



NSL-3947(5b)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 23, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Citation Oil & Gas Corp.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

AMENDED: NMOCD Correspondence Reference No. SD-05-05

Dear Mr. Kellahin:

Reference is made to your letter on behalf of Citation Oil & Gas Corp. of Houston, Texas dated February 22, 2006 concerning the interpretation and meaning of the New Mexico Oil Conservation Division's ("Division") directive of November 2, 2005 issued as Administrative Order SD-05-05 (*pSEM0-527231564*).

For administrative and record keeping purposes the immediate matter is hereby assigned **Division application reference No. pMES0-605438354**.

The initial ordering paragraph on page 3 of Division Administrative Order SD-05-05, be and the same, is hereby amended to read in its entirety as follows:

"IT IS THEREFORE ORDERED THAT development of the Eumont (Yates-Seven Rivers-Queen) Gas Pool (*76480/22800*) within the previously approved 320-acre non-standard gas spacing unit (see Division Administrative Order NSP-381, dated August 7, 1957) comprising the E/2 of Section 13, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, from any of the eleven following-described wells shall be allowed to continue without interruption regardless of its current classification ("oil well" or "gas well") or future reclassification/re-designation:

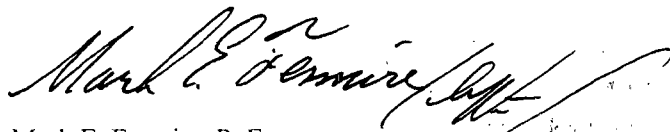
- (1) State "H" Well No. 1 (**API No. 30-025-08558**) located 660 feet from the South and East lines (Unit P) of Section 13;
- (2) State "H" Well No. 1-Y (**API No. 30-025-03471**) located 330 feet from the South line and 990 feet from the East line (Unit P) of Section 13;
- (3) State "H" Well No. 2 (**API No. 30-025-03465**) located 660 feet from the North line and 1260 feet from the East line (Unit A) of Section 13;
- (4) State "H" Well No. 3 (**API No. 30-025-08559**) located either 2310 feet or 1980 feet from the North line and 1260 feet from the East line (Unit H) of Section 13;
- (5) State "H" Well No. 3-Y (**API No. 30-025-03472**) located 2310 feet from the North line and 990 feet from the East line (Unit H) of Section 13;

- (6) State "H" Well No. 4 (API No. 30-025-03466) located either 2310 feet or 1980 feet from the South line and 990 feet from the East line (Unit I) of Section 13;
- (7) State "H" Well No. 4-Y (API No. 30-025-03473) located 1650 feet from the South line and 990 feet from the East line (Unit I) of Section 13;
- (8) State "H" Well No. 5 (API No. 30-025-03467) located 660 feet from the North line and 2310 feet from the East line (Unit B) of Section 13;
- (9) State "H" Well No. 6 (API No. 30-025-03468) located 1980 feet from the North line and 2310 feet from the East line (Unit G) of Section 13;
- (10) State "H" Well No. 7 (API No. 30-025-03469) located 1980 feet from the South and East lines (Unit J) of Section 13; and
- (11) State "H" Well No. 8 (API No. 30-025-03470) located 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 13.

HOWEVER, should the operator of this 320 acres add any new well or wells, either by drilling or the recompletion of any existing well bore, other than the eleven above-described wells, into the Eumont Gas Pool; then such development within the E/2 of Section 13 shall immediately become subject to reevaluation and all applicable exceptions to the rules governing the Eumont Gas Pool will be required."

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: SD-05-05
NSP-381
NSL-3947 (SD)