

Begin the Climb...

February 14, 2007

2007 FEB 16 AM 9 36

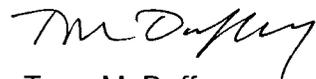
Mr. William Jones
Engineering and Geological Services Bureau
NM Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505

RE: C-108 for Class II Saltwater Disposal Well
Gandy Corporation
Julia Culp #2
Section 34, T15S, R35E, Unit Letter H
Lea County, NM

Mr. Jones,

Thanks for your feedback based on your preliminary review of our project. We have addressed your comments and suggestions from your email dated 2-12-07 (see our attached responses). The legal notice affidavit and certified mail receipts are part of this final submittal of the application. We are ready for you to begin your technical review and are seeking administrative approval henceforth. Thank you for your assistance in this matter.

Yours truly,



Terry M. Duffey
Agent for Gandy Corporation

Attachments

Terry M. Duffey

From: Terry M. Duffey [EverQuest@nts-online.net]
Sent: Tuesday, February 13, 2007 4:36 PM
To: wayne.price@state.nm.us
Cc: Dale Gandy
Subject: Gandy SWD

Oh yes, I forgot to say that the application for the Julia Culp #2 SWD is for a Class II well.

Terry M. Duffey
EverQuest Energy Corporation -- Dominating World Oil - One Well at a Time.
PO Box 10079
Midland, Texas 79702
432-686-9790
432-682-3821 Fax
EverQuest@nts-online.net

Terry M. Duffey

From: Terry M. Duffey [EverQuest@nts-online.net]
Sent: Tuesday, February 13, 2007 4:32 PM
To: wayne.price@state.nm.us
Cc: Dale Gandy
Subject: Gandy Corporation - Saltwater Disposal

Gandy currently operates a SWD site known as the State T #2 just west of Lovington in Section 6, T16S, R36E. The unloading facility lies north and adjacent to Hwy 82 a few miles west of town. The offloaded saltwater is currently piped across about 1 mile of pasture through poly line to the well. A simple low-pressure transfer pump is used to deliver the water. At the well site a horizontal submersible pump is used to pressure the fluid for injection.

Last fall the OCD rescinded the SWD permit because of surrounding well problems the disposal was allegedly causing. I have been working with Gandy Corporation to locate a suitable well candidate for disposal. I am in the final stages of applying for a permit to dispose into the Devonian formation in a well in Section 34, Unit Letter H, T15S, R35E. The desired well lies about 1-mile north of the State T #2 well. Gandy plans to extend the existing transfer line and move the pump to this new location. They have reached an agreement with the surface landowner over which the additional poly line will rest. We would describe this land as "pasture" in conjunction with typical surrounding oilfield operations.

William Jones has done a preliminary review of the application and asked that I contact you to determine if anything from the Environmental Group is needed in this regard. William Jones has a copy of the DRAFT application if you would like to visit with him concerning any of the details. Feel free to contact me also.

Terry M. Duffey
EverQuest Energy Corporation
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Inactive Well List

Total Well Count:4 Inactive Well Count:0 Since:11/29/2005

Printed On: Thursday, February 22 2007

District API Well ULSTR OCD Unit OGRID Operator Lease Type Well Type Last Production Formation/Notes Status Days in TA

WHERE Ogrid:8426, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15

Terry M. Duffey

From: Jones, William V., EMNRD [William.V.Jones@state.nm.us]
Sent: Monday, February 12, 2007 3:21 PM
To: EverQuest@nts-online.net
Cc: Ezeanyim, Richard, EMNRD; Price, Wayne, EMNRD; Chavez, Carl J, EMNRD; Williams, Chris, EMNRD
Subject: SWD Application: Gandy Corporation's Julia Culp Well No. 2 30-025-30879 Devonian perms and open hole

Hello Mr. Duffey:

After reviewing your application to inject, the Division has the following questions and comments:

- 1) The wellsite appears to be "Fee". Please let us know who the Fee owner is and provide the Certified Notice number showing they were noticed. *DAN FIELDS — NOTIFIED (SEE LIST) CERTIFICATION ✓*
- 2) Please send proof the State Land Office was noticed of this proposed injection well AND the proposed one mile saltwater pipeline from the State T #2 location to this location. *SEE CERTIFICATION ✓*
- 3) Please contact Wayne Price (505-476-3490) and ask if a "discharge plan" will be required from the Environmental Bureau of the Division to cover installation of this system (tanks, one mile long saltwater pipeline, and injection well and pump). Let us know. *SEE EMAILS ✓*
- 4) For our records, please send a copy of the CBL, which was run after cementing the 5-1/2 inch casing. *NOT FOUND ✓*
- 5) Why did the CBL show a cement top at 9280 feet but the 5-1/2 inch was recovered much higher at 4764 feet? Was squeeze cementing ever done above 9280 feet? The corrosive interval in the lower San Andres and Upper Glorieta appears to be uncemented, but pipe was not recovered over this interval, is Gandy concerned about this? *REVISED DIAGRAM/PROCEDURE TO ADDRESS THIS — WE WANT IT CEMENTED ALSO! ✓*

Comments:

If the well is deepened, Gandy will be required to run a basic electric log and supply this log to the Division. This well has been perforated above the Devonian in the past, and therefore passing an MIT is an added risk - we assume Gandy is aware of this? If this is a concern, consult with Chris Williams or Gary Wink in Hobbs for their opinion. *→ YES ✓*

William V. Jones PE
 New Mexico Oil Conservation Division
 1220 South St. Francis
 Santa Fe, NM 87505
 505-476-3448

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COPY OF PLE SENT TO HOBBS DISTRICT OFFICE

MDuffey
2-14-07

2/14/2007