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October 4, 1985

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HAND DELIVERED

OIL CONSERVATION DIVISION

R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

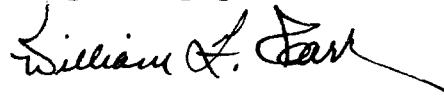
Case 8739

Re: Application of Chama Petroleum Company to Rescind
Order No. R-7637, Eddy County, New Mexico.

Dear Mr. Stamets:

Enclosed in triplicate is the Application of Chama Petroleum Company in the above-referenced case. Chama Petroleum Company respectfully requests that this matter be placed on the docket for the Examiner hearings scheduled on October 23, 1985.

Very truly yours,



William F. Carr

WFC/cv
enclosures

cc: (w/enclosure)
Mr. Mark Nearburg
Mr. Dan Nutter

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED

OCT 4 1985

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF CHAMA PETROLEUM COMPANY TO
RESCIND ORDER NO. R-7637, EDDY
COUNTY, NEW MEXICO.

Case 8738

APPLICATION TO RESCIND ORDER

Comes now CHAMA PETROLEUM COMPANY, by and through its undersigned attorneys, and hereby makes application to the Division for a hearing to require Anadarko Production Company to appear and show cause why Division Order R-7637 which authorizes the disposal of produced water into the Cisco Canyon formation in the Osage salt water disposal well should not be rescinded, and in support thereof would show the Division:

1. Applicant is the owner of certain oil and gas interests in Section 22, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and applicant operates a well thereon which produces from the Morrow and in which an attempt will be made to completed in the Cisco Canyon formation once the Morrow is depleted. (See Oil Conservation Division Case 8234).

2. Anadarko Production Company operates the Osage salt water disposal well which is located 1495 feet from the North line and 225 feet from the West line of Section 22.

3. The Osage salt water disposal well is disposing produced water into the "C" and "D" zones of the Cisco Canyon formation in the perforated interval from approximately 7800 feet

to 8040 feet.

4. The disposal of produced water into the Cisco Canyon formation through the Osage salt water disposal well into a zone capable of commercial oil production will result in the needless waste of Cisco Canyon reserves in Section 22 and other Cisco Canyon leases.

5. Section 70-2-12, N.M.S.A. (1978) directs the Division, among other things:

To prevent the drowning by water of any stratum or part thereof capable of producing oil and gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil or gas, from any pool;

6. That the encroachment of water injected by Anadarko Production Company in its Osage salt water disposal well is causing the watering out of stratum capable of producing oil under said Section 22, and thereby tends to reduce the total ultimate recovery of oil therefrom which, in turn, results in the waste of oil and gas and impairs the correlative rights of the mineral interest owners in said Section 22.

7. That the continued disposal of produced water in the Osage salt water disposal well will cause the waste of oil, will impair correlative rights, and Order R-7637 which authorizes this disposal should, therefore, be rescinded and the operator of that well directed to immediately cease all disposal of produced water in said well.

WHEREFORE, applicant hereby requests that a hearing be set before a duly appointed Examiner of the Oil Conservation Division

on October 23, 1985, to permit Anadarko Production Company to appear and show cause why Oil Conservation Division Order R-7637 should not be rescinded, and that after notice and hearing as required by law, the Division enter its order rescinding Order R-7637, directing that the disposal of produced water in the Osage salt water disposal well immediately cease, and making such other provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By



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ATTORNEYS FOR CHAMA PETROLEUM
COMPANY