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June 16, 1998

**Via Fax and Hand Delivery**

Florene Davidson  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing on behalf of Costilla Energy, Inc. are two (2) applications: One for compulsory pooling and an unorthodox well location, and one for compulsory pooling. Also enclosed are proposed advertisements for each application. Please set these matters for the July 9, 1998 Examiner hearing. Thank you.

Originals and extra copies of each application will be hand delivered to you tomorrow.

Very truly yours,



James Bruce

Attorney for Costilla Energy, Inc.

11999

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF COSTILLA ENERGY,  
INC. FOR COMPULSORY POOLING AND  
AN UNORTHODOX WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

No. 11999

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 approving an unorthodox well location, 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 an 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, and approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

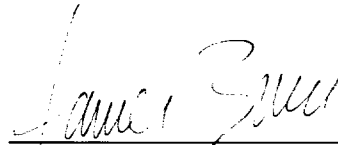
**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 33, as set forth above;
- B. Approving the unorthodox well location;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and operating the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating costs and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- F. 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

G. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written above a horizontal line.

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Costilla Energy, Inc.

PROPOSED ADVERTISEMENT

1998  
OIL & GAS

Case 11999: Application of Costilla Energy, Inc. for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Chester series or formation underlying the following described acreage in Section 33, Township 16 South, Range 26 East, NMPM, and in the following manner: The S $\frac{1}{2}$  of Section 33 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the POW-Morrow Gas Pool, Undesignated Diamond Mound-Atoka Gas Pool, and Undesignated P.O.W.-Strawn Gas Pool; the SW $\frac{1}{4}$  of Section 33 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent; and the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 33 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to applicant's Funk "49" Well No. 1, located at an unorthodox location 1650 feet from the South line and 1080 feet from the West line of said Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and the well. Said units are located approximately 2.5 miles North-Northeast of Artesia, New Mexico.