

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF  
CITATION OIL & GAS CORP. FOR AN ORDER  
GRANTING AN EXCEPTION LOCATION FOR  
THE PROPOSED HORIZONTAL DUBOIS 7H  
WELL LOCATED IN THE SW/4 SE/4 OF  
SECTION 6 IN TOWNSHIP 9 NORTH, RANGE 52  
WEST, 6TH P.M. AND THE N/2 NE/4 OF  
SECTION 7 IN TOWNSHIP 9 NORTH, RANGE 52  
WEST, 6TH P.M., PADRONI WEST FIELD,  
LOGAN COUNTY, COLORADO

CAUSE NO. 7

ORDER NO. \_\_\_\_\_

APPLICATION

COMES NOW the Applicant, Citation Oil & Gas Corp., by its attorneys Poulson, Odell & Peterson, LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado for an Order granting an exception location for the DuBois 7H well, a proposed horizontal well located in currently established drilling and spacing units of the Padroni West Field in Logan County, Colorado. In support thereof, Applicant states as follows:

1. Applicant is the owner of 100% of the working interests in the following lands located in Logan County, Colorado, which are all of the lands covered by Commission Order No. 7-3:

Township 9 North, Range 52 West, 6th P.M.

Section 6: All

Section 7: N/2 N/2, S/2 NE/4

Township 9 North, Range 53 West, 6th P.M.

Section 1: E/2 E/2

Township 10 North, Range 52 West, 6th P.M.

Section 31: W/2, SE/4

2. Order No. 7-3 dated as of August 15, 2005 established 20-acre drilling and spacing units for the lands described in paragraph 1 above, with the permitted well to be located in the NW/4 and SE/4 of each quarter quarter section no closer than 200 feet from the boundary of the quarter quarter section where the well is located, for production of oil, gas and associated hydrocarbons from the Dakota O-Sand formation.

3. Subsequent drilling and production operations in the Dakota O-Sand formation have provided geological and engineering evidence that the vertical wells authorized by Order No. 7-3 will not efficiently and economically drain all of the area covered by the order. Applicant believes that the well proposed in this Application is required to more efficiently and economically drain the Dakota O-Sand formation. Applicant requests authority to drill the DuBois 7H well from a surface location in the SW/4 SE/4 of Section 6 in Township 9 North, Range 52 West, 6th P.M. at a location 337 feet, more or less, from the south line and 1,743 feet, more or less, from the east line of Section 6 in a southeasterly direction with a proposed bottom hole location in the NE/4 NE/4 of Section 7 in Township 9 North, Range 52 West, 6th P.M. no closer than 200' to the south boundary of the NE/4 NE/4 of said Section 7 such that the wellbore of the well will not be located closer than 400 feet to the wellbore of any existing well producing from the Dakota O-Sand formation.

4. By Declaration of Pooling and Pooling Agreement dated effective February 1, 2000, amended by a series of amendments and ratifications of declaration of pooling agreement, all of the owners of royalty interests in the following lands (the "Pooled Area") and the oil and gas leases covering those lands were pooled and combined as to all depths, all formations and all zones for the purposes of developing and producing oil, gas and associated hydrocarbons therein:

Township 10 North, Range 52 West, 6th P.M.

Section 31: Lots 1, 2, 3, 4, E/2 W/2 (a/d/a W/2 Sec. 31), SE/4

Township 9 North, Range 52 West, 6th P.M.

Section 6: Lots 1, 2, 3, 4, 5, 6, 7, SE/4 NW/4, E/2 SW/4, S/2 NE/4, N/2 SE/4, SE/4 SE/4, SW/4 SE/4 *except the interval from 4,700' – 4,850' subsurface* (a/d/a All Sec. 6)

Section 7: NE/4 NE/4, SE/4 NE/4 *except from the surface to 5,040' subsurface* (a/d/a E/2 NE/4 Sec. 7)

Township 9 North, Range 53 West, 6th P.M.

