



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 18, 2004

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

Administrative Order SD-04-08

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (***administrative application reference No. pSEM0-425148523***) on behalf of the operator, Citation Oil & Gas Corp. ("Citation") filed with the New Mexico Oil Conservation Division ("Division") on September 3, 2004; (ii) your e-mail to Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, on Monday, October 11, 2004; and (iii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSL-3949 (SD) and NSL-3949-A (SD) and in Division Case No. 673: all concerning Citation's plans for additional development of the Eumont Gas Pool (76480) within the existing non-standard 160-acre gas spacing unit comprising SE/4 of Irregular Section 1, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

This application has been duly filed under the provisions of the "*Special Pool Rules for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001.

The subject 160-acre unit was established by Division Order No. R-520, issued in Case No. 673 on August 12, 1954, and currently has dedicated thereon the following three wells:

- (1) State "L" Well No. 2 (API No. 30-025-03390), located at an unorthodox gas well location (see letter of approval dated December 30, 1953) 990 feet from the South line and 330 feet from the East line (Unit X) of Irregular Section 1;
- (2) State "L" Well No. 2-Y (API No. 30-025-03393), located at an unorthodox gas well location [approved by Division Administrative Order NSL-3949 (SD), dated February 16, 1998] 330 feet from the South line and 990 feet from the East line (Unit X) of Irregular Section 1; and

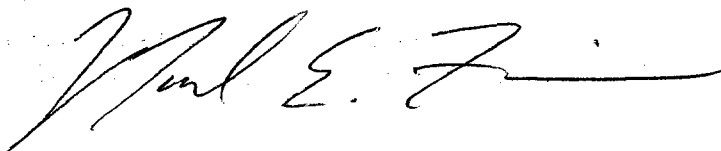
- (3) State "L" Well No. 1 (API No. 30-025-12720), located at an unorthodox gas well location [approved by Division Administrative Order NSL-3949-A (SD), dated July 30, 2001] 2310 feet from the South line and 330 feet from the East line (Unit Q) of Irregular Section 1.

It is the Division's understanding that Citation recently recompleted its State "L" Well No. 3 (API No. 30-025-03391), located at a standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit W) of Irregular Section 1, as this unit's fourth active Eumont gas well.

By the authority granted me under the provisions of Rules 4 (B) and (D) of the special rules governing the Eumont Gas Pool, Citation is hereby authorized to simultaneously dedicate Eumont gas production to this 160-acre non-standard gas spacing unit from the four above-described State "L" Wells No. 1, 2, 2-Y, and 3. Furthermore, all provisions applicable to the subject unit in Division Order No. R-520 and Division Administrative Orders NSL-3949 (SD) and NSL-3949-A (SD), shall remain in full force and affect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent 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: NSL-3949 (SD)
NSL-3949-A (SD)