

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Quantified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

2006 MAR 3 AM 11 52

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD *gas/oil wells EUMONT GAS POOL*
- Check One Only for [B] or [C]:
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name \_\_\_\_\_ Signature *[Handwritten Signature]* Title **KELLAMIN & KELLAMIN** Date *3/3/06*  
 Attorneys At Law  
 P.O. Box 2265  
 Santa Fe, NM 87504-2265

**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

March 3, 2006

**HAND DELIVERED**

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

Re: NMOCD Administrative Application of  
Citation Oil & Gas Corp. to amend  
Administrative Order SD-04-08, dated October 18, 2004,  
to include its State L-4 Well as a well exempted from Rule 3  
of Order R-8170-P of the Special Rules and Regulations  
for Eumont Gas Pool , Lea County, New Mexico  
(SE/4 of Irregular Section 1, T21S, R35E)

2006 MAR 3 AM 11 51

Dear Mr. Stogner:

On behalf, Citation Oil & Gas Corp. ("Citation") please find enclosed our administrative application which, if granted, will authorize the recompletion into the Yates/Seven Rives interval of an existing Eumont Well, the State "L" Well No. 4 (API #30-025-03392), and add it to the currently exempted wells within the currently approved non-standard proration unit "NSP" that contains the State "L" Wells No. 1, 2, 2-Y, and 3 (See Administrative Order SD-04-08, dated October 18, 2004, Also see Administrative Order NSL-3949 (SD) dated July 30, 2001 and Order R-520, dated August 12, 1954).

Very truly yours,



W. Thomas Kellahin

cc: Citation Oil & Gas Corp.  
Attn: Sharon Ward

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES  
DEPARTMENT  
OIL CONSERVATION DIVISION

ADMINISTRATIVE APPLICATION OF  
CITATION OIL & GAS CORPORATION  
TO AMEND ADMINISTRATIVE ORDER SD-04-08  
TO INCLUDE ITS STATE L-4 WELL AS A WELL  
EXEMPTED FROM RULE 3 OF ORDER R-8170  
OF THE SPECIAL RULES AND REGULATIONS FOR  
THE EUMONT GAS POOL, LEA COUNTY, NEW MEXICO

2006 MAR 3 AM 11 52

**ADMINISTRATIVE APPLICATION**

Citation Oil & gas Corporation (“Citation”), in accordance with the provisions of Rule 4 of the Special Rules and Regulations for the Eumont Gas Pool (Order R-8170-P) seeks the approval of the New Mexico Oil Conservation Division to include its State “L” Well No. 4 (API #30-025-03392) located 1930 feet FSL and 1980 feet FEL (Unit R) of Irregular Section 1, T21S, R35E, Lea County, New Mexico, as a well exempted from the provisions of Rule 3 of these pool rules.

AND in support states:

**PRIOR OCD ACTION**

- (a) By Division Order R-520, dated August 12, 1954, the Division established the Eumont Gas Pool and adopted Special Rules and Regulations for gas spacing and proration unit (“GPU”) for the Eumont Gas Pool including acreage comprising the SE/4 of Irregular Section 1, T21S, R35E; **See locator map attached as Exhibit 1.**
- (b) By Administrative Order SD-04-08, dated October 18, 2004, the Division approved Citation’s request to add its State “L” Well No. 3 as a Eumont gas well to this existing non-standard 160-acre gas spacing unit consisting of the SE/4 of this section. See order attached as Exhibit 2.

- (c) By Administrative Order NSL-3949, dated February 16, 1998, the Division approved the unorthodox gas well location for the State "L" Well No. 2-Y thus approving two Eumont gas wells in the same 40-acre tract within this non-standard 160-acre GPU; **See order attached as Exhibit 3.**
  
- (d) By Administrative Order NSL-3949-A, dated July 30, 2001, the Division approved the addition of the State "L" Well No. 1 at an unorthodox gas well location in Unit Q to this GPU; **See order attached as Exhibit 4.**

**CURRENT STATUS OF WELLS  
WITHIN THIS 160-ACRE GPU**

The five (5) existing wells in the SE/4 of irregular Section 1 are operated by Citation and are as follows : **(See locator map attached as Exhibit 1)**

- (a) Unit Q (NE/4SE/4):
  - State "L" Well No. 1
    - i. API 30-025-12720
    - ii. Unorthodox location 2310 feet FSL and 330 feet FEL
    - iii. Originally Spudded: August 4, 1937
    - iv. Current Status: producing Eumont gas well (GOR 91,821)
    - v. Cumulative production as of 8/1/04:
      - As Eumont Oil to 4/30/65 – 155,227 BO & 334,023 MCF
      - As Eumont Prorated Gas 12/1/2000 to 8/1/2004 1,215 BO 142,240 MCF
    - vi. Administrative Order NSL-3949-A, July 30, 2001, approved unorthodox gas well location and simultaneous dedication

(b) Unit X (SE/4SE/4):

State "L" Well No. 2

- i. API 30-025-03390
- ii. Unorthodox location 330 feet FSL and 990 feet FEL
- iii. Originally Spudded: November 18, 1937
- iv. Status: producing Eumont gas well (GOR Gas Only Produced)
- v. Cumulative production as of 8/1/04: 30 BO & 5,388,311 MCF (from 5/53 to 8/1/04 as Eumont Gas Well). Prior as Eumont Oil Well 51,332 BO.
- vi. Approval letter dated December 30, 1953  
approved unorthodox gas well location  
and simultaneous dedication

(c) Unit X (SE/4SE/4):

State "L" Well No. 2-Y

- i. API 30-025-03393
- ii. Unorthodox location 330 feet FSL and 330 feet FEL
- iii. Originally Spudded: February 6, 1955
- iv. Status: producing Eumont gas well (GOR 56,393)
- v. Cumulative production as of 8/1/04: 103,307 BO  
4,189,088 MCF
- vi. Order: NSL-3949 (SD), dated February 16, 1998  
Approved unorthodox gas well location  
And simultaneous dedication

(d) Unit X (SE/4SE/4):

State "L" Well No. 3

- i. API 30-025-03391
- ii. Standard location 660 feet FSL and 1980 feet FEL
- iii. Original Status:
  - a. Completed 6-22-1954 Oil well in Seven Rivers
  - b. Classified as Eumont Oil well until SI 4/30/89
  - c. recompleted with additional perforations,
    - i. OCD approval June 30, 2004
    - ii. Recompletion on Aug. 7, 2004; On production August 15, 2004.

- iii. Current Status: producing Eumont gas well (GOR 626,000 based on August 25, 2004 test)
- iv. Cumulative production as of 8/1/04: 147,347 BO  
1,236,385 MCF

(e) Unit R: (NE/4SE/4)

- a. State "L" Well No. 4
  - i. API 30-025-03392
  - ii. Standard location 1930 feet FSL and 1980 feet FEL
  - iii. Originally Spudded: July 5, 1954
  - iv. Current Status: Shut-in ("TA") Eumont oil well (SI November 30, 1996)
  - v. Cumulative production as of 8/1/04: 140,235 BO  
1,521,428 MCF
  - vi. SUBJECT of this application

### **CURRENT REQUEST**

By this application, Citation requests approval to recomplete the State "L" Well No. 4, located 1930 feet FSL and 1980 feet FEL of Irregular Section 1, T21S, R35E, Lea County, New Mexico, into the Yates/Severn Rivers interval and add it as another well within this non-standard 160-aces spacing unit that is exempted from the provisions of Rule 3 for this pool.

