner hearing but in view of the unavailability of Gandy Corporation's counsel, agreed to a continuance to the April 27, 2006 examiner hearing docket, or to such other subsequent date as necessary to accommodate scheduling conflicts. On March 22, 2006 Gandy Corporation's counsel indicated a preference that the hearing on the Application be heard on May 11, 2006, proceeded by certain discovery and a pre-hearing conference. As a consequence, there is a reasonable likelihood that a hearing on the merits of DKD's Amended Application may be further delayed.

7. Gandy Corporation's violations of the provisions of the Oil & Gas Act, the Division's Rules and Orders identified in the Application, as amended, are of an ongoing nature. The granting of interim emergency relief directing Gandy Corporation to immediately cease injection operations through the State "T" Well No. 2 is necessary to prevent further injury to


property and to correlative rights, the prevention of waste and/or the protection of the environment.

WHEREFORE, DKD, LLC requests that after hearing, the Division enter an interim emergency order terminating Gandy Corporation's injection operations through the State "T" Well No. 2 and directing Gandy Corporation to take such action as necessary to immediately reduce pressures in the injection formation and other formations so as to prevent further waste and damage to property. The interim emergency order should remain in place until after the hearing on the merits on DKD's Application, as amended, and the issuance by the Division of its order pursuant thereto.

Respectfully submitted,

MILLER STRATVERT P.A.

By:



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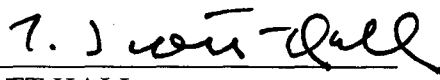
CERTIFICATE OF SERVICE

The undersigned hereby certifies he faxed a true and accurate copy of the foregoing to:

Pete Domenici, Esq.
Charles Lakins, Esq.
Domenici Law Firm
6100 Seagull St., N.E., #205
Albuquerque, New Mexico 87109-2500

Ted Apodaca, Esq.
Energy, Minerals & Natural Resources
Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

on this 4th day of April, 2006.



J. SCOTT HALL