



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

March 2, 1993

William F. Clark
A-Plus Well Service
P.O. Box 1979
Farmington, NM 87499

RECEIVED
MAR 5 1993

NOTICE TO PROCEED

OIL CON. DIV
DIST. 2

Re: Well Plugging Contract Number 93-521.25-033
Paramount Petroleum Corp. Aztec Totah Unit Well #16
San Juan County, New Mexico

Dear Mr. Clark:

Your contract with the Oil Conservation Division to plug the above referenced well has been approved and processed, and a final copy is enclosed herewith. This letter is your notice to proceed with the work pursuant to the terms of the contract.

Please coordinate the schedule for performing the work with Frank Chavez of the Division's Aztec District Office ((505)334-6178). He or his representative must be present when the work is being performed and must authorize any deviations from the plugging procedure or shifts to hourly rate.

The services under this contact must be performed within six months of the effective date of the contract, February 23, 1993. If you have any questions, please don't hesitate to call myself or the District Office.

Sincerely,

Robert G. Stovall
OCD Counsel

enc: contract

xc: / Frank Chavez
✓ Aztec
with enclosure

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

WELL PLUGGING SERVICES CONTRACT

THIS AGREEMENT is made and entered into by and between the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, hereinafter referred to as "OCD", and A-Plus Well Service, hereinafter referred to as the "Contractor".

IT IS MUTUALLY AGREED BETWEEN THE PARTIES:

1 Scope of Services

1.1 The Contractor shall perform the work necessary to properly plug and abandon in accordance with the Rules and Regulations of the OCD pursuant to the plugging procedures attached hereto as Exhibit "A" the following well:

OPERATOR	WELL NAME	LOCATION	COUNTY
Paramount Petroleum Corp.	Aztec Totah Unit well #16	Unit O, Section 18, Township 29N, Range 13W	San Juan

This contract is entered into pursuant to Invitation To Bid No. 11-521-25-01381 issued by the State Purchasing Division. The terms and conditions of that ITB are incorporated herein by reference and made a part hereof.

1.2 The work shall be performed under the supervision of an OCD representative who shall be on site during the course of performance of the contract. EMNRD-OCD, through its on-site representative or the responsible District Supervisor, shall have the sole authority to approve any changes to the Scope of Work, including the authority to proceed under an hourly rate, and to approve the Contractor's final work product.

1.3 Upon receiving the written Notice to Proceed, the Contractor shall move in and rig up on location and commence work within the time frame specified in the Notice to Proceed. The EMNRD-OCD may grant the Contractor additional time in which to move in upon a showing by the Contractor that the equipment was not available due to unavoidable delays on other work, or if weather conditions make it impractical to move in on location. Prior to commencement of work, the Contractor shall obtain all necessary permits required for this work.

1.4 All equipment, material, trash and junk shall be removed from the location and disposed of in accordance with applicable law and regulations.

2 Compensation

2.1 OCD shall pay to the Contractor in full payment for services rendered the sum of fourteen thousand six hundred eighteen Dollars (\$14,618.00), except as provided herein for payment under supplemental rate schedule.

2.2 If downhole problems are encountered which could not be reasonably foreseen by a review of the Division records and an on-site inspection, and the contractor has made a reasonable and good faith effort to resolve these problems under the turnkey provisions, and the OCD on-site representative has approved such action, compensation in addition to the turnkey price based on the Supplemental Bid Data attached hereto as Exhibit "B" may be charged and the contract will be amended to include the total of such amount. The number of units charged under such rates will be approved by the Division on site representative. The EMNRD-OCD reserves the right to discard the turnkey bid and to be billed solely at the supplemental rates plus other supplemental bid data if it is determined that the downhole problem is unresolvable or cost prohibitive. Minimum payment will not be less than twenty-five percent of the turnkey bid.

2.3 The New Mexico Gross Receipts Tax levied on the amounts payable under this Agreement shall be paid by the Contractor out of the sum set forth in section 2.1 above.

2.4 Payment shall be made upon receipt of a detailed invoice, after the plugging operation has been approved by the responsible OCD District Office, or after termination by the EMNRD-OCD the termination provision for reasons of inability to successfully complete the plugging due to conditions beyond the control of contractor or EMNRD-OCD, with the concurrence of the EMNRD-OCD.

