

(viii) + (ix)

**KELLAHIN & KELLAHIN
Attorney at Law**

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

August 11, 2004

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **Second Supplement to:**
NMOCD Administrative Application of
Citation Oil & Gas Corp. to amended
Division Administrative Order NSP-488 and
for an exception to Order R-8170-P,
Eumont Gas Pool, Lea County, New Mexico

2004 AUG 11 PM 1 36

*Talked w/ Tom on
Tuesday Aug. 10th
@ 3:15-ish*

Dear Mr. Stogner:

In accordance with your request during our discussion yesterday, I have the following in response to your four principal questions: (a) the mistake in my July 12th E-mail listing of well numbers for the Eumont well in this E/2 Section 20, T21S, R36E, (b) the lack of an "NSL" order for the Eumont 1-Y well (Unit G); (c) the existence of two Eumont gas wells, the #5 and the 1-Y, within the same 40-acre tract, and (d) whether the #5 was shut-in?

- (1) Citation filed this administrative application prior to contacting me. Upon receipt, I was unable to reconcile the located map with the well's listed in the application. After discussing this with Citation, I E-mailed you a list that incorrectly stated that the #5 used to be the 1-Y. Prior to my July 22, 2004 supplemental filing, I determined that the #5 used to be the #1 and that the 1-Y was a different well, and as I reported to you, the #5 and the #1-Y were are the same 40-acre tract with the #5 shut-in. **Attached is the correct well list as Supplemental Exhibit "A" and "B"**

NMOCD: Citation Administrative application

August 11, 2004

-Page 2-

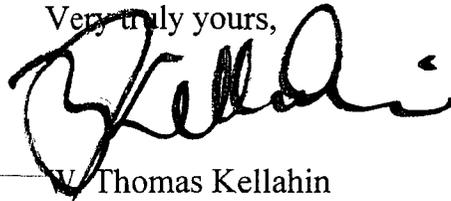
- (2) Neither Citation nor I can find an "NSL" for the #1-Y well. I have concluded that there is none and as requested in my July 22 letter, Citation now seeks that approval.

- (3) As I reported to you in my July 22 letter, the #5 and the #1-Y are in the same 40-acre tract. Citation has provided a summary to me dated August 9, 2004 concerning these wells. **Attached as Supplemental Exhibit "C"**. Also enclosed is Citation's production plot for the #5 well. **Attached as Supplemental Exhibit "D"**

- (4) Citation has confirmed that the #5 was shut-in about 9:30 am on July 21, 2004 and that the flowlines also were disconnected from the wellhead. See Tommy Sager's E-mail dated August 9, 2004. **Attached as Supplemental Exhibit "E"**. Citation has advised me that it will P&A the #5 well. Finally I have included a four page exhibits showing the gauge report for the wells in this GPU showing the daily rates, summary of 3 month production for these wells. **See Attachment Exhibit "F"**

Please call me if you have any future questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Thomas Kellahin', written over a horizontal line.

W Thomas Kellahin

cc: Citation Oil & Gas Corp.
Attn: K. C. (Charlie) Adams

Return to Sharon E-W

xc: KEA
GKG



To: Steve Robinson/Steve Anna Date: August 8, 1997
From: Sharon Evans-Ward *SW* Subject: Renaming of Devonian State Com Wells
Eumont Yates Seven Rivers Queen Field
Lea County, New Mexico

Per requirement from Donna Pitzner at the New Mexico Oil Conservation Division, Citation must have all the following wells named the same and in sequential order.

<u>Current Name</u>	<u>Proposed Name</u>
Devonian State 1Y	Devonian State 1Y
Devonian State 2	Devonian State 2
Devonian State 3	Devonian State 3
Devonian State 4	Devonian State 4
Devonian State Com 1	Devonian State 5
Devonian State Com 2 (Proposed New Drill)	Devonian State 6
Devonian State Com 3 (Proposed Re-enter Arco D-1)	Devonian State 7

Please initial below your approval.

