

EXHIBIT #4

Summary Of Letters With Attachments Funk 49 #2 Well N/2 Section 33, T-16-S, R-26-E, Eddy County, New Mexico

1. Costilla Energy, Inc. to Betty Colwell dated July 7, 1998.
2. Costilla Energy, Inc. to Betty Colwell dated July 17, 1998.
3. Costilla Energy, Inc. to Betty Colwell dated July 30, 1998.
4. Costilla Energy, Inc. to Betty Colwell dated August 10, 1998.
5. Mike O'Brien to Costilla Energy, Inc. dated August 12, 1998.
6. Mike O'Brien to Costilla Energy, Inc. dated August 12, 1998.



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

July 7, 1998

Ms. Betty Colwell
2604 South Ursila
Monahans, Texas 79756

Re: Funk 49 #2 Well
1,980' FNL & 1,680' FWL
Section 33, T-16-S, R-26-E
Eddy County, New Mexico

Dear Ms.Colwell:

With reference to your telephone conversation with Mr. Mike O'Brien on the behalf of Costilla Energy, Inc., Costilla as operator, proposes to drill the above captioned Funk 49 #2 Well to a depth sufficient to adequately test the Morrow formation within the spacing unit consisting of the N/2 of the above captioned Section 33, total estimated depth being 8,500'. The Eddy County records indicate that you are the owner of mineral interest. In this regard, please find attached two (2) AFEs covering this test. Please execute and return one (1) copy should you desire to participate. Upon receipt of your decision to participate, Costilla will forward an Operating Agreement for your approval and execution.

In the event you do not desire to participate in this test, Costilla requests that you lease your interest to Costilla for \$100.00 per net mineral acre, with said lease providing for a 3/16ths of 8/8ths royalty and a primary term of three (3) years.

Your earliest attention to this request will be most appreciated.

Sincerely,

Gary L. Winter, CPL
District Landman

COSTILLA ENERGY ,INC.

AUTHORITY FOR EXPENDITURE

Date: 5/21

Lease Name & Well No. FUNK 49 # 2

Field Name: WC

Location: Sec. 33, T - 16S, R - 26E

State:

County: Eddy

Objective: Morrow

Depth: 8,500 ft.

AFF #:	JIB #:	INTANGIBLES:	DRILLING	COMPLETION
102	507	1. Surveyors	\$ 1,500	
139	508	2. Insurance	\$ 2,500	
140	512	3. Pit Lining	\$ 2,850	
141/338	505	4. Road & Location	\$ 18,000	\$ 3,500
101	502	5. Damages	\$ 5,000	
103		6. Cement Services		
104	503	a. Surface Casing Cmt. 400 sxs.	\$ 4,800	
105	504	b. Intermediate Casing Cmt. 800 sxs.	\$ 12,500	
306	806	c. Production Casing Cmt. 750 sxs.		\$ 17,500
138	511	d. Cmt for P & A		
		7. Rig Costs		
109	530	a. Footage 8,500 \$16.00 per ft.	\$ 136,000	
110	529	b. Daywork 5 \$5,500 per day	\$ 27,500	
311	842	c. Comp Unit: 8 \$1,800 per day		\$ 14,400
112	572	d. Mobilization/Demobilization (Rig Move)		
335	552/852	e. Swabbing Unit		
132	535	f. Fuel & Power		
113/313	557	8. Equipment Rental & Expendable Supplies	\$ 3,500	\$ 1,500
142/337	560/862	9. Tool Rental		\$ 1,250
137/336	532/832	10. Casing Crew		\$ 2,125
114	515	11. Drilling mud, Chemicals	\$ 18,500	
		12. Drilling Water		
116	524	a. Water Line Rental		
143	527	b. Water Well		
144/344	535	c. Water Hauled	\$ 20,000	\$ 3,500
		13. Wireline & Formation Evaluation Services		
118	526	a. Open Hole Logging	\$ 14,500	
119	537	b. Mud Log 15 \$500 per day	\$ 7,500	
120	533	c. Drilling Stem Test & Analysis	\$ 4,500	
121	550	d. Coring & Analysis		\$ 4,500
322	828	e. Cased Hole Logging		\$ 3,500
323	853	f. Perforating		
145/345	501	g. Gyro Survey		
		14. Well Stimulation		
326	814	a. Acidizing		\$ 8,500
327	869	b. Fracturing		
128/328	520/820	15. Transportation/Trucking/Forklift	\$ 2,500	\$ 3,850
129/329	559/859	16. Welding & Misc Services	\$ 1,500	\$ 2,000
130/330	521/821	17. Engineering and/or Geological Service		
131/331	571/871	18. Overhead & Contingencies 10.00%	\$ 28,315	\$ 6,613
		19. Supervision	\$ 14,000	\$ 7,500
146/339	545/845	20. Bits/Reamers		\$ 750
147/340	567/867	21. Contract Labor	\$ 2,500	\$ 5,000

