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ERNIE L. HEGWER COMPANY

OIL & GAS OPERATOR
P.O. BOX 1637
HOBBS, NEW MEXICO 88241

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May 15, 1995

To: Oil Conservation Division 2040 South Pacheco Santa Fe. New Mexico 87504

Atten: Mr. David Catanach

Re: Docket for hearing request, scheduled June 29. Hobbs. New Mexico.

Dear Mr. Catanach;

Pursuant to our telephone conversation, please consider scheduling Ernie L. Hegwer Co. on the above referenced hearing. Enclosed is a copy of the letter written to the O.C.D. in Hobbs, which gives some general information concerning the problem. If you need any other information concerning this problem, please feel free to contact me at the following:

Office 505-393-6327 Cellular 505-369-6748

Thank you for your assistance in this matter.

Sincerely.

Ernie L. Hegwer

ERNIE L. HEGWER COMPANY

OIL & GAS OPERATOR
P.O. BOX 1637
HOBBS, NEW MEXICO 88241

March 31, 1995

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

Atten: Mr. Jerry Sexton Supervisor, District 1 Re: Connate Water Production Bay Federal Lease Sec 35. T-20-S R-25-E Lea Co N.M.

Lare 11320

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,

Copies to :

Mr. William J. Lemay, Director

Oil Conservation Division . New Mexico

P.O. Box 2088

Santa Fc. N.M. 87504

Chevron USA Atten: Mr. Jimmy Dolan

P.O. Box 1150 Midland, Tx 79702