Steve Robinson SLA

Steve Anna SKA



Thomas Kellahin

From: "Tommy Deiss" <TDeiss@cogc.com>
To: "Tom Kellahin " <kellahin@earthlink.net>
Sent: Monday, August 09, 2004 1:25 PM
Attach: devonian st well names.pdf
Subject: Devonian State 5 and 1-Y

The **Devonian State 1Y** was originally called:

- 1A by Shell Oil Company in 1955
- 1Y by Shell Oil Company in January 1973 – don't know reason for name change

The Devonian State 5 was originally called:

- Devonian State Com #1 by Shell Oil Company since 1934
- December 1997 name was changed with New Mexico Oil Conservation Division to Devonian State # 5 by Citation Oil & Gas Corp. at the request of the Oil Conservation Division [refer to attached memo "devonian st well names"].





To: Tom Kellahin
Date: August 9, 2004
From: Charlie Adams
Subject: Devonian State 5
Eumont Field
Lea Co., NM

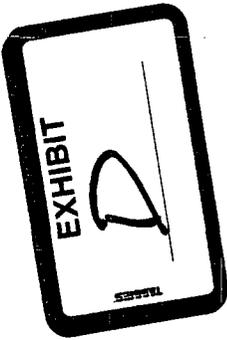
This memo is to address the questions that Mr. Stogner raised with regards to the captioned well:

1. The Devonian State 5 was shut-in on 7/22/2004. I have requested an email from Operations to confirm that once more.
2. The Devonian State 5 was originally the Devonian State Com 1 and was the original Yates/7 Rivers gas productive well on the lease. This production was originally from a communitized 320 acres consisting of the E/2 of Sec. 20 and occurred from 1953 to approximately September of 1997 under the Devonian State Com 1. At that time, an agreement was entered into by the Working Interest owners to make common all interests in the E/2 of Sec. 20, both oil and gas. At that time, the name of the well was changed from the Devonian State Com 1 to the Devonian State 5. No change in the physical completion was made at that time. The Dev St 5 continued to produce gas but declined significantly. In 2001, the well was making approximately 20 MCFPD. Because of the age and condition of the Dev St 5, the decision was made to recomplete the Dev St 1Y to the Yates/7 Rivers for gas production. This was done in December of 2001. Although the Dev St 5 shows an increase in production from December, 2001 to September, 2002, this is believed to be erroneous allocation. When this testing situation was corrected, the actual gas rate from the Dev St 5 was about 17 MCFPD. In about November of 2003, the rate from the well had dropped to about 2 MCFPD.

