

**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 PRE-HEARING STATEMENT

COMES NOW Gandy Corporation, by and through undersigned counsel of record, and submits the following Pre-Hearing Statement in the above-captioned matter.

I. NAME OF THE PARTY AND PARTY'S ATTORNEY

Gandy Corporation
Owner/Operator of Record
PO Box 827
Tatum, NM 88267

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II. GANDY CORPORATION'S STATEMENT OF THE CASE

1. Gandy Corporation has applied for a permit, and seeks approval, to reenter the Albacore 25 Com #1 Well (API 30-025-37054), located 130 feet FSL and 1350 feet FWL in Section 25, T16S R35E, Lea County, New Mexico for the purpose of injecting saltwater disposal fluids into the Abo and Permo-Penn formations, at intervals from 8,900 to 11,000 feet.

2. The proposed injection intervals were chosen to inject commercial saltwater into the Abo and Permo-Penn formations. These formations are very thick deposits that have sporadic porosity development. Lateral porosity continuity is also limited and leads to compartmentalization, and oil-water contacts are typically not uniform. Both proposed injection zones have proven to be good reservoirs for salt water disposal. Deeper zones were previously tested and determined to be uneconomic following the drilling of this well in 2005.
3. The Albacore 25 Com #1 Well was originally drilled in June 2005 to a total depth of 12,750 feet. The well was temporarily abandoned in November 2007.
4. Although the Abo zone can be a prolific oil producer, the nearest significant Abo production lies 4 to 5 miles to the south of the proposed injection well. The three-well Townsend Abo Field in Section 26, approximately $\frac{1}{2}$ to $\frac{3}{4}$ miles west, have been marginal Abo producers, having accumulated a combined oil volume of less than 41 MBO since 1973.
5. The Permo-Penn interval encompasses the Wolfcamp and Pennsylvanian formations. These zones are prolific oil producers in the Townsend Field about 5 miles to the northwest of the Albacore 25 Com#1 location. The eight-well Shoe Bar (Wolfcamp and Penn) Field in Section 26, about $\frac{1}{2}$ to $\frac{3}{4}$ miles west, has accumulated a combined oil volume of more than 1.3 million BO and 2.7 million BW since 1966.
6. The proposed disposal zones were production tested by Primero Operating during 2008. The production intervals that were determined to be tested were based upon the well's mud logs.

7. The Abo interval around 8,900' had a slight mud log show. The Wolfcamp interval around 10,500' had an excellent mud log show, and the Wolfcamp interval around 10,650' had a fair mud log show. However, each interval was subsequently determined to be non-productive of oil and gas, as each interval produced 100% water only.
8. When the Albacore 25 Com#1 was production tested by Primero, the results showed 100% water from Abo perforations at 8,918' - 8,952', with a no show of oil or gas, and 100% water from Permo-Penn perforations at 10,506' - 10,542' and 10,660' - 10,690', with a no show of oil or gas.
9. Subsequent injection testing indicated additional injectivity, over and above the Abo, when the Permo-Penn perms were also open to flow. Also, subsequent injection testing that isolated the Abo zone from Wolfcamp perforations below, indicated good injectivity.
10. The project injection interval being applied for is penetrated by five (5) wells within the one-half mile Area of Review encircling the well. None of these wells is producing in the proposed injection interval.
11. Produced water and typical oilfield fluids are proposed to be disposed of at intervals from 8,900 to 11,000 feet, with an expected maximum injection rate of 6,000 barrels per day and a maximum injection pressure of 2,000 psi.
12. The objecting Party, V-F Petroleum, has an existing Salt Water Disposal well, the Kathy Folk No. 001 (API 30-025-28562), located in Section 32, T16S, R35E. The well is currently not commercially operating, with disposal into the Wolfcamp.
13. The objecting Party has an existing well, the Blue Fin 25 well (API 30-025-35865), which is located approximately 2,100' from the proposed injection location. This is an active production gas well with a measured depth of 13,200 feet.

III. WITNESSES TO TESTIFY AT THE HEARING

Gandy will call the following witnesses to testify at the hearing in this matter:

1. Dale Gandy, Gandy Corporation.
2. Phelps White, Primero Operating.
3. Terry M. Duffy, EverQuest Energy Corporation.
4. Jeffry Smith, Petroleum Geologist.


IV. APPROXIMATE TIME NEEDED TO PRESENT GANDY'S CASE.

Gandy will need approximately two (2) hours to present its case.

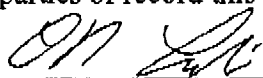
V. PROCEDURAL MATTERS TO BE RESOLVED PRIOR TO THE HEARING

None.

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 4th day of June 2009.


Charles N. Lakins, Esq.