



August 29, 2005

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 13558*

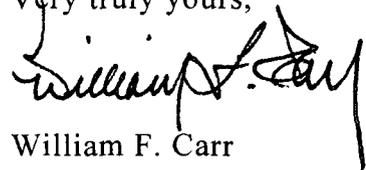
2005 AUG 30 11:00 AM

Re: Application of Coleman Oil & Gas, Inc. to amend Order No. R-12201 to extend for one year the production test authorized therein to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the application of Coleman Oil & Gas, Inc. in the above-referenced case as well as a copy of a legal advertisement. Coleman Oil & Gas, Inc. requests that this matter be placed on the docket for the September 22, 2005 Examiner hearings.

Very truly yours,

  
William F. Carr

Enclosures

cc: Oil Conservation Division District III  
1000 Rio Brazos Road  
Aztec, New Mexico 87410

Mr. Alan Emmendorfer  
Coleman Oil & Gas, Inc.

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

2005 AUG 26 PM 1:03

IN THE MATTER OF THE APPLICATION OF COLEMAN OIL & GAS, INC. TO AMEND ORDER NO. R-12201 TO EXTEND FOR ONE YEAR THE PRODUCTION TEST AUTHORIZED THEREIN TO DETERMINE THE ECONOMIC VIABILITY OF SIMULTANEOUSLY PRODUCING FOUR EXISTING GAS WELLS ON A STANDARD 320-ACRE SPACING UNIT IN THE BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 13558

APPLICATION

COLEMAN OIL & GAS, INC. ("Coleman"), by its undersigned attorneys, Holland & Hart, LLP, seeks the amendment of Order No. R-12201 entered on August 26, 2004, to extend for one year the production test authorized in four wells located on a standard 320-acre spacing unit comprised of the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico to determine the economic viability of producing the upper coal interval in this portion of the Basin-Fruitland Coal Gas Pool and the feasibility of producing these intervals without completing and commingling the production from all stringers in individual wellbores. In support of its application, Coleman Oil & Gas, Inc. states:

1. Coleman is the operator of the W/2 of said Section 18, Township 26 North, Range 11 West, NMPM, on which are located the following Fruitland Coal Gas wells:

1. **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);
2. **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);
3. **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
4. **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).

2. On August 24, 2004, the Division entered Order No. R-12201 which granted Coleman's application for an exception to Rule 7(d)(2) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize the simultaneous dedication of four existing coal gas wells in the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico for the

purpose of conducting a production test to determine the economic viability of simultaneously dedicating and producing these wells on this standard 320-acre spacing unit in the Basin Fruitland Coal Gas Pool.

3. Order No. R-12201 further provides that the production test authorized therein will end on August 31, 2005 at which time the final disposition of these wells shall be determined.

4. After one year, the production data is not sufficient to conclusively establish that there is no communication between the four wells tested. While fluid level measurements appear to indicate no communication between these wells, the production data to date does not yet establish, on a decline curve analysis, the absence of communication between these wells.

5. A one year extension of this production test should provide sufficient information to establish whether or not wells can be effectively and efficiently produced in this manner in this portion of the Basin-Fruitland Coal Gas Pool.

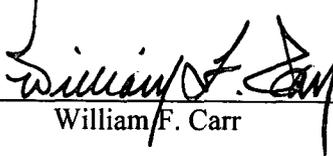
6. The parameters established for the test by in Order No. R-12201 (including the immediate termination of the test if bottomhole pressure data indicates communication between the upper coal intervals and the basal coal interval) assure that there will be no drainage from offsetting wells and the information obtained to date shows that there is little or no communication between the wells in this portion of the Basin-Fruitland Coal Gas Pool. Accordingly, the extension of the test for an additional year, under the parameters established by the Division will not impair the rights of any other operators.

7. In accordance with Division Rules, notice of this application has been provided to the affected interest owners identified on Exhibit A to this application.

8. 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 on September 22, 2005 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,  
HOLLAND & HART, LLP

By:   
William F. Carr

ATTORNEYS FOR COLEMAN OIL & GAS,  
INC.

**EXHIBIT A**

**APPLICATION OF COLEMAN OIL & GAS, INC. TO AMEND ORDER NO. R-12201 TO  
EXTEND FOR ONE YEAR THE PRODUCTION TEST AUTHORIZED THEREIN TO  
DETERMINE THE ECONOMIC VIABILITY OF SIMULTANEOUSLY PRODUCING FOUR  
EXISTING GAS WELLS ON A STANDARD 320-ACRE SPACING UNIT IN THE BASIN-  
FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.**

Dugan Production Corp.  
P. O. Box 420  
Farmington, NM 87499

Gregory Merrion Trust  
P. O. Box 840  
Farmington, NM 87499-0840

Robert L. Bayless Prod. LLC  
P. O. Box 168  
Farmington, NM 87499

Burlington Resources Oil & Gas Co. LP  
P. O. Box 51810  
Midland, TX 79710-1810

ConocoPhillips Co.  
P. O. Box 7500  
Bartlesville, OK 74005

Dominion OK TX Exploration & Production,  
Inc.  
14000 Quail Springs Parkway, #600  
Oklahoma City, OK 73134

Energen Resources Corp.  
605 Richard Arrington Jr. Blvd  
Birmingham, AL 35203-2707

EPNG Co. Land Department  
P. O. Box 1087  
Colorado Springs, CO 80944

J & R Merrion Trust  
610 Reilly Avenue  
Farmington, NM 87401

Merrion Oil & Gas Corp.  
610 Reilly Avenue  
Farmington, NM 87401

Prime Energy Corp.  
P. O. Box 160206  
San Antonio, TX 78280-2406

Pro NM Energy Inc.  
460 St. Michaels Drive  
Santa Fe, NM 87505

Carol Proyect  
124 E. Marcy Street  
Santa Fe, NM 87501

Martin Proyect  
124 E. Marcy Street  
Santa Fe, NM 87501

XTO Energy Inc.  
810 Houston Street, #2000  
Fort Worth, TX 76102-6298

Thomas H. Yates, Jr.  
10500 N Highway 281 #100  
San Antonio, TX 78216

Redwolf Production Company  
P. O. Box 1915  
Farmington, NM 87499

ConocoPhillips Company  
P. O. Box 2197, WL3 4066  
Houston, TX 77252-2197

**PROPOSED LEGAL ADVERTISEMENT:**

Case 13538 **Application of Coleman Oil & Gas, Inc. to amend Order No. R-12201 to extend for one year the production test authorized therein to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.** Applicant seeks the amendment of Order No. R-13279 entered on August 26, 2004, that granted an exception to Rule 7(d) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool and authorized the simultaneous dedication of the S/2 of Section 8, Township 31 North, Range 5 West, NMPM, San Juan County, New Mexico to the following four existing coal gas wells for the purpose of conducting a production test for one year to determine the economic viability of simultaneously producing these wells:

1. **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);
2. **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);
3. **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
4. **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).

Said spacing unit is located approximately 30 miles southeast of Farmington, New Mexico.



September 1, 2005

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Coleman Oil & Gas, Inc. to amend Order No. R-12201 to extend for one year the production test authorized therein to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool, 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 a one year extension of the production test authorized by Division Order No. R-12201 to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool.

This application has been set for hearing before a Division Examiner on September 22, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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 four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should 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.

Enclosures

cc: Alan Emmendorfer  
Coleman Oil & Gas, Inc.