

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54½ EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

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1969
TELEPHONE 982-4315
AREA CODE 505

Feb. 18, 1969

Mr. A. L. Porter, Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: OCC Case No. 4017
Corrine Grace

Dear Mr. Porter:

During the presentation of the above case some question arose as to the topography of the proposed well location. Enclosed is a certified plat prepared by John W. West Engineering Company giving elevations at intervals throughout this proposed location.

With a copy of this letter, I am forwarding a copy of the plat to Mr. Richard S. Morris as attorney for David Fasken.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

JWK:ss

cc: Mr. Richard S. Morris
with enclosure

COST ESTIMATE

Corinne Grace
 No. 1 Indian Hills
 NW/SE Section 8, T21S, R24E
 Eddy County, New Mexico

DRILLING

	<u>COMPLETED</u>	<u>DRY HOLE</u>
Footage 10,400 ft. @ \$9.00/ft.	\$93,600.00	\$93,600.00
Day Work:		
6 days circulating & drillstem testing	7,500.00	7,500.00
1½ days circulating & logging	1,875.00	1,875.00
2 days circulating, running pipe & cement.	2,500.00	-----
1 day plugging	-----	1,250.00
Location & Surface Damages		
Pits & Pad	1,250.00	1,000.00
Prepare Location & Roads		
Location & Pits	3,000.00	3,000.00
Tank Battery Pad	750.00	-----
Clean location & pits	750.00	750.00
Trucking	1,000.00	1,000.00
Mud, Chemicals & water	9,500.00	9,500.00
Special Services:		
Drillstem tests, (4 @ \$650.00)	2,600.00	2,600.00
Electric logs	3,500.00	3,500.00
Mud logging unit (20 days @ \$140.00)	2,800.00	2,800.00
Pulling unit (36 hrs @ \$30.00)	1,080.00	-----
Roustabout crews (3 days @ \$300.00)	900.00	-----
Cement & Cement Services		
Intermediate	2,500.00	2,500.00
Oil String	1,850.00	-----
Float Equipment	500.00	250.00
Perforate & Treat		
Correlation logs & perforating	1,000.00	-----
Treating (40,000 gal brine/40,000# sand)	7,000.00	-----
Supervision & Overhead		
Geological	2,000.00	2,000.00
Engineering	2,000.00	1,500.00
Miscellaneous Expense	750.00	750.00
	<u>750.00</u>	<u>750.00</u>
TOTAL DRILLING EXPENSE.....	\$150,205.00	\$133,375.00

EQUIPMENT

Casing:		
3200 ft. 8 5/8" 32# @ \$3.34/ft.	\$10,688.00	10,688.00
9400 ft. 4 1/2" 10.5# @ \$1.26/ft.	11,844.00	-----
1000 ft. 4 1/2 " 11.6# @ \$1.46/ft.	1,460.00	-----
Tubing:		
10,000 ft. 2 3/8" 4.7# @ \$.66/ft.	6,600.00	-----
Wellhead Xmas Tree Equipment	5,000.00	-----
Production Packer & downhole equipt.	500.00	-----
Tank Battery & Surface Equipment	2,750.00	-----
	<u>2,750.00</u>	<u>-----</u>
	<u>\$38,842.00</u>	<u>\$10,688.00</u>
TOTAL WELL COST.....	\$189,047.00	\$144,063.00

PREPARED BY: A. N. McIntosh

ACCEPTED BY: Corinne Grace

ON THIS 21 DAY OF
April, 1969.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 26, 1969

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Santa Fe, New Mexico

Mr. Richard S. Morris
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4017 ✓
Order No. 4043
Order No. R-3713

Applicant:

Corinne Grace & David Fasken

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC

Artesia OCC

Aztec OCC

Other _____

APR 28 AM 8 29

*File
Case 4017*

P.O. Box 1416
Midland, Texas
April 14, 1969

In Re: NMOCC Order No. R-3713
Indian Hills Morrow Gas Pool
- Section 8, T21S, R24E
Eddy County, New Mexico

Mr. David Fasken
608 First National Bank Building
Midland, Texas 79701

Attn: Mr. Richard S. Brooks, Manager.

