

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 18, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Costilla Energy, Inc. ("Costilla") applies for administrative approval of an unorthodox gas well location for the following well:

Funk "49" Well No. 1
1650 feet FSL & 1080 feet FWL
S½ §33, Township 16 South, Range 26 East, NMPM
Eddy County, New Mexico

The well will be drilled to test the Morrow formation (POW-Morrow Gas Pool), at an approximate depth of 8500 feet. A Form C-102 for the well is attached as Exhibit A. Well spacing is 320 acres, with wells to be no closer than 1650 feet to the end boundary or 660 feet to the side boundary of the well unit, and no closer than 330 feet to a quarter-quarter section line.

The proposed location is based upon topographical reasons. Attached as Exhibit B are two plats of the area. As you can see, the well is located in Artesia. The well's original location was orthodox, 1650 feet FSL and 1980 feet FWL. However, that location is in the parking lot of the maintenance building of the Artesia city dump. The dump is located to the north and south of the proposed well; there is an industrial complex to the south of the well; and to the east of the dump and the proposed well are a number of mobile homes. As a result, Costilla moved the well to the west of its preferred location.

The working interest owners in the E½ §32-16S-26E and the N½ §5-17S-26E are listed on Exhibit C. Notice was given to the interest owners, as shown on Exhibit D.

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script, reading "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Costilla Energy, Inc.

DISTRICT I

P.O. Box 1880, Hobbs, NM 88241-1880

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994
Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer 88, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV

P.O. Box 2908, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name
Property Code	Property Name FUNK "49"	Well Number 1
OGED No.	Operator Name COSTILLA ENERGY, INC.	Elevation 3364

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	33	16 S	26 E		1650	SOUTH	1080	WEST	EDDY

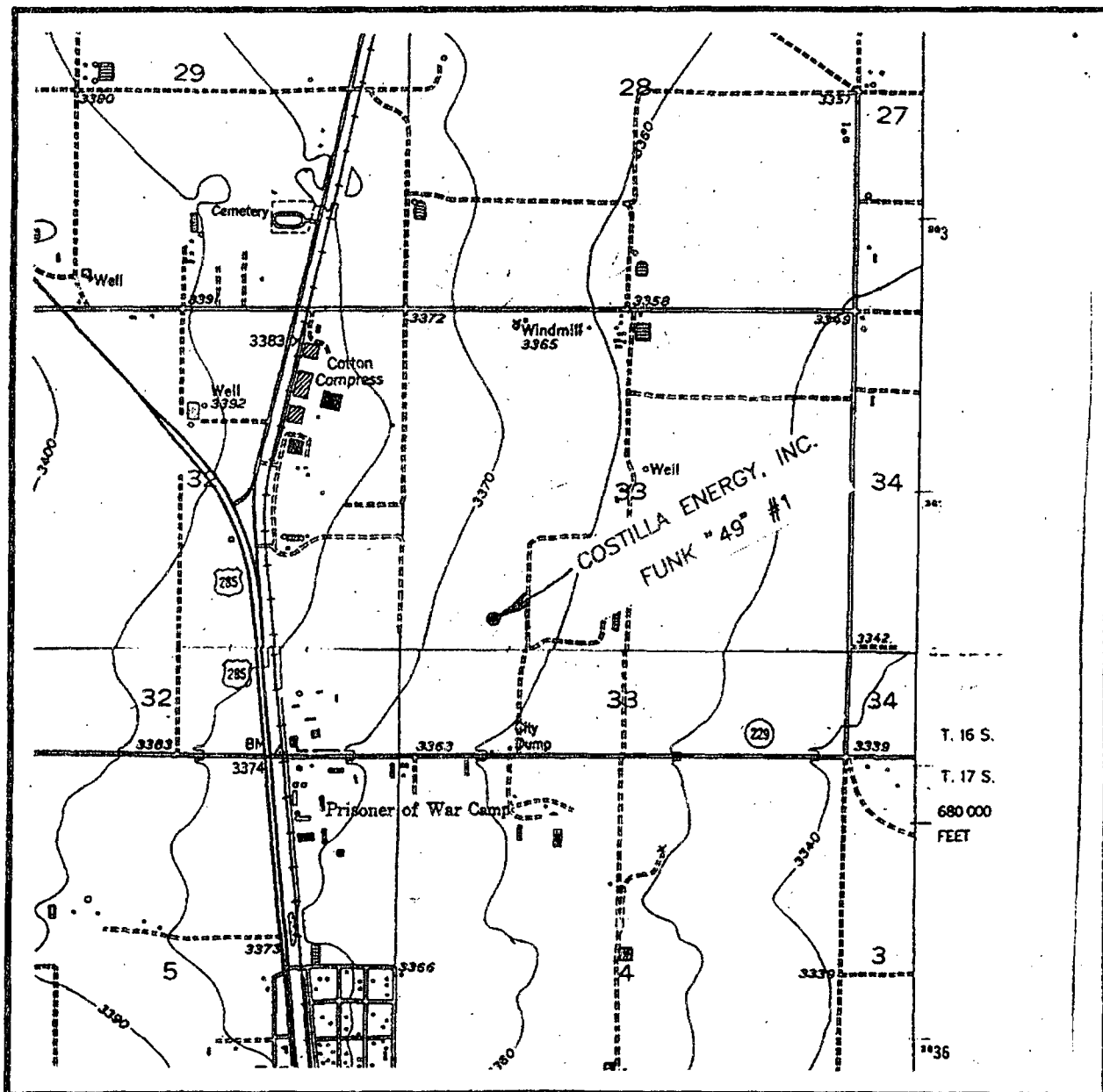
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature _____ Printed Name _____ Title _____ Date _____
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. MAY 19, 1998 Date Surveyed _____ JLP Signature _____ Professional Engineer
	P.O. Box 2088 Santa Fe, NM 87504-2088
	Certificate No. RONALD J. EDSON, 3239 12841 PROFESSIONAL ENGINEER, 12185

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 10'

SEC. 33 TWP. 16-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1650' FSL & 1080' FWL

ELEVATION 3364'

OPERATOR COSTILLA ENERGY, INC.

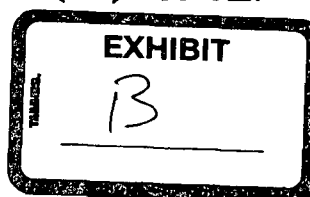
LEASE FUNK "49"

U.S.G.S. TOPOGRAPHIC MAP

ARTESIA, & ESPUELA, N.M.

