



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 12, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Division Administrative Order SD-04-08-A

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-606540878*) filed on behalf of the operator, Citation Oil & Gas Corporation ("Citation") and submitted with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 3, 2006; and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSL-3949 (SD), NSL-3949-A (SD), and SD-04-08 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 four 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;
- (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; and

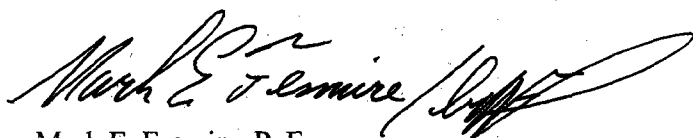
(4) State "L" Well No. 3 (*API No. 30-025-03391*), located at a standard infill gas well location (approved by Division Administrative Order SD-04-08, dated October 18, 2004) 660 feet from the South line and 1980 feet from the East line (Unit W) of Irregular Section 1.

It is the Division's understanding that Citation intends to recomplete its State "L" Well No. 4 (*API No. 30-025-03392*), a Eumont oil well which has been shut-in since November, 1996 and is located at a standard gas well location 1930 feet from the South line and 1980 feet from the East line (Unit R) of Irregular Section 1, as this units fifth active Eumont gas well [see Rule 6 (B) of the special Eumont pool rules states].

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 five above-described State "L" Wells No. 1, 2, 2-Y, 3, and 4. Furthermore, all provisions applicable to the subject unit in Division Order No. R-520 and Division Administrative Orders NSL-3949 (SD), NSL-3949-A (SD), and SD-04-08 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: Division Administrative Order NSL-3949 (SD)
Division Administrative Order NSL-3949-A (SD)
Division Administrative Order SD-04-08
