

**Chipper #1
Downhole Commingling
Allocation Formula**

Coleman Oil & Gas drilled the Chipper #1 in March 2001. The well was completed in the WAW Fruitland Sand – Pictured Cliffs Pool in May 2001 and was first delivered into El Paso Field Services gathering system that same month. Production from the well stabilized at approximately 3204 MCF/month and is declining at approximately 56.7 percent/year. (See attached production graph.)

In July 2003, Coleman Oil & Gas is planning on setting a bride plug on top of the Pictured Cliffs zone and recompleting the well in the Basin Fruitland Coal pool.

The two zones are very close to each other (total of 8 feet separation) and the reservoir pressures are expected to be similar; therefore, cross flow will not be a factor. Both zones will produce water, but neither zone will produce any liquid hydrocarbons. Since neither zone is fluid sensitive, the fluids from the two zones should be compatible.

Due to the lack of production data from the Fruitland Coal, Coleman Oil & Gas proposes to allocate the production according to the following method.

Calculate Pictured Cliffs rate at any time from the following:

$Q_{pc} = Q_{pci} * e^{(-Dt)}$ where t is time in months since the commingling began and Q_{pci} is 52 MCFD. The Pictured Cliffs decline (D) was calculated from the attached rate - time plot at 56.7 percent/year (0.0673/month).

The Fruitland Coal production can be calculated from the actual measured production for any month minus Q_{pc} .

Coleman Oil & Gas is the only working interest owner in the Chipper #1. The working and net revenue interests are common in the two pools. The net revenue interests are Federal and Navajo Allotted. This well is on a Federal Lease with a communitization agreement with a Navajo Allotted Lease to the south, so the BLM has also been notified.

LIST OF OWNERS

	Chipper #1 WAW Fruitland Sand / PC NM NM 104610	Chipper #1 Basin Fruitland Coal NM NM 104610 NOG 9811-1309	Darcy Ann #1 WAW Fruitland Sand / PC NOG 9811-1309	Darcy Ann #1 Basin Fruitland Coal NM NM 104610 NOG 9811-1309
Royalty Owners				
DOI - MMS	0.12500000	0.06250000	0.12500000	0.06250000
DOI - MMS for BIA	0.00000000	0.06250000	0.00000000	0.06250000
Working Interest Owners				
Coleman Oil & Gas, Inc. etal	0.87500000	0.87500000	0.87500000	0.87500000
Total Revenue Interests	1.00000000	1.00000000	1.00000000	1.00000000

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals, & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
30-045-30297		71629		Basin Fruitland Coal	
Property Code		Property Name			Well Number
		Chipper			#1
OGRID No.		Operator Name			Elevation
4838		Coleman Oil & Gas, Inc.			6194'

Surface Location

UL or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	North/South line	County
D	26	26N	12W		950	North	950	West	San Juan

Bottom Hole Location If Different From Surface

UL or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	North/South line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 (W/2)	Y		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTILL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature _____</p> <p>Michael T. Hanson</p> <p>Printed Name _____</p> <p>Engineer</p> <p>Title _____</p> <p>July 8, 2003</p> <p>Date _____</p>
	<p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>_____</p> <p>Date of Survey _____</p> <p>_____</p> <p>Certificate Number _____</p>

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

210 JUN 30 PM 12:05 AMENDED REPORT

070 FARMINGTON, NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number		'Pool Code 87190		'Pool Name WAW FRUITLAND SAND PICTURED CLIFFS	
'Property Code		'Property Name CHIPPER			'Well Number 1
'OGRID No. 004838		'Operator Name COLEMAN OIL & GAS, INC.			'Elevation 6194'