### **REASONS FOR REQUEST WITH SUPPORTING DATA**

In accordance with Rule 4(C)(b)(2), Citation submits the following:

(a) Explanation:

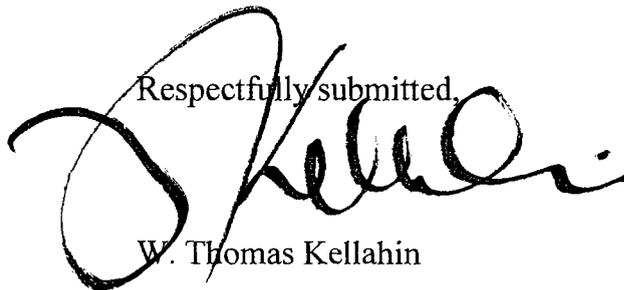
- a. The State "L" Well No. 4 will, recover Eumont gas that will not be recovered by the other four wells within this GPU (State "L" Wells No. 1, 2, 2-Y and 3).

- b. Citation estimates that 253,786 mcf of additional gas will be recovered from the State "L" Well No. 4. See **Exhibit 12**.
  - c. Citation calculates that will not have adverse affect upon off-setting production for the Eumont.
- (b) Land plat. See Exhibit 1 attached
- (c) Well information for GPU. **See above**
- (d) Section 1 showing all Eumont wells. **See Exhibit 1 attached**
- (e) **Engineering Exhibits**
- i. **Current production status for State "L" GPU attached as Exhibit 4-A**
  - ii. **Including Exhibit 4-B through Exhibit 15**

#### NOTICE REQUIREMENTS

Copies of the application and notice letter (See Exhibit 16-A) were sent certified mail-return receipt requested to the parties listed set forth in Exhibit 16-B.

Respectfully submitted,



W. Thomas Kellahin

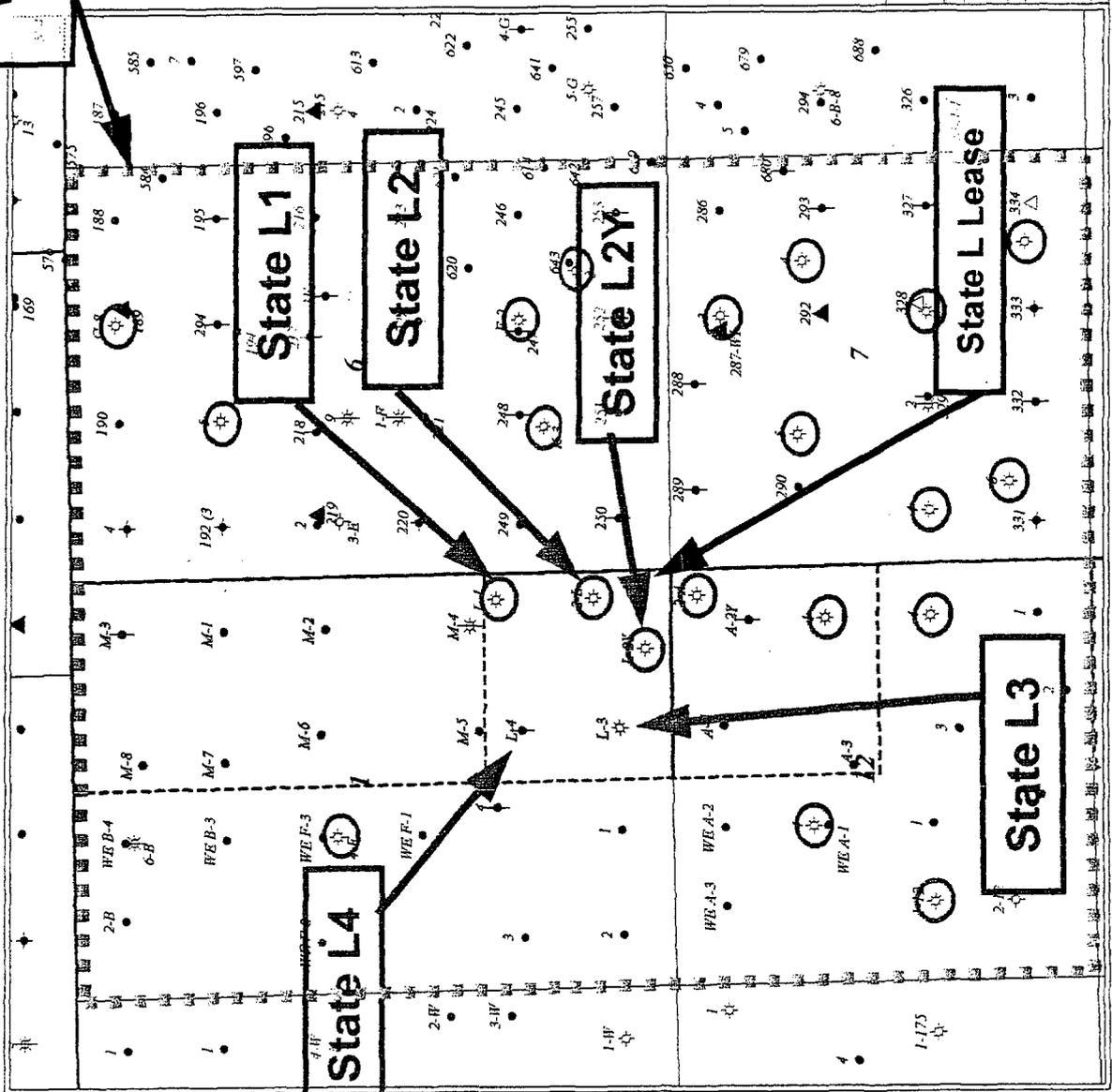
Cc: Citation Oil & Gas Corp.  
Attn: Sharon Ward



# Eumont Map Showing Well Status

Area Where Well Status Checked

-  Active Gas Wells – Eumont Pool (YATES-7 RVRs-QUEEN (PRO GAS))
-  Inactive Gas Wells
-  Active Oil Wells
-  Inactive Oil Wells
-  P&A'd Oil Wells
-  Injection Wells



**Citation**  
 Oil & Gas Corp.  
 Elmont Field  
 Lys County, New Mexico  
 Base Map  
 By: GBC/CA  
 1:447  
 FEET  
 August 14, 2004

EXHIBIT  
 2



# 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 East line (Unit X) of Irregular Section 1;



1 No. 2-Y (API No. 30-025-03393), located at a gas well location [approved by Division Order NSL-3949 (SD), dated February 16, 2004] 990 feet from the South line and 990 feet from the East line (Unit X) of Irregular Section 1; and

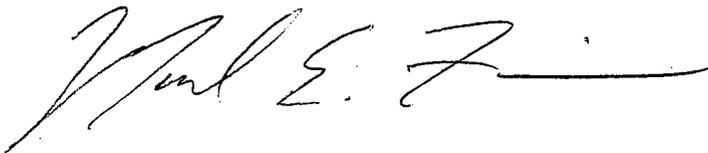
- (3) State "L" Well No. 1 (API No. 30-025-12720), located at an unorthodox gas well location [approved by Division Administrative Order NSL-3949-A (SD), dated July 30, 2001] 2310 feet from the South line and 330 feet from the East line (Unit Q) of Irregular Section 1.

