



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 19, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Division Order No. IPI-264

Gandy Corporation
P.O. Box 827
Tatum, New Mexico 88267

Attention: Mr. Larry Gandy

RE: Injection Pressure Increase
State "T" Well No. 2
Lea County, New Mexico

Dear Mr. Gandy:

Reference is made to your request received by the Division on December 15, 2005, to increase the surface injection pressure on the State "T" Well No. 2. This request is based on a step rate test conducted on the well on November 23, 2005. The results of the step rate test show that an increase in the surface injection pressure for this well is justified and will not result in the fracturing of the injection formation and confining strata.

You are therefore authorized to increase the surface injection pressure on the following well:

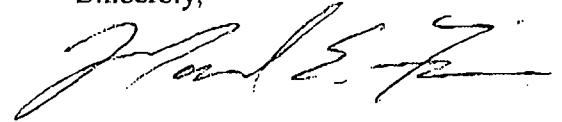
WELL NAME & NUMBER	MAXIMUM SURFACE INJECTION PRESSURE
State "T" Well No. 2 API No. 30-025-03735 Unit L, Section 6, T-16 South, R-36 East, NMPM, Lea County, New Mexico	1930 PSIG

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected fluid is not being confined to the injection zone or is endangering any fresh water aquifers.

EXHIBIT**20**

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Sincerely,



Mark E. Fesmire, P.E.
Division Director

cc: Oil Conservation Division - Hobbs
File: Case No. 13293

Summary of State "T" #2 SWD C-115 Reports

Month	Volume	Pressure
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Aug 03		
Sep 03	43,368	V
Oct 03	41,642	V
Nov 03	41,879	V
Dec 03	41,011	V
Jan 04	51,670	V
Feb 04	40,236	V
Mar 04	55,811	V
Apr 04	63,329	V
May 04	62,806	V
Jun 04	60,189	V
Jul 04	39,471	V
Aug 04	21,155	100
Sep 04	55,262	348
Oct 04	52,296	340
Nov 04	57,135	350
Dec 04	58,393	350
Jan 05	76,134	350
Feb 05	66,146	350
Mar 05	83,519	1300
Apr 05	72,711	750
May 05	49,928	250
Jun 05	77,294	350
Jul 05	77,591	150
Aug 05	93,644	150
Sep 05	66,622	210
Oct 05	71,355	210
Nov 05	68,735	210
Dec 05	49,272	210
Jan 06	43,360	1300
Feb 06	44,776	1300
Mar 06	54,107	1150