Section 1: Lot 1, SE/4 NE/4, E/2 SE/4 (a/d/a E/2 E/2 Sec. 1)

The lands described below are covered as to the full mineral estate by an Oil and Gas Lease dated November 15, 1957, executed by Cecilia DuBois, *et al.* (the "DuBois Lease"), which is the currently effective oil and gas lease covering such lands:

Township 9 North, Range 52 West, 6th P.M.  
Section 7: W/2 W/2, NE/4 NW/4, W/2 E/2

5. Applicant has requested waivers and consents from all owners of mineral interests in the lands within the pooled area and within the DuBois Lease. Although Applicant believes that waivers and consents will be obtained, this Application is filed in the event such waivers and consents are not timely received. Applicant has also prepared and submitted for consideration by all royalty owners an agreement for allocation of the royalty share of production or the proceeds thereof obtained from the DuBois 7-H well between the owners of all royalty interests in the Pooled Area and the owners of all royalty interests under the DuBois Lease. Applicant believes that the waivers and the agreement allocating production from the DuBois 7-H well will be executed prior to the time for a hearing on this Application.

6. Applicant alleges and believes that the granting of this Application will prevent waste, protect correlative rights, and ensure the greatest ultimate recovery of oil and associated hydrocarbons from the reservoir and will have no adverse impacts on public health, safety or welfare or the environment.

7. The names and addresses of all of those owning mineral and royalty interests in the lands described in paragraph 4 above are, based upon information and belief of the Applicant, set forth on Exhibit "A" attached hereto and made apart hereof.

WHEREFORE, Applicant requests that this matter be set for hearing in October of 2006, that notice be given as required by law, and that upon such hearing the Commission enter its Order consistent with Applicant's requests and proposals set forth above, including such other provisions as the Commission may deem proper or advisable in the cause.

DATED this \_\_\_\_\_ day of September, 2006.

Respectfully submitted.

CITATION OIL & GAS CORP.

By: \_\_\_\_\_

Randall M. Case  
Poulson, Odell & Peterson, LLC  
1775 Sherman Street, Suite 1400  
Denver, Colorado 80203  
Phone: (303) 861-4400

Applicant's Address:

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

## EXHIBIT "A"

List of all owners of mineral, royalty and working interests in the lands described in the Application:

Citation 2004 Investment LP  
8223 Willow Pl South  
Houston, Texas 77070

Flame Royalties Inc.  
P O Box 702281  
Tulsa, Oklahoma 74170-2281

Donald R Hembre  
1100 W Littleton Blvd Suite 101  
Littleton, Colorado 80120

Kathryn P Keating  
10811 Piping Rock Lane  
Houston, Texas 77042-2725

Manion Family LLC  
366 S York St  
Denver, Colorado 80209

Mitton Family LLC  
848 25 Road  
Grand Junction, Colorado 81505

Rose V Parke Estate  
910 S 11th Ave  
Sterling, Colorado 80751-3714

Rose Royalty LLC  
Box 702320  
Tulsa, Oklahoma 74170-0630

Inez M. Sindt  
1410 S 10th Ave  
Sterling, Colorado 80751

Fairview Land & Livestock Company  
18141 Country Road 48  
Sterling, Colorado 80751

Violet G Bergsma  
c/o Lanphier, Vandenberg,  
10842 John Galt Blvd  
Omaha, Nebraska 68137

Estate Of Kathryn N Perkins  
c/o Karen S Shanks, Personal Rep  
525 Holly Hill Road  
Edmond, Oklahoma 73003

Blue Dunn LLC  
13601 Preston Road, Suite 1008W  
Dallas, Texas 75240

VERIFICATION

STATE OF COLORADO                    )  
  ) ss.  
COUNTY OF LOGAN                    )

James D. Brown, being first duly sworn upon oath, deposes and says that he is Senior Staff Reservoir Engineer of Citation Oil & Gas Corp., that he has read the foregoing Application, and that the matters therein contained are true to the best of his knowledge, information and belief.

\_\_\_\_\_  
James D. Brown

Subscribed and sworn to before me on September \_\_\_\_, 2006.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public