

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

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W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

November 25, 1991

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 206
State Land Office Building
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Application of Citation Oil & Gas Corp.
for Downhole Commingling South Hospah
Upper Sand Oil Pool and South Hospah
Lower Sand Oil Pool, McKinley County,
New Mexico.

10424
RECEIVED

NOV 25 1991

OIL CONSERVATION DIV
SANTA FE

Dear Mr. LeMay:

On behalf of Citation Oil & Gas Corporation please find enclosed our Application for Downhole Commingling of production from the referenced pools in the area described in the application. We request that this matter be set on the next available Examiner's docket now scheduled for December 19, 1991.

By copy of this letter and application to all parties identified in the application, we are notifying them by certified mail, return receipt requested, that they have the right but not the obligation to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Any party desiring to appear and participate in the hearing should file with the Division, with a copy to the Applicant's attorney, a pre-hearing statement as set forth by Division guidelines not later than 4:00 PM on Friday before the hearing.

Very truly yours,


W. Thomas Kellahin

WTK/jcl/appt1125.358
Enclosures

Mr. William J. LeMay
November 25, 1991
Page Two

cc: Citation Oil & Gas Corporation
By Certified Mail-Return Receipt Requested:

Raymond Chorney
555 17th Street, Ste 1000
Denver, CO 80202-3910

Marvin & Karen Finell
9255 Doheny Road, #2101
West Hollywood, CA 90069

Minerals Management Service
Post Office Box 5810
Denver, CO 80217

Bureau of Land Management
Farmington Resource Area
1235 LaPlata Highway
Farmington, NM 87401

Erving Wolf
1001 Fannin, Suite 2000
Houston, TX 77002-6709

Rosalind Wyman
10430 Bellagio Road
Los Angeles, CA 90077

Hotchkiss, Alphas & Lester
C & O Northwestern Oil Co.
4949 N. Van Ness Blvd.
Fresno, CA 93704

Santa Fe Energy Resources, Inc.
Post Office Box 911701
Dallas, TX 75391

American Exploration Company
1331 Lamar, Suite 900
Houston, TX 77070-3088

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10424

APPLICATION OF CITATION OIL & GAS
CORPORATION FOR DOWNHOLE COMMINGLING,
MCKINLEY COUNTY, NEW MEXICO.

A P P L I C A T I O N

Comes now CITATION OIL & GAS CORPORATION
("Citation") by and through its attorneys, Kellahin,
Kellahin & Aubrey, and applies to the New Mexico Oil
Conservation Division for approval to downhole
commingle production from the South Hospah Upper Sand
Oil Pool and the South Hospah Lower Sand Oil Pool in
the wells described on Exhibits A and B attached hereto
being located within an area described as follows:

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM

Section 12: N/2 and N/2S/2,
Section 11: SE/4NE/4 and NE/4SE/4

and in support thereof would state:

RECEIVED

NOV 25 1991

OIL CONSERVATION DIV.
SANTA FE

(1) Citation is 100% working interest owner of the area described above.

(2) The Oil Conservation Division adopted Special Rules and Regulations for the South Hospah Upper and Lower Sand Pools by Division Order R-3361, effective January 2, 1968.

(3) Citation operates the South Hospah Unit (Upper Sand) which is a waterflood project of unitized federal leases for production from the South Hospah Upper Sand Oil Pool. (Division Order R-3513). Exhibit A describes the unit wells, status and locations. Exhibit B shows a plat of the unit with the wells located.

(4) Citation also operates the Hospah Lease, a federal lease waterflood project in the South Hospah Lower Sand Oil Pool. Exhibit C describes the lease wells, status and location. Exhibit D shows a plat of the lease with the wells located.

(5) Citation seeks an exception to Division Rule 303 in order to continue marginal production which may otherwise have to be abandoned.

(6) The Upper Hospah currently averages approximately 41 BOPD and 2300 BHPD from 14 producers

with 9 active injectors. The Lower Hospah currently averages approximately 312 BOPD and 16,400 BWPD from 21 producers. Neither pool produces any measurable amounts of gas. All producers are on artificial lift.

