



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 17, 1998

Costilla Energy, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4096

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application on behalf of Costilla Energy, Inc. ("Costilla") dated June 18, 1998; (ii) the records of the Division in Santa Fe including the file on Division Case Nos. 12013 and 11999; (iii) two letters filed by Mr. W. Thomas Kellahin on behalf of Nearburg Exploration Company, L.L.C. dated June 23 and July 13, 1998; (iv) your letter dated July 17, 1998; and, (v) supplemental geological information submitted on July 17, 1998 by Louis J. Mazzullo of Albuquerque, New Mexico: all concerning Costilla's request to drill its Funk "49" Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 1080 feet from the West line (Unit L) of Section 33, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico.

The S/2 of Section 33 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit for the POW-Morrow Gas Pool.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox Morrow gas well location is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
Nearburg Exploration Company, L.L.C., c/o W. Thomas Kellahin - Santa Fe
Louis J. Mazzullo - Albuquerque
File: Case 12013
Case 11999