

CTB-446



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5795

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

March 5, 1997

Citation Oil & Gas Corporation
8223 Willow Place South
Suite 250
Houston, Texas 77070-5623

Attn: Ms. Sharon E. Ward

Re: Application for Surface Commingling
State A, State L, State M Wells
Eumont Yates Seven Rivers Queen Field
Lease Nos. B-1399-16, B-1400-14 and B-1398-31
Sections 1 and 12, Township 21S, Range 36E
Lea County, New Mexico

Dear Ms. Ward:

We have received your letter of February 18, 1997, wherein you requested our approval to surface commingle the oil production from the State "A", "L" and "M" leases at the State "A" "L" and "M" tank battery.

We also understand that the gas production from the State "A Lease Gas No. 2 and State "L" Lease No. 2Y well will also be commingled in the above-mentioned pool and that you plan to install two individual gas gathering and compression test systems in the subject field.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 dollar filing fee has been received.

Citation Oil & Gas Corporation

March 5, 1997

Page 2

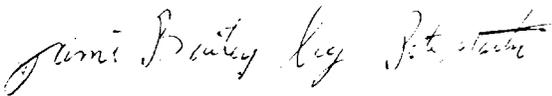
Since you will be crossing from one state lease to another, a right-of-way easement may be required from this office. Please contact Ms. Debbie Padilla of our Right-of-Way Section at 827-5729 for additional information regarding an easement.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:


JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

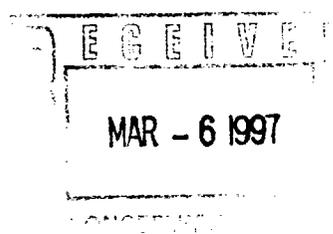
RP/JB/cpm

cc: Reader File

OCD--Attention: David Catanach, Ben Stone
BLM



CTB 3/26/97
446
VERBAC ON 5-7-97
(B)



February 18, 1997

Michael Stogner
New Mexico State Energy
and Minerals Dept.
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Surface Commingling Request
State A, State L, State M Lease
Eumont Field
Lea County, New Mexico

22800 - OIL
76480 - GAS

Dear Mr. Stogner:

Citation Oil & Gas Corp. requests approval to surface commingle the oil production from the State "A", "L" and "M" leases, all within Eumont Yates Seven Rivers Queen Field, Lea County, New Mexico. State "A" lease is located in Section 12, T21S, R36E (Lease No. B-1399-16), State "L" lease is located in Section 1, T21S, R36E (Lease No. B-1400-14), State "M" lease is located in Section 1, T21S, R36E (Lease No. B-1398-31).

Citation also requests approval to surface commingle the gas production from the State A and the State L leases in the Eumont Yates Seven Rivers Queen field.

Citation plans to install two individual gas gathering and compression test systems in the subject field. These systems will include gathering production from both the oil and gas wells on the State "A", "L" and "M" leases. Compression is warranted based on the field's extreme sensitivity to LP, the inability of a gas purchaser to maintain consistent line pressure and the low BHP of the reservoir.

SURFACE COMMINGLING FOR OIL WELLS

- | | |
|---------------------------|--|
| State Lease No. B-1399-16 | State A Lease Oil #1, #3, #4 |
| State Lease No. B-1400-14 | State L Lease Oil (#1 SI at this time), #2Y,
(#3 SI at this time), #4 |
| State Lease No. B-1398-31 | State M Lease Oil #1, #2, #3, #5, #6, #7, #8 |

Citation Oil & Gas Corp.
Surface Commingling Request
State A, L, M
Eumont Yates Seven Rivers Queen
pg. 2

SURFACE COMMINGLING FOR GAS WELLS

State Lease No. B1399-16	State A Lease Gas #2, (#2Y SI at this time)
State Lease No. B1400-14	State L Lease Gas #2Y

Commingling Order PC-825 allows for surface commingling of the State M #4 gas well with the casinghead gas produced from the State M oil wells.

Citation request that for allocation purposes the production volumes will be based on well test on the State "A", "L" and "M" leases. Estimated production from the State A lease is 3 BOPD 450 MCFD 30 BWPD, the estimated production from the State L lease is 1 BOPD 265 MCFD 10 BWPD and the estimated production from the State M lease is 15 BOPD 290 MCFD 345 BWPD.

Please see attached surface commingling diagram. If you need additional information, please contact me at 713-469-9664. Thank you.

Respectfully requested,


Sharon E. Ward
Regulatory Administrator

DATE	REFERENCE	GROSS AMOUNT	DEDUCTION	NET AMOUNT
2-18-97				\$30.00
911017	2-18-97 66259			\$30.00
CHECK NUMBER	CHECK DATE OWNER NUMBER	TOTAL GROSS AMOUNT	TOTAL DEDUCTION AMOUNT	TOTAL NET AMOUNT

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8223 Willow Place South
Houston, Texas 77070-5823

Texas Commerce Bank
San Angelo, Texas

88-88
1113

NO. **911017**

AMOUNT \$30.00*****

CHECK NUMBER	CHECK DATE	OWNER NUMBER	*THIRTY DOLLARS AND NO/100*****
911017	2-18-97	66259	

TO THE ORDER OF:

STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS
PO BOX 1148
SANTA FE, NEW MEXICO 87504-1148

CITATION OIL & GAS CORP.
VOID AFTER 90 DAYS

James C. Hagg
Curtis W. Caven

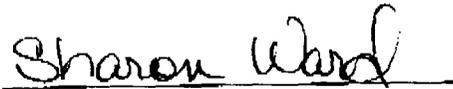
⑈911017⑈ ⑆111300880⑆ ⑈06300027631⑈

Certification

I hereby certify that the Royalty, Overriding Royalty, Working Interest, and Mineral Interest Owners are the same for the State A, State L, and State M, leases.

April 22, 1997

Date



Sharon Ward
Regulatory Administrator
Citation Oil & Gas Corp.