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO

(505) 393-3117



SEC. 33 TWP. 16-S RGE. 26-E
SURVEY N.M.P.M.
COUNTY EDDY
DESCRIPTION 1650' FSL & 1080' FWL
ELEVATION 3364'
OPERATOR COSTILLA ENERGY, INC.
LEASE FUNK "49"

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117**

EXHIBIT C

Offset Interest Owners

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Douglas W. Hurlbut

John A. Yates, Individually and as
Personal Representative of the
Estate of Peggy A. Yates, Deceased
105 South Fourth Street
Artesia, New Mexico 88210

Steve Horn
203 West Wall Street
Midland, Texas 79701

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Michael M. Gray

Sharbro Oil, Ltd. Co.
P.O. Box 840
Artesia, New Mexico 88211

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower

JAMES BRUCE
ATTORNEY AT LAW

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SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 18, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Dear Sirs:

Enclosed is a copy of an application for administrative approval of an unorthodox well location filed with the New Mexico Oil Conservation Division by Costilla Energy, Inc. regarding a well 1650 feet from the south line and 1080 feet from the west line of Section 33, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico. The S½ of Section 33 will be dedicated to the well. If you object to the unorthodox location, you must notify the Division in writing by Wednesday, July 8, 1998 (2040 South Pacheco Street, Santa Fe, New Mexico 87505).

Very truly yours,


James Bruce

Attorney for Costilla Energy, Inc.

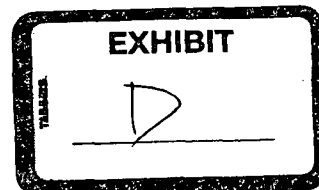


EXHIBIT A

Offset Interest Owners

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Artesia, New Mexico 88210

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Steve Horn
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3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Michael M. Gray

Sharbro Oil, Ltd. Co.
P.O. Box 840
Artesia, New Mexico 88211

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower

District I
P.O. Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

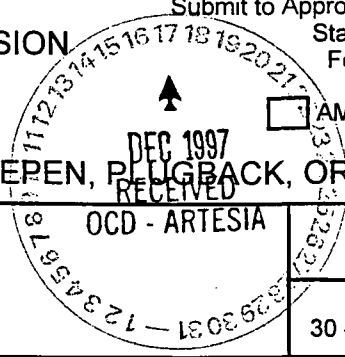
District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505



AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUG BACK, OR ADD A ZONE

Operator Name and Address Costilla Energy, Inc. P. O. Box 10369 Midland, TX 79702		OGRID Number 138695
Property Code 22892	Property Name Funk 49	API Number 30-015-20884
Well No. 1		

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
O	33	16S	26E		990	South	1980	East	Eddy

Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
Proposed Pool 1 Und POW Morrow 83040					Proposed Pool 2				

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3349
Multiple	Proposed Depth 8500	Formation Morrow	Contractor	Spud Date

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2	13 3/8	54#	450	450	circ
12 1/4	9 5/8	45#	1350	600	circ
7 7/8	5 1/2	17/20#	8500	500	6000'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

New drill, will rig up 900 series Double Ram BOP from 1350' to TD.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Julie Johnson*

Printed name: Julie Johnson

Title: Regulatory Analyst

OIL CONSERVATION DIVISION

Approved By:

Jim W. Brown
District Supervisor

Title:

Approval Date:

2/18/98

Expiration Date:

2/18/99

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Morrow
Property Code	Property Name	Well Number
	FUNK 49	1
OGRID No.	Operator Name	Elevation
138695	COSTILLA ENERGY, INC.	3349

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	33	16 S	26 E		990	SOUTH	1980	EAST	EDDY

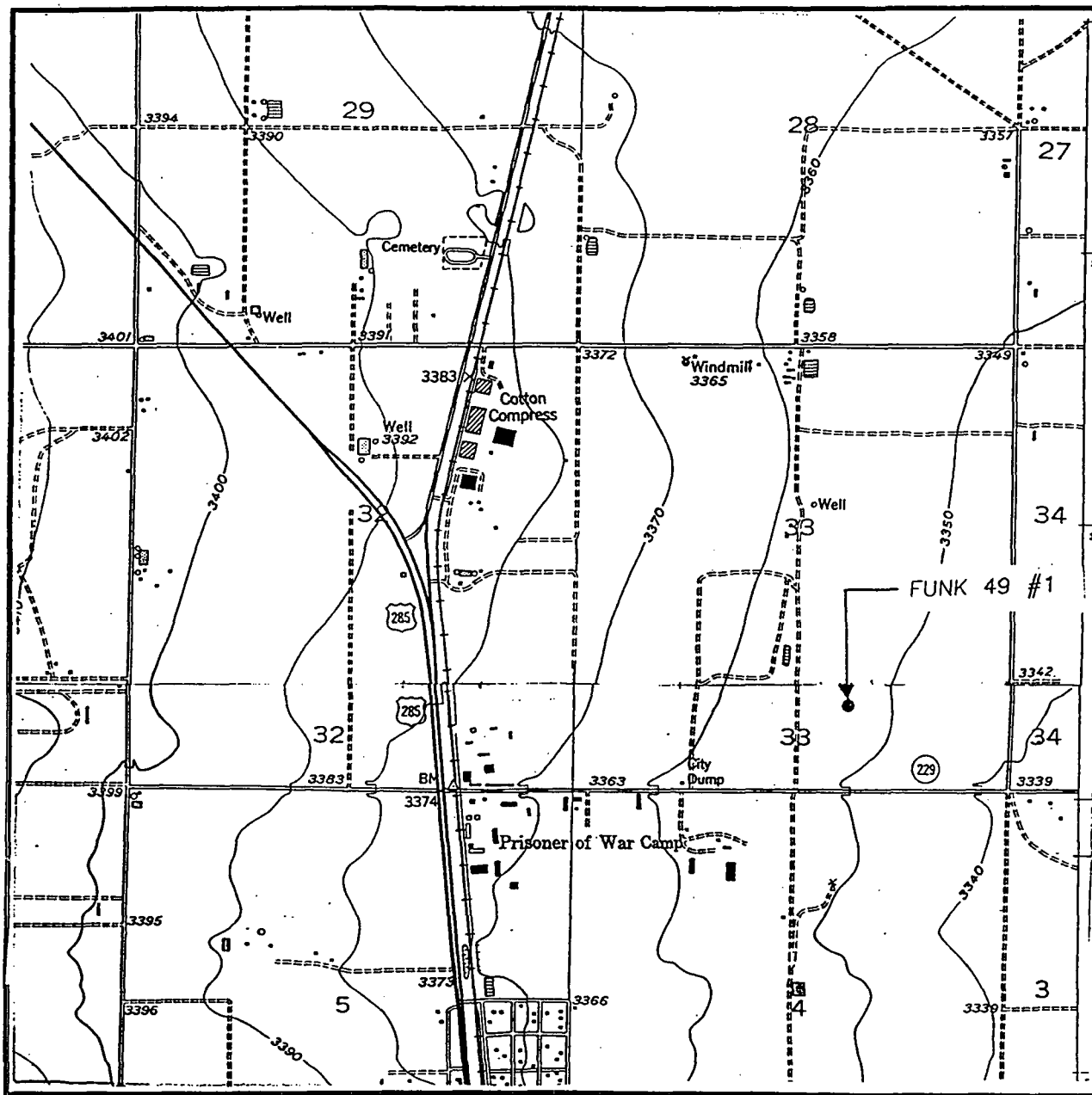
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320									