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 units 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)



# 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

October 18, 2004

Page 2

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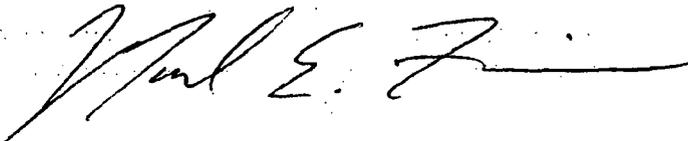
- (3) State "L" Well No. 1 (API No. 30-025-12720), located at an unorthodox gas well location [approved by Division Administrative Order NSL-3949-A (SD), dated July 30, 2001] 2310 feet from the South line and 330 feet from the East line (Unit Q) of Irregular Section 1.

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 units 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)



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

*Eumont field file*

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

February 16, 1998

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

*Administrative Order NSL-3949(SD)*

Dear Ms. Harris:

Reference is made to your application dated January 16, 1998 for an unorthodox Eumont gas well location within an existing non-standard 160-acre gas spacing and proration unit ("GPU") for said Eumont Gas Pool comprising the SE/4 of irregular Section 1, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico. Said GPU was established by Division Order No. R-520, dated August 12, 1954 and currently has dedicated thereon the State "L" Well No. 2 (API No. 30-025-03390) located at an unorthodox gas well location 990 feet from the South line and 330 feet from the East line (Unit X) of said irregular Section 1 (see letter of approval dated December 30, 1954).

It is our understanding that the subject well in this application, the State "L" Well No. 2-Y (API No. 30-025-03393), located at a standard oil well location 330 feet from the South line and 990 feet from the East line (Unit X) of said irregular Section 1, was drilled to and completed within the Eumont Gas Pool in 1955. Since that time the State "L" Well No. 2-Y has been classified an "oil well." Recently however this well was reclassified to a Eumont "gas well" and pursuant to Rule 2(b)4 of the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Eumont Gas Pool," as promulgated by Division Order No. R-8170, as amended, said gas well location is considered to be unorthodox.

The subject application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division and the appropriate provisions of said special Eumont Gas Pool rules.

By authority granted me under the provisions of Rule 2(d) of said special pool rules for the Eumont Gas Pool and Division General Rule 104.F(2) the above-described unorthodox Eumont gas well location for said State "L" Well No. 2-Y is hereby approved.

Citation Oil & Gas Corporation is hereby authorized to simultaneously dedicate Eumont Gas production from both the State "L" Well Nos. 2 and 2-Y. Furthermore, you are hereby permitted to produce the allowable assigned the subject GPU from both wells in any proportion.

Sincerely,

*Lori Wrotenbery*  
Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe



*cc: DH, TC, CM, TR, FF, WFL*



NEW MEXICO ENERGY, MINERALS and <sup>Eumont</sup>  
NATURAL RESOURCES DEPARTMENT <sub>PP</sub>

GARY E. JOHNSON  
Governor  
Jennifer A. Salisbury  
Cabinet Secretary

July 30, 2001

Lori Wrotenbery  
Director  
Oil Conservation Division

Citation Oil & Gas Corporation  
8223 Willow Place South  
Houston, Texas 77070-5623  
Attention: Debra Harris

*Administrative Order NSL-3949-A(SD)*

Dear Ms. Harris:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on February 8, 2001; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Order NSL-3949(SD): all concerning Citation Oil & Gas Corporation's ("Citation") requests for an unorthodox Eumont infill gas well location within an existing non-standard 160-acre gas spacing and proration unit ("GPU") for the Eumont Gas Pool comprising the SE/4 of irregular Section 1, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

The rules and procedures currently governing the Eumont Gas Pool include but are not necessarily limited to:

- (i) the "Special Rules and Regulations for the Eumont Gas Pool," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B;
- (iii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;
- (iv) Rule 1207.A (2); and
- (v) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

The subject 160-acre GPU was established by Division Order No. R-520, dated August 12, 1954 and currently has dedicated thereon the following two 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 Section 1; and

- (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 Section 1.

By the authority granted me under the provisions of these rules, regulations, and directives, the following described well, located at an unorthodox Eumont gas well location in Section 1, is hereby approved:

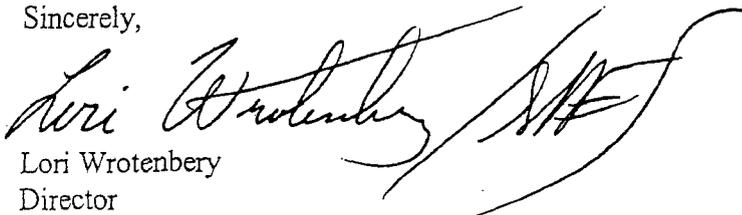
**State "L" Well No. 1  
2310' FSL & 330' FEL (Unit Q)  
(API No. 30-025-12720)**

Also, Citation is hereby authorized to simultaneously dedicate Eumont gas production from the State "L" Well No. 1 with the State "L" Wells No. 2 and 2-Y. Furthermore, Citation is hereby permitted to produce the allowable assigned the subject 160-acre GPU from all three wells in any proportion.

All provisions applicable to the subject GPU in Division Administrative Order NSL-3949 (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,



Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
File: NSL-3949(SD)



**Citation Eumont 11/2005 Production**

New Mexico Field Names and Numbers  
 22800 EUMONT, YATES-7 RVRS-QUEEN (OIL)  
 76480 EUMONT, YATES-7 RVRS-QUEEN (PRO GAS)  
 23000 EUNICE MONUMENT, GRAYBURG-SAN ANDRES  
 Data for Field from 11/2005 COG NM Form C-115

Month of Production	COG WellID	WellName	Field and Pool #	Internal Well Type	Status	Oil BOPM	Gas MCFPM	GasSold MCFPM	GOR	Water BWPM	Days On	Date Pulled	Notes
11/1/2005	80.02863.2	STATE L 1	76480	G	PR	28	1866	1726	66.643	36	30	1/20/2006	
11/1/2005	80.02858.1	STATE L 2 GAS	76480	G	PR	0	1536	1421	--	108	30	1/20/2006	
11/1/2005	80.02864.1	STATE L 2Y	76480	G	PR	28	1070	990	38.214	36	30	1/20/2006	
11/1/2005	80.02865.2	STATE L 3	76480	G	PF	0	3127	2893	--	108	30	1/20/2006	
11/1/2005	80.02866.1	STATE L 4	22800	O	SR	0	0	0	--	0	0	1/20/2006	Planned for Recompletion