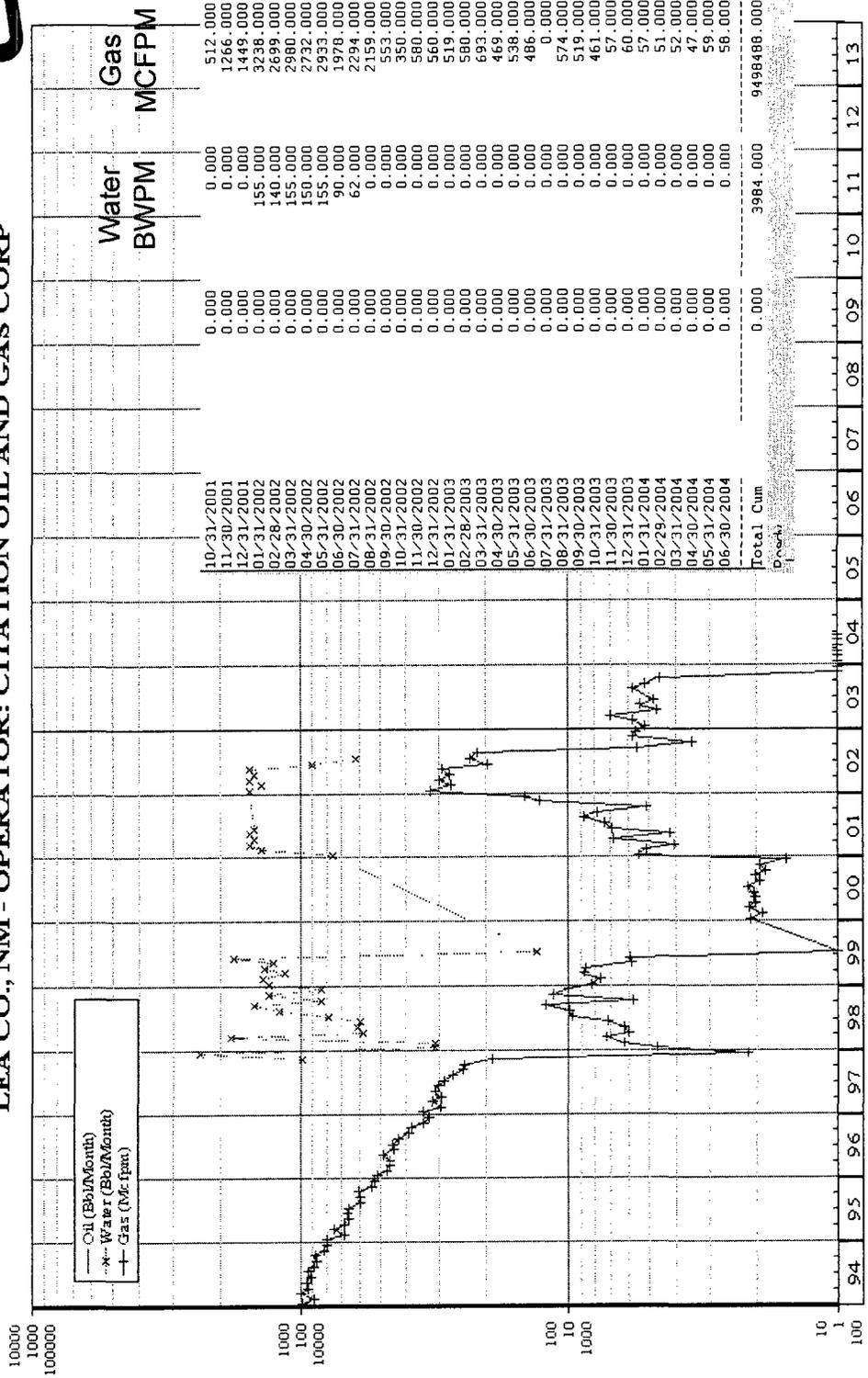
The well was not shut-in upon the recompletion of the Devonian State 1Y, as a result of a regulatory oversight. Most of the gas production (225 MCFPD from Dev St 1Y versus 20 MCFPD from the Dev St 5) was sourcing from the Dev St 1Y at this time. When this was discovered during our discussions with yourself, it was immediately shut in on 7/22/04.

Therefore, the Devonian State 5 and the Devonian State 1Y were mistakenly produced concurrently from December of 2001 to July 22 of 2004. As mentioned, this was corrected immediately on realizing the error.





DEVONIAN STATE 5
 EUMONT FIELD, 7 RVRS QUEEN ZONE
 LEA CO., NM - OPERATOR: CITATION OIL AND GAS CORP



OGRE I.D. - 3250

DATE: 08/09/04

COG I.D. - 80.02879.1

Thomas Kellahin

From: "Tommy Sager" <TSager@cogc.com>
To: "Charlie Adams" <CAdams@cogc.com>; "Tommy Deiss" <TDeiss@cogc.com>;
<kellahin@earthlink.net>
Cc: "Mark Bing" <MBing@cogc.com>; "Jim Evans" <JEvans@cogc.com>; "Jeff Teare"
<JTeare@cogc.com>
Sent: Monday, August 09, 2004 12:32 PM
Subject: RE: Devonian State Wells E/2 Sec 20

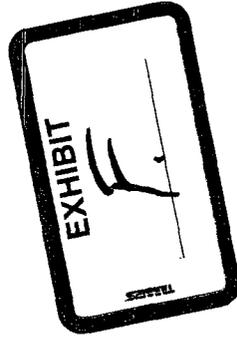
The Devonian State #5 was shut in on July 21, 2004, about 9:30am. The flowlines were also disconnected from the wellhead.