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Julie Johnson Printed Name Regulatory Analyst Title 12-16-97 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. NOVEMBER 20, 1997 Date Surveyed Signature & Seal of Professional Surveyor RONALD J. EIDSON NEW MEXICO 3239 9-11-1900 11-24-97 Certificate No. JOHN W. QUEST 676 RONALD J. EIDSON 3239 RONALD J. EIDSON 12641

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
ARTESIA - 10'
ESPUELA - 10'

SEC. 33 TWP. 16-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 990' FSL & 1980' FEL

ELEVATION 3349

OPERATOR COSTILLA ENERGY, INC.

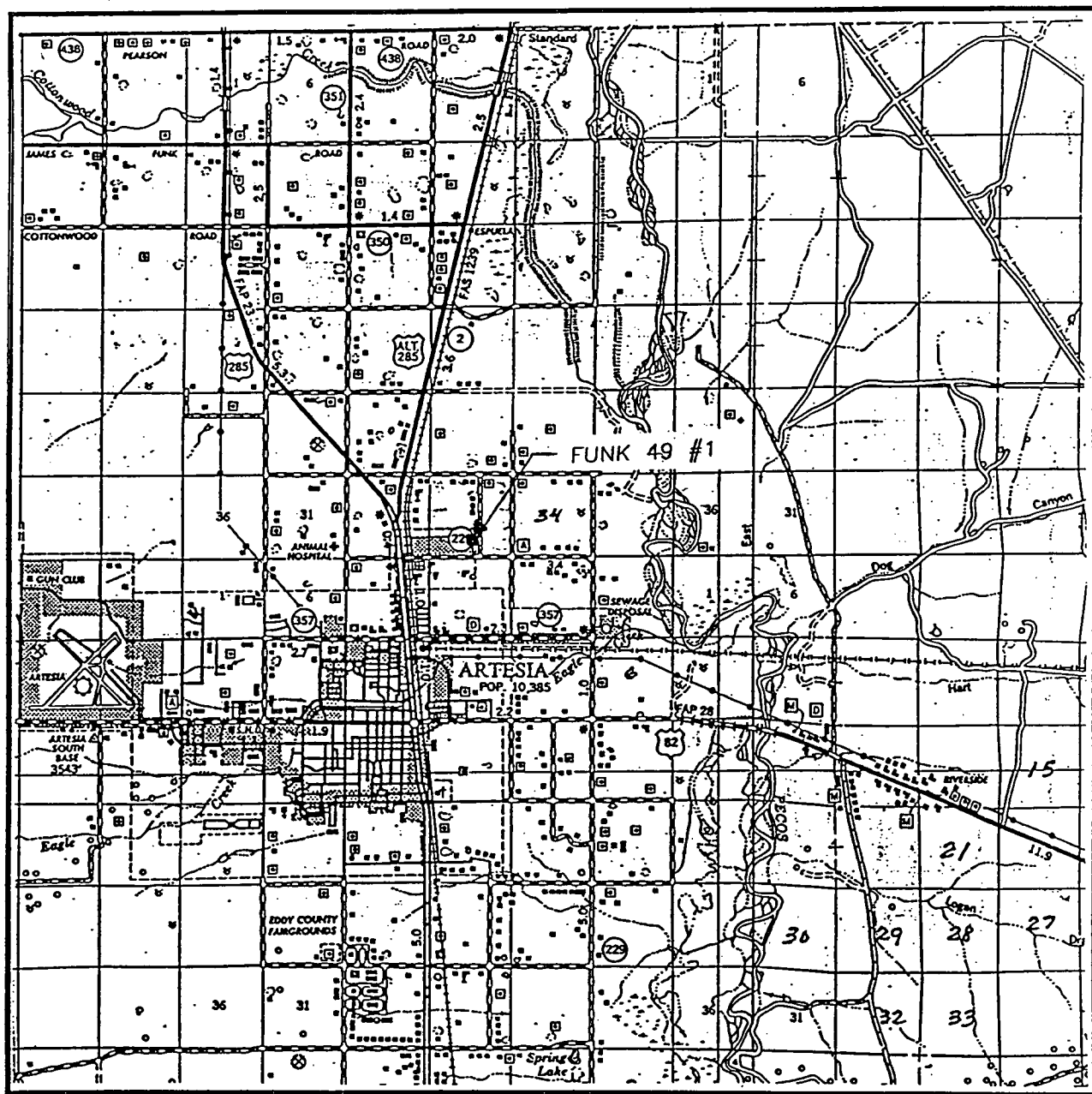
LEASE FUNK 49

U.S.G.S. TOPOGRAPHIC MAP

ARTESIA, ESPUELA, N.M.

