



Attn: Trading and Market Making / Legal and Compliance / Operations / Systems
UNIFORM PRACTICE ADVISORY (UPC # 065-2004) May 26, 2004

Costilla Energy, Inc. – 10 ¼ % Senior Subordinated Notes due October 1, 2006

Pursuant to the Plan of Reorganization, the above company has made a fifth payment of principal (\$4.497886) and interest (\$0.194658) on May 24, 2004 to holders of record on May 13, 2004. The distribution will quoted “ex” on May 27, 2004 and due-bills redeemable on June 1, 2004.

Members are advised that effective June 1, 2004, trades executed in the notes should be on a **“additional reduced principal basis”** of \$514.90196633 in lieu of \$1,000 principal amount and “ex” the pay-down of \$4.497886 per \$1,000 note. Comparisons and/or confirmations should be marked to indicate the reduction in principal.

Members should take immediate steps to adjust their records and bookkeeping systems to reflect the reduction in principal.

Questions regarding this notice should be directed to: Market Integrity Department, 203.375.9609.

Tara Petta
Associate Director