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Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Matter of the Application of DKD, LLC for an Order Directing Gandy Corporation to Show Case, Lea County, New Mexico; Case No. 13686

Dear Ms. Davidson:

Please find attached Intervenor Gandy-Marley's *Response* for filing in the above captioned case.

Thank you for your courtesies.

Sincerely,
DOMENICI LAW FIRM, P.C.



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**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

INTERVENOR'S RESPONSE

Gandy Corporation ("Gandy") through its undersigned counsel, Domenici Law Firm, P.C. (Charles N. Lakins, Esq.), hereby submits the following in response to DKD, LLC's Application for an Order revoking the injection authority for the Gandy Corporation State "T" Well No. 2.

1. Gandy is the owner and operator of the State "T" Well No. 2 (API No. 30-025-03735), located 4290' FSL and 500' FWL, Lot 12, Section 6, Township 16 South, Range 36 East, NMPM, in Lea County, New Mexico.
2. Gandy is the surface estate owner of the S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, and the W $\frac{1}{2}$ SW $\frac{1}{4}$, of Section 6, Township 16 S, Range 36 E, N.M.P.M. in Lea County, New Mexico.
3. On November 23, 2005 a step rate test was conducted on Gandy's State "T" Well No. 2.
4. On December 19, 2005, the Oil Conservation Division notified Gandy by letter in Division Order No. IPI-264 that the results of the step rate test showed that an increase in the surface injection pressure for the well was justified and will not result in the fracturing of the injection formation and confining strata.
5. Order No. IPI-264 authorized Gandy to increase the surface injection pressure on the well to a maximum surface injection pressure of 1,930 PSIG.

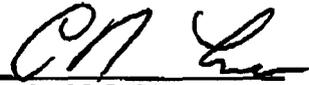
6. Gandy denies all allegations that it has failed to follow or violated any OCD rule or regulation, and denies all allegations that it has violated any section of the New Mexico Statutes Annotated.
7. Gandy admits that DKD is the operator of the Snyder "A" No. 1 Well, located in the NW¼ NW¼ of Section 6, Township 16 S, Range 36 E, N.M.P.M. in Lea County, New Mexico.
8. The Snyder "A" No. 1 Well is located upon Gandy's surface estate.
9. In December 2002, the previous owner of the Snyder "A" No. 1 Well, Energen Resources Corporation, reported to the Oil Conservation Division that the well would not blow down, and that it's engineering department was looking at zones behind the pipe.
10. The last reported effort at production of the Snyder "A" No. 1 Well in October 2004 failed to produce.
11. In its "Application of DKD, LLC for an order directing Gandy Corporation to Show Cause", OCD Case No. 13,686, at Paragraph 14, DKD stated that in mid May 2005 it was determined that the Snyder "A" Well No. 1 had experienced a casing collapse at approximately 8825', and that the well has since been plugged and abandoned.
12. The Snyder "A" Well No. 1 has not been plugged and abandoned.
13. In December 2005, DKD requested a one-year extension to plug and abandon the Snyder "A" Well No. 1. OCD granted a six-month to June 15, 2006.
14. A recent field inspection of the Snyder "A" Well No. 1 reflected an extremely unsafe condition on the wellhead. As it exists, the well it is not properly capped, it is known to have a bad casing, approximately 800 pounds of pressure are indicated, and the top of the well has only a stuffing box and rods.

15. If the Snyder "A" Well No. 1 were to experience a blowout, due to this unsafe condition, both underground and surface waste would occur, correlative rights will be effected, and Gandy, as the surface owner will suffer damages and potentially incur substantial liabilities.
16. In its Application and Amended Application, DKD has stated that a third party, Energen, is the owner and/or operator of other wells mentioned in DKD's Application.
17. Energen has not made an appearance in this matter.
18. DKD does not have standing to request relief on the part of a third party.
19. DKD has recently filed an Amended Application in this case, which changed the requested relief from asking for an order that Gandy's authority to conduct injection operations be suspended to a request that Gandy's authority to conduct injection operations be immediately and permanently revoked, and also changed the requested relief to a request that Gandy be ordered to immediately and permanently plug and abandon the State "T" Well No. 2 from a request to show cause why its injection authority should not be permanently revoked and the well be plugged and abandoned.
20. The change in relief requested by DKD has changed the nature of the application from an application to shut-in (as determined by OCD) to an application to plug and abandon.
21. This matter is presently set for hearing before the OCD on April 27, 2006.
22. Counsel for Gandy and counsel for DKD have not reached agreement on the form of a Stipulated Pre-Hearing Order.
23. If DKD's well is properly plugged as DKD has previously stated that it intended to do, then DKD will have no reason to request that Gandy plug and abandon its well, as all other allegations do not affect any correlative rights or any other rights of DKD.

WHEREFORE, after hearing and notice, the Applicant Gandy Corporation requests that the Division enter its order:

1. Dismissing DKD's Application and Amended Application, and denying all relief requested by DKD.
2. Requiring DKD to complete the plug and abandon of its Snyder "A" Well No. 1 (API No. 30-025-03727), by the June 15, 2006 deadline as previously set by OCD.
3. Providing for such additional relief as the Division determines appropriate.

Respectfully Submitted,
DOMENICI LAW FIRM, P.C.


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I certify that a true and correct copy of the foregoing was mailed to all counsel of record on the 4th day of April 2006.


Charles N. Lakins, Esq.