Exhibit 4-A

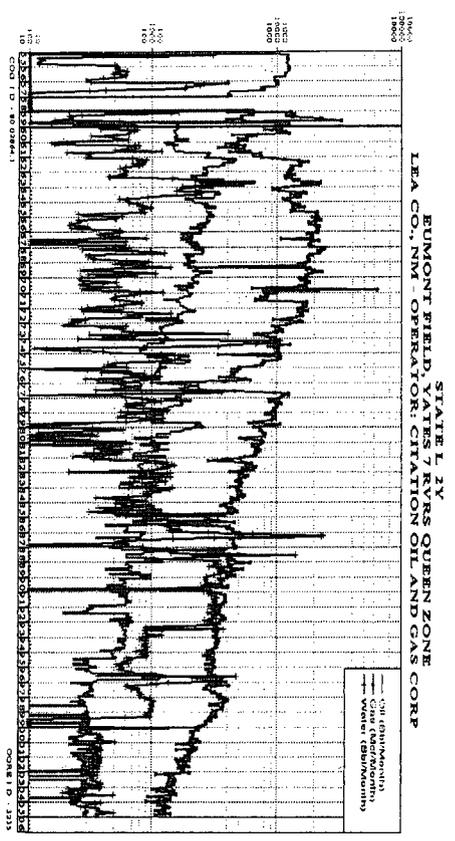
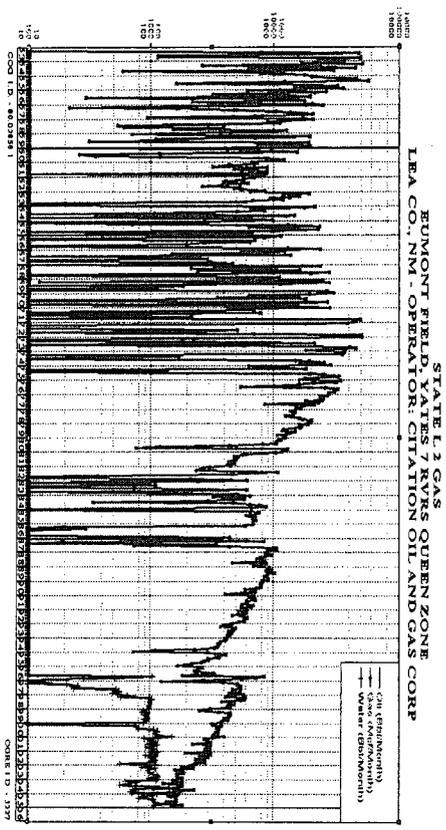
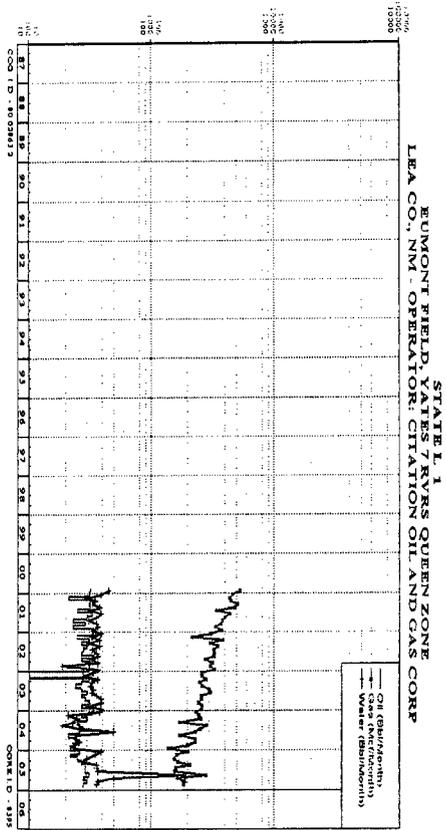
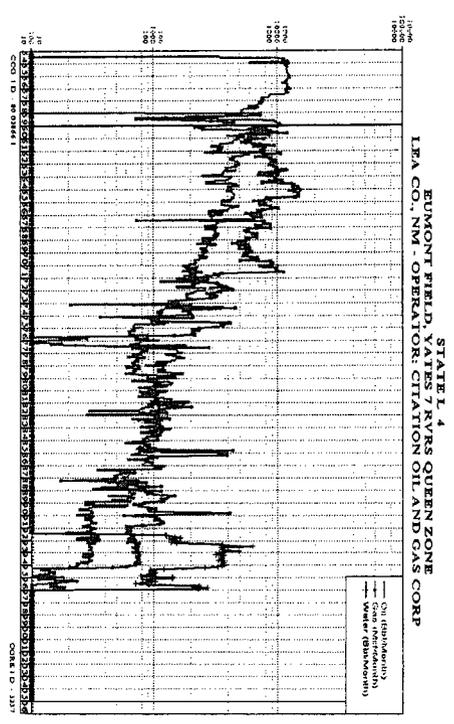
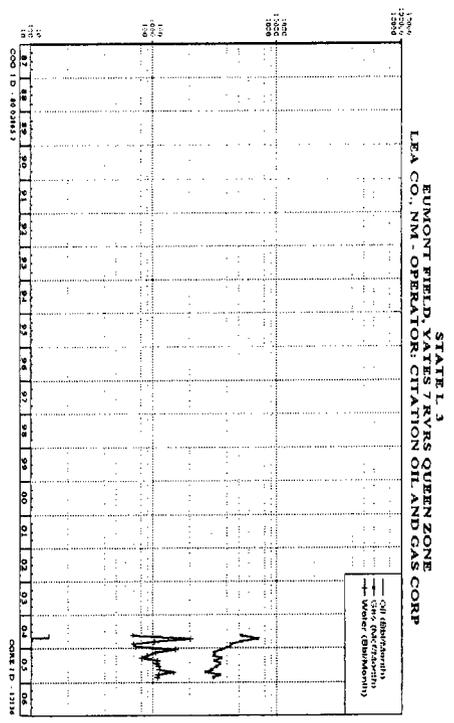


Exhibit 5a





**Eumont Field  
Yates-Seven Rivers Depletion Plan**

**State L Lease**

Well Name	Status	Current PI Int	Net Sand			Potential			October, 2005 Tests***				Cum Gas	Comments	
			Yates	7R	Tot Y-7R	Yates	7R	Mech Eval Regr'd	Oil (BOPD)	Gas (MCFD)	Gas Est (MCFED)	Wtr (BWPD)			Cum Oil
STATE L No.: 001	PR	Y-7R	128	58	186	No	Yes	Yes	1	60	86	1	31312	140532	M-4 offsets L-1 by 450'. M-4 is perf'd throughout Y-7R and is about to be reactivated. L-1 is perf'd through most of Y-7R, although some lower 7R pay is unperf'd. No recommendation at this time.
STATE L No.: 002	PR				0					59	59	3	112	961748	
STATE L No.: 002Y	PR	Q	175 Est	125 Est	300	Yes	Yes	Yes	1	45	51	1	3801	285019	Will evaluate Yates-7R potential with commingling of Q. Drainage risk due to Y-7R prod in the L-2, L-3 and A-2. However, we wish to downspace if commingling procedure can be developed.
STATE L No.: 003	PR	Y-7R	178	144	322	No	No	No	0	110	110	3	25189	755712	Completed fully in Yates and 7R. No recommendation.
STATE L No.: 004	SR	Q	137	123	260	Yes	Yes	No	0	0	0	0	16102	1407751	Pending TA w/CIBP based on approved AFE. Will set BP as deep as possible since lowest 7R pay is at 3700'. Recommend rcmp to Y-7R. Successful rcmp would make rcmp in M-5 unnecessary.