Tommy Sager
Production Engineer





**Devonian State Area
July/2004 Field Test Sheet
July/2004 Field Gauge Sheet
3 Mo. Production Data and
Estimated Production for July/2004**



K. C. Adams
August 10, 2004



CITATION OIL AND GAS CORP. - MONTHLY WELL TEST REPORT

PAGE 1 OF

MONTH: July
YEAR: 1974

LEASE: Dezonia State

FOREMAN: Denny

PUMPER: Tehany

FIELD: Exempt

WELL NO	STATUS	DAYS	PRODUCING WELL DATA										INJECTION WELL DATA													
			BO DAYS	MCE DAYS	BWL DAYS	TP #	CP #	FL (FAP)	DATE OF FAP	SPM	PUMP SIZE	RUN TIME	SL	AMP	HTZ	PUMP DEPTH (FT)	WELL NO	STATUS	DAYS	METER RANGING END	METER RANGING BEGIN	MONTHLY INJECTION VOLUME	AVG INJECTION PRESS	CASING PRESS		
1-4	PR	31	5	0	223	5	200	3	0	0	7-31	6	1 1/2	30	100	—	—	3594								
2	PF	31	7	0	80	0	3	0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	PR	31	9	2	115	5	150	3	0	0	7-31	7 1/4	1 1/2	30	100	54	—	3470								
4	PR	31	13	7	20	111	50	0	330	0	6-10	11 1/2	1 1/4	100	100	54	—	3860								
5	SR	21	2	0	2	0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	PR	31	16	0	100	5	150	2	0	0	7-31	8 1/4	1 1/4	3	76	—	—	3614								
7	PR	31	14	0	58	5	150	7	0	0	7-31	8 1/2	1 1/4	5	63	—	—	3516								
8	PR	31	11	0	130	3	200	3	0	0	7-31	10 1/4	1 1/2	5	32	—	—	3432								

Confirmation on Test Sheet of Dev. St. 5 Shut In

REMARKS: #5 5/1 7-21-74

(Continue On Backside)



PUMPER: Johnny MONTH: July
 STATE: KM CO: 600 FIELD: East LEASE: 2224144 State YEAR: 04

Day	TANK GAUGES		STOCK		OIL SALES & OTHER DISPOSITIONS		PRODUCTION		REMARKS		
	FT	IN	FT	IN	METER # or TANK #	LAGT # / TICKET #	BELLS	MC/FPD		BO/PD	BW/PD
1	3207	3208									
2	12	8	425					697	11	175	
3	13	0	486					697	11	174	
4	13	0	497					697	11	173	
5	13	0	507					697	10	176	
6	13	0	517					697	10	177	
7	13	0	528					697	10	177	
8	13	0	536					697	8	176	
9	13	0	545					697	9	175	
10	11	11	559		3207	367		697	11	175	
11	11	11	200					684	11	172	
12	11	11	208					684	11	177	
13	11	11	216					683	8	174	
14	11	11	227					691	11	177	
15	11	11	238					690	11	172	
16	11	11	249					684	11	177	
17	11	11	260					678	11	177	
18	11	11	271					682	16	172	
19	11	11	280					691	16	178	
20	11	11	289					687	11	174	
21	11	11	307					685	11	177	
22	11	11	312					685	8	173	
23	11	11	329					681	11	177	
24	11	11	338					685	11	177	
25	11	11	343					683	9	178	
26	11	11	353					665	5	174	
27	11	11	360					669	5	177	
28	11	11	368					675	8	177	
29	11	11	379					673	8	177	
30	11	11	390					696	11	177	
31	11	11	401					678	11	177	
1	11	11						678	11	176	
TOTALS:									367	304	4200

