AFFIDAVIT OF MAILING

CITATION OIL & GAS CORP.

Downhole Commingling Application
South Hospah Unit, South Hospah Upper Sand
Hospah Lease, South Hospah Lower Sand
McKinley Co., New Mexico

The undersigned hereby certifies that he/she is duly authorized agent for the applicant and that on the 20th day of November, 1991, a true and correct copy of the application referenced above was mailed to the parties on the attached Mailing List.

Signed this 20th day of November, 1991.

Carole Favro

Carole Favro
Production Admin. Manager

Subscribed and sworn to before me this 20th day of November, 1991.

MARY E. PICHOTTA
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
2-27-93

Mary E Pichotta

Notary Public
My Commission Expires: 2-27-93

EXHIBIT 10

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 and/or BUREAU OF LAND MANAGEMENT Farmington Resource Area 1235 LaPlata Hwy. Farmington, NM 87401	.12500000	RI
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

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 and/or BUREAU OF LAND MANAGEMENT Farmington Resource Area 1235 LaPlata Hwy. Farmington, NM 87401	.12500000	RI
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	.8000000	WI
2.	SANTA FE ENERGY RESOURCES, INC. P.O. Box 911701 Dallas, TX 75391	.20000000	RI

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 and/or BUREAU OF LAND MANAGEMENT Farmington Resource Area 1235 LaPlata Hwy. Farmington, NM 87401	.12500000	RI
6.	CITATION OIL & GAS CORP. 8223 Willow Place South, #250 Houston, TX 77070	.8450000	WI

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

Citation
OIL & GAS CORP.

November 19, 1991

American Exploration Company
1331 Lamar, Suite #900
Houston, TX 77010-3088

RE: Downhole Commingling Application
South Hospah Unit (Upper Sand)
Hospah Lease (Lower Sand)
McKinley Co., NM

Dear Sirs:

Citation Oil & Gas Corp. as operator of the South Hospah Unit and Hospah Lease is filing an application with the New Mexico Oil Conservation Division for approval to downhole commingle the above unit and lease. As an offset operator to either the unit or lease, you are hereby being notified.

The production from each unit or lease has declined to a point that is uneconomic to continue producing separately. Therefore, to prolong the life of the field, downhole commingling is the only viable alternative. If you have no objections to Citation's application, we respectfully request that you sign one copy of this letter as a waiver and return to the undersigned. Your consideration of this request is very much appreciated.

Very truly yours,

Carole Favro

Carole Favro
Production Administrative Manager

CF11192/ci

We hereby waive objections to the approval of Citations's application to downhole commingle the South Hospah Unit and the Hospah Lease.

Company: ______________________

By: ______________________

Date: ______________________

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

Citation
OIL & GAS CORP.

November 20, 1991

THIS LETTER SENT TO ALL ROYALTY OWNERS ON MAILING LIST.

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

RE: South Hospah Unit (Upper Sand) - Tract 1 & 3 - ORRI of 1.125%
Hospah Lease (Lower Sand) - ORRI of 1.125%

Dear Mr. Chorney:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

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

RE: South Hospah Unit (Upper Sand) - Tract 1 & 3 - ORRI of .375%
Hospah Lease (Lower Sand) - ORRI of .375%

Dear Mr. & Mrs. Finnell:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

Minerals Management Services
P.O. Box 5810
Denver, CO 80217

RE: South Hospah Unit (Upper Sand) - Tract 1, 2, & 3 - ORRI of 12.50%
Hospah Lease (Lower Sand) - ORRI of 12.50%

Dear Gentlemen:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

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

RE: South Hospah Unit (Upper Sand) - Tract 1, 2, & 3 - ORRI of 12.50%
Hospah Lease (Lower Sand) - ORRI of 12.50%

Dear Gentlemen:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

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

RE: South Hospah Unit (Upper Sand) - Tract 1 & 3 - ORRI of 1.125%
Hospah Lease (Lower Sand) - ORRI of 1.125%

Dear Mr. Wolf:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

Rosalind Wyman
10430 Bellagio Road
Los Angeles, CA 90077

RE: South Hospah Unit (Upper Sand) - Tract 1 & 3 - ORRI of .3750%
Hospah Lease (Lower Sand) - ORRI of .3750%

Dear Ms. Wyman:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

Alphal & Lester C. Hotchkiss
C & O Northwestern Oil Co.
4949 N. Van Ness Blvd.
Fresno, CA 77070

RE: South Hospah Unit (Upper Sand) - Tract 3 - ORRI of 2.00%

Dear Gentlemen:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro

Citation
OIL & GAS CORP.

