

FAX COVER

To: Michael Stogner

Company : NM Oil Conservation Division

Fax Number : 1-505-827-1389

From : Louis J. Mazzullo

Company : Louis Mazzullo, Inc.

Fax Number : 1-505-890-4991

Subject : Costilla Energy Funk "49" #1

Pages including cover page: 3

Date : 7/17/98

Time : 11:21:04 AM

MESSAGE

Mike:

Attached are two exhibits that help to explain the geological logistical reasoning behind the proposed, unorthodox location for the Costilla Energy Funk "49" =1 Morrow test well in Section 33-Twp. 16S-26E, Eddy County, New Mexico.

First, the necessity for an unorthodox location was dictated by surface obstructions, namely the location of the Artesia City dump and its maintenance area. This was the reason for the location having been moved twice before we settled on the proposed location. Secondly, the location is intended to test the Morrow Formation at a location that will optimize its potential from a sand unit that has already produced nearly 2.0 BCF gas from an offset location in Section 4 to the south. Figure 1 shows the proposed location and its relationship to the City of Artesia boundaries. It also shows the offset well in the NE NW of section 4. The various shaded patterns refer to different sand units that pinch out in succession from south to north. We are specifically targeting the zone that produces in section 4, which is the more lightly shaded channel I show on the map. There may be another unit that pinches out at or near the location (the darker shading), but our primary objective is best served by placing the well the distance from the west section line as I show it. If we moved it any further east, we would risk getting out of the central, channel lag facies that is the most productive. Regional dip on the Morrow is to the southeast. Figure 2 is a reference log section that shows the various units of the Morrow (t1 through t8) that I have mapped in this area. We are specifically targeting unit t5 at the proposed location.

On behalf of Costilla Energy, Inc., I am requesting administrative approval of the proposed unorthodox location, which will constitute a south half, 320-acre drilling unit for the Morrow Formation at approximately 8500 feet. If you have any further questions on this request, please feel free to contact me at (505) 890-0080; I will be available through Tuesday of next week. As we have a drilling commitment on this location, I would appreciate your attention to this matter at your earliest convenience.

Regards,

Lou

c.c.: Gary Winter, Costilla Energy, Inc.
Mark K. Nearburg, Ameristate Exploration, LLC

2 Attachments