TOTAL INTANGIBLES:

\$ 327,965 \$ 85,988

AFF #:	JIB #:	TANGIBLES:	DRILLING	COMPLETION
		1. Casing		
210	410	a. Surface 13.375 \$17.25 450	\$ 7,763	
212	412	b. Intermediate 9.625 \$12.50 1350	\$ 16,875	
415	715	c. Production 5.500 \$6.35 8,500		\$ 53,975
216/416	422/722	d. Liner & Hanger		
230	417	e. Conductor Casing		
417	725	2. Tubing 2.875 \$2.75 8500		\$ 23,375
218/418	430/730	3. Wellhead	\$ 3,000	\$ 2,000
419	720	4. Packer & Downhole flow controls		\$ 12,500
420	750	5. Pumping unit & Prime mover		
421	760	6. Rods, Pump & Tubing Anchor		
222/422	449/749	7. Surface Equipment		
223/423	455/755	a. Flowline, valves & connections		\$ 8,000
424	748	b. Separation & Treating Vessels		\$ 12,500
425	740	c. Tankage		\$ 12,500
227/427	446/746	8. Installation Costs & Other Misc Tangibles		\$ 9,000
231/429	427/727	9. Compressors (Purchase)		
428	745	10. Heaters & Treaters		\$ 7,500
430	752	11. Artificial Lift Devices		
232/431	499/799	12. Lease & Well Equipment - Other		\$ 8,000

TOTAL TANGIBLES:

\$ 27,638 \$ 149,350

ESTIMATED TOTAL COSTS:

1. Drilling Intangibles	\$ 327,965	\$ 327,965
2. Drilling Tangibles	\$ 27,638	\$ 27,638
3. Completion Intangibles		\$ 85,988
4. Completion Tangibles		\$ 149,350
5. Plugging Expense		
TOTAL WELL COSTS:	\$ 355,603	\$ 590,940

COMPANY PARTNER:

DATE:

WI PARTNER:

DATE:

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4 and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

Funk 49#2

Also wish to receive the following services (for an ex. fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Ms. Betty Colwell
2604 S. Ursula
Monahans, TX 79756

4a. Article Number

P 245 730 869

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

5. Received By: (Print Name)

B. Colwell

6. Signature: (Addressee or Agent)

B. Colwell

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3817, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

July 17, 1998

Mineral Interest
Address List Attached:

Re: Funk 49 #2 Well
1,980' FNL & 1,680' FWL
Section 33, T-16-S, R-26-E
Eddy County, New Mexico

Ladies and Gentlemen:

With reference to Costilla Energy, Inc.'s previous letters and telephone conversations, Costilla desires flange up the above captioned Funk 49 #2 and proceed with drilling operations. Therefore, please consider the following:

1. Lease your mineral interest to Costilla for \$150.00 per net mineral acre, with said lease providing for a 3/16th of 8/8ths royalty and a primary term of two (2) year.
2. Lease your mineral interest to Costilla for no bonus consideration, with said lease providing for a 1/4th of 8/8ths royalty and a primary term of two (2) year.
3. Participate with Costilla in the drilling of the above captioned well. Please find attached a copy of Costilla's AFE for your signature if you desire to participate. Upon receiving your signed AFE, Costilla will provide you with an Operating Agreement covering the N/2 of the above captioned Section 33.

Your earliest attention to this request will be most appreciated.

Sincerely,

Gary L. Winter, CPL
District Landman

**Funk 49 #2
Mineral Interest
Address List**

Charles M. and Elvira R. Campbell
117 East Compress Road
Artesia, New Mexico 88210

Betty Colwell
2604 South Ursila
Monahans, Texas 79756



COSTILLA ENERGY ,INC.