3 Term

THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED IN WRITING BY EMNRD-OCD AND STAMPED BY THE PURCHASING DIVISION AND ENCUMBRANCE HAS BEEN APPROVED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION. This Agreement shall terminate six months after execution of the contract by EMNRD, unless terminated pursuant to paragraphs 4 or 9, infra.

4 Termination

4.1 EMNRD-OCD may, by written order, terminate this Agreement or any portion thereof after determining that, for reasons beyond either EMNRD-OCD's or the Contractor's control, the Contractor is prevented from proceeding with or completing the work as originally assigned, and that termination would therefore be in the public interest. Such reasons for termination may include, but need not be limited to, orders from duly constituted authorities relating to energy conservation, restraining orders or injunctions obtained by third-party citizen action resulting from national or local environmental protection laws or where the issuance of such order or injunction is primarily caused by acts or omissions of persons or agencies other than the Contractor or conditions in the well which make completion of the work impossible or impractical.

4.1.1 If EMNRD-OCD orders termination of this Agreement effective on a certain date, payment will be made for the actual number of units or items of work completed at the contract unit price, or as mutually agreed for items of work partially completed or not started.

4.1.2 Acceptable materials, obtained by the Contractor for the work but which have not been incorporated therein, may, at the option of EMNRD-OCD, be purchased from the Contractor at actual cost, delivered to a prescribed location, or otherwise disposed of as mutually agreed.

4.1.3 After receipt of notice of termination from EMNRD-OCD, the Contractor may submit a claim for additional damages or costs not covered above or elsewhere in the Specifications. Such claim may include such cost items as reasonable idle equipment time, mobilization efforts, overhead expenses attributable to the project terminated, legal and accounting charges involved in claim preparation, subcontractor costs not otherwise paid for, actual idle labor costs if work is stopped in advance of termination date, guaranteed payments for private land usage as part of the original contract, and any other cost or damage item for which the Contractor feels reimbursement should be made. In no event, however, will loss of anticipated profits be considered as part of any

settlement.

4.1.4 The Contractor agrees to make all cost records available to the extent necessary to determine the validity and amount of each item claimed.

4.1.5 Termination of a contract or portion thereof shall not relieve the Contractor of any contractual responsibilities for the work completed.

4.2 In the event the Contractor defaults on its obligations hereunder, as more specifically defined herein, EMNRD-OCD will give notice in writing to the Contractor of such default and will specify those provisions which have been violated and the corrective measures to be taken. If the Contractor, within a period of ten (10) working days after such notice, does not proceed in accordance therewith, then EMNRD-OCD may terminate this contract for breach and pursue any or all of the remedies contained herein.

4.2.1 OCD will have full power and authority without violating this Agreement to take the prosecution of the work out of the hands of the Contractor. EMNRD-OCD may appropriate or use any or all equipment and materials on the grounds as may be suitable and acceptable and may enter into an agreement for the completion of this Agreement according to the terms and provisions thereof or use such other methods as in the opinion of EMNRD-OCD will be required for the completion of this Agreement in an acceptable manner.

4.2.2 All costs and charges incurred by EMNRD-OCD together with the cost of completing the work under contract will be deducted from any monies due or which may become due the Contractor. If such expense exceeds the sum which would have been payable under this Agreement, then the Contractor shall be liable and shall pay EMNRD-OCD the amount of such excess.

4.2.3 The contractor will be deemed in default if it:

4.2.3.1 Fails to begin the work under the contract within the time specified in the Notice to Proceed, or

4.2.3.2 Fails to perform the work with sufficient workers and equipment or with sufficient materials to assure the prompt completion of said work, or

4.2.3.3 Performs the work unsuitably or neglecting or refusing to remove materials or to perform anew such work as may be rejected as unacceptable and unsuitable, or

4.2.3.4 Discontinues the prosecution of the work and failing to resume work which has been discontinued within a reasonable time after notice to do so, or

4.2.3.5 Becomes insolvent or is declared bankrupt or commits any acts of bankruptcy or insolvency, or

4.2.3.6 Allows a final judgement, in a suit filed in connection with this contract, to stand against the Contractor unsatisfied for a period of thirty (30) working days, or

4.2.3.7 makes an assignment, in connection with this contract, for the benefit of creditors, or

4.2.3.8 For any cause, except as provided in this contract, fails to perform the

obligations under this contract to the satisfaction of the EMNRD-OCD.