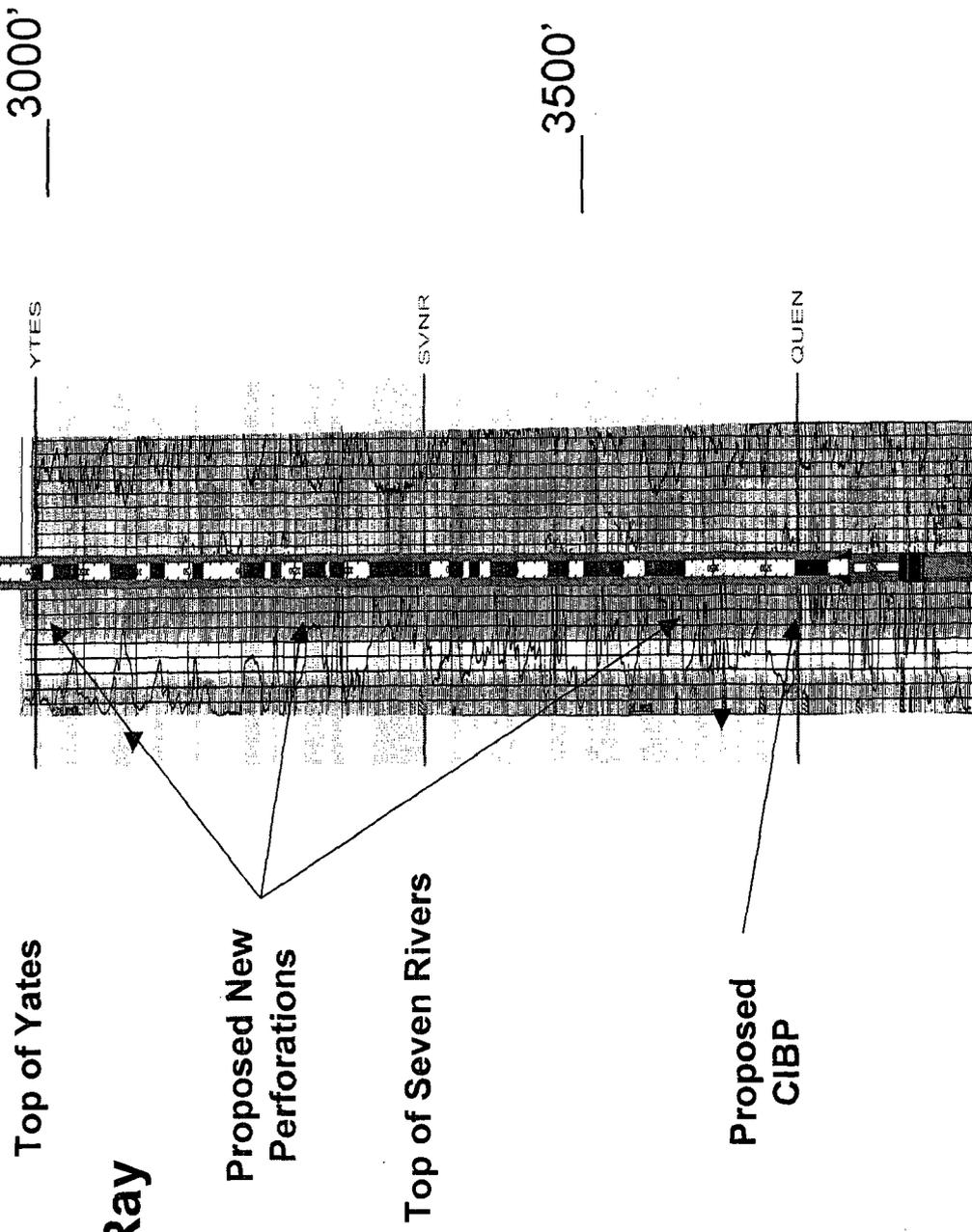
\*\*\* Wells in yellow have current rates roughly 30 MCFED or below, and represent priority recompletion candidates.

Wells in blue are recompletion candidates with high current rates. Commingling is preferred, and is subject to a wkr completion procedural study.

Wells in red print have offsets which are Yates-7R producers or superior Yates-7R recompletion candidates. The red wells do have rcmp potential however, and can be rcmp'd if necessary.



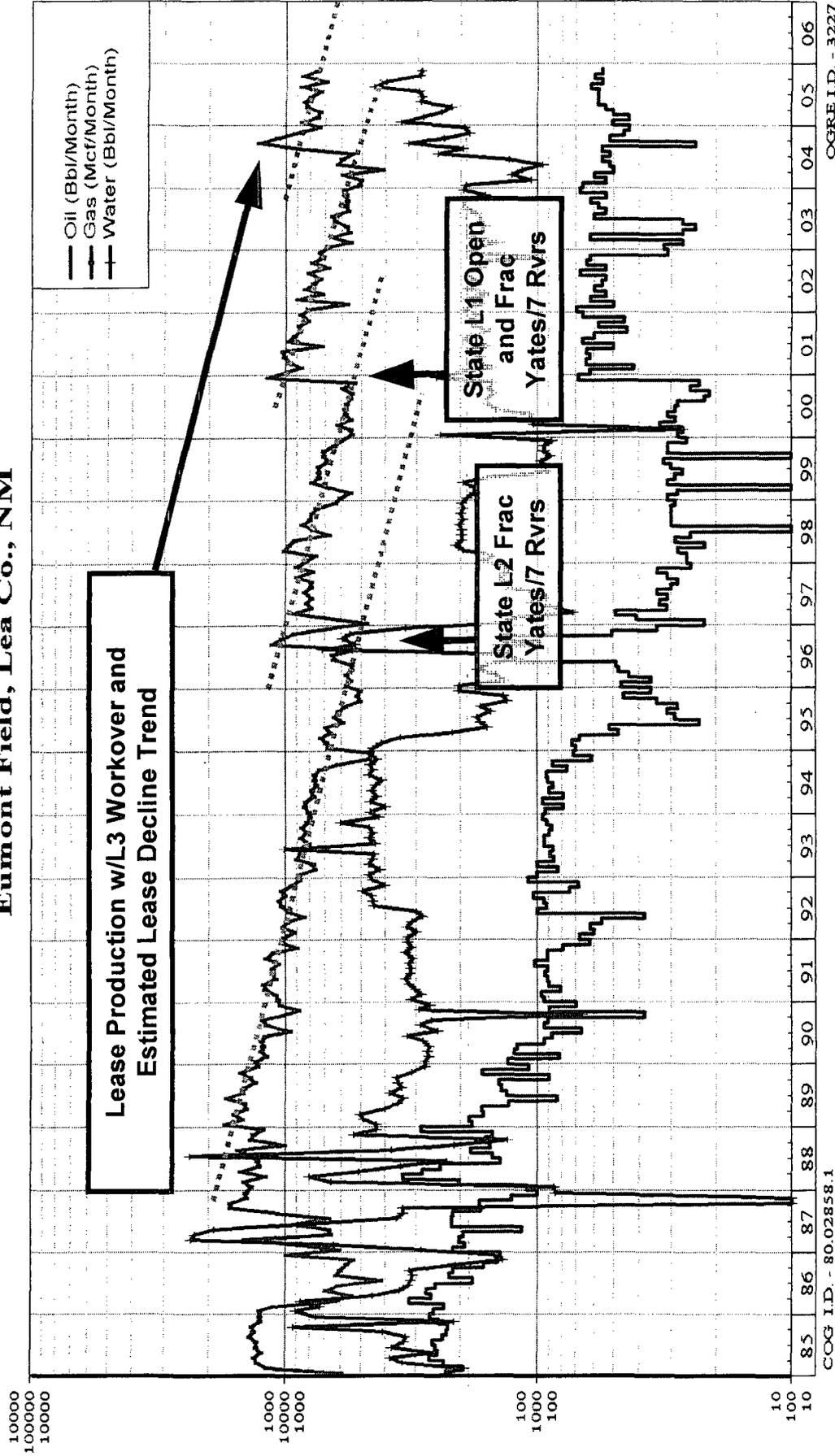
**State L 4 Gamma Ray  
Neutron Log with  
New Completion  
Details**