AUTHORITY FOR EXPENDITURE

Date: 5/21

Lease Name & Well No. FUNK 49 # 2

Field Name: WC

Location: Sec. 33, T - 16S, R - 26E

State:

County: Eddy

Objective: Morrow

Depth: 8,500 ft.

AFE #:	JIB #:	INTANGIBLES:	DRILLING	COMPLETION
102	507	1. Surveyors	\$ 1,500	
139	508	2. Insurance	\$ 2,500	
140	512	3. Pit Lining	\$ 2,850	
141/338	505	4. Road & Location	\$ 18,000	\$ 3,500
101	502	5. Damages	\$ 5,000	
103		6. Cement Services		
104	503	a. Surface Casing Cmt. 400 sxs.	\$ 4,800	
105	504	b. Intermediate Casing Cmt. 800 sxs.	\$ 12,500	
306	806	c. Production Casing Cmt. 750 sxs.		\$ 17,500
138	511	d. Cmt for P & A		
		7. Rig Costs		
109	530	a. Footage 8,500 \$16.00 per ft.	\$ 136,000	
110	529	b. Daywork 5 \$5,500 per day	\$ 27,500	
311	842	c. Comp Unit: 8 \$1,800 per day		\$ 14,400
112	572	d. Mobilization/Demobilization (Rig Move)		
335	552/852	e. Swabbing Unit		
132	535	f. Fuel & Power		
113/313	557	8. Equipment Rental & Expendable Supplies	\$ 3,500	\$ 1,500
142/337	560/862	9. Tool Rental		\$ 1,250
137/336	532/832	10. Casing Crew		\$ 2,125
114	515	11. Drilling mud, Chemicals	\$ 18,500	
		12. Drilling Water		
116	524	a. Water Line Rental		
143	527	b. Water Well		
144/344	535	c. Water Hauled	\$ 20,000	\$ 3,500
		13. Wireline & Formation Evaluation Services		
118	526	a. Open Hole Logging	\$ 14,500	
119	537	b. Mud Log 15 \$500 per day	\$ 7,500	
120	533	c. Drilling Stem Test & Analysis	\$ 4,500	
121	550	d. Coring & Analysis		
322	828	e. Cased Hole Logging		\$ 4,500
323	853	f. Perforating		\$ 3,500
145/345	501	g. Gyro Survey		
		14. Well Stimulation		
326	814	a. Acidizing		\$ 8,500
327	869	b. Fracturing		
128/328	520/820	15. Transportation/Trucking/Forklift	\$ 2,500	\$ 3,850
129/329	559/859	16. Welding & Misc Services	\$ 1,500	\$ 2,000
130/330	521/821	17. Engineering and/or Geological Service		
131/331	571/871	18. Overhead & Contingencies 10.00%	\$ 28,315	\$ 6,613
		19. Supervision	\$ 14,000	\$ 7,500
146/339	545/845	20. Bits/Reamers		\$ 750
147/340	567/867	21. Contract Labor	\$ 2,500	\$ 5,000

TOTAL INTANGIBLES:

\$ 327,965 \$ 85,988

AFE #:	JIB #:	TANGIBLES:	DRILLING	COMPLETION
		1. Casing		
210	410	a. Surface 13.375 \$17.25 450	\$ 7,763	
212	412	b. Intermediat 9.625 \$12.50 1350	\$ 16,875	
415	715	c. Production 5.500 \$6.35 8,500		\$ 53,975
216/416	422/722	d. Liner & Hanger		
230	417	e. Conductor Casing		
417	725	2. Tubing 2.875 \$2.75 8500		\$ 23,375
218/418	430/730	3. Wellhead	\$ 3,000	\$ 2,000
419	720	4. Packer & Downhole flow controls		\$ 12,500
420	750	5. Pumping unit & Prime mover		
421	760	6. Rods, Pump & Tubing Anchor		
222/422	449/749	7. Surface Equipment		
223/423	455/755	a. Flowline, valves & connections		\$ 8,000
424	748	b. Separation & Treating Vessels		\$ 12,500
425	740	c. Tankage		\$ 12,500
227/427	446/746	8. Installation Costs & Other Misc Tangibles		\$ 9,000
231/429	427/727	9. Compressors (Purchase)		
428	745	10. Heaters & Treaters		\$ 7,500
430	752	11. Artificial Lift Devices		
232/431	499/799	12. Lease & Well Equipment - Other		\$ 8,000