Gentlemen:

In accordance with the provisions set forth in the above captioned directive please find enclosed an itemized cost estimate on the Corinne Grace No. 1 Indian Hills well which will be drilled at the previously announced location in NW/SE Section 8, T21S, R24E.

As you are probably aware, there are several items in the estimate which can increase substantially with bad hole conditions from one location to another. These conditions have been taken into consideration, however, and the costs shown are neither optimistic nor are they pessimistic.

Should you have any questions or desire additional information regarding the enclosed, you may direct inquiries to the above address or to Mr. N. D. McIntyre, 1220 Vaughn Building, Midland, Texas.

Thanking you in advance for your expeditious handling of this matter, I am,

Yours very truly,

Corinne Grace

(Mrs.) Corinne Grace

Copies: NMOCC
Shell Oil Company
Marathon Oil Company
Jason Kellihan
File

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 11, 1969

Mr. Richard S. Morris
Attorney at Law
P. O. Box 2307
Santa Fe, New Mexico

DOCKET MAILED

Mr. Jason W. Kellahin
Attorney at Law
P. O. Box 1769
Santa Fe, New Mexico

~~Date~~ 7-3-69

Re: Cases Nos. 4017 and 4043 - Applications
of Corinne Grace and David Fasken for
compulsory pooling, Eddy County, New
Mexico

Gentlemen:

The Commission at its Regular Hearing June 13, 1969,
will continue the above-described cases to the Regular
Hearing to be held July 16, 1969, in Morgan Hall, State
Land Office Building, Santa Fe, New Mexico.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GME/esr

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J. O. SETH 1883-1963

A. K. MONTGOMERY
WM FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
SUMNER G. BUELL
SETH D. MONTGOMERY
FRANK ANDREWS III

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE
SANTA FE, NEW MEXICO 87501

June 27, 1969

JUN 30 1969

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3876

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

RSM
file in
cases 4017 and
4043

Re: New Mexico Oil Conservation Commission
Order No. R-3713; Applications of Corine
Grace and David Fasken for Compulsory
Pooling, Eddy County, New Mexico

Gentlemen:

Please be advised that Mr. David Fasken wishes to
dismiss the application for de novo hearing pre-
viously filed with respect to the subject order.

Very truly yours,

Richard S. Morris

RSM:F

cc: Mr. Jason Kellahin

KEMP & PRUD'HOMME
ATTORNEYS AT LAW
P.O. Box 632
422 PERRY-BROOKS BLDG.
AUSTIN, TEXAS 78767
GREENWOOD 6-6116

WILLIAM F. KEMP
GILBERT PRUD'HOMME

July 28, 1972

*file -
Case 4017*

Corinne and Michael P. Grace II
P. O. Box 1418
Carlsbad, New Mexico 88220

Attention: Juanita L. Jones

RE: Section 8, T-21 South,
R-24 East, Eddy County,
New Mexico, Indian Hills
#1, Corinne and Michael Grace

Dear Mrs. Jones:

Regarding captioned matter, on July 3rd we wrote you requesting opinion of your counsel in support of your position that Royalty Owners should bear a prorata part of the risk factor in connection with the gas well involved in this matter. I have studied the Order of the Oil Conservation Commission of New Mexico and have consulted counsel. As a result of this investigation we are of the opinion that your employer, Corinne Grace and Michael P. Grace II have no lawful authority or right to withhold royalty payments from my client and use those funds to defer the cost which they have incurred in drilling the subject well. It is quite evident that the risk factor recovery is from the working interest owners prorata part of production and not from that of the royalty owners. In light of the above it is necessary that we proceed with legal action to protect the interest of Mr. Harold P. Scherz. You will be contacted by

C
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July 28, 1972

a New Mexico counsel and appropriate lien instruments will be prepared and filed.

