



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 30, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Citation Oil & Gas Corporation
8223 Willow Place South
Houston, Texas 77070-5623
Attention: Debra Harris

Administrative Order NSL-3949-A(SD)

Dear Ms. Harris:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on February 8, 2001; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Order NSL-3949(SD): all concerning Citation Oil & Gas Corporation's ("Citation") requests for an unorthodox Eumont infill gas well location within an existing non-standard 160-acre gas spacing and proration unit ("GPU") for the Eumont Gas Pool comprising the SE/4 of irregular Section 1, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

The rules and procedures currently governing the Eumont Gas Pool include but are not necessarily limited to:

- (i) the "*Special Rules and Regulations for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B;
- (iii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;
- (iv) Rule 1207.A (2); and
- (v) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

The subject 160-acre GPU was established by Division Order No. R-520, dated August 12, 1954 and currently has dedicated thereon the following two wells:

- (1) State "L" Well No. 2 (API No. 30-025-03390), located at an

unorthodox gas well location (see letter of approval dated December 30, 1953) 990 feet from the South line and 330 feet from the East line (Unit X) of Section 1; and

- (2) State "L" Well No. 2-Y (API No. 30-025-03393), located at an unorthodox gas well location [approved by Division Administrative Order NSL-3949(SD), dated February 16, 1998]] 330 feet from the South line and 990 feet from the East line (Unit X) of Section 1.

By the authority granted me under the provisions of these rules, regulations, and directives, the following described well, located at an unorthodox Eumont gas well location in Section 1, is hereby approved:

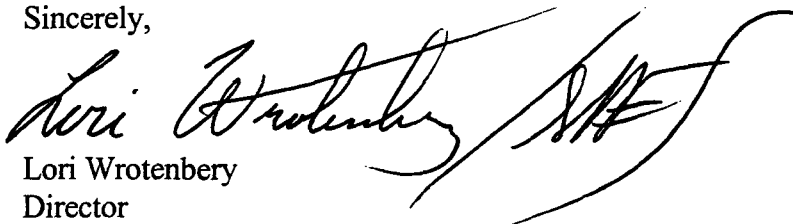
**State "L" Well No. 1
2310' FSL & 330' FEL (Unit Q)
(API No. 30-025-12720)**

Also, Citation is hereby authorized to simultaneously dedicate Eumont gas production from the State "L" Well No. 1 with the State "L" Wells No. 2 and 2-Y. Furthermore, Citation is hereby permitted to produce the allowable assigned the subject 160-acre GPU from all three wells in any proportion.

All provisions applicable to the subject GPU in Division Administrative Order NSL-3949 (SD) shall remain in full force and affect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: NSL-3949(SD)