TOTAL TANGIBLES:

\$ 27,638 \$ 149,350

ESTIMATED TOTAL COSTS:

1. Drilling Intangibles
 2. Drilling Tangibles
 3. Completion Intangibles
 4. Completion Tangibles
 5. Plugging Expense
- TOTAL WELL COSTS:

DRILLING	COMPLETION
\$ 327,965	\$ 327,965
\$ 27,638	\$ 27,638
	\$ 85,988
	\$ 149,350
\$ 355,603	\$ 590,940

COMPANY PARTNER:

DATE:

DATE:

DATE:



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

July 30, 1998

Ms. Betty Colwell
2604 South Ursila
Monahans, Texas 79756

Re: Funk 49 #2 Well
1,980' FNL & 1,680' FWL
Section 33, T-16-S, R-26-E
Eddy County, New Mexico

Dear Ms. Colwell:

With reference to Costilla Energy, Inc.'s previous letters and telephone conversations, Costilla desires flange up the above captioned Funk 49 #2 and proceed with drilling operations. Therefore, please consider the following:

1. Lease your mineral interest to Costilla for \$200.00 per net mineral acre, with said lease providing for a 3/16th of 8/8ths royalty and a primary term of two (2) year.
2. Lease your mineral interest to Costilla for no bonus consideration, with said lease providing for a 1/4th of 8/8ths royalty and a primary term of two (2) year.
3. Participate with Costilla in the drilling of the above captioned well. Please find attached a copy of Costilla's AFE for your signature if you desire to participate. Upon receiving your signed AFE, Costilla will provide you with an Operating Agreement covering the N/2 of the above captioned Section 33.

Your earliest attention to this request will be most appreciated.

Sincerely,

Gary L. Winter, CPL
District Landman

Cc: Mike O'Brien CPL
P.O. Box 1743
Midland, Texas 79702

COSTILLA ENERGY ,INC.

AUTHORITY FOR EXPENDITURE

Date: 5/21

Lease Name & Well No. FUNK 49 # 2

Field Name: WC

Location: Sec. 33, T - 16S, R - 26E

State:

County: Eddy

Objective: Morrow

Depth: 8,500 ft.

AFF #:	JIB #:	INTANGIBLES:	DRILLING	COMPLETION
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139	508	2. Insurance	\$ 2,500	
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101	502	5. Damages	\$ 5,000	
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306	806	c. Production Casing Cmt. 750 sxs.		\$ 17,500
138	511	d. Cmt for P & A		
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		19. Supervision	\$ 14,000	\$ 7,500
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TOTAL INTANGIBLES:			\$ 327,965	\$ 85,988

AFF #:	JIB #:	TANGIBLES:	DRILLING	COMPLETION
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227/427	446/746	8. Installation Costs & Other Misc Tangibles		\$ 9,000
231/429	427/727	9. Compressors (Purchase)		
428	745	10. Heaters & Treaters		\$ 7,500
430	752	11. Artificial Lift Devices		
232/431	499/799	12. Lease & Well Equipment - Other		\$ 8,000
TOTAL TANGIBLES:			\$ 27,638	\$ 149,350

ESTIMATED TOTAL COSTS:	DRILLING	COMPLETION
1. Drilling Intangibles	\$ 327,965	\$ 327,965
2. Drilling Tangibles	\$ 27,638	\$ 27,638
3. Completion Intangibles		\$ 85,988
4. Completion Tangibles		\$ 149,350
5. Plugging Expense		
TOTAL WELL COSTS:	\$ 355,603	\$ 590,940



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

August 10, 1998

Ms. Betty Colwell
2604 South Ursila
Monahans, Texas 79756

Re: Funk 49 #2 Well
1,980' FNL & 1,680' FWL
Section 33; T-16-S, R-26-E
Eddy County, New Mexico

Dear Ms. Colwell:

With reference to Costilla Energy, Inc.'s previous letters and telephone conversations, please consider the following:

1. Lease your mineral interest to Costilla for \$200.00 per net mineral acre, with said lease providing for a 3/16th of 8/8ths royalty and a primary term of one (1) year.
2. Lease your mineral interest to Costilla for no bonus consideration, with said lease providing for a 1/4th of 8/8ths royalty and a primary term of one (1) year.
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Your earliest attention to this request will be most appreciated.

