



GARREY CARRUTHERS
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

M-E-M-O-R-A-N-D-U-M (3-87-26)

TO: FRANK CHAVEZ, DISTRICT SUPERVISOR, DISTRICT 3

FROM: Ernie Busch, Geologist, District #3 *EB*

SUBJECT: Communications with Big "A" Well Service
concerning plugging operations on the Culpepper #1
well located M-16-29N-13W, San Juan County.

DATE: August 24, 1987

Prior to the awarding of the contract to Big "A" Well Servicing Company, Charles Gholson and I talked to Mr. Ron Fellabaum, of Big "A", a number of times. In our conversations we informed him of the unknown condition of the well, in that there are no records of the downhole equipment. The guidelines Mr. Gholson and I use when discussing plugging wells with operators prior to contract letting, is the Division Approved Plugging Program. In that program all that is known about the well and what we as a Division require is listed and given to the prospective bidder. I also verbally conveyed to Mr. Fellabaum the unknown condition of the well, its depth, casing or presence of "junk". I however did not say any thing about potential loss of circulation, that is implied when you're dealing with that many unknowns.

After the contract was won by Big "A" both Mr. Gholson and I expressed our concern to you that we didn't think Big "A" could plug the two wells for that amount. Mr. Gholson even told Mr. Fellabaum that Big "A" was going to lose money on the Culpepper well. This is the time Big "A" should have forfeited the contract.

Big "A" Well Servicing Company moved onto location at around 8:30 A.M. on the 8th of May and commenced digging to locate the well. Mr. Fellabaum questioned me on what it would take to go to an hourly rate even before he attempted to locate the well. I told him that we would look at the possibility of going to an hourly rate if any unusual circumstances beyond their control arose. On May 11th Big "A" moved in a

Memorandum (3-87-26)

rig to commence plugging operations and encountered a problem with a casing collar failure, they said it was beyond their control, I told them that it was a normal occurrence for this type of operation and that they were fortunate to have any casing present at all. On May 12th they started losing circulation and by the end of the day had lost over 480 bbls of water. Mr. Fellabaum asked me what the average in bbls of circulation loss was for this type of operation, and I said from 100 to 150 bbls, but that was under "mudded up" conditions, so I'm not surprised at the volumes of loss they were experiencing. I then told Mr. Fellabaum that they needed to "mud up" and he told me they would if we paid for it. In Big "A"s statement of dispute, paragraph four, Mr. Fellabaum refers to the loss circulation condition as being substantially different from the division approved plugging program. If you will refer to the plugging program item #10 it refers to the necessity of the plugging operator to use gel mud in his plugging operation. Its my opinion that if Big "A" had shut down and mixed mud and added some LCM they would have established circulation without much problem at all.

dj