



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

August 12, 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 NSL-3646-A (SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) Citation Oil & Gas Corp.'s ("Citation") initial application (*administrative application reference No. pSEM0-415530641*) filed with the New Mexico Oil Conservation Division ("Division") on June 1, 2004 by Ms. Sharon Ward; (ii) Ms. Ward's two letters with supplemental data submitted to the Division on June 28 and July 6, 2004; (iii) your e-mail to Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, on Monday, July 12, 2004; (iv) your telephone conversation with Mr. Stogner Tuesday morning, July 13, 2004; (v) your addendum to Ms. Ward's original application filed with the Division on July 22, 2004; (vi) your second e-mail to Mr. Stogner on Friday morning, August 6, 2004 concerning this application; (vii) Mr. Stogner's voice-mail message to you Friday afternoon, August 6, 2004; (viii) your telephone conversation with Mr. Stogner Tuesday afternoon, August 10th; (ix) your letter dated August 11, 2004 with supplemental data to support this application; and (x) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-488 and NSL-3646 (SD) and Division Case No. 11638 (see Division Order No. R-10868): all concerning Citation's plans for additional development of the Eumont Gas Pool (76480) within the existing non-standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 20, Township 21 South, Range 36 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 320-acre unit was initially established by Division Administrative Order NSP-488, dated May 11, 1959 for the Shell Oil Company Devonian State Well No. 1 (API No. 30-025-04728), now Citation's Devonian State Well No. 5, located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 20. It is the Division's understanding that this well is now shut-in and awaiting plug and abandonment, and is no longer allocated to this 320-acre unit.

Moreover, it is further understood that gas production attributed to the Eumont Gas Pool within this 320-acre unit is to be simultaneously dedicated to the eight (8) following-described Citation operated wells:

(1) The existing Devonian State Well No. 3 (API No. 30-025-04730), located at a gas well location now considered standard, but unorthodox when Division Order No. R-10868 was issued on September 3, 1997, 660 feet from the North and East lines (Unit A) of Section 20.

(2) The existing Devonian State Well No. 2 (API No. 30-025-04729), located at a gas well location now considered standard, but unorthodox when Division Order No. R-10868 was issued on September 3, 1997, 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20.

(3) The existing Devonian State Well No. 1-Y (API No. 30-025-04732), the replacement well to the original Shell Oil Company Devonian State Well No. 1 in Unit "G" of Section 20, located at an unorthodox gas well location 2310 feet from the North and East lines (Unit G) of Section 20.

(4) The existing Devonian State Well No. 4 (API No. 30-025-04731), located at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 20.

(5) The existing Devonian State Well No. 8 (API No. 30-025-04727), located at a standard gas well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 20.

(6) The existing Devonian State Well No. 7 (API No. 30-025-04717), formerly the Devonian State Com. Well No. 3, located at a gas well location now considered standard, but unorthodox when Division Administrative Order NSL-3646 (SD) was issued on April 3, 1996, 1980 feet from the South and East lines (Unit J) of Section 20.

(7) Proposed Devonian State Well No. 9 to be drilled at a standard gas well location 710 feet from the South line and 1980 feet from the East line (Unit O) of Section 20.

(8) The existing Devonian State Well No. 6 (API No. 30-025-33505), formerly the Devonian State Com. Well No. 3, located at a gas well location now considered standard, but unorthodox when Division Administrative Order NSL-3646 (SD) was issued on April 3, 1996, 710 feet from the South and East lines (Unit P) of Section 20. The provisions of Division Administrative Order NSL-3646 (SD) approved the location of this well to be drilled 660 feet from the East line of Section 20.

By the authority granted me under the provisions of Rules 4 (A), (B), and (D) of the special rules governing the Eumont Gas Pool: (i) the above-described unorthodox Eumont gas well location for Citation's Devonian State Well No. 1-Y is hereby approved; and (ii) Citation is authorized to simultaneously dedicate Eumont gas production to this 320-acre non-standard gas spacing unit from the above-described Devonian State Wells No. 1-Y, 2, 3, 4, 6, 7, 8, and 9.

Furthermore, all provisions applicable to the subject 320-acre non-standard gas spacing unit in Division Administrative Orders NSP-488, not in conflict with this order, shall remain in full force and affect until further notice.

It is further ordered however that Division Order No. R-10868 and Division Administrative Order NSL-3646 (SD) shall be placed in abeyance 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/mes

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

File: Division Case No. 11638
NSP-488
NSL-3646 (SD)

Ms. Sharon Ward, Regulatory Administrator – Citation Oil & gas Corp., Houston