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COLEMAN OIL & GAS, INC.

Tuesday, March 30, 2004

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13279 Exhibit No. 7
Submitted By:
NM Pro Energy
Hearing Date: June 24, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Attn: Mike Stogner

Dear Mr. Stogner:

Coleman Oil & Gas, Inc. has received a letter from the Bureau of Land Management Farmington office requesting information on the status of the Ricky #1 and Ricky #2 plug and abandonment's. See attached letter. I have met with Steve Mason with Bureau of Land Management Farmington office and informed them of our plans to request approval from the Oil Conservation Division of the State of New Mexico. We have reviewed the two sundries to Plug and Abandon several times and would like to request an extension for plugging these wells and at the same time request approval for a twelve month production test. A production test would consist of producing original as well as replacement wells. This should give us ample time to produce all four wells.

With the test we would be able to determine the amount of gas that could be produced from the two upper stringers of coal simultaneously with lower interval without going to the expense of completing and commingling with the lower interval. Both of the original wells were completed in the upper stringers and were producing 60-80 Mcf / day dry gas prior to being shut in out of slim hole well bores. Replacement wells are completed in the lower interval and producing between 200 -300 Mcf / day with 2 ⅜" tubing, 4 ½" casing with artificial lift. There is a twenty to thirty foot shale barrier between the upper and lower most intervals of the Basin Fruitland Coal in this area. (See attached photo copies of logs).

During the stimulation of both replacement wells by hydraulic fracturing, the surface pressure was monitored throughout the treatment period with surface gauges on the original wells. There was no indication of communication between the well bores, therefore, it is believed that these intervals were not connected through artificial stimulation. It has been proven that in order to economically produce the coal from this area, intervals require hydraulic fracture stimulation to increase conductivity for commercial wells. All four wells have been hydraulically stimulated. The production test will have allocation meters on all four wells so that gas produced from all well bores can be monitored. Production data can be matched with original decline curves to determine if there is communication. Information can then be used to determine if it would be economically viable to complete other wells in this area in the upper intervals.

If determined to be economical, this would result in increased revenue for royalty and revenue interest owners as well as government entities.

Let me know as soon as possible if there is a possibility of a twelve month production test on these wells so that I am able to notify the BLM of our intentions.

If you need any additional information or if you would like to discuss this request please give me a call at the office or email me.

Sincerely,

Coleman Oil & Gas

Michael T. Hanson

Michael T. Hanson
cogmhanson@sprynet.com
(505)-327-0356

cc: Bureau of Land Management / Farmington
Chris Coleman
Well files