



October 10, 2006

**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 13812*

2006 OCT 10 PM 2 41

Re: Application of Coleman Oil & Gas, Inc. for amendment of administrative Order SWD-806-B, 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 the legal advertisement. Coleman Oil & Gas Inc. requests that this matter be placed on the docket for the November 9, 2006 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

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

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

2006 OCT 10 PM 2 41

IN THE MATTER OF THE APPLICATION OF COLEMAN OIL & GAS, INC. FOR  
AMENDMENT OF DIVISION ADMINISTRATIVE ORDER SWD-806-B, SAN JUAN COUNTY,  
NEW MEXICO.

CASE NO. 13812

APPLICATION

COLEMAN OIL & GAS, INC., ("Coleman") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order amending Administrative Order SWD-806-B to delete the provisions requiring Coleman to re-enter and re-plug the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, and the Monument Well No. 2 (API No. 30-045- 21463) located 800 feet from the North and West lines of Section 16, both in Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico ("the Monument Wells"), and support of its application states:

1. Coleman is the operator of the Juniper SWD Well No. 1 (API No. 30-045-29732) ("the Juniper Well") located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

2. By Administrative Order SWD-806 dated July 20, 2001, the Oil Conservation Division authorized Coleman to complete the Juniper Well for the injection of produced water for disposal purposes into the Mesaverde formation from a depth of approximately 3,820 feet to 3,980 feet through 2 7/8 inch plastic-lined tubing set in a packer located at approximately 3,790 feet.

3. In May 2002, Coleman requested that the Division to, among other things, change the approved injection interval to 2,176 feet to 3,974 feet through 2 7/8 inch plastic-lined tubing set in a packer at approximately 2125 feet. The request was approved by Administrative Order SWD-806-A, dated May 20, 2002.

4. Pursuant to Administrative Order SWD-806-A, Coleman first perforated the Juniper well in the Point Lookout member of the Mesaverde formation from depths of 3,036 to 3,974 feet and hydraulically fractured in this interval.

5. The Juniper well was next perforated in the upper Menefee and Cliff House members of the Mesaverde formation from 2,176 to 2,758 feet and hydraulically fractured in these intervals.

6. By letter dated October 28, 2005, the Division advised Coleman that the Division had determined that the upper Mesaverde injection interval contains protectable water. The Division proposed to amend SWD-806-A to "limit the permitted injection interval to depths of 3,820 to 3,980 feet and to require remedial cementing operations on offsetting wells located within 1/2 mile or greater of this injection well in order to isolate the upper members of the Mesaverde formation from saltwater injection into the lower Mesaverde." This letter directed Coleman to either squeeze off the upper perforations and ensure the squeeze would hold up to a pressure test, or place a surface readout and downhole pressure sensor directly above the injection packer after placing the packer below the upper perforated interval.

7. By letter dated November 14, 2005, Coleman requested a meeting with the Division to explore alternatives to the proposed actions set out by the Divisions in its October 28, 2005 letter.

8. On December 15, 2005, during a meeting between Coleman and the Division, Coleman agreed that its injection permit SWD-806-A could be amended to exclude potential sources of drinking water within the Cliff House and the upper Menefee members of the Mesaverde from injection of produced water into the lower Menefee and Point Lookout intervals of the Mesaverde formation and to initiate a study to determine the area affected by injection through the Juniper Well.

9. By Administrative Order SWD-806-B, dated May 18, 2006, the Division determined that the interval from 2,170 to 2,758 feet may contain in-situ waters with characteristics determined to be protectable under the Oil Conservation Division Rules and the federal Safe Drinking Water Act and amended the injection permit to exclude this fractured interval from direct or indirect injection of oil field produced waters. The Division further required that the Monument Wells be re-entered and re-plugged "to place cement across all former and future intervals of injection within the Mesaverde and in the

Juniper Well No. 1 and to cover and isolate with cement any potential fresh-water-intervals." The Division directed that this work must be commenced prior to January 1, 2007 or the permit to inject into the Juniper Well will expire.

10. Coleman began evaluating options for the Juniper Well on December 1, 2005 to comply with the Division's October 28, 2005 letter and Division Order SWD-806-B. In addition to design work on the Juniper Well, Coleman had an "Area of Influence Report" prepared on the Juniper well by an outside consulting firm. This study shows that the radius of injected water ranges from 193 feet to 244 feet and that the area of injected water ranged from 2.7 acres to 4.3 acres.

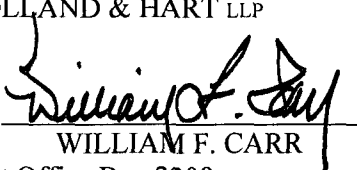
11. Based on the work it has done on the Juniper well and the data it has obtained on the area of influence from injection in the Juniper well, Coleman seeks an order eliminating the requirement that it re-enter and re-plug the Monument Wells. ✓✓

12. Notice of this application has been provided to the State Land Office as the oil and gas lessee under the Juniper spacing unit and, since the surface is federal land, to the Bureau of Land Management. Coleman is the only leasehold operator within ½ mile of the Juniper well.

13. Approval of this application is in the best interest of conservation, will prevent waste, protect correlative rights and will not pose a threat to fresh water or to human health of the environment.

WHEREFORE, Coleman Oil & Gas, Inc. requests that this application be set for hearing before an examiner of the Oil Conservation Division on November 9, 2006, and 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  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR COLEMAN OIL & GAS,  
INC.

**NOTIFICATION LIST**

Bureau of Land Management  
Farmington District Office  
1235 La Plata Highway  
Suite A  
Farmington, New Mexico 87401-8731

Commissioner of Public Lands  
State Land Office Building  
310 Old Santa Fe Trail  
Post Office Box 1148  
Santa Fe, New Mexico 87504-1148

CASE 13812:

**Application of Coleman Oil & Gas, Inc. for amendment of administrative Order SWD-806-B, San Juan County, New Mexico.** Applicant in the above-styled cause seeks an order amending the provisions of Administrative Order SWD-806-B which authorized the completion of the Juniper SWD Well No. 1 (**API No. 30-045-29732**) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico for the injection of produced water for disposal purposes into the Mesaverde formation to eliminate the requirement for the re-entering and re-plugging the Monument Well No. 1 (**API No. 30-045-21912**) located 1650 feet from the North line and 990 feet from the East line of Section 17, , and the Monument Well No. 2 (**API No. 30-045- 21463**) located 800 feet from the North and West lines of Section 16, both in Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico. These wells are located approximately 23 miles southeast of Bloomfield, New Mexico.



October 12, 2006

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**AFFECTED INTEREST OWNERS**

**Re: Application of Coleman Oil & Gas, Inc. for amendment of administrative Order SWD-806-B, San Juan County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Coleman Oil & Gas, Inc., Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order amending the provisions of Administrative Order SWD-806-B which authorized the completion of the Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico for the injection of produced water for disposal purposes into the Mesaverde formation to eliminate the requirement for the re-entering and re-plugging the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, , and the Monument Well No. 2 (API No. 30-045- 21463) located 800 feet from the North and West lines of Section 16, both in Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

This application has been set for hearing before a Division Examiner on November 9, 2006. 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, four days in advance of a scheduled hearing, but at least on the Thursday preceding the 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.

Sincerely,

William F. Carr

ATTORNEY FOR COLEMAN OIL & GAS, INC.

cc: Alan Emmendorfer  
Coleman Oil & Gas, Inc.