(7) The royalty interest ownership is not common between the Upper and Lower Hospah. See Exhibit E.

(8) Citation seeks the approval of an allocation formula for the equitable distribution of production between the two pools as set forth on Exhibit F.

(9) The Ownership between the two pools is not identical and accordingly, Citation seeks the approval of the Division after notice and hearing for downhole commingling of production.

(10) Citation requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for December 19, 1991.

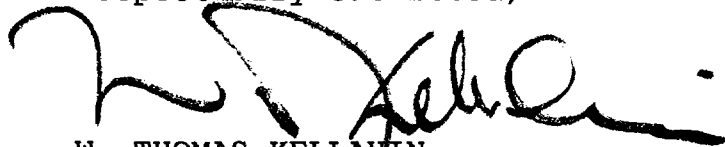
(11) A copy of this application has been sent to all offsetting operators and to the owners of interest in the affected production within the two pools as set forth on Exhibits G and H.

WHEREFORE, Applicant requests that is matter be set for hearing on December 19, 1991 before a duly

Application of Citation Oil & Gas
November 25, 1991
Page 4

appointed Examiner of the Oil Conservation Division and
that after notice and hearing as required by law, the
Division enter its order granting this application.

Respectfully submitted,

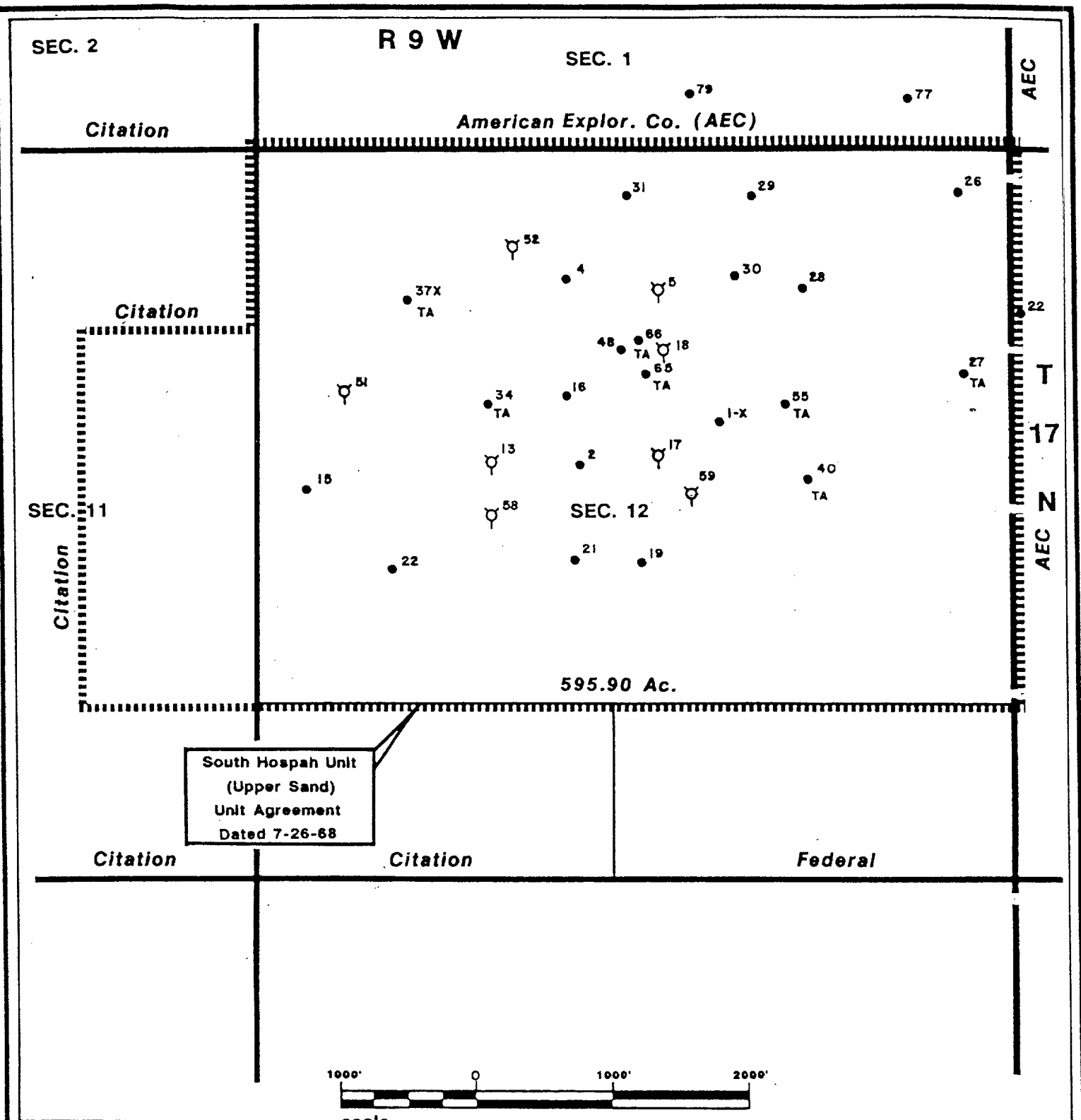
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address.