Thank you.

Sincerely,

KEMP & PRUD'HOMME


By _____
Gilbert Prud'homme

GP:mb

cc: Mr. R. L. Medley
Natural Gas Pipeline Co.
of America
Post Office Box 236
Midland, Texas

Mr. Harold P. Scherz
Bank of Austin
2501 South Congress
Austin, Texas

New Mexico Oil Conservation Commission
Legal Division
Sante Fe
New Mexico

KEMP & PRUD'HOMME
ATTORNEYS AT LAW
P.O. Box 632
422 PERRY-BROOKS BLDG.
AUSTIN, TEXAS 78767
GREENWOOD 6-6116

WILLIAM F. KEMP
GILBERT PRUD'HOMME

June 22, 1972



file - case 4017

The Natural Gas Pipeline Company
of America
Amarillo, Texas

RE: Section 8, T-21 South,
R-24 East Eddy County,
New Mexico
Indian Hills #1
Corinne and Michael Grace

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Gentlemen:

I represent Mr. Harold Scherz who owns an overriding royalty interest in a well on captioned property in Eddy County, New Mexico. We understand that you are taking from this well or from a gas unit formed involving this well. We have attempted to obtain some information from the operators, Corinne and Michael Grace, beginning in December of 1971 and continuing to date.

At this time, we put you on notice of a claim and interest of Harold Scherz in and to production taken and derived from the subject well. We are unable to obtain any completion or production information relating to this well and any assistance you may supply us in this respect would be appreciated.

In the event we cannot obtain information regarding this well through voluntary channels it will, of course, be necessary for us to seek redress at law.

Thank you.

Sincerely,

KEMP & PRUD'HOMME

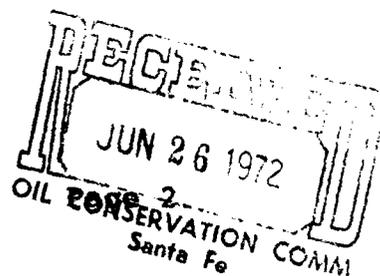
BY

Gilbert Prud'homme
Gilbert Prud'homme

GP:lm

June 22, 1972

The Natural Gas Pipeline
Company of America



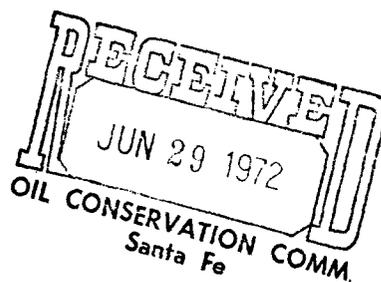
cc: ✓ New Mexico Oil Conservation
Commission
Legal Division
Santa Fe, New Mexico

Corrine Grace and
Michael P. Grace II
Post Office Box 1418
Carlsbad, New Mexico 88220

Mr. Harold Scherz
Bank of Austin
2501 South Congress
Austin, Texas

Michael P. Grace II
Corinne Grace
P. O. BOX 1418
CARLSBAD, NEW MEXICO 88220

June 27, 1972



The Natural Gas Pipeline Company
of America
P. O. Box 236
Midland, Texas 79701

RE: Section 8, T21S,R24E
Eddy County, New Mexico
Indian Hills # 1 well
Corinne and Michael Grace

Gentlemen:

We are in receipt of a copy of a letter which was written to your Amarillo office by Mr. Gilbert Prud'homme of the firm of Kemp & Prud'homme, attorneys at law, who are representing Mr. Harold Scherz.

Mr. Scherz holds a 5% overriding royalty interest in the N.W. $\frac{1}{4}$ of the above mentioned section on which Shell Oil Company has a 25% working interest and percentage.

In order to drill this well we had to force pool this entire section, which consists of 640 acres. I am enclosing a copy of the force pooling order which we obtained from the Oil Conservation Commission of the State of New Mexico.