5 Status of the Contractor

The Contractor and the Contractor's agents and employees are independent Contractors performing well plugging services for EMNRD-OCD and are not employees of the state of New Mexico. The Contractor and the Contractor's agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the state of New Mexico as a result of this Agreement.

6 Assignment

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of EMNRD-OCD.

7 Subcontracting

The Contractor shall not subcontract any portion of the services to be performed under this Agreement nor obligate itself in any manner to any third party, with respect to any rights or responsibilities under this Agreement, without the prior written approval of EMNRD-OCD.

8 Records and Audit

The Contractor shall maintain detailed time records which indicate the date, time, and nature of services rendered. These records shall be subject to inspection by EMNRD-OCD, the Department of Finance and Administration, and the State Auditors for three (3) years after final payment has been made and all matters relating to performance under this Agreement have been settled. EMNRD-OCD shall have the right to audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of EMNRD-OCD to recover excessive, illegal, or incorrect payments.

9 Appropriations

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made, this Agreement shall terminate upon written notice being given by EMNRD-OCD to the Contractor. EMNRD-OCD's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final.

10 Release

The Contractor, upon final payment of the amount due under this Agreement, releases EMNRD-OCD, its officers and employees, and the state of New Mexico from all liabilities, claims, and obligations whatsoever arising from or under this Agreement. The Contractor agrees not to purport to bind the state of New Mexico to any obligation not assumed herein by the state of New Mexico unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

11 Confidentiality

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of EMNRD-OCD.

12 Conflict of Interest

Contractor warrants that it presently has no interest in and that it shall not acquire any interest, direct or indirect, which would conflict in any manner with the performance of this agreement.

13 Amendment

This Agreement shall not be altered, changed, or amended except by instrument in writing executed by the parties hereto.

14 Scope of Agreement

This Agreement incorporates all of the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof, and all such agreements, covenants, and understandings have been merged into this written Agreement. No prior agreements or understandings, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

15 Civil and Criminal Liability Notice

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities, and kickbacks.

16 Equal Opportunity Compliance

The Contractor agrees to abide by all Federal and State laws and rules and regulations, and executive orders of the Governor of the state of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws and rules and regulations, and executive orders of the Governor of the state of New Mexico, the Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age, or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If the Contractor is found to be not in compliance with these requirements during the life of this Agreement, the Contractor agrees to take appropriate steps to correct those deficiencies.

17 Applicable Law

This Agreement shall be governed by the laws of the state of New Mexico.

18 Waiver

No waiver of any of the terms or conditions of this Agreement shall be valid or binding unless it is in writing and signed by the party having granted the waiver.

19 Notices

19.1 Unless EMNRD-OCD shall specify otherwise in writing, notices and all other matters concerning the work to be performed hereunder shall be addressed to EMNRD-OCD as follows:

Contract Monitor: Frank Chavez

Contracting Division: New Mexico Oil Conservation Division
Aztec District Office
1000 Rio Brazos Road
Aztec, NM 87410

19.2 Unless the Contractor shall specify otherwise in writing, notices and all other matters concerning the work to be performed hereunder shall be addressed to the Contractor as follows:

A-Plus Well Service
William F. Clark
P.O. Box 1979
Farmington, NM 87499

19.3 Any and all notices or other communications required or permitted by this Agreement or by law to be served or given to either party hereto by the other party hereto shall be in writing and shall be deemed duly served and given upon actual receipt by or three (3) working days subsequent to certified mailing to the party to whom it is directed.

20 Indemnification

The Contractor shall indemnify and forever hold and save EMNRD-OCD, the state of New Mexico, its officers, and employees harmless against any and all suits, causes of action, claims, liabilities, damages, losses, and attorney's fees and all other expenses of any kind from any source which may arise out of this Agreement or any amendment hereto if caused by the tortious act or omission of the Contractor, its officers, employees, servants, or agents. Nothing in this Agreement shall be construed to waive or limit any defense at law to which EMNRD-OCD is entitled.

21 Duty to Insure

21.1 In respect solely to the work occasioned by this Agreement, the Contractor shall obtain and maintain at all times during the term of this Agreement, and any extension thereof, insurance of the kind and in the amounts herein specified. Such insurance shall be provided by insurance companies authorized to do business in New Mexico and shall name the "State of New Mexico, Energy, Minerals and Natural Resources Department - Oil Conservation Division, and its agents and employees thereof" as either additional insured, co-insured, or principal beneficiary.