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 33 TWP. 16-S RGE. 26-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 990' FSL & 1980' FEL
 ELEVATION 3349
 OPERATOR COSTILLA ENERGY, INC.
 LEASE FUNK 49

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

County Eddy

Pool POW - Morrow Gas

TOWNSHIP 16 South

Range 26 East

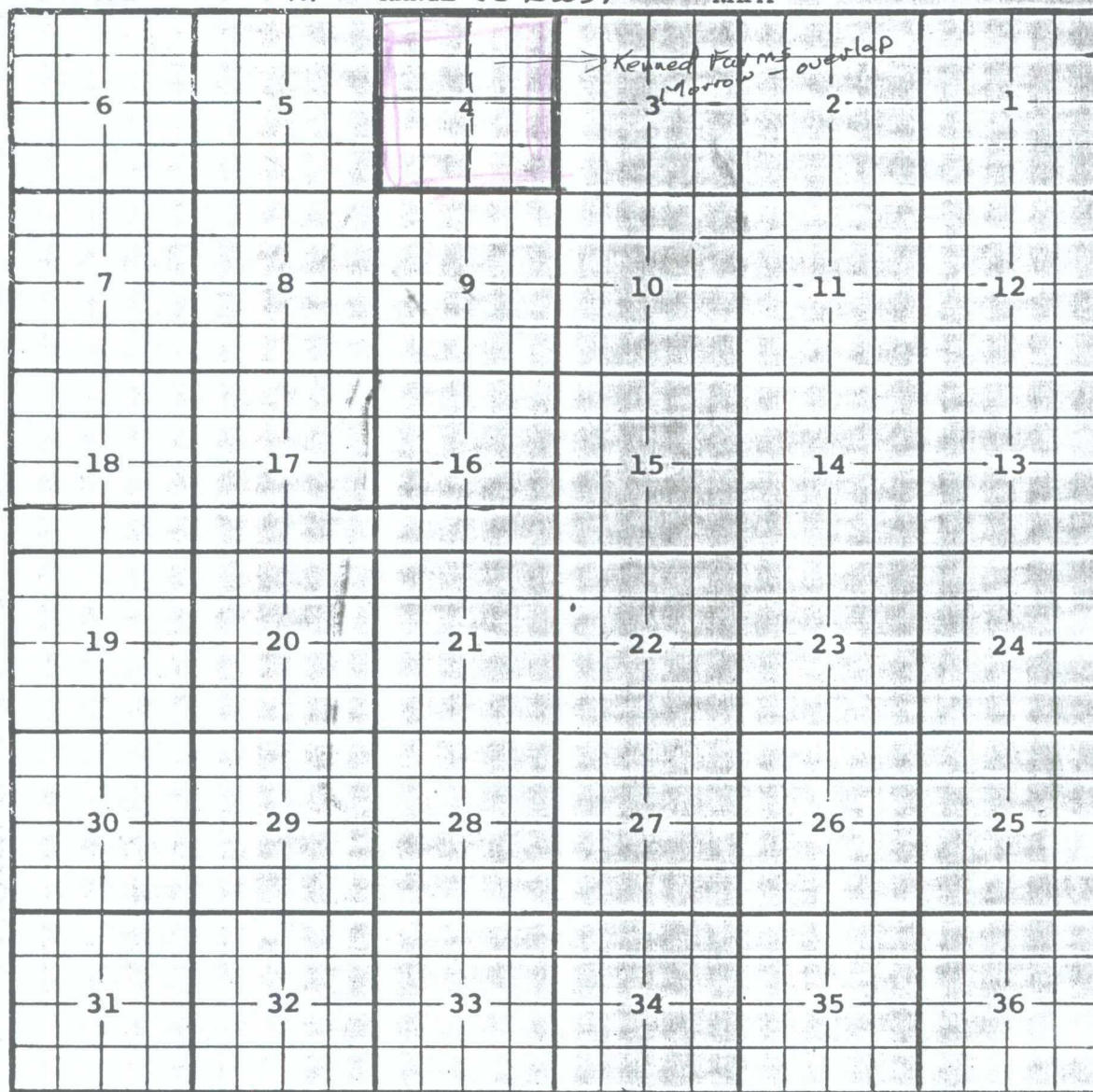
NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{1}{2}$ Sec 32, $\frac{1}{2}$ Sec 33 (R-5511, 9-1-77)

COUNTY *Eddy*POOL *POW-Morrow Gas*TOWNSHIP *17 South*RANGE *26 East*

NMPM

Description: $N\frac{1}{2}$ Sec 4 (R-5361, 3-1-77)Ext: $S\frac{1}{2}$ Sec. 4 (R-6838, 11-8-81)

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 23, 1998

OIL CONSERVATION DIV.

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

98 JUN 25 AM 8:22

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504
Attn: Mr. Michael E. Stogner

Re: **NOTICE OF OBJECTION:**
Costilla Energy, Inc.'s
Funk "49" Well No. 1
1650 feet FSL and 1080 feet FWL
S/2 of Section 33, T16S, R26E, NMPM,
Administrative Application to NMOCD
for Approval of Unorthodox Gas Well
Location Eddy County, New Mexico

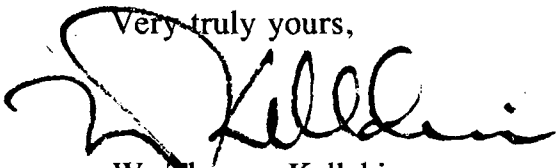
Dear Mr. Stogner:

By letter dated June 17, 1998, James Bruce for Costilla Energy, Inc. sent notification to the offsetting owners of the referenced request.

On behalf of Nearburg Exploration Company, L.L.C., as an offsetting owner, we hereby object to the referenced application by Costilla Energy, Inc. for an unorthodox gas well location as described in its administrative application to the Division.

We request that this matter be set for hearing and that Nearburg Exploration Inc, L.L.C. be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,


W. Thomas Kellahin

cc: Nearburg Exploration, L.L.C.

attn: Michael Gray

cc: James Bruce, Esq.

Attorney for Costilla Energy, Inc.

6/17/98

7/7/98

MS

NW

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

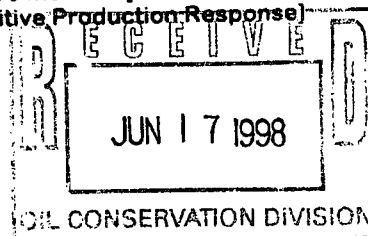
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply[A] ☐ Working, Royalty or Overriding Royalty Interest Owners[B] ☒ Offset Operators, Leaseholders or Surface Owner[C] ☐ Application is One Which Requires Published Legal Notice[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Print or Type Name

Note: Statement must be completed by an individual with supervisory capacity.

Signature

Title

Date

James Bruce

Attorney for Applicant

6/18/98

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

June 18, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
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The proposed location is based upon topographical reasons. Attached as Exhibit B are two plats of the area. As you can see, the well is located in Artesia. The well's original location was orthodox, 1650 feet FSL and 1980 feet FWL. However, that location is in the parking lot of the maintenance building of the Artesia city dump. The dump is located to the north and south of the proposed well; there is an industrial complex to the south of the well; and to the east of the dump and the proposed well are a number of mobile homes. As a result, Costilla moved the well to the west of its preferred location.

The working interest owners in the E½ §32-16S-26E and the N½ §5-17S-26E are listed on Exhibit C. Notice was given to the interest owners, as shown on Exhibit D.

This application is submitted in duplicate. Please call me if you need anything further regarding this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Costilla Energy, Inc.

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994
Submit to Appropriate District Office
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Fee Lease - 3 Copies**DISTRICT II**

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DISTRICT III

1000 Rio Brancos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

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DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

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Property Code		Property Name FUNK "49"		Well Number 1	
OGBID No.		Operator Name COSTILLA ENERGY, INC.		Elevation 3364	

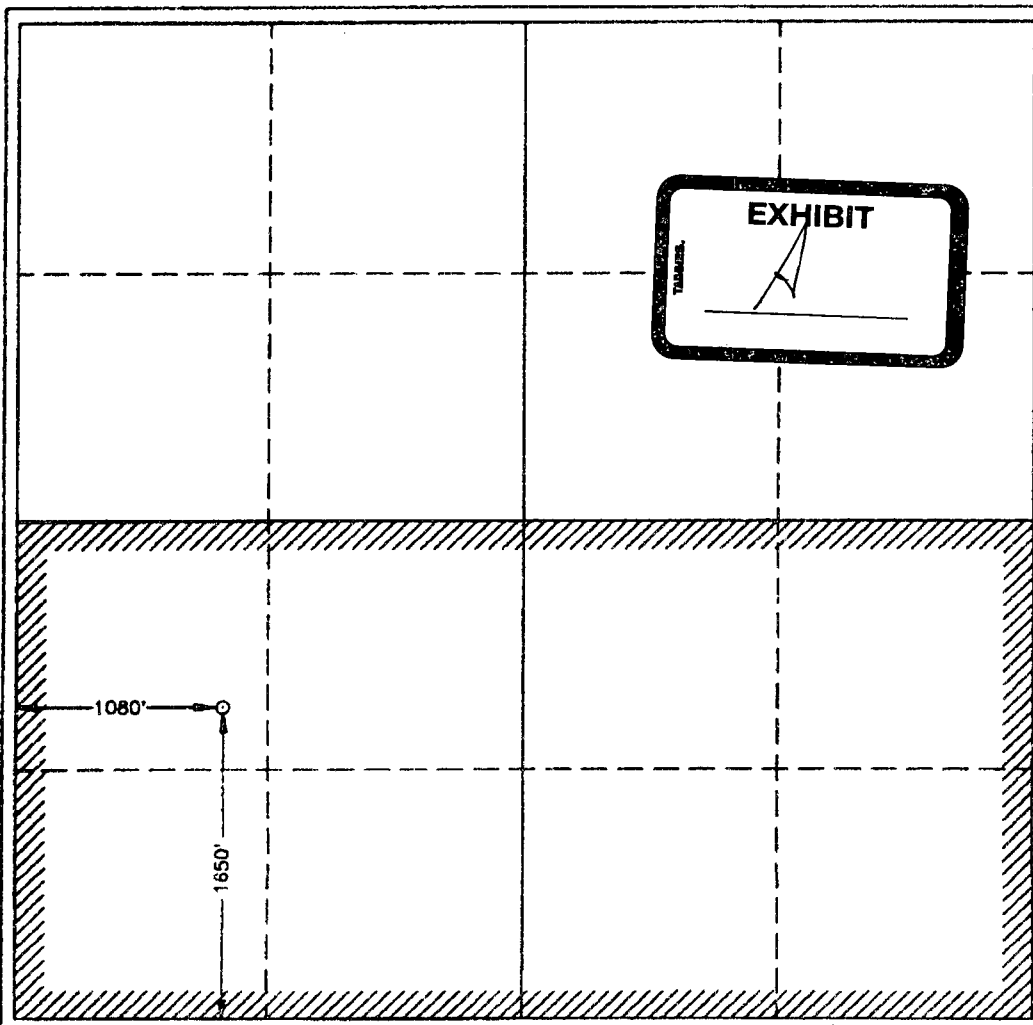
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Bottom Hole Location If Different From Surface

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Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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	SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</i> MAY 19, 1998 Date Surveyed _____ JLP Signature _____ Professional Surveyor NEW MEXICO P.O. Num. 98-150774 5-20-98
	Contract No. RONALD EIDSON, 3239 GARY EIDSON, 12841 GARY EIDSON, 12185



CONTOUR INTERVAL - 10'

ARTESIA, & ESPUELA, N.M.

(505) 393-3117

EXHIBIT

B

7/24/68

[illegible]

SEC. 33 TWP. 16-S RGE. 26-E
SURVEY _____ N.M.P.M. _____
COUNTY _____ EDDY _____
DESCRIPTION 1650' FSL & 1080' FWL
ELEVATION _____ 3364' _____
OPERATOR _____ COSTILLA ENERGY, INC. _____
LEASE _____ FUNK "49" _____

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117**

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Enron Oil & Gas Company
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Attention: Patrick J. Tower

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June 18, 1998

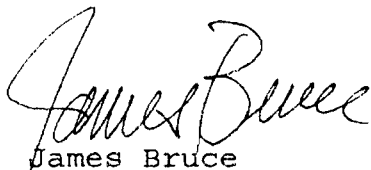
**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

To: Persons on Exhibit A

Dear Sirs:

Enclosed is a copy of an application for administrative approval of an unorthodox well location filed with the New Mexico Oil Conservation Division by Costilla Energy, Inc. regarding a well 1650 feet from the south line and 1080 feet from the west line of Section 33, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico. The S½ of Section 33 will be dedicated to the well. If you object to the unorthodox location, you must notify the Division in writing by Wednesday, July 8, 1998 (2040 South Pacheco Street, Santa Fe, New Mexico 87505).

Very truly yours,


James Bruce

Attorney for Costilla Energy, Inc.

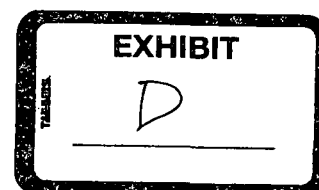


EXHIBIT A

Offset Interest Owners

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Douglas W. Hurlbut

John A. Yates, Individually and as
Personal Representative of the
Estate of Peggy A. Yates, Deceased
105 South Fourth Street
Artesia, New Mexico 88210

Steve Horn
203 West Wall Street
Midland, Texas 79701

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Michael M. Gray

Sharbro Oil, Ltd. Co.
P.O. Box 840
Artesia, New Mexico 88211

Enron Oil & Gas Company
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 29, 1998

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

12013

Re: *Administrative application on behalf of Costilla Energy, Inc. to drill its proposed Funk "49" Well No. 1 at an unorthodox gas well location in the POW-Morrow Gas Pool 1650' FSL & 1080' FWL (Unit L) of Section 33, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Bruce:

On June 26, 1998, the Division received an objection from Nearburg Exploration Company, L.L.C. to the subject application, see copy of the letter attached. This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for July 23, 1998 and will be advertised in the following manner:

"Application of Costilla Energy, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval 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, located approximately 2.5 miles north of the junction of U.S. Highways 285 and 82 in Artesia, New Mexico. The S/2 of said Section 33 is to be dedicated to said well in order to form a standard 320-acre gas spacing and proration unit in the POW-Morrow Gas Pool."

Further, my review of this application indicates a discrepancy that will require additional explanation and information by Costilla Energy, Inc. at that time. In your application it was stated that this well was originally staked at an orthodox gas well location within the proposed standard 320-acre gas spacing and proration unit comprising the S/2 of said Section 33 1650 feet from the South line and 1980 feet from the West line (Unit K). Our records indicate that the original location was to be drilled at a standard gas well location 990 feet from the South line and 1980 feet from the East line (Unit O) of said Section 33 (see copy of APD and C-102 that was received by the Artesia District Office of the NMOCD in December 1997 attached). What was the purpose of this move? Were these location changes influenced in any way by geology?

Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's General Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
Nearburg Exploration Company, L.L.C., c/o W. Thomas Kellahin - Santa Fe

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

OIL CONSERVATION DIV.

TELEPHONE (505) 982-4285
98 JUN 25 AM 8:22
FAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 23, 1998

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504
Attn: Mr. Michael E. Stogner

Re: **NOTICE OF OBJECTION:**
Costilla Energy, Inc.'s
Funk "49" Well No. 1
1650 feet FSL and 1080 feet FWL
S/2 of Section 33, T16S, R26E, NMPM,
Administrative Application to NMOCD
for Approval of Unorthodox Gas Well
Location Eddy County, New Mexico

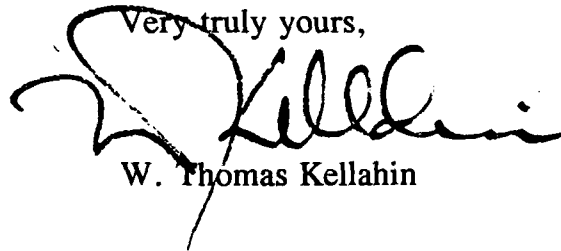
Dear Mr. Stogner:

By letter dated June 17, 1998, James Bruce for Costilla Energy, Inc. sent notification to the offsetting owners of the referenced request.

On behalf of Nearburg Exploration Company, L.L.C., as an offsetting owner, we hereby object to the referenced application by Costilla Energy, Inc. for an unorthodox gas well location as described in its administrative application to the Division.

We request that this matter be set for hearing and that Nearburg Exploration Inc, L.L.C. be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Exploration, L.L.C.
attn: Michael Gray
cc: James Bruce, Esq.
Attorney for Costilla Energy, Inc.

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

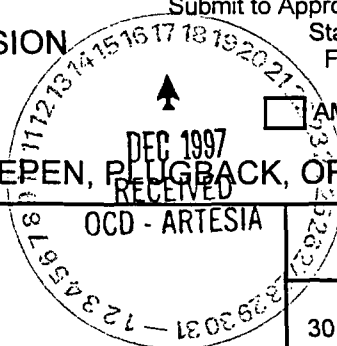
District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505



☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUG BACK, OR ADD A ZONE

Operator Name and Address Costilla Energy, Inc. P. O. Box 10369 Midland, TX 79702		OGRID Number 138695
API Number 30-015-20884		
Property Code 22892	Property Name Funk 49	Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
O	33	16S	26E		990	South	1980	East	Eddy

Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
Proposed Pool 1 Und POW Morrow 83040					Proposed Pool 2				

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3349
Multiple	Proposed Depth 8500	Formation Morrow	Contractor	Spud Date

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2	13 3/8	54#	450	450	circ
12 1/4	9 5/8	45#	1350	600	circ
7 7/8	5 1/2	17/20#	8500	500	6000'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

New drill, will rig up 900 series Double Ram BOP from 1350' to TD.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Julie Johnson*

Printed name: Julie Johnson

Title: Regulatory Analyst

OIL CONSERVATION DIVISION

Approved By:

Jim W. Brown
District Supervisor

Title:

Approval Date:

2/18/98

Expiration Date:

2/18/98

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Morrow
Property Code	Property Name	Well Number
	FUNK 49	1
OGRID No.	Operator Name	Elevation
138695	COSTILLA ENERGY, INC.	3349

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	33	16 S	26 E		990	SOUTH	1980	EAST	EDDY

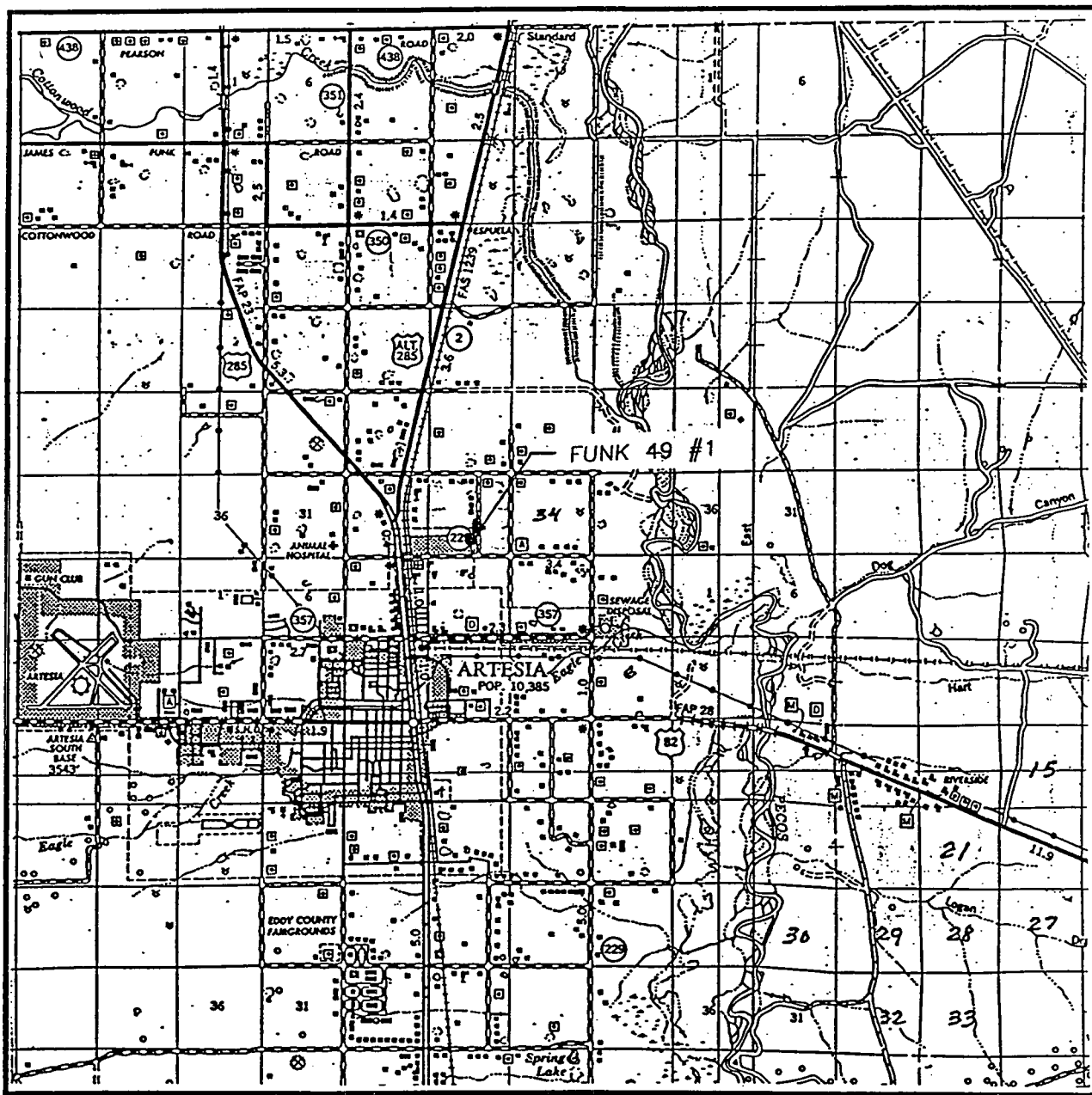
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320									

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Julie Johnson Printed Name Regulatory Analyst Title 12-16-97 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. NOVEMBER 20, 1997 Date Surveyed Signature of Professional Surveyor Professional Surveyor NEW MEXICO 3239 11-24-97 Certification No. JOHN W. QUESADA 676 RONALD J. EIDSON 3239 EIDSON 12641

NORTH



SEC. 33 TWP. 16-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY _____ EDDY _____

DESCRIPTION 990' FSL & 1980' FEL

ELEVATION 3349

OPERATOR COSTILLA ENERGY, INC.

LEASE _____ FUNK 49

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO**

(505) 393-3117

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

July 13, 1998

VIA FACSIMILE
(505) 827-1877

Mr. David R. Catanach, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

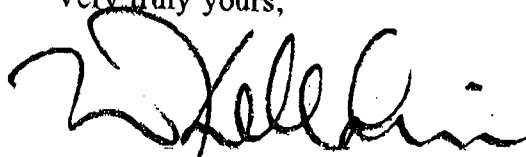
Re: NMOCD Case 12013
Funk "49" Well No 1
S/2 Section 33, T16S, R26E, NMPM
Application of Costilla Energy, Inc.
for an unorthodox gas well location
Eddy County, New Mexico

Dear Mr. Catanach:

On June 23, 1998 I filed an objection on behalf of Nearburg Exploration Company, L.L.C. to an administrative application by Costilla Energy Inc for the referenced unorthodox gas well location. As a result this matter has been set for hearing on July 23, 1998.

Please be advised that Nearburg Exploration Company, L.L.C. by this letter is withdrawing its objection to the approval of this well location.

Very truly yours,



W. Thomas Kellahin

cfx: James Bruce, Esq.
attorney for Costilla Energy, Inc.
Nearburg Exploration Company, L.L.C.
Attn: Mike Gray

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 17, 1998

RECEIVED
JUL 20 1998

Via Fax and U.S. Mail


Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Costilla Energy, Inc. unorthodox location application
Funk "49" Well No. 1
1650 feet FSL & 1080 feet FWL
S½ §33, Township 16 South, Range 26 East, NMPM
Eddy County, New Mexico

Dear Mr. Stogner:

Costilla Energy, Inc. filed the above application administratively. Due to an objection by Nearburg Exploration Company, L.L.C., the case was placed on the hearing docket (Case 12013). Nearburg has now withdrawn its objection. See attached letter. As a result, applicant requests that the matter be placed for administrative approval. You asked several questions about the well's location, and I have requested the geologist, Louis Mazzullo, to respond to you directly about those issues. Thank you.

Very truly yours,


James Bruce

Attorney for Costilla Energy, Inc.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4286
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
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JASON KELLAHIN (RETIRED 1991)

July 13, 1998

VIA FACSIMILE
(505) 827-1877

Mr. David R. Catanach, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

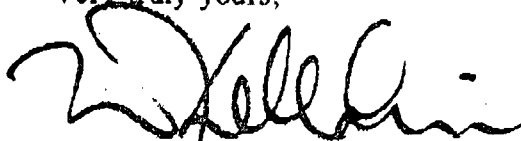
Re: NMOCD Case 12013
Funk "49" Well No 1
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Application of Costilla Energy, Inc.
for an unorthodox gas well location
Eddy County, New Mexico

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Very truly yours,



W. Thomas Kellahin

cfx: James Bruce, Esq.
attorney for Costilla Energy, Inc.
Nearburg Exploration Company, L.L.C.
Attn: Mike Gray

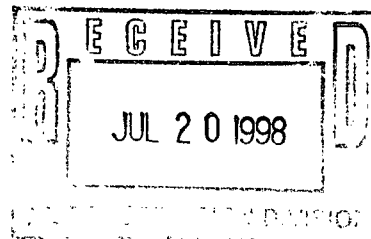
Louis Mazzullo, Inc.
Certified Petroleum Geologist

Post Office Box 66657

Albuquerque, New Mexico 87193-6657
E-Mail: mazzullo@nmia.com

Phone (505) 890-0080
Fax (505) 890-4991

July 17, 1998



Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco St.
Santa Fe, New Mexico 87505

RE: COSTILLA ENERGY, INC. FUNK "49" #1
Application for Unorthodox Location

Dear Mike:

As requested, I am forwarding the enclosed exhibits, which were sent to you this morning via facsimile, so you can have hard copies of the same for your files.

The enclosed exhibits give geologic substantiation in support of Costilla Energy's application for an unorthodox location for a Morrow well located in section 33, Township 16 South-26 East, Eddy County, New Mexico.

I appreciate your attention to this application, and request confirmation of its approval to me via facsimile when you have issued the order. Thanks again for your help.

Sincerely,

Louis J. Mazzullo

Enclosures

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

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.

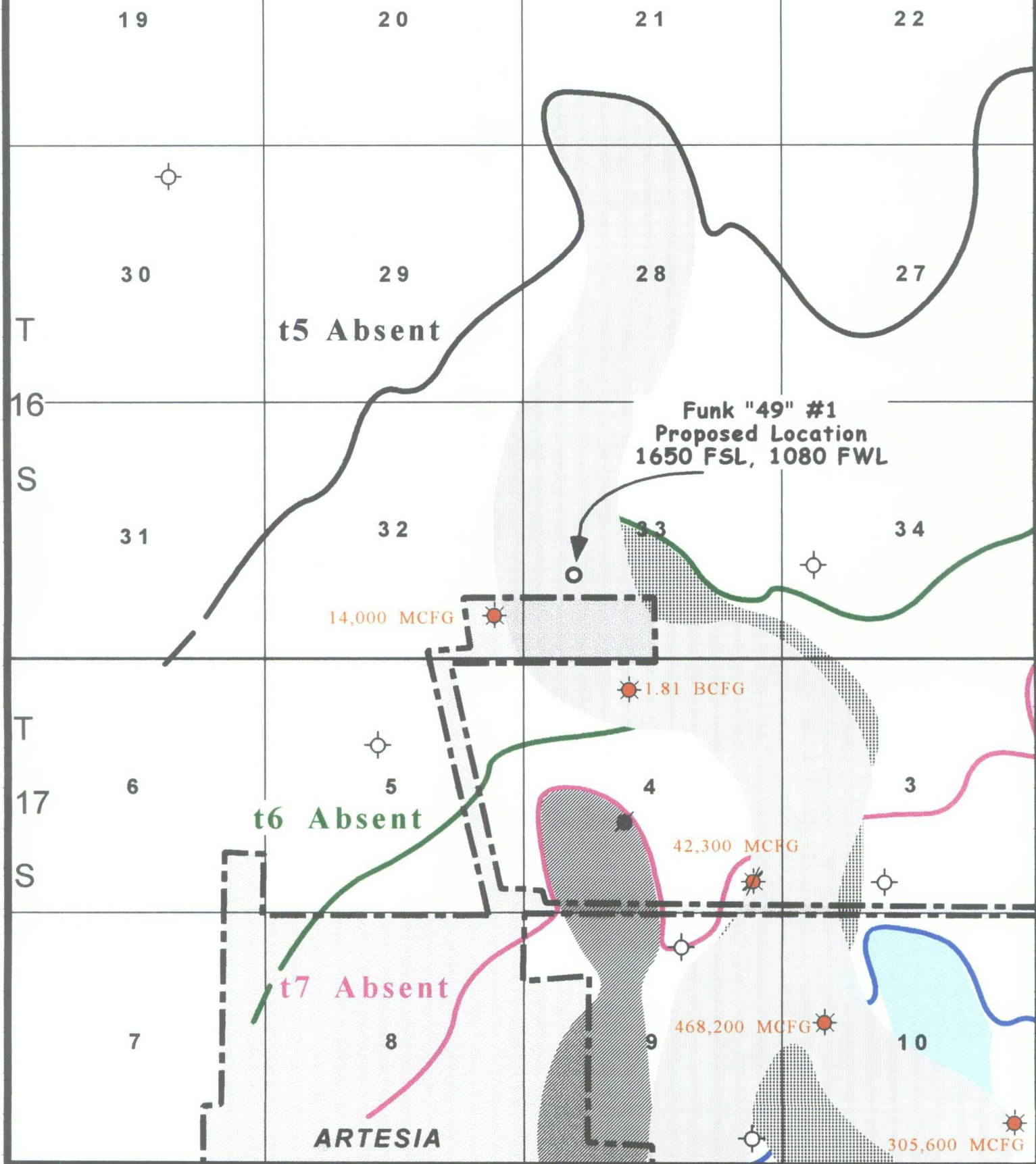
Regards,
Lou

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

2 Attachments

FIGURE 1

R - 26 - E



COQUINA OIL
HAINES #1
Sec. 11- Twp. 17S-26E

The diagram is a geological cross-section on a grid background. It features several horizontal lines representing stratigraphic boundaries. On the left side, there are two vertical columns of text: 'GR' at the top and 'CNL/FDC' below it. The main body of the diagram is divided into several horizontal sections by thick black lines. The top section is labeled 'UPPER MORROW'. Below this is a section labeled 'Middle Morrow', which contains a vertical column of text 't 8', 't 7', 't 6', and 't 5' from top to bottom. Below 'Middle Morrow' is a section labeled 'MORROW CLASTICS'. Below that is a section labeled 'Lower Morrow', which contains a vertical column of text 't 3', 't 2', and 't 1' from top to bottom. Below 'Lower Morrow' is a section labeled 'BARNETT SHALE'. The bottom section is labeled 'CHESTER'. On the far left, there are numerical values: '8400' near the top, '8500' in the middle, and '8600' near the bottom. The diagram also includes a vertical scale on the left side with markings for 'GR' and 'CNL/FDC'.

TYPE LOG

FIGURE 2

COQUINA OIL
HAINES #1
Sec. 11- Twp. 17S-26E

