



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEOHE
SECRETARY

June 8, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. Ernest L. Padilla
General Counsel
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Contract No. 67-070CD
Hugh L. Johnston Sr
Continental State Well No. 5,
NE/4 NW/4 of Sec. 30, T-17-S,
R-29-E

Dear Mr. Padilla:

I have reviewed the invoice and additional cost data which you sent to me for review.

In particular you wanted to know whether the cost overruns for plugging the Hugh Johnston Continental State No. 5 were justified. In answer to your inquiries, the overruns on this well are justified due to the additional direct and indirect expenses incurred in moving in a reverse unit to clean out the well to total depth including cleaning out a bridge from 350 feet to about 950 feet.

In addition, because of loss of circulation, additional mud and water were needed in an attempt to regain circulation. In this regard, circulation was never regained.

Approval for the cost overruns was obtained from the Santa Fe office through Lynn Teschendorf, then General Counsel for the Division. The approval was granted to the plugger by Ms. Teschendorf who later called me to authorize whatever cost overruns were necessary to get the well plugged.

Please advise if you have any other questions.

Very truly yours,

W. A. GRESSETT
Supervisor

WAG/dr