

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

**IN THE MATTER OF THE APPLICATION
OF GANDY CORPORATION FOR A
SALTWATER DISPOSAL PERMIT,
ALBACORE #25 COM 1 WELL,
LEA COUNTY, NEW MEXICO**

CASE NO. 14330

**GANDY CORPORATION'S RESPONSE
TO V-F PETROLEUM'S MOTION TO QUASH
and MOTION FOR CONTINUANCE**

GANDY CORPORATION, by and through undersigned counsel, in Response to V-F Petroleum's Motion to Quash and Motion for Continuance, states as follows:

1. This case involves Gandy Corporation's ("Gandy") application for authorization to inject produced waters into the Abo and Permo-Penn formations at intervals from 8,900 to 11,000 feet in the Albacore 25 Com Well No. 1 (API 30-025-37054).
2. After proper notice to all required parties, on January 30, 2009, V-F Petroleum filed its objection in this matter. V-F Petroleum was the sole objecting party. V-F Petroleum has an existing well, the Blue Fin 25 well (API 30-025-35865), which is an active production gas well with a measured depth of 13,200 feet located approximately 2,100' from the proposed injection location. V-F Petroleum also has an existing salt water disposal well, the Kathy Folk No. 001 (API 30-025-28562), located in Section 32, T16S, R35E. The SWD disposes into the Wolfcamp, and is currently not commercially operating.
3. After receiving V-F Petroleum's objection, V-F Petroleum stated to Gandy that its objection was primarily based upon the results of the mud logs from its Blue Fin 25 well, which to V-F

Petroleum had demonstrated promising potential for oil and gas reserves in the proposed injection interval.

4. Gandy mailed for filing its request for hearing in this matter on May 5, 2009. A copy of that request was sent to counsel for V-F Petroleum. The hearing set for July 11, 2009 has been on the OCD's docket for more than one month. At no time has V-F Petroleum requested any discovery from Gandy. The subpoenaed mud logs are the only documents that Gandy requested from V-F Petroleum.
5. V-F Petroleum has requested that Gandy's duly issued subpoena be quashed, predicated upon the premise that "mud logs are interpretive in nature and contain proprietary information," and that "it has long been the practice of the Division to not allow operators to obtain mud logs from other operators by use of the Division's subpoena power."
6. In its Motion to Quash, V-F Petroleum has stated that the mud logs "are not necessary for Gandy to be able to present its case in support of this application for authorization to inject." However, in its Pre-Hearing Statement, V-F Petroleum states that it opposes "the proposed injection because it will impair the correlative rights of V-F Petroleum and will cause waste." By opposing the application based upon potential impairment of its correlative rights, V-F Petroleum has raised the issue of what its correlative rights are, and the mud logs would assist the Hearing Examiner in determining whether V-F Petroleum's correlative rights, would, or would not, be impaired.
7. V-F Petroleum has requested a continuance of the July 11, 2009 hearing. V-F Petroleum's basis for a continuance is that "a ruling on [its motion to quash] is required before V-F Petroleum can fully prepare its case." This does not provide justification for a continuance.

8. V-F Petroleum has been aware of this case and the probability of a hearing since it filed its objection more than five months ago. It has had ample time to prepare for hearing.
9. V-F Petroleum is, and has been, aware of the data in its mud logs since well before this application to inject was filed. Taking the position that it is not prepared to proceed with hearing if its mud logs are not introduced into evidence is meritless. Taking the position that it is not prepared to proceed with hearing if its mud logs are required to be produced is illogical, as V-F Petroleum indicated to Gandy after it filed its objection that its basis for its objection was the data contained in its mud logs.
10. V-F Petroleum has provided no justifiable reason showing why it can not be prepared to proceed with the currently-set hearing, either without the mud logs or with the mud logs being produced before or at hearing.
11. The proprietary nature of the mud logs can be addressed by entry of a confidentiality order, and requiring that all copies of the mud logs be returned to V-F Petroleum at the end of hearing.
12. Gandy Corporation is prepared to proceed with the June 11, 2009 hearing, either with or without the subpoenaed mud logs.

WHEREFORE, Gandy Corporation requests that the Oil Conservation Division:

1. Deny V-F Petroleum's Motion for Continuance and proceed with the June 11, 2009 hearing currently set on this matter; and
2. Deny V-F Petroleum's Motion to Quash; and
3. Require production of the subpoenaed mud logs; and

- 4. Require entry of a confidentiality order to protect any proprietary information contained within the mud logs.
- 5. If V-F Petroleum refuses to and/or does not produce the subpoenaed mud logs, Gandy requests that V-F Petroleum's opposition based upon impairment of its correlative rights and waste be stricken.

Respectfully Submitted,
DOMENICI LAW FIRM, P.C.



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I hereby certify that a true and correct copy of the foregoing was sent via facsimile and U.S. mail to all parties of record this 5th day of June 2009.



Charles N. Lakins, Esq.