W. THOMAS KELLAHIN
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR CITATION OIL &
GAS CORPORATION

SOUTH HOSPAH UNIT (Upper Sand)
 SOUTH HOSPAH UPPER SAND POOL
 MCKINLEY COUNTY, NEW MEXICO

WELL SUMMARY

Well No.	STATUS	TYPE	WELL LOCATION	
1X	Act	Oil	1980 FNL 2062 FEL	S12, T17N, R9W
2	Act	Oil	2310 FNL 2310 FWL	S12, T17N, R9W
4	Act	Oil	990 FNL 2310 FWL	S12, T17N, R9W
5	Act	WIW	990 FNL 2712 FEL	S12, T17N, R9W
13	Act	WIW	2280 FNL 1620 FWL	S12, T17N, R9W
15	Act	Oil	2500 FNL 330 FWL	S12, T17N, R9W
16	Act	Oil	1755 FNL 2330 FWL	S12, T17N, R9W
17	Act	WIW	2250 FNL 3000 FWL	S12, T17N, R9W
18	Act	WIW	1475 FNL 3055 FWL	S12, T17N, R9W
19	Act	Oil	2310 FSL 2712 FEL	S12, T17N, R9W
21	Act	Oil	2310 FSL 2310 FWL	S12, T17N, R9W
22	Act	Oil	2210 FSL 990 FWL	S12, T17N, R9W
26	Act	Oil	330 FNL 380 FEL	S12, T17N, R9W
27	T/A	Oil	1570 FNL 330 FEL	S12, T17N, R9W
28	Act	Oil	933 FNL 1485 FEL	S12, T17N, R9W
29	Act	Oil	410 FNL 1870 FEL	S12, T17N, R9W
30	Act	Oil	950 FNL 1980 FEL	S12, T17N, R9W
31	Act	Oil	330 FNL 2800 FEL	S12, T17N, R9W
34	T/A	Oil	1820 FNL 1700 FWL	S12, T17N, R9W
37X	T/A	Oil	1280 FNL 1280 FWL	S12, T17N, R9W
40	T/A	Oil	2420 FNL 1650 FEL	S12, T17N, R9W
48	Act	Oil	1485 FNL 2817 FEL	S12, T17N, R9W
51	Act	WIW	1775 FNL 620 FWL	S12, T17N, R9W
52	Act	WIW	720 FNL 1850 FWL	S12, T17N, R9W
55	T/A	Oil	1750 FNL 1550 FEL	S12, T17N, R9W
58	Act	WIW	2580 FNL 1640 FWL	S12, T17N, R9W
59	Act	WIW	2340 FNL 2500 FEL	S12, T17N, R9W
65	T/A	Oil	1418 FNL 2769 FEL	S12, T17N, R9W
66	T/A	Oil	1646 FNL 2667 FEL	S12, T17N, R9W



LEGEND

- Oil Producer
- ☼ Gas Producer
- ⊕ Water Injector
- SI Shut In
- TA Temporarily Abandoned
- ==== Unit Boundary

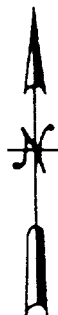


EXHIBIT "B"

Citation
OIL & GAS CORP.

