

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

NMOCD - ACO- 170

**IN THE MATTER OF
COLEMAN OIL & GAS INC.,**

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to **COLEMAN OIL & GAS INC** ("**Coleman**") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Coleman is a domestic profit corporation doing business in New Mexico, registered with the Public Regulatory Commission Secretary of State under number 1036359. Coleman is an active entity with a principal address at 6540 East Main, Farmington, New Mexico 87499. Its registered agent for service of process in New Mexico is George E. Coleman. Coleman's local address is Chris G. Coleman, Vice-President, P. O. Drawer 3337, Farmington, New Mexico 87499-3337. Coleman's OGRID is 4838.
3. Coleman is the operator of the following Fruitland Coal Gas wells located in the W/2 of Section 18, Township 26 North, Range 11 West, NMPM:
 - a. **Ricky Well No. 1** (API No. 30-045-25976) located 790 feet from the North line and 875 feet from the West line (Unit D);
 - b. **Ricky Well No. 1R** (API No. 30-045-31165) located 765 feet from the North line and 830 feet from the West line (Unit D);

- c. **Ricky Well No. 2** (API No. 30-045-25977) located 1850 feet from the South line and 790 feet from the West line (Unit L); and
 - d. **Ricky Well No. 2R** (API No. 30-045-31166) located 1845 feet from the South line and 745 feet from the West line (Unit L).
- 4. On August 24, 2004, the Division issued Order No. R-12201, in Case No. 13279, which granted Coleman's application for authorization to conduct a production test to determine the economic viability of simultaneously dedicating and producing these wells without completing and commingling the production from all stringers in individual wellbores on this standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool.
- 5. The test period authorized by Order No. R-12201 was extended for an additional year by Order No. R-12201-A, issued in Case No. 13558 on February 3, 2006. This order also provided that the test should run no longer than one year from the effective date of this order, or until February 3, 2007, at which time the Ricky Wells Nos. 1 and 2 should be shut-in.
- 6. On February 27, 2007 OCD Deputy Oil and Gas Inspector Shelly Cowden performed an inspection on the Ricky # 1 and Ricky #2 wells and determined the wells were producing.
- 7. On March 5, 2007 Charlie Perrin, Aztec District Supervisor contacted Coleman and asked if the wells were producing.
- 8. On March 6, 2007, Coleman determined the wells were producing and immediately shut-in the wells.
- 9. Thereafter, Coleman filed an application seeking authorization to simultaneously dedicate the W/2 of said Section 18 to the four existing Basin-Fruitland Coal gas wells located thereon and, by letter dated March 7, 2007, requested authorization to continue to produce these wells pending the April 12th hearing.
- 10. The Oil and Gas Act [NMSA 1978 Section 70-2-31, as amended] authorizes civil penalties up to \$1,000 per day per violation for, *inter alia*, violation of an order issued by OCD pursuant to the Act.
- 11. Orders R-12201 and R-12201-A were orders issued by OCD pursuant to the Oil and Gas Act.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Coleman knowingly and willfully violated OCD Order R-12201A, by producing the Ricky Wells No. 1 and No. 2, after February 3, 2007.

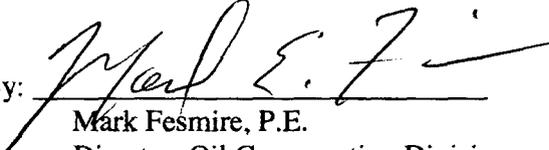
ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors the OCD hereby assesses a civil penalty in the amount of \$1,000
2. The civil penalty shall be paid within sixty days of receipt of this order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. U
3. Upon payment of this penalty, Coleman may place the Ricky Wells Nos. 1 and 2 back on production pending the hearing of its presently pending application by the Division.
4. Coleman will abide strictly by orders issued by the Division.
5. By signing this Order, Coleman expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to timely comply with ordering paragraph 2, 3 and 4.
 - (c) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - (d) agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
 - (e) agrees that if it fails to pay penalties assessed pursuant to this order, upon application by the OCD the district court may enter judgment against Coleman in the amount of the penalties assessed and, in the discretion of the

court, may impose additional penalties for Coleman's violation of the penalty provisions of this order

6. This Order shall be effective as of March 15, 2007.

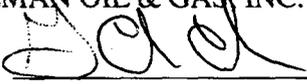
Done at Santa Fe, New Mexico this 16th day of Mar., 2007.

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

Coleman Oil & Gas, Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

COLEMAN OIL & GAS, INC.

By: 

Title: Vice-president

Date: 3-15-07