

BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT

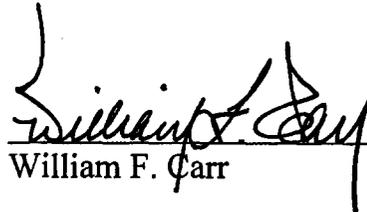
APPLICATION OF COLEMAN OIL & GAS, INC.
FOR AN EXCEPTION TO RULE 104.C(2)(c) TO
AUTHORIZE TWO OPERATORS IN A SINGLE 320-
ACRE BASIN-FRUITLAND COAL GAS POOL
SPACING UNIT, SAN JUAN COUNTY, NEW
MEXICO.

CASE NO. 13460

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, attorney in fact and authorized representative of Coleman Oil & Gas, Inc., the Applicant herein, being first duly sworn, upon oath, states that notice has been given to all interested persons shown on Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that true and correct copies of the notice letter and proof of notice are attached hereto.

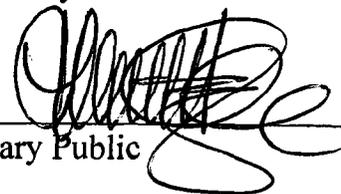


William F. Carr

SUBSCRIBED AND SWORN to before me this 16 th day of March 2005.



OFFICIAL SEAL
LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires 1/14/07



Notary Public

My Commission Expires:

January 14, 2007

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13460 Exhibit No. 4
Submitted by:
COLEMAN OIL & GAS INC.
Hearing Date: April 7, 2005

EXHIBIT A

NOTIFICATION LIST

**APPLICATION OF COLEMAN OIL & GAS, INC.
FOR AN EXCEPTION TO RULE 104.C(2)(c)
TO AUTHORIZE TWO OPERATORS IN A
SINGLE 320-ACRE BASIN-FRUITLAND COAL GAS POOL SPACING UNIT,
SAN JUAN COUNTY, NEW MEXICO.**

Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

Dugan Production Corporation
709 E. Murray Drive
Post Office Box 420
Farmington, New Mexico 87499-0420

EOG Resources, Inc
600 17th Street, Suite 1100N
Denver, Colorado 80202
Attention: Ty Stillman

James B. Fullerton
1645 Court Place, Suite 406
Denver, CO 80202



March 14, 2005

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

Re: Application of Coleman Oil & Gas, Inc. for an exception to Division Rule 104.C(2)(c) to authorize two operators in a single 320-acre Basin Fruitland Coal Gas Pool spacing unit, San Juan County New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Coleman Oil & Gas, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an exception to Division Rule 104.C(2)(c) to allow two operators in a 320-acre spacing unit in the N/2 of Section 12, Township 24 North, Range 11 West, NMPM. Coleman proposes to drill and operate its Juniper Com Well No. 32-12 in the NE/4 of the section and Dugan Production Corporation proposes to drill and operate its Kermit Com Well No. 90 in the NW/4 of the Section. This spacing unit will be simultaneously dedicated in the Basin-Fruitland Coal Gas Pool the Coleman and Dugan wells.

This application has been set for hearing before a Division Examiner on April 7, 2005 at Porter Hall in the Division's Santa Fe offices. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
Attorney for Coleman Oil & Gas, Inc.

cc: Mr. Alan Emmendorfer
Coleman Oil & Gas, Inc.

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

**APPLICATION OF COLEMAN OIL & GAS, INC. FOR AN EXCEPTION TO RULE 104.C(2)(c)
TO AUTHORIZE TWO OPERATORS IN A SINGLE 320-ACRE BASIN-FRUITLAND COAL GAS
POOL SPACING UNIT, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

COLEMAN OIL & GAS, INC. ("Coleman"), through its undersigned attorneys, hereby makes application for an order granting an exception to the provisions of Division General Rule 104.C(2)(c) to allow two operators on a single standard 320-acre coal gas spacing unit in the Basin-Fruitland Coal Gas Pool comprised of the N/2 of Section 12, Township 24 North, Range 11 West, NMPM, San Juan County, New Mexico and in support of its application states:

1. The N/2 of Section 12, Township 24 North, Range 11 West is located in the "Low Productivity Area" of the Basin-Fruitland Coal Gas Pool. The Rule 7(d) of the Special Rules and Regulations for this pool provide for two wells per standard 320-acre gas spacing unit provided the second well shall not be drilled in the quarter section containing the initial coal gas well.
2. Coleman is the owner of the working interest in the NE/4 of Section 12 on which it proposes to drill its Juniper Com Well 32-12 at a standard Basin-Fruitland Coal Gas Pool well location. Dugan Production Corporation is the owner of the working interest in the NW/4 of Section 12 on which it proposes to drill its Kermit Com Well 90 at a standard Basin-Fruitland Coal Gas Pool well location.
3. Each operator desires to develop its acreage with a coal gas well drilled at a standard location in the in the N/2 of this section. However, the parties cannot reach an agreement on the AFE costs or on the terms of an Operating Agreement covering this property and neither desires to cede operations of its acreage in the N/2 of the section to the other operator.

4. To resolve the issues between the parties concerning the development of this acreage, Dugan and Coleman have reached an agreement, subject to Division approval of an exception to the provisions of Rule 104.C(2)(c), whereby Dugan will drill and operate its well in the NW/4 of this section and Coleman will drill and operate its well in the NE/4 of the section. A copy of the letter dated February 17, 2005 that memorialized this agreement is attached as Exhibit A to this application.

5. Division Rule 104.C(2)(c) requires the operator of an infill well on a 320-acre unit to be the same as the operator of the initial well. Therefore, Coleman and Dugan cannot operate and produce their respective wells without this exception to Division Rules.