Sincerely,

Gary L. Winter, CPL
District Landman

cc: Mike O'Brien CPL
P.O. Box 1743
Midland, Texas 79702

COSTILLA ENERGY ,INC.

AUTHORITY FOR EXPENDITURE

Date: 5/21

Lease Name & Well No. FUNK 49 # 2

Field Name: WC

Location: Sec. 33, T - 16S, R - 26E

State:

County: Eddy

Objective: Morrow

Depth: 8,500 ft.

AFF #:	JIB #:	INTANGIBLES:	DRILLING	COMPLETION
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3. Completion Intangibles		\$ 85,988
4. Completion Tangibles		\$ 149,350
5. Plugging Expense		
TOTAL WELL COSTS:	\$ 355,603	\$ 590,940

COMPANY PARTNER: _____

DATE: _____

MIKE O'BRIEN, CPL

OIL AND GAS PROPERTIES
POST OFFICE BOX 1743
MIDLAND, TEXAS 79702
OFF. 915/686-7811
FAX 915/686-7855

August 12, 1998

Costilla Energy, Inc.
Attn: Gary Winter
P.O. Box 10369
Midland, Texas 79702

**Re: Funk 49 # 2 Curative and Lease Acquisition Status Report,
The Tony Ray Townsend and Gary Duane Townsend Interests
Eddy County, New Mexico.**

Dear Gary:

Reference is made to your request pertaining to the status of my efforts to locate the unleased mineral interests of Tony Ray Townsend and Gary Duane Townsend in the above captioned prospect.

I have tried unsuccessfully to locate either one of these mineral interest owners. I searched the records of Eddy County and was able to find out that they both lived in Gladewater, Texas in 1977 as reflected by an Affidavit of Heirship filed in Eddy County by Dwaine Howard. However, the telephone number I have on Gary Townsend has been disconnected. I then contacted several Tony Townsends in Dallas, Texas, without any results. I also tried to contact Dwaine Howard (who filed the Affidavit described above) in Mayhill, New Mexico but his phone had also been disconnected. I called another Townsend in Gladewater but they had no idea who Gary or Tony was. I also contacted Roy Ingram in Artesia, New Mexico who has a mineral interest in this section, but he didn't know who they were either.

Since it appears that I have come to a standstill on the whereabouts of the Townsends, I am enclosing for your files, several telephone numbers as well as a copy of the Affidavit in case you need them for force pooling purposes.

If I can furnish you with anything else, please do not hesitate to give me a call.

Sincerely,



Mike O'Brien, CPL
Enc.

MIKE O'BRIEN, CPL

OIL AND GAS PROPERTIES
POST OFFICE BOX 1743
MIDLAND, TEXAS 79702
OFF. 915/686-7811
FAX 915/686-7855

August 12, 1998

Costilla Energy, Inc.
Attn: Gary Winter
P.O. Box 10369
Midland, Texas 79702

**Re: Funk 49 #² Lease Acquisition Status Report covering Section 33,
T-16-S, R-26-E, Eddy County, New Mexico.**

Dear Gary:

Reference is made to your second request pertaining to the leasing of Betty Colwells's unleased mineral interests in the above captioned prospect. The following is a short synopsis of the status of my leasing efforts:

On July 7, 1998, I attempted to acquire an Oil and Gas Lease from Betty Colwell who owns an undivided ½ of the minerals in Tract H covering the above lands. However, Mrs. Colwell told me that she was not interested in leasing her interest or even listening to an offer.

On August 10, 1998 you forwarded her another certified letter giving her the option to lease her interest or participate in the drilling of the well. I followed up your letter today with a phone call to see if she had received your letter. She told me she hadn't, but let me know that even when she did, she wouldn't sign the return receipt for it.

I offered again to lease her interest but she reiterated that she was not interested and hung up the phone.

If we need to contact Mrs. Colwell at some future date, her address is 2604 S. Ursila, Monahans, Texas 79756 and her telephone number is 915-943-6537.

Sincerely,



Mike O'Brien, CPL