



P.O. Box 1496, 700 S. Tucker, Farmington, New Mexico 87401  
(505) 327-4961 24-Hour Service (505) 325-5225

May 19, 1987

Oil Conservation Division  
New Mexico Energy and Minerals Dept.  
1000 Rio Brazos Road  
Aztec, New Mexico 87410

ATTENTION: Mr. Frank Chavez

REFERENCE: Statement of Dispute

Dear Sir:

As set forth in your contract page 6 paragraph 22. Disputes we are giving you written notice of the failure to resolve by ordinary communication and negotiations.

May 8th we moved a backhoe onto the Culpepper #1 well site and started digging trying to locate the well. After 5 hours of digging with a backhoe we located the well, welded on a flange, nipped up a spool and our blow out preventer and secured the well. Big "A" Well Service then fenced and flagged the well as an added safety precaution.

May 11th we moved a rig on the Culpepper #1 rigged up and started drilling. We had to shut down and reweld the casing back together due to a collar failure. This condition is substantially different from the division approved plugging program.

May 12th after repairing casing we started back to drilling to a total depth of 120'. During that day we had an enormous amount of lost circulation, losing over 480 BBLs of fluid down the well without establishing circulation. This condition is substantially different from the division approved plugging program.

May 13th we tried to establish circulation again losing an additional 160 BBLs of fluid down hole. While trying to drill we encountered circulation of fluid coming up behind surface casing constituting a very unsafe condition for drilling and well control. This condition is substantially different from the division approved plugging program.

After ordinary communication and negotiations with your on site representative we feel that these conditions are substantially different from the division approved plugging program; therefore, constitutes a Breach of Contract.

The conditions that I have just brought to your attention we feel are circumstances that warranted a cost-reimbursement or unit price situation.

**RECEIVED**

MAY 21 1987

**OIL CON. DIV.**  
**DIST. 3**

<u>DATE</u>	<u>DESCRIPTION</u>	<u>COST</u>
5/11/87	2-Hour Rig Time Casing Failure	\$ 200.00
5/12/87	3-Hours Rig Time Nipple Down Weld Casing Nipple Up	300.00
5/12/87	2-Hours Welding	52.50
5/12/87	Fight Lost Circulation 4 Hours Rig Time	400.00
5/12/87	480 BBLS Lost Circulation 6 loads @ (1 hour/load)	229.50
5/13/87	160 BBLS Lost Circulation 2 loads @ (1 hour/load)	76.50
5/13/87	Rig Time Lost Circulation, Communication Behind Surface Casing, Communication & Negotiations w/on Site Representative, Aztec, and Santa Fe people-9-1/2 Hours	<u>950.00</u>
TOTAL DUE		\$ 2208.50

We feel that the cost of the work above should of been on an hourly situation. This cost represents a small portion of the actual cost incurred. Big "A" Well Service completed approximately 18% of the entire well; therefore, Big "A" Well Service should also be paid for the percentage of the well completed.

BID ON CULPEPPER #1

\$4,352.75

18% Completed

TOTAL DUE \$783.50

Big "A" Well Service should be reimbursed for the total amount of \$2,992.00. The E.M.D. breached the contract when they did not correct the abnormal and unsafe conditions found in the well. Since we could not come to agreement with E.M.D. we expect payment in full for the above amount.

Sincerely,



Ron Follabaum  
Sales Supervisor

cc Bill LeMay  
Jeff Taylor