We pooled all of the mineral interests in the Morrow formation underlying Section 8 and according to the pooling order Shell Oil Company, who has 2 - $\frac{1}{4}$ sections, which are the N.W. $\frac{1}{4}$ and the N.E. $\frac{1}{4}$ and Marathon Oil Company, who has the S.W. $\frac{1}{4}$, will not receive anything from this well until we have recovered 130% of our well costs. We had a very good attorney working on this for us at that time and I am sure that if he thought we should be paying the O.R.R.I. and Percentage owners he would have advised us of this.

If we have been working under the wrong assumption on this matter, and you deem it necessary, we will be more than happy to get another legal opinion.

All of the completion and production information relating to this well is on file at the New Mexico Oil & Gas Conservation Commission and the Communitization Agreement has been sent in to the Roswell, New Mexico office of the United States Geological Survey.

Page - 2 -



If I can be of further assistance to you in this matter please feel free to call on me.

Thank you.

Sincerely yours,

A handwritten signature in cursive script that reads "Juanita L. Jones".

Juanita L. Jones
Secretary

jlj
encl.

cc: New Mexico Oil & Gas Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico, 87501

Mr. Harold Scherz
Bank of Austin
2501 South Congress
Austin, Texas 78767

Mr. Gilbert Prud'homme
Kemp & Prud'homme
Attorneys at Law
P. O. Box 632
Austin, Texas 78767

Natural Gas Pipeline Company
of America
P. O. Box 283
Houston, Texas 77001

I hereby certify under oath that this is a Preliminary Statement of Well Costs as are now known, subject to later revision.

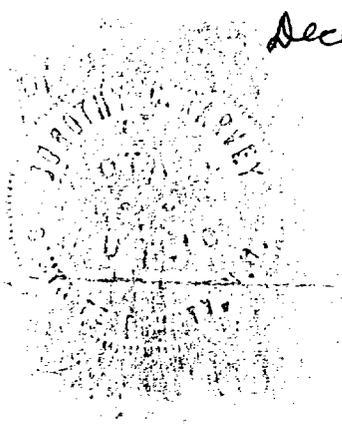
Corinne Grace
Corinne Grace

Subscribed and sworn to before me this
16th day of October, 1970

Dorothy C. Harvey
Notary Public

My commission expires:

December 8, 1972



OK

File Cont 4017

OCT 19 11 18 31

PRELIMINARY STATEMENT OF WELL COSTS *

CORINNE GRACE NO. 1 INDIAN HILLS NW/SE Section 6, T21S, R24E, Eddy Co., N.M.

Location:			\$ 5,860.26
Drilling - Completing:	Footage	\$ 97,344.83	
	Daywork	7,477.27	
	Special Rig	<u>4,907.16</u>	109,729.26
Casing - Cementing:			8,547.96
Special Services:			574.40
(Professional) Services:			8,674.87
Overhead - Supervision:			6,507.00
Special Equipment:			2,066.87
Mud, Chemicals, Water:			11,948.19
Trucking:			7,253.43
Logging:			4,157.88
Perforating:			2,993.13
Tangibles:	Conductor	340.18	
	Casing	34,116.57	
	Tubing	10,608.39	
	Packer	1,008.28	
	Wellhead	1,300.00	
	Flowline	<u>156.86</u>	
			\$ <u>47,530.45</u>
			\$ <u>215,973.56</u>

*Gas contract under negotiation, therefore production equipment not yet purchased or set and dirt work not yet completed, thus unable to report hereupon.

C.D.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54½ EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

DEC 16 AM 9 28 '68

Case 4017

Dec. 12, 1968

Oil Conservation Commission of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed is the application of Corinne Grace for
an order force pooling a standard drilling and
proration unit in the Indian Hills-Morrow Gas Pool,
Eddy County, New Mexico.

It is requested that this application be set for hearing
before the Commission's examiner on the next avail-
able hearing.

