

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF COSTILLA ENERGY,
INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

No. 12029

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OIL CONSERVATION DIV.

APPLICATION

Costilla Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Chester series or formation underlying the S½ Section 33, Township 16 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S½ of said Section 33, and has the right to drill a well thereon.

2. Applicant proposes to drill its Funk "49" Well No. 1, at a previously approved unorthodox location 1650 feet from the South line and 1080 feet from the West line of the section, to a depth sufficient to test the Chester series or formation, and seeks to dedicate the following acreage to the well:

(a) The S½ of Section 33 for all pools or formations spaced on 320 acres, including the POW-Morrow Gas Pool, the Undesignated Diamond Mound-Atoka Gas Pool, and the Undesignated P.O.W.-Strawn Gas Pool;

(b) The SW¼ of Section 33 for all pools or formations spaced on 160 acres; and

(c) The NW¼SW¼ of Section 33 for all pools or formations spaced on 40 acres.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of

Section 33 for the purposes set forth herein.

4. Although applicant has attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 33, pursuant to NMSA 1978 §70-2-17 (1995 Repl.).

5. The pooling of all mineral interests underlying the S½ of Section 33, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 33, as set forth above;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and operating the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating costs and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- F. Granting such further relief as the Division deems

proper.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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Attorney for Costilla Energy, Inc.