3,895  
YATES\_NET\_SAND : 137  
7RVRS\_NET\_SAND : 123



State L Lease - Summary Plot  
Citation Oil & Gas Corp.  
Eumont Field, Lea Co., NM



COG I.D. - 80.02858.1



WTA

STATE L 3

EUMONT FIELD  
LEA COUNTY, NM  
OAP and Frac

**Morning Reports with Estimated Gas Rates**

CapBudget# 107  
AFE# 040355  
AFE Cost: \$295,000  
COG WI: 100 %  
STATUS: A

8/24/2004 Day: 25 /

**Present Operation:** Pumping to battery

8/23/04

24 hrs Pmp'd 0 BO, 2 BW, 319 MCF FAP = 221' (foam?), TP = 200#, CP = 11#,  
BLWTR = 1248

Lease Production: 17 BO, 270 BW, 582 MCF

DC: \$0

CC: \$335,620

TD:

PBTD:

8/25/2004 Day: 26 /

**Present Operation:** Pumping to battery

8/24/04

24 hrs Pmp'd 1 BO, 4 BW, 326 MCF FAP - N/A, TP = 200#, CP = 11#, BLWTR =  
1244

Lease Production: 16 BO, 272 BW, 589 MCF

DC: \$0

CC: \$335,620

TD:

PBTD:

8/26/2004 Day: 27 /

**Present Operation:** Pumping to battery

8/25/04

24 hrs Pmp'd 0.5 BO, 5 BW, 313 MCF FAP - 310' (foam), TP = 200#, CP = 7#,  
BLWTR = 1239

Lease Production: 17 BO, 273 BW, 580 MCF

DC: \$0

CC: \$335,620

TD:

PBTD:

8/27/2004 Day: 28 /

**Present Operation:** Pumping to battery

8/26/04

24 hrs Pmp'd 0 BO, 0 BW, 167 MCF FL @ 86 JFS, FAP - 798', TP = 110#, CP =  
18#, BLWTR = 1239 (Comp dn 16 hrs - wtr temp)

Lease Production: 10 BO, 250 BW, 303 MCF (Comp dn 16 hrs - wtr temp)

Note: \$6,000 added for moving & setting pumping unit, wrist pin repair & pumping unit base.

DC: \$6,000

CC: \$341,620

TD:

PBTD:



**Reserve Adds from Recompletion and/or Stimulation of L2 and L1**

From Lease Production History Prior to L2 Work (9/96)

Initial Rate = 181 MCFPD  
 Est. Economic Limit = 14 MCFPD  
 Est. Decline = 16% per Annum

Remaining Reserve =  $Q = -365 X (qi - qf) / \ln(1 - D)$

Qa = 349,606 MCF - Remaining Lease Reserve  
 PRIOR to L2 Work

**After L2 Work was Complete (from Lease Production Plot) :**

Cum Prod from 9/96 to 12/2000 (L1 Work):  
 Ca = 374,900 MCF

Initial Rate = 181 MCFPD  
 Est. Economic Limit = 14 MCFPD  
 Est. Decline = 14% per Annum

Remaining Reserve =  $Q = -365 X (qi - qf) / \ln(1 - D)$

Qb = 403,958 MCF - Remaining Lease Reserve  
 PRIOR to L1 Work

Change in Reserves from Work on L2 in 1996:

Delta Q = (Qb + Ca) - Qa

**Therefore, Delta Q = 429,252 MCF (from L2 Work)**

**After L1 Work was Complete (from Lease Production Plot) :**

Remaining Reserves Prior to L1  
 Qa = 403,958 MCF

Cum Prod from 12/2000 to 8/2004 (L3 Work):  
 Ca = 321,980 MCF

Initial Rate = 181 MCFD  
 Est. Economic Limit = 14 MCFD  
 Est. Decline = 18% per Annum

Remaining Reserves =  $Q = -365 X (qi - qf) / \ln(1 - D)$

Qb = 307,009 MCF - Remaining Lease Reserve  
 PRIOR to L3 Work

Change in Reserves from Work on L1 in 2000:

Delta Q = (Qb + Ca) - Qa

**Therefore, Delta Q = 225,930 MCF (from L1 Work)**

**Reserve Add from Recompletion and Stimulation of L3**

**After L3 Work was Complete (from Lease Production Plot) :**

Remaining Reserves Prior to L3  
 Qa = 307,009 MCF

Cum Prod from 8/2004 to 11/2005:  
 Ca = 136,545 MCF

Initial Rate = 250 MCFD  
 Est. Economic Limit = 14 MCFD  
 Est. Decline = 18% per Annum

Remaining Reserves =  $Q = -365 X (qi - qf) / \ln(1 - D)$

Qb = 434,062 MCF - Remaining Lease Reserve

Change in Reserves from Work on L3 in 2004:

Delta Q = (Qb + Ca) - Qa

**Therefore, Delta Q = 263,598 MCF (from L3 Work)**



State L4 - Recompletion to Yates/7 Rvrs  
Estimated Potential Reserves

Initial Rate	120 MCFPD
Est. Economic Limit	7 MCFPD
Est. Decline	15% per Annum

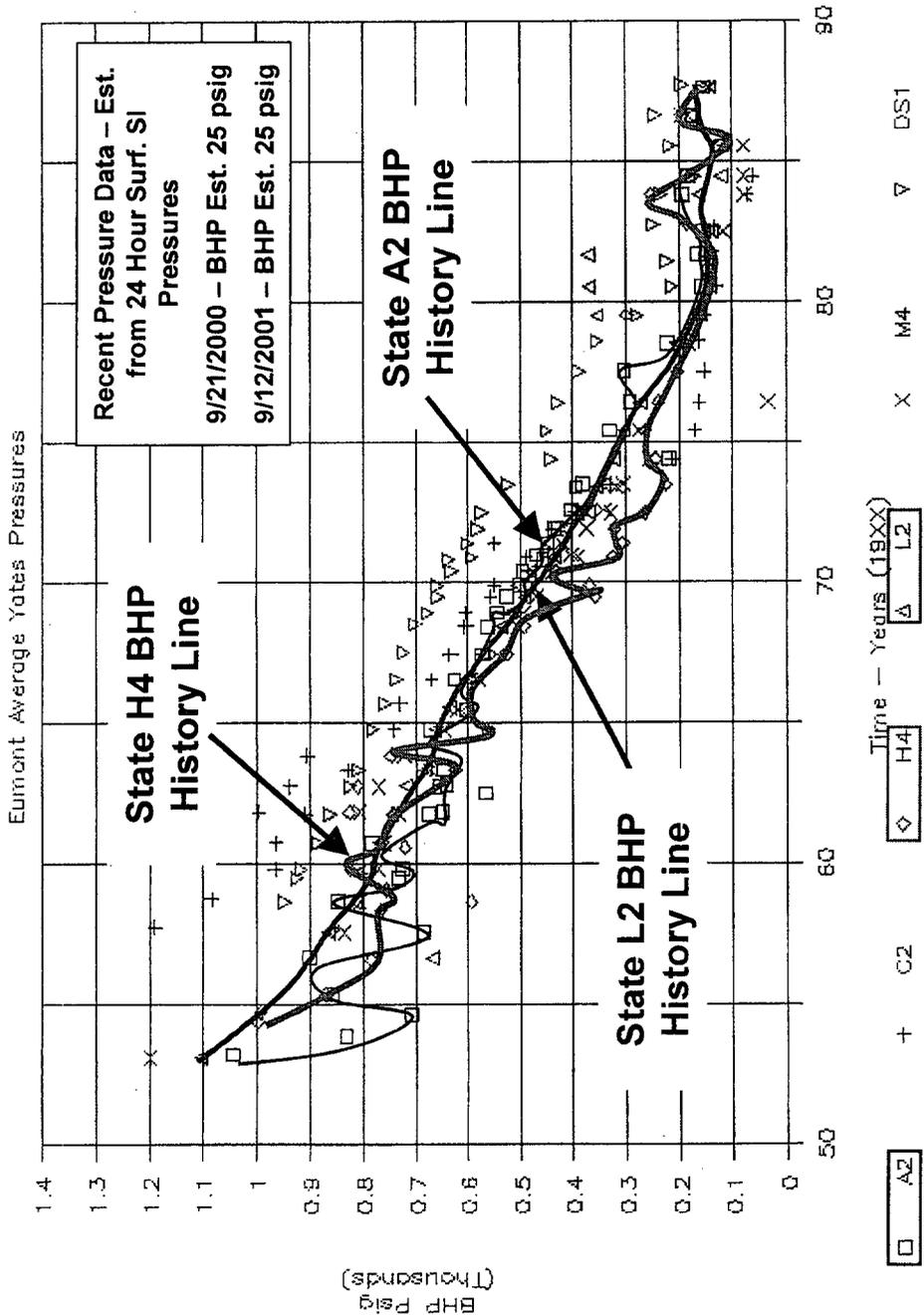
Remaining Reserves =  $Q = -365 \times (q_i - q_f) / \ln(1 - D)$

$q_i$  = Initial Rate per Day

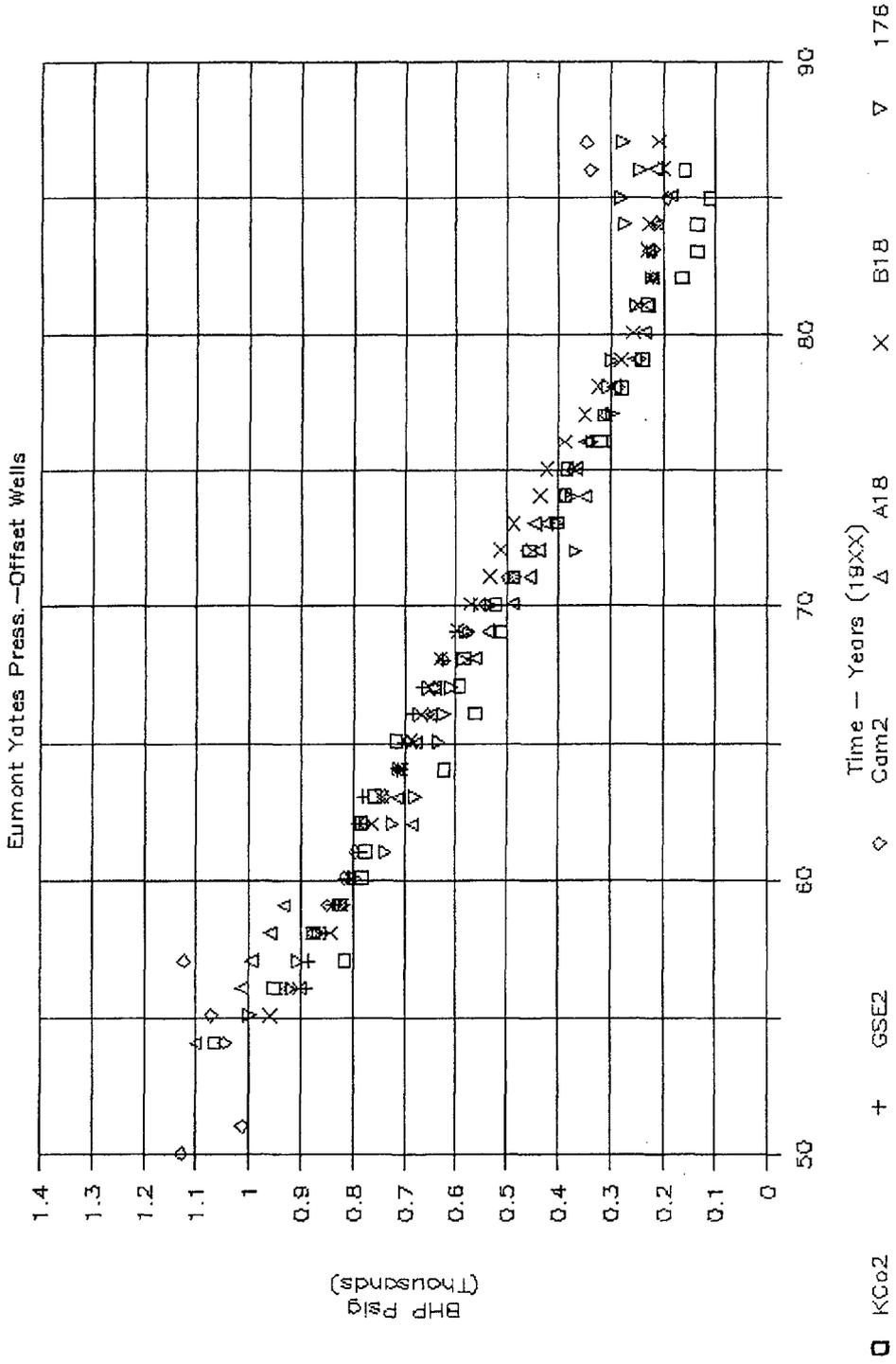
$q_f$  = Final Rate per Day

D = Decline Rate (fraction)

