

Wednesday, July 14, 2004

**To:** Alan Emmendorfer  
**From:** Michael T. Hanson  
**Re:** Surface Commingle

It is my understanding that Coleman Oil & Gas, Inc. will be required to monitor the Production from all four of the Ricky wells. Production rates will be monitored from each well with individual allocation meters. Allocation meters will be used in combination with the sales meter to appropriate gas back to the individual wells according to the Approved Surface Commingle Application. Surface Commingle Applications have to be approved by both the Oil Conservation of New Mexico and the Bureau of Land Management. If you require a copy of approved Surface Commingle Application please give Bryan Lewis or myself a call.

Prior to reconnecting the original Ricky wells we will need to resubmit the Surface Commingle Application including these two wells.

Sincerely,

**Coleman Oil & Gas**

Michael T. Hanson  
Operations Engineer  
(505) 327-0356

Wednesday, July 14, 2004

**To:** Alan Emmendorfer  
**From:** Michael T. Hanson  
**Re:** Ricky Bottom Hole Pressure Monitoring

It is my understanding that Coleman Oil & Gas, Inc. will be required to monitor the Producing and Static Bottom Hole Pressures of all four Ricky wells. Below is a procedure and schedule for monitoring the producing and static bottom hole pressures.

### **PRODUCING BOTTOM HOLE PRESSURE MONITORING**

Producing bottom hole pressures will be monitored by taking fluid level measurements using an acoustic fluid level machine. Bottom hole pressures will be calculated from the measured casing pressure and hydrostatic pressure from the measured fluid column obtained from fluid level measurements. Fluid levels will be taken and bottom hole pressures calculated on a minimum of every three months.

### **STATIC BOTTOM HOLE PRESSURE MONITORING**

All four wells will be blocked in and equalized on all scheduled pipeline, compressor or field maintenance lasting more than twenty-four hours. Static bottom hole pressures will be monitored by taking fluid level measurements using an acoustic fluid level machine. Static bottom hole pressures will be calculated from the measured casing pressure and hydrostatic pressure from the measured fluid column obtained from fluid level measurements. If deemed necessary static bottom pressures will be obtained using slick line measurements utilizing Amerada or Electronic instruments. Slick line measurements will only be utilized if fluid level data appears to be questionable.

All field operations for producing the original Ricky wells are in the planning stage. Please let me know when we have final approval, or if you need any additional information regarding these four wells.

Sincerely,

**Coleman Oil & Gas**

Michael T. Hanson  
Operations Engineer  
(505) 327-0356