SOUTH HOSPAH FIELD
McKinley County, New Mexico
SOUTH HOSPAH UNIT

SOUTH HOSPAH
UPPER SAND POOL

HOSPAH LEASE (Lower Sand)
 SOUTH HOSPAH LOWER SAND POOL
 MCKINLEY COUNTY, NEW MEXICO

WELL SUMMARY

WELL NO.	STATUS	TYPE	WELL LOCATION	
3	Act	Oil	1650 FNL 1392 FEL	S12, T17N, R9W
6	Act	Oil	330 FNL 330 FEL	S12, T17N, R9W
7	Act	Oil	1650 FNL 330 FEL	S12, T17N, R9W
8	Act	Oil	1650 FNL 2051 FEL	S12, T17N, R9W
9	Act	Oil	330 FNL 2051 FEL	S12, T17N, R9W
10	Act	Oil	990 FNL 2300 FWL	S12, T17N, R9W
11	Act	Oil	1650 FNL 2310 FWL	S12, T17N, R9W
12	Act	Oil	2160 FNL 990 FWL	S12, T17N, R9W
14	Act	Oil	1700 FNL 1300 FWL	S12, T17N, R9W
24	Act	Oil	330 FNL 2650 FEL	S12, T17N, R9W
25	Act	Oil	330 FNL 1505 FEL	S12, T17N, R9W
32	Act	Oil	550 FNL 2370 FWL	S12, T17N, R9W
33	Act	WIW	1340 FNL 1710 FWL	S12, T17N, R9W
34	T/A	Oil	1820 FNL 1700 FWL	S12, T17N, R9W
35	Act	Oil	330 FNL 850 FEL	S12, T17N, R9W
36	Act	WIW	900 FNL 2630 FEL	S12, T17N, R9W
37X	Act	Oil	1280 FNL 1280 FWL	S12, T17N, R9W
38	Act	Oil	660 FNL 660 FEL	S12, T17N, R9W
39	Act	WIW	2180 FNL 660 FEL	S12, T17N, R9W
46	Act	Oil	1700 FNL 700 FWL	S12, T17N, R9W
47	Act	Oil	785 FNL 1775 FWL	S12, T17N, R9W
49	Act	Oil	885 FNL 2117 FEL	S12, T17N, R9W
50	Act	Oil	950 FNL 900 FEL	S12, T17N, R9W
53	T/A	Oil	950 FNL 330 FEL	S12, T17N, R9W
54	Act	WIW	1319 FNL 5 FEL	S12, T17N, R9W
57	Act	WIW	2290 FNL 110 FWL	S12, T17N, R9W
58	Act	WIW	2580 FNL 1640 FWL	S12, T17N, R9W
59	Act	WIW	2340 FNL 2500 FEL	S12, T17N, R9W
60	Act	WIW	2210 FNL 1300 FEL	S12, T17N, R9W
61	Act	Oil	1120 FNL 2510 FEL	S12, T17N, R9W
62	Act	Oil	650 FNL 1770 FEL	S12, T17N, R9W
63	Act	WIW	710 FNL 1325 FEL	S12, T17N, R9W
64	Act	Oil	1360 FNL 900 FEL	S12, T17N, R9W

SEC. 2

R 9 W

SEC. 1

Citation

American Explor. Co. (AEC)

AEC

SEC. 11

SEC. 12

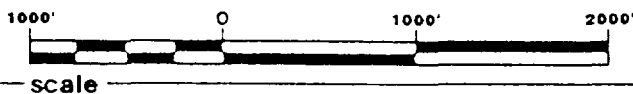
T 17

AEC N

Hospah Lease
(Lower Sand)

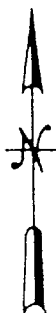
Citation

Citation



LEGEND

- Oil Producer
- ⊙ Gas Producer
- ⊙ Water Injector
- SI Shut In
- TA Temporarily Abandoned
- ▤ Lease Boundary



Citation
OIL & GAS CORP.