21.1.1 Comprehensive public liability including general liability, bodily injury liability and property damage liability insurance and automobile liability insurance covering the ownership, operation, and maintenance of owned, non-owned, and hired vehicles in amounts not less than the amounts specified in the New Mexico Tort Claims Act, Sections 41-4-1 through 41-4-27, N.M.S.A. 1978.

21.1.2 Worker's Compensation. The Contractor shall comply fully with the provisions of the New Mexico Worker's Compensation Act, Sections 52-1-1 through 52-1-70, NMSA 1978.

21.2 The Contractor shall furnish EMNRD-OCD with written evidence of the insurance coverage required by paragraph 21, including copies of all policies, prior to commencing work under this Agreement. The insurance coverage shall not be changed, canceled, or allowed to lapse without giving EMNRD-OCD thirty (30) working days prior written notice.

22 Disputes

Subject to any other provisions of this Agreement, the means, ordered steps, and time frames for handling disputes between EMNRD-OCD and the Contractor are as follows:

22.1 A dispute arises if EMNRD-OCD's Contract Monitor and the Contractor cannot resolve by ordinary communications and negotiations a question of fact arising under this agreement and the aggrieved party delivers to the other party a written Statement of Dispute including proposed terms for relief. If the dispute remains unresolved ten (10) working days after delivery of the written Statement of Dispute, EMNRD-OCD's Contract Monitor shall prepare a written decision including the reasons thereof which shall be delivered via certified mail to the Contractor within twenty (20) working days of the delivery of the initial written Statement of Dispute. The decision of EMNRD-OCD's Contract Monitor shall be final and conclusive unless, within ten (10) working days from the date of delivery of said decision, EMNRD-OCD receives from the Contractor a written request for appeal of said decision, and the reasons therefor, addressed to the Director of the Oil Conservation Division.

22.2 The Director of the Oil Conservation Division shall inquire into the facts concerning the dispute and shall render a written decision which shall be delivered via certified mail to the Contractor within ten (10) working days of receipt of the Contractor's appeal. The decision of the Director of the Contracting Division shall be final and conclusive unless, within ten (10) working days of the delivery of the Director's written decision, EMNRD-OCD receives from the Contractor a written request for appeal of said decision, and the reasons therefor, addressed to the Secretary of Energy, Minerals and Natural Resources Department.

22.3 Upon receipt of the Contractor's request for an appeal, the Secretary or an authorized representative shall make prompt arrangements to meet with the Contractor to review the material considered by the Director of the Oil Conservation Division in reaching a final decision. The Secretary's final decision shall be delivered by certified mail within ten (10) working days after such meeting. The decision of the Secretary shall be final.

22.4 The disputes procedures outlined in this clause do not preclude either party hereto appealing to a court of competent jurisdiction; provided, however, the parties hereto shall abide by the procedures provided for in this clause.

23 Attorney's Fees and Costs

If the Contractor is found by a court of competent jurisdiction to have breached this Agreement, or any amendments hereto, or to have committed any tortious act relating to the scope of this Agreement, the state of New Mexico may recover from the Contractor actual attorney's fees and costs in connection with litigation brought to obtain such judicial determination or in which EMNRD-OCD is otherwise obliged to undertake legal action.

24 Suspension of Work

A Suspension of Work Notice may be issued by the on-site OCD Representative if the OCD Representative has any reasonable basis to believe that any action of the Contractor is contrary to the intent of this agreement or if any health or safety standard is violated after verbal or written notice to cease such activities has gone unheeded. No work performed after documentation of issuance of a Suspension of Work Notice shall be eligible for payment while such notice is in effect. No work shall proceed until such notice is vacated by the EMNRD-OCD Director.

25 Signatures

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written below.