Yours very truly,

Jason W. Kellahin

JASON W. KELLAHIN

JWK:ss

DOCKET MAILED

Date 1-23-69

DOCKET MAILED

Date 12/30/68

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 7, 1970

Mr. Charles P. Miller
Miller Engineering and Geological Co.
P. O. Box 417
Hobbs, New Mexico 88240

Dear Mr. Miller:

Reference is made to your letter of October 6, 1970, advising as to sequence of events during the completion of the Corinne Grace Indian Hills Well No. 1 located in Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico.

Inasmuch as Order No. R-3713, pursuant to which the subject well was drilled, provides that the operator shall furnish the Commission and each known working interest owner in the unit an itemized schedule of actual well costs within 30 days following completion of the well, you wish a determination by the Commission as to "date of completion" for the subject well.

The Commission hereby determines that September 17, 1970, date of the four-point flow test of the well, to be date of completion for purposes of Order No. R-3713.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSN/esr

cc: Corinne Grace
P. O. Box 2062
Santa Fe, New Mexico 87501

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MILLER ENGINEERING & GEOLOGICAL CO.

POST OFFICE BOX 417
ZIP CODE 88240
HOBBS, NEW MEXICO

October 6, 1970.

SO T H I
PH I US
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New Mexico Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico 87501

Re: Completion Date
#1 Indian Hills
Corinne Grace
Sec. 8-21S-24E

Dear Sir:

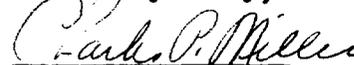
Attn: Mr. A. L. Porter, Jr.

This letter confirms our telephone conversation of October 5, 1970 relative the above captioned subject matter.

Pay string in this test was perforated September 5, 1970 but, because the flow which resulted did not clear up readily, the Swab unit was retained at the well site to be available in case the hole should load up and cause the flow to die.

Inasmuch as analysis of a sample did not indicate formation water, it was decided to flow-test for a period of time to determine if the percentage of water would decrease. Results of this test proved negative so on September 17th and 18th we ran four-point tests to determine the Absolute calculated open flow capacity. Upon completion of these tests the well was shut in to await a pipeline connection. In lieu of these facts you have stated that September 17, 1970 is to be considered as completion date.
cpm.

Yours very truly,


Charles P. Miller

cc:

Mrs. Corinne Grace
P. O. Box 2062
Santa Fe, New Mexico 87501

PH. EXPRESS 3-8711

DEWIE B. LEACH
ATTORNEY AT LAW
205 NORTH LINAM STREET
HOBBS, NEW MEXICO 88240

P. O. Box 156

70 SEP 24 PM 1 00

September 23, 1970

New Mexico Oil Conservation Commission
P. O. 2088
Santa Fe, New Mexico

DM
file case 4017

ATTENTION: O. L. Porter

RE: Corine Grace
Indian Hill
Unit #1
Eddy County,
New Mexico

Dear Mr. Porter:

My client, B & E, a common carrier within New Mexico, performed services by the hauling of water to the above captioned well, which is located 1650 feet from South line 1750 feet from East line of section 8 Township 21S, Range 24 East of Eddy County, New Mexico.

The total charges for the services was \$15,142.84. This service was rendered between July 7 and September 16, 1970. One payment was received on August 24 in the sum of \$2,818.64, leaving a balance of \$12,324.20. Within this total sum, \$728.00 was rendered to the City of Carlsbad Well #1 in section 25, Township 22S, Range 26E, being 660 feet from South and 980 feet East in Section 25.

I understand there was a forced pooling with Shell and Marathon on this Indian Hill Unit. Demands have been made for payment but has not been received. I felt that the Commission should be aware of this matter because I understand this is on state land and the forced pooling was granted to the Graces.

Yours very truly,

Dewie B. Leach
DEWIE B. LEACH

DBL/bjg
cc. N. M. Oil Con. Comm.
Hobbs Office
Artesia Office



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 17, 1969

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Santa Fe, New Mexico

Re: Case No. 4017 and 4043
Order No. R-3713-A
Applicant:
David Fasken

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Mr. Jason Kellahin