



**ERNIE L. HEGWER COMPANY**

OIL & GAS OPERATOR

P. O. BOX 1637

HOBBS, NEW MEXICO 88241

March 31, 1995

*Case 11320*

To: Oil Conservation Division  
P.O.Box 1980  
Hobbs, N.M. 88240

Atten: Mr. Jerry Sexton  
Supervisor, District I

Re: Connate Water Production  
Bay Federal Lease  
Sec 35, T-20-S R-~~25~~-E  
Lea Co N.M. *Li*

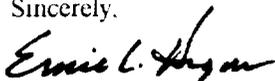
Dear Jerry,

Please be advised that water production on the above referenced lease, has suddenly increased in the last few days. At this time the wells are being tested, to determine the amount of increase and which well the water is coming from. Our reason for immediately reporting this increased water production is that the information listed below indicates the water is coming from Chevron Eunice Monument Waterflood.

1. Water sample taken from Bay Federal #3 well, which was suddenly and completely watered out in February 1994. ( Meeting conducted at OCD in Hobbs February 28, 1994 ) At which time a water analysis, from Chevrons #141 well, in the unit, was compared to a water analysis from the Bay Federal #3 well showing little or no difference in the samples .
2. Verbal confirmation from Mr. Farris Nelson with Zia Energy of water problems, requiring the setting of a bridge plug over the top of the Queen oil zone in Sec 26, T-20-S R-36-E due to sudden increase in water production.
3. Sale of Exxon lease located in Sec 35, T-20-S R-36-E was refused by buyer, because of water presence on the casing, at the surface.
4. Other leases, in Sec 35, T-20-S R-36-E showing strong increases in water production

I have advised Mr. Jimmy Dolan, Engineer EMSU with Chevron of the current situation, and as before asked for Chevrons help in resolving this problem, either by payment or replacing the lost oil and gas production, which at this time is around eight barrels of oil per day and fifteen MCF of gas. Also Rice disposal has a system in the area and a connection to that would solve trucking the water. As I told you this morning any help in resolving this problem would certainly be appreciated.

Sincerely,



Ernie L. Hegwer

Copies to :

Mr. William J. Lemay, Director  
Oil Conservation Division, New Mexico  
P.O. Box 2088  
Santa Fe, N.M. 87504

Chevron USA Atten: Mr. Jimmy Dolan  
P.O. Box 1150  
Midland, Tx 79702