FOR:

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT

By: [Signature]
Title

Date: 2/23/93

FOR:

A-PLUS WELL SERVICE

(Contractor)

By: [Signature]
Title President

Date: 15 Feb 93

Federal I.D. Number: 85-0403057

NEW MEXICO OIL CONSERVATION
DIVISION

By: [Signature]
Title

Date: _____

ITB #	<u>11-521-25-01381</u>
Notice to prospective bidders given on	<u>2/27/93</u>
In accordance with Section	
13-1-104 of the NM Procurement	
Code	
[Signature]	
N.M. STATE PURCHASING AGENT	

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the state of New Mexico to pay gross receipts and compensating taxes

FOR:

**STATE OF NEW MEXICO TAXATION AND
REVENUE DEPARTMENT**

I.D. NO.: 02-208486000

By: Luis Lendar

Date: 2/9/93

EXHIBIT A

WELL INFORMATION AND PLUGGING PROCEDURE

Invitation to Bid No. 11-521-25-01381

OPERATOR	Paramount Petroleum Corp.
WELL NAME	Aztec Totah Unit well #16
LOCATION	0 18 29N 13W unit sec. township range
FOOTAGE	705 feet from South line, 2110 feet from East line
COUNTY	San Juan

The information herein is taken from OCD well files. The bidder is responsible for obtaining all available data including a review of such files, on-site inspection and any other sources.

Failure to review available information will not justify for implementing supplemental rates or contract modification or

termination.

SUMMARY WELL DATA

SURFACE CASING: 8 5/8 at 200 feet with 225 sacks

PRODUCTION CASING: 4 1/2 at 5085 feet with 250 sx - first stage
4 1/2 at 1166 feet with 150 sx - second stage

TUBING: 2 3/8 at 4992 feet

OTHER INFORMATION: Baker Model R Packer at 4912 feet

PLUGGING PROCEDURE

including site preparation and cleanup

1. Release packer and pull the same.
2. Run in hole with tubing to plug back total depth at 5081' and set 200' minimum cement plug.
3. Pull out of cement with tubing and reverse out with water to clear tubing, wait on cement minimum 4 hours, tag plug. If plug is at 4880' or above, go to step 4. If not, fill casing with cement to 4880'.
4. Come out of hole with tubing and pressure up to 500 psi on casing to insure mechanical integrity. If casing leaks, go in the hole with packer and locate hole.
5. Squeeze with a minimum of 30 sx cement leaving 100' cement inside casing.
6. If casing doesn't leak, perforate at 2550' and set 200' plug inside and outside casing under a retainer.
7. Pull out of hole to 1150' and set a minimum 100' plug.
8. Perforate at 400' and circulate cement to surface.
9. Pull out of hole to 250' and set minimum 100' plug 250'-150'.
11. Fill pits, clean and level location.

All plugs will be neat cement with or without accelerator.

NEW MEXICO OIL CONSERVATION DIVISION
SUPPLEMENTAL RATE BID SHEET

Exhibit B

11-521-25-01381

SUPPLEMENTAL BID DATA

Bid Identification Number
Bidder A-Plus Well Service Inc

Supplemental bid data to be applicable if charges are made in addition to or in lieu of turnkey bid. Switching to hourly rate or other implementation of supplementary bid rates must be approved by the OCD representative on site or by the District Supervisor of the appropriate District Office. Turnkey bid will not be accepted unless all supplemental bid data is furnished. Supplemental bid data will be considered a firm bid.

DESCRIPTION OF SERVICE	RATE PER	UNIT
Rig equipped to perform all work set out in Plugging Procedures	\$ <u>120⁰⁰</u>	hour
Cement pumping	\$ <u>450⁰⁰</u>	plug
Cement to include any blending and any transportation costs	\$ <u>8⁰⁰</u>	sack
Perforating to include ten holes per run and set-up charges	\$ <u>400⁰⁰</u>	run
Move-in, move-out charges	\$ <u>550⁰⁰</u>	well
Water truck - Capacity <u>80</u> barrels	\$ <u>42.50</u>	hour
Welder - Minimum hours if applicable: <u>4</u>	\$ <u>30.00</u>	hour
Backhoe - Minimum hours if applicable: <u>2</u>	\$ <u>44.50</u>	hour
Dozer - Minimum hours if applicable: <u>2</u>	\$ <u>50.00</u>	hour
Furnished tubular goods - Description: <u>2 3/8" +bg</u>	\$ <u>0.35</u>	foot

for first 5 days
then 5¢/ft/day

EXHIBIT B

A-Plus Well Service, Inc.
3107 Bloomfield Highway
P.O. Box 1979
Farmington, NM 87499