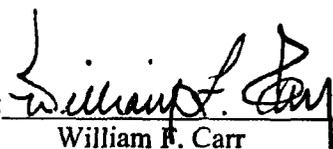
6. Coleman therefore requests an exception to Division Rule 104.C(2)(c) to allow two operators in the Basin-Fruitland Coal Gas Pool in the Standard Coal gas spacing unit comprised of the N/2 of Section 12.

7. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Coleman Oil & Gas, Inc. requests that this application be set for hearing before a Division Examiner on April 7, 2005, and that after notice and hearing as required by law and the Rules and Regulations of the Oil Conservation Division, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR COLEMAN OIL & GAS, INC.

CASE _____:

Application of Coleman Oil & Gas, Inc. for an exception to Division Rule 104.C(2)(c) to authorize two operators in a single 320-acre Basin Fruitland Coal Gas Pool spacing unit, San Juan County New Mexico. Applicant in the above-styled cause seeks an order granting an exception to Division Rule 104.C(2)(c) to allow two operators in a standard 320-acre spacing unit comprised of the N/2 of Section 12, Township 24 North, Range 11 West, NMPM, to form a standard 320-acre gas spacing in the Basin-Fruitland Coal Gas Pool. This spacing unit is located approximately 30 miles southeast of Bloomfield, New Mexico.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage)

OFFICIAL USE

44768-0002 Postage	\$.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65



Sent To
Bureau of Land Management
1235 LaPlata Highway
Farmington, NM 87401

PS Form 3800, July 1999

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bureau of Land Management
1235 LaPlata Highway
Farmington, NM 87401

2. Article Number (Copy from

7001 1140 0002 9557 6893

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dugan Production Corp.
709 E. Murray Drive
P. O. Box 420
Farmington, NM 87499-0420

2. Article Number (Copy from sender)

7001 1140 0002 9557 6947

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *M. Gary* B. Date of Delivery *3-16-05*
C. Signature *M Gary* Agent Addressee
X
D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

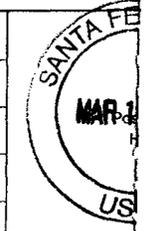
4. Restricted Delivery? (Extra Fee)

Yes

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**
(Domestic Mail Only; No Insurance Coverage)

OFFICIAL USE

44768-0002 Postage	\$ 1.00
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65



Sent To
Dugan
P.O. Box 420
Farmington NM 87499

PS Form 3800, January 2001

See Reverse for Instructions

A. Received by (Please Print Clearly) *Crystal Achoa* B. Date of Delivery *3-29-05*
C. Signature *Crystal Achoa* Agent Addressee
X
D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage)

OFFICIAL USE	
44708 0002 Postage	\$.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65

Sent To EOG
 Street, Apt. No.; or PO Box No. 6017th S Ste 116
 City, State, ZIP+4 Denver CO 80202
 PS Form 3800, January 2001 See Reverse for

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage)

OFFICIAL USE	
44708 0002 Postage	\$.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65

Sent To J B Fullerton
 Street, Apt. No.; or PO Box No. 1645 Court Pl S
 City, State, ZIP+4 Denver CO 80202
 PS Form 3800, January 2001 See Reverse for

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

EOG Resources, Inc.
Attn: Ty Stillman
600 17th Street, Suite 1100N
Denver, CO 80202

2. Article Number (Copy from)

7001 1140 0002 9557 6954

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

James B. Fullerton
1645 Court Place, Suite 406
Denver, CO 80202

2. Article Number (Copy from)

7001 1140 0002 9557 6930

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) Amber Schaefer B. Date of Delivery 3/21/05

C. Signature Amber Schaefer Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

A. Received by (Please Print Clearly) B. Date of Delivery 3/18/05

C. Signature [Signature] Agent Addressee

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

AFFIDAVIT OF PUBLICATION

Ad No. 51382

**STATE OF NEW MEXICO
County of San Juan:**

CONNIE PRUITT, being duly sworn says:
That she is the CLASSIFIED MANAGER of
THE DAILY TIMES, a daily newspaper of
general circulation published in English at
Farmington, said county and state, and that
the hereto attached Legal Notice was
published in a regular and entire issue of the
said DAILY TIMES, a daily newspaper duly
qualified for the purpose within the meaning of
Chapter 167 of the 1937 Session Laws of the
State of New Mexico for publication and
appeared in the Internet at The Daily Times
web site on the following day(s):

Tuesday, March 22, 2005.

And the cost of the publication is \$104.20.

Connie Pruitt

ON 3/23/05 CONNIE PRUITT
appeared before me, whom I know personally
to be the person who signed the above
document.

Wynell Corey
My Commission Expires November 17, 2008.

COPY OF PUBLICATION

916 Legals

NOTICE OF PUBLICATION

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on April 7, 2005, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by March 28, 2005. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 13460

Application of Coleman Oil & Gas, Inc. for an exception to Rule 104.C(2)(c) to authorize two operators in a single 320-acre Basin Fruitland Coal Gas Pool spacing unit, San Juan County, New Mexico. Applicant in the above-styled cause seeks an order granting an exception to Division Rule 104.C(2)(c) to allow two operators in a standard 320-acre spacing unit comprised of the N/2 of Section 12, Township 24 North, Range 11 West, NMPM, to form a standard 320-acre gas spacing in the Basin-Fruitland Coal Gas Pool. This spacing unit is located approximately 30 miles southeast of Bloomfield, New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 17th day of March 2005.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

Mark E. Fesmire, P.E., Director

Legal No. 51382 published in The Daily Times, Farmington, New Mexico on Tuesday, March 22, 2005.