SOUTH HOSPAH FIELD
McKinley County, New Mexico
HOSPAH LEASE
SOUTH HOSPAH
LOWER SAND POOL

SOUTH HOSPAH UNIT (UPPER SAND)
CURRENT DIVISION OF INTEREST PER TRACT
OCTOBER 1, 1991

Interest Owners	Interest Type	TRACT 1		TRACT 2		TRACT 3		TRACT 4		Upper Hospah Net Totals
		Tract Interest	Net Interest	Tract Interest	Net Interest	Tract Interest	Net Interest	Tract Interest	Net Interest	
CITATION OIL AND GAS CORP. 8223 Willow Place South Suite 250 Houston, TX 77070-5623	WI	84.5000%	68.0021%	85.5000%	15.7224%	84.5000%	0.0626%	80.0000%	0.8490%	84.64%
CHORNEY, RAYMOND Suite 1000 555 17th Street Denver, CO 80202-3910	ORRI	1.1250%	0.9054%			1.1250%	0.0008%			0.91%
FINNELL MARVIN 9255 Doherty Rd. #2101 West Hollywood, CA 90069	ORRI	0.3750%	0.3018%			0.3750%	0.0003%			0.30%
MINERAL'S MGMT. SRVC. P.O. Box 5810 Denver, CO 80217	RI	12.5000%	10.0595%	12.5000%	2.2986%	12.5000%	0.0093%			12.37%
WOLF, ERVING 1001 Fannin, Suite 2000 Houston, TX 77002-6709	ORRI	1.1250%	0.9054%			1.1250%	0.0008%			0.91%
WYMAN, ROSALIND 10430 Bellagio Rd. Los Angeles, CA 90077	ORRI	0.3750%	0.3018%			0.3750%	0.0003%			0.30%
HOTCHKISS, A. & L. 4949 N. Van Ness Blvd. C & O Northwestern Oil Co. Fresno, CA 93704	ORRI			2.0000%	0.0368%					0.37%
SANTA FE ENERGY RESOURCES P.O. Box 911701 Dallas, TX 75391	RI							20.0000%	0.2122%	0.21%
		100.00%	80.48%	100.00%	18.39%	100.00%	0.07%	100.00%	1.06%	100.00%

HOSPAL LEASE (LOWER SAND)
CURRENT DIVISION OF INTEREST
OCTOBER 1, 1991

Interest Owners	Interest Type	LOWER UNIT	
		Tract	Interest
CITATION OIL AND GAS CORP. 8223 Willow Place South Suite 250 Houston, TX 77070-5623	WI	84.5000%	
CHORNEY, RAYMOND Suite 1000 555 17th Street Denver, CO 80202-3910	ORRI	1.1250%	
FINNELL MARVIN 9255 Doheny Rd. #2101 West Hollywood, CA 90069	ORRI	0.3750%	
MINERALS MGMT. SRVC. P.O. Box 5810 Denver, CO 80217	RI	12.5000%	
WOLF, ERVING 1001 Fannin, Suite 2000 Houston, TX 77002-6709	ORRI	1.1250%	
WYMAN, ROSALIND 10430 Bellagio Rd. Los Angeles, CA 90077	ORRI	0.3750%	
		100.00%	

PROPOSED ALLOCATION FORMULA
SOUTH HOSPAPH UNIT (Upper Sand)
HOSPAPH LEASE (Lower Sand)
MCKINLEY COUNTY, NEW MEXICO

South Hospah Field Commingled Oil Production X .201* = South Hospah (Upper Sand) Oil Production

South Hospah Field Commingled Oil Production X .799* = Hospah Lease (Lower Sand) Oil Production

*Based on current remaining Recoverable Reserves

EXHIBIT "G"

MAILING LIST
CITATION OIL & GAS CORP.SOUTH HOSPAH UNIT
SOUTH HOSPAH UPPER SAND POOL

TRACT I

1.	CHORNEY, RAYMOND 555 17th Street Suite 1000 Denver, CO 80202-3910	.01125000	ORI
2.	FINELL, MARVIN & KAREN 9255 Doheny Road, #2101 West Hollywood, CA 90069	.00375000	ORI
3.	MINERALS MANAGEMENT SERVICE P.O Box 5810 Denver, CO 80217	.12500000	RI
	and/or		
	BUREAU OF LAND MANAGEMENT Farmington Resource Area 1235 LaPlata Hwy. Farmington, NM 87401		
4.	WOLF, ERVING 1001 Fannin, Suite #2000 Houston, TX 77002-6709	.01125000	ORI
5.	WYMAN, ROSALIND 10430 Bellagio Road Los Angeles, CA 90077	.00375000	ORI
6.	CITATION OIL & GAS CORP. 8223 Willow Place South, #250 Houston, TX 77070	.84500000	WI

TRACT 2

1.	HOTCHKISS, ALPHAL & LESTER C. C & O NORTHWESTERN OIL CO. 4949 N. Van Ness Blvd. Fresno, CA 93704	.02000000	ORI
2.	MINERALS MANAGEMENT SERVICE P.O. Box 5810 Denver, CO 80217-5810	.12500000	RI

and/or

BUREAU OF LAND MANAGEMENT
Farmington Resource Area
1235 LaPlata Hwy.
Farmington, NM 87401

3.	CITATION OIL & GAS CORP. 8223 Willow Place South, #250 Houston, TX 77070	.85500000	WI
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TRACT 3

1.	CHORNEY, RAYMOND 555 17th Street Suite 1000 Denver, CO 80202-3910	.01125000	ORI
2.	FINELL, MARVIN & KAREN 9255 Doheny Road, #2101 West Hollywood, CA 90069	.00375000	ORI
3.	MINERALS MANAGEMENT SERVICE P.O Box 5810 Denver, CO 80217	.12500000	RI

and/or

BUREAU OF LAND MANAGEMENT
Farmington Resource Area
1235 LaPlata Hwy.
Farmington, NM 87401

4.	WOLF, ERVING 1001 Fannin, Suite #2000 Houston, TX 77002-6709	.01125000	ORI
5.	WYMAN, ROSALIND 10430 Bellagio Road Los Angeles, CA 90077	.00375000	ORI
6.	CITATION OIL & GAS CORP. 8223 Willow Place South, #250 Houston, TX 77070	.84500000	WI

TRACT 4

- | | | | |
|----|--|-----------|----|
| 1. | CITATION OIL & GAS CORP.
8223 Willow Place South, #250
Houston, TX 77070 | .80000000 | WI |
| 2. | SANTA FE ENERGY RESOURCES, INC.
P.O. Box 911701
Dallas, TX 75391 | .20000000 | RI |

EXHIBIT "H"

OFFSET OPERATORS

HOSPAH LEASE
AND
SOUTH HOSPAH UNIT

1. AMERICAN EXPLORATION COMPANY
1331 Lamar, Suite #900
Houston, TX 77070-3088
2. BUREAU OF LAND MANAGEMENT
Farmington Resource Area
1235 LaPlata Hwy.
Farmington, NM 87401

HOSPAH LEASE
SOUTH HOSPAH LOWER SAND POOL

1.	CHORNEY, RAYMOND 555 17th Street Suite 1000 Denver, CO 80202-3910	.01125000	ORI
2.	FINELL, MARVIN & KAREN 9255 Doheny Road, #2101 West Hollywood, CA 90069	.00375000	ORI
3.	WOLF, ERVING 1001 Fannin, Suite #2000 Houston, TX 77002-6709	.01125000	ORI
4.	WYMAN, ROSALIND 10430 Bellagio Road Los Angeles, CA 90077	.00375000	ORI
5.	MINERAL MANAGEMENT SERVICES P.O. Box 5810 Denver, CO 80217	.12500000	RI
	and/or		
	BUREAU OF LAND MANAGEMENT Farmington Resource Area 1235 LaPlata Hwy. Farmington, NM 87401		
6.	CITATION OIL & GAS CORP. 8223 Willow Place South, #250 Houston, TX 77070	.8450000	WI