¹⁰ Surface Location

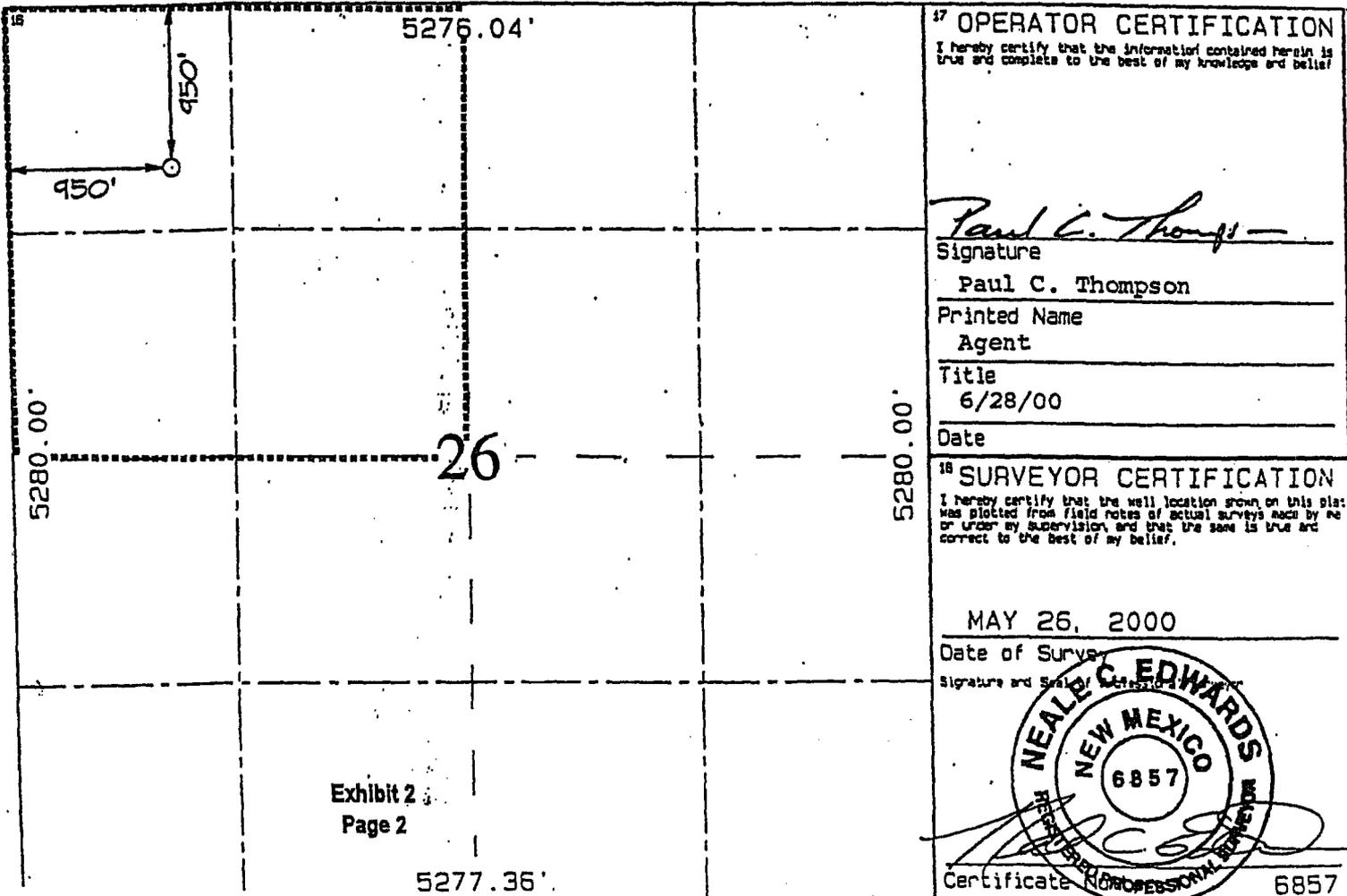
LL or lot no.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
D	26	26N	12W		950	NORTH	950	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

LL or lot no.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Paul C. Thompson
Signature
Paul C. Thompson
Printed Name
Agent
Title
6/28/00
Date

¹⁸ SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MAY 26, 2000
Date of Survey
Signature and Seal
NEALE C. EDWARDS
NEW MEXICO
6857
Certificate No. 6857

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994
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OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

FIGURE 3A

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number 30-045-29896		'Pool Code 71629		'Pool Name BASIN FRUITLAND COAL	
'Property Code 24807		'Property Name DARCY ANN			'Well Number 1
'OGRID No. 004838		'Operator Name COLEMAN OIL & GAS, INC.			'Elevation 6231'

10 Surface Location