**Q = 253,786 MCF**



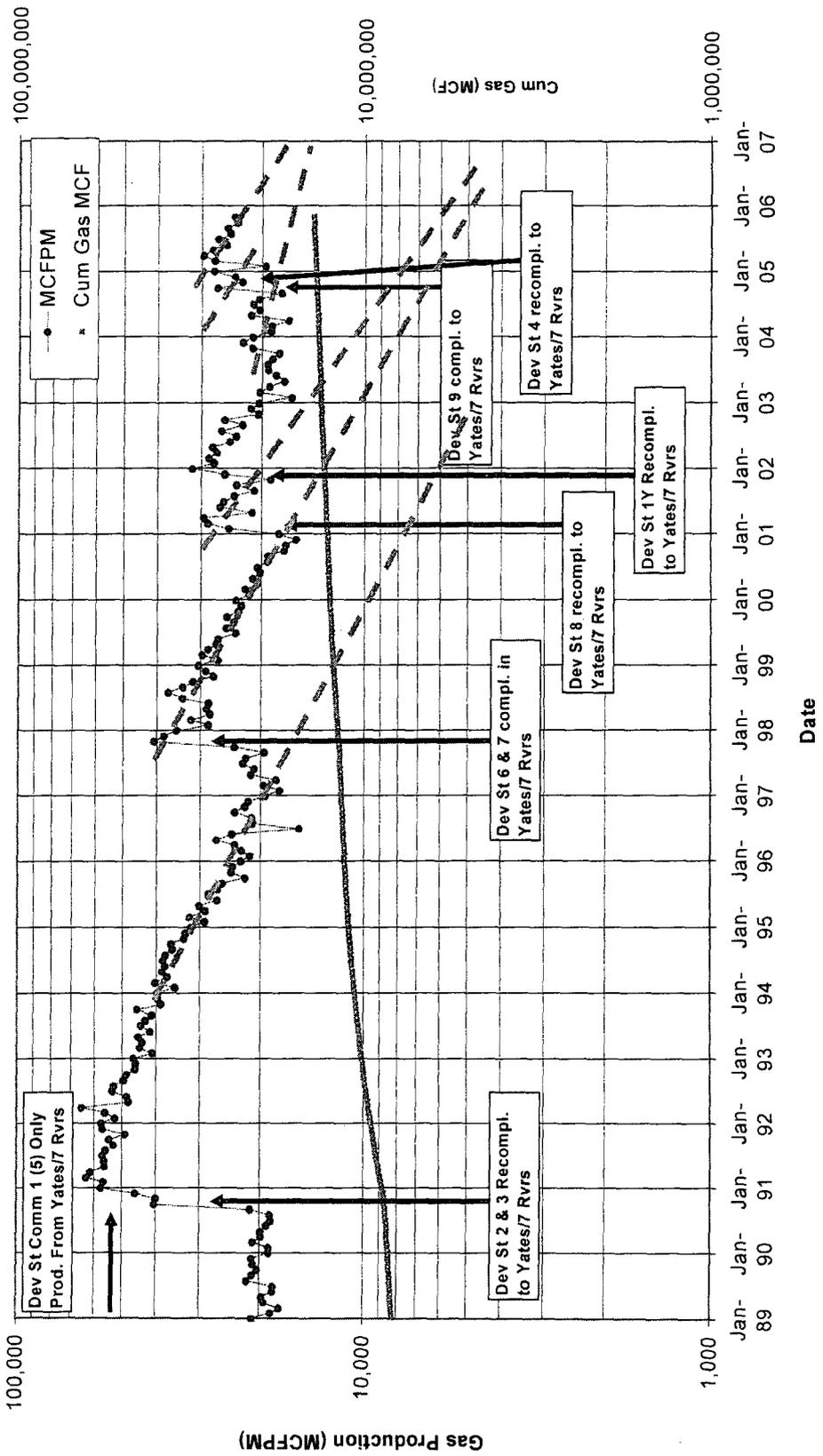
SI Wellhead Pressures from Various Citation Leases in the Eumont Field - COG Reservoir Study 1987-1988



**SI Wellhead Pressures from Various Leases Offsetting  
Citation Leases in the Eumont Field - COG Reservoir  
Study 1987-1988**



COG - Devonian State Gas Production History Yates/7 Rivers  
Initial Production - 1953 in Dev St Comm 1 (Now Dev St 5)



Note that, after each drainage point addition, the extrapolation (green dashed lines) of the production trends show a significant increase in gas reserves from the lease as a result of the work.

CITATION OIL & GAS CORP.  
STATE "L" LEASE

Application for Simultaneous Dedication of Acreage  
Eumont Yates Seven Rivers Queen (Pro Gas) Pool  
SE Sec. 1, T21S, R35E  
Lea County, New Mexico

SURFACE OWNER

State of New Mexico  
Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, NM 87504-1148

Surface Owner  
Sec. 1, T21S, R35E

OFFSET OPERATORS

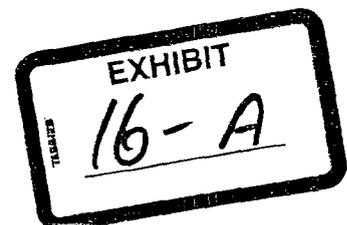
STATE L OFFSETS

AMERADA HESS CORP  
ARCH PETROLEUM INC  
BP AMERICA PRODUCTION COMPANY  
BURLINGTON RESOURCES OIL & GAS COMPANY LP  
CHEVRON U S A INC  
CONOCOPHILLIPS COMPANY  
GRUY PETROLEUM MANAGEMENT CO.  
HARVARD PETROLEUM CORPORATION  
UNICHEM INTERNATIONAL  
XTO ENERGY, INC

PO BOX 2040  
PO BOX 10340  
PO BOX 22048  
801 CHERRY ST  
REVENUE & ROYALTY ACCOUNTING P.O. BOX 4791  
PO BOX 2197 WL3 6106  
PO BOX 140907  
PO BOX 936  
PO BOX 1499  
200 NORTH LORAINNE STE 800

HOUSTON  
MIDLAND  
TULSA  
FORT WORTH  
HOUSTON  
HOUSTON  
IRVING  
ROSWELL  
HOBBS  
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**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. THOMAS KELLAHIN**  
TELEPHONE 505-982-4285  
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KELLAHIN@EARTHLINK.NET

P.O. Box 2265,  
SANTA FE, NEW MEXICO 87504  
117 NORTH GUADALUPE,  
SANTA FE, NEW MEXICO 87501

March 3, 2006

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION  
DIVISION ADMINISTRATIVE CASE:**

*OFFSETTING OPERATOR:*

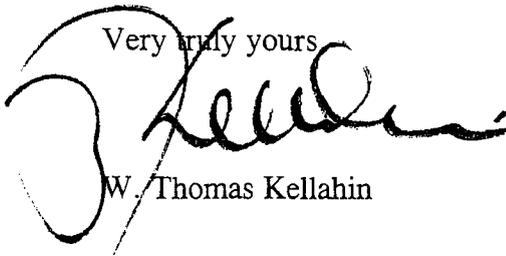
*Re: Administrative Application of Citation Oil & Gas Corp. to amend  
Administrative Order SD-04-08 to include its State L-4 well as a well exempted  
from Rule 3 of the Special Rules and Regulations of the Eumont Gas Pool  
(SE/4 of Irregular Section 1, T21S, R35E, Lea County, New Mexico.*

Dear Offsetting operator:

On behalf of Citation Oil & Gas Corp. please find enclosed a copy of its referenced administrative application. This notice is based upon records that indicate that you are an offsetting operator to the SE/4 of this section.

If you have no objection, then there is nothing for you to do. If you are willing to waiver objection, please sign this letter as indicated and return it to me. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours



W. Thomas Kellahin

WAIVER OF OBJECTION:

By: \_\_\_\_\_ with authority for  
and on behalf of \_\_\_\_\_  
Date: \_\_\_\_\_