Estimated Prod. For
July/04

FLARE:			
VENT:			
GAS USED ON LEASE?			
GAS VOLUME:	38 MCF	204	or MONTH
Purchased or Off-Lease Oil or Products			Y or N
Brought onto Facility this Month?			Y or N
VOLUME:			GALS OR BELLS
Physical Change to Facility this Month?			Y or N
If Y, explain:			
DISTRIBUTION: HOUSTON - WHITE COPY 2ND DAY OF MONTH; AREA OFFICE - YELLOW COPY; PUMPER - PINK COPY.			
ENDING STOCK	401		
PIPELINE RUNS	367		
TK BTM SKIM, LOSS ETC.			
OTHER			
BEGINNING STOCK	401		
PRODUCTION	304		

Please staple ONLY
run tickets to the back of
this page. A memo has
been circulated that shows
how. DO NOT staple
this report to anything else.
Thank you!

Devonian State Recent Prod. History



Devonian State Lease - Recent Production History
Date - 8/10/2004

Month	WellName	Status	Oil BOPM	Gas MCFPM	GasSold MCFPM	Water BWPM	DaysOn	3 Month Average MCFPD Production	July Tests MCFPD	July Est. Alloc. Gas MCFPD	
4/1/2004	DEVONIAN STATE 1Y	PR	0	5235	4888	150	30				
5/1/2004	DEVONIAN STATE 1Y	PR	0	6819	6456	155	31				
6/1/2004	DEVONIAN STATE 1Y	PR	0	6435	6084	150	30	203	223	210	
4/1/2004	DEVONIAN STATE 2	PF	0	1817	1696	0	30				
5/1/2004	DEVONIAN STATE 2	PF	0	2312	2189	0	31				
6/1/2004	DEVONIAN STATE 2	PF	0	2164	2046	0	30	69	80	75	
4/1/2004	DEVONIAN STATE 3	PR	30	2909	2716	150	30				
5/1/2004	DEVONIAN STATE 3	PR	41	3646	3452	155	31				
6/1/2004	DEVONIAN STATE 3	PR	59	3462	3274	150	30	110	115	108	
4/1/2004	DEVONIAN STATE 4	PR	213	466	435	3390	30				
5/1/2004	DEVONIAN STATE 4	PR	207	593	562	3720	31				
6/1/2004	DEVONIAN STATE 4	PR	234	577	546	3330	30	18	20	19	
4/1/2004	DEVONIAN STATE 5	PF	0	47	44	0	30				
5/1/2004	DEVONIAN STATE 5	PF	0	59	56	0	31				
6/1/2004	DEVONIAN STATE 5	PF	0	58	55	0	30	2	2	2 S17/21/04	
4/1/2004	DEVONIAN STATE 8	PF	0	3142	2933	90	30				
5/1/2004	DEVONIAN STATE 8	PF	0	4149	3929	93	31				
6/1/2004	DEVONIAN STATE 8	PF	0	3749	3545	150	30	121	100	94	
4/1/2004	DEVONIAN STATE 7	PR	0	1257	1173	150	30				
5/1/2004	DEVONIAN STATE 7	PR	0	1511	1431	155	31				
6/1/2004	DEVONIAN STATE 7	PR	0	1673	1582	150	30	49	58	55	
4/1/2004	DEVONIAN STATE 6	PR	0	2282	2130	150	30				
5/1/2004	DEVONIAN STATE 6	PR	0	3083	2919	155	31				
6/1/2004	DEVONIAN STATE 6	PR	0	2827	2673	150	30	90	130	122	
								Total Dev State Average MCFPD	662 MCFPD	728	685 MCFPD
								July Gauge Sheet Est. Prod. 21233 MCF/Mo.	685 MCFPD		
								July Estimated Alloc. Factor			0.94