

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 11998

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 N $\frac{1}{4}$ 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 N $\frac{1}{4}$ of said Section 33, and has the right to drill a well thereon.

2. Applicant proposes to drill its Funk "49" Well No. 2, at an orthodox location 1980 feet from the North line and 1680 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 N $\frac{1}{4}$ of Section 33 for all pools or formations spaced on 320 acres, including the POW-Morrow Gas Pool and the Undesignated P.O.W.-Strawn Gas Pool;

(b) The NW $\frac{1}{4}$ of Section 33 for all pools or formations spaced on 160 acres; and

(c) The SE $\frac{1}{4}$ NW $\frac{1}{4}$ 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 N $\frac{1}{4}$ of Section 33 for the purposes set forth herein.

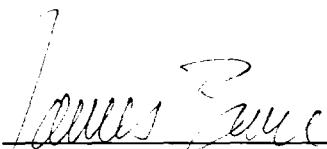
4. Although applicant has attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 33, pursuant to NMSA 1978 §70-2-17 (1995 Repl.).

5. The pooling of all mineral interests underlying the N½ 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 N½ 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,



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PROPOSED ADVERTISEMENT

Case 11998: Application of Costilla Energy, Inc. for compulsory pooling, 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 N½ 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 and Undesignated P.O.W.-Strawn Gas Pool; the NW¼ 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 SE¼NW¼ 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. 2, located at an orthodox location 1980 feet from the South line and 1680 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 3 miles North-Northeast of Artesia, New Mexico.