November 20, 1991

Santa Fe Energy Resources, Inc.
P.O. Box 911701
Dallas, TX 75391

RE: South Hospah Unit (Upper Sand) - Tract 4 - ORRI of 20.00%

Dear Gentlemen:

Citation Oil & Gas Corp., as operator and 100 percent working interest owner of the above referenced unit and lease, faces an immediate challenge to extend the economic life of this field. Our current reserve report estimates a remaining economic life of no more than one and a half years under current operating conditions.

In an effort to slow this decline and increase ultimate recoverable reserves, Citation will be petitioning the Oil Conservation Division of New Mexico to grant a downhole commingling order in the South Hospah Unit (Upper Sand) and the Hospah Lease (Lower Sand).

The purpose of this letter is to notify you, as a royalty interest owner, of our intentions and to explain our position regarding this matter.

CURRENT PRODUCTION FORECAST

Current production rates in the South Hospah Unit (Upper Sand) and Hospah Lease (Lower Sand) are averaging 41 and 132 BOPD respectively. The South Hospah Unit has an annual decline of 15% which makes it uneconomic in a little over 1 year (See Figure 1). The remaining recoverable reserves in this unit are estimated at 15.9 MBO.

8223 Willow Place South • Suite 250 • Houston, Texas 77070-5623 • 713/469-9664 • Fax 713/469-9667

The Hospah Lease is declining at an annual rate of 10% (See Figure 2) and will reach its economic limit in about one and a half years given the assumptions and conditions detailed in Table I. Remaining reserves under the given assumptions are estimated at 63.2 MBO.

A commingled flow stream could add possibly three years to the expected life of these fields and 128 MBO. The decline curve on Figure 3 illustrates the potential increase in recoverable reserves with a decrease in operating expenses that is projected in the commingled case (See Table I).

COST CONTROL MEASURES

Controlling future expenditures with a commingled flow stream plays a significant role in our strategy to increase recoverable reserves. Through the first eight months of 1991 the combined lease operating expenses averaged $75,000 per month. Through aggressive cost cutting measures and the commingling of these zones, it is estimated that $20,000 per month can be reduced from this monthly charge. These costs would be realized by combining tankage and treatment facilities as well as production and injection flowlines. Total well count can be reduced by downhole commingling of offset Upper and Lower producers. This would reduce electric utility charges as well as routine well work.

It should also be noted that the Hospah Lease (Lower Sand) tank battery is scheduled for significant repair in 1992. A capital expense is estimated at $50,000 to replace tankage and repair existing facilities. It is our intention to eliminate this expenditure utilizing the South Hospah Unit's (Upper Sand) facilities if a commingling order is granted.

PRODUCTION ALLOCATION

Citation recommends allocating production on a monthly basis using a ratio of remaining recoverable reserves. Referring to Table I, the Hospah Lease (Lower Sand) has 63.2 MBO remaining which is 79.9% of the total estimated remaining reserves. The South Hospah Unit (Upper Sand) will continue to contribute approximately 20.1% of the total field production. It is our recommendation to track combined Upper and Lower production on a monthly basis and allocate based on these proven reserve figures.

INCREASING ULTIMATE RECOVERY

Table I includes an economic summary of the Upper and Lower Sands as a single commingled production stream beginning October 1, 1991. It is compared to the present case of the South Hospah Unit and Hospah Lease remaining separate. In summary, gross recoverable reserves increase over two and a half times to 207.3 MBO in the commingled case. The combined Hospah Field's life expectancy increases to 4.2 years and a cash flow for all royalty interest owners continues for almost three additional years. Assumptions and basic economic parameters can be found on Table I.

SUMMARY

Citation Oil & Gas Corp. will submit a formal request to the Oil Conservation Division of New Mexico to downhole commingle the above referenced units. This will include submitting an allocation formula based on current recoverable reserve calculations. This is intended to extend the life of the field and increase the ultimate recovery of oil in both the Upper and Lower formations. In doing so we believe that all royalty interest owners are better served due to the increase in net cash flow.

Please find attached a consent form indicating your agreement to this proposal. Please sign if you concur and return to our Houston, Texas office in the enclosed self-addressed envelope.

Citation plans to present this proposal at hearing before the New Mexico Oil Conservation Division in Santa Fe, New Mexico on December 19, 1991. Your response prior to that date would be greatly appreciated.

Please feel free to contact Steve Robinson at (713) 469-9664 or Dan Kelly at (915) 332-4551 regarding any questions you might have.

Thank you for your consideration in this matter.

Sincerely,

Steve Robinson

Steve Robinson
Production Area Manager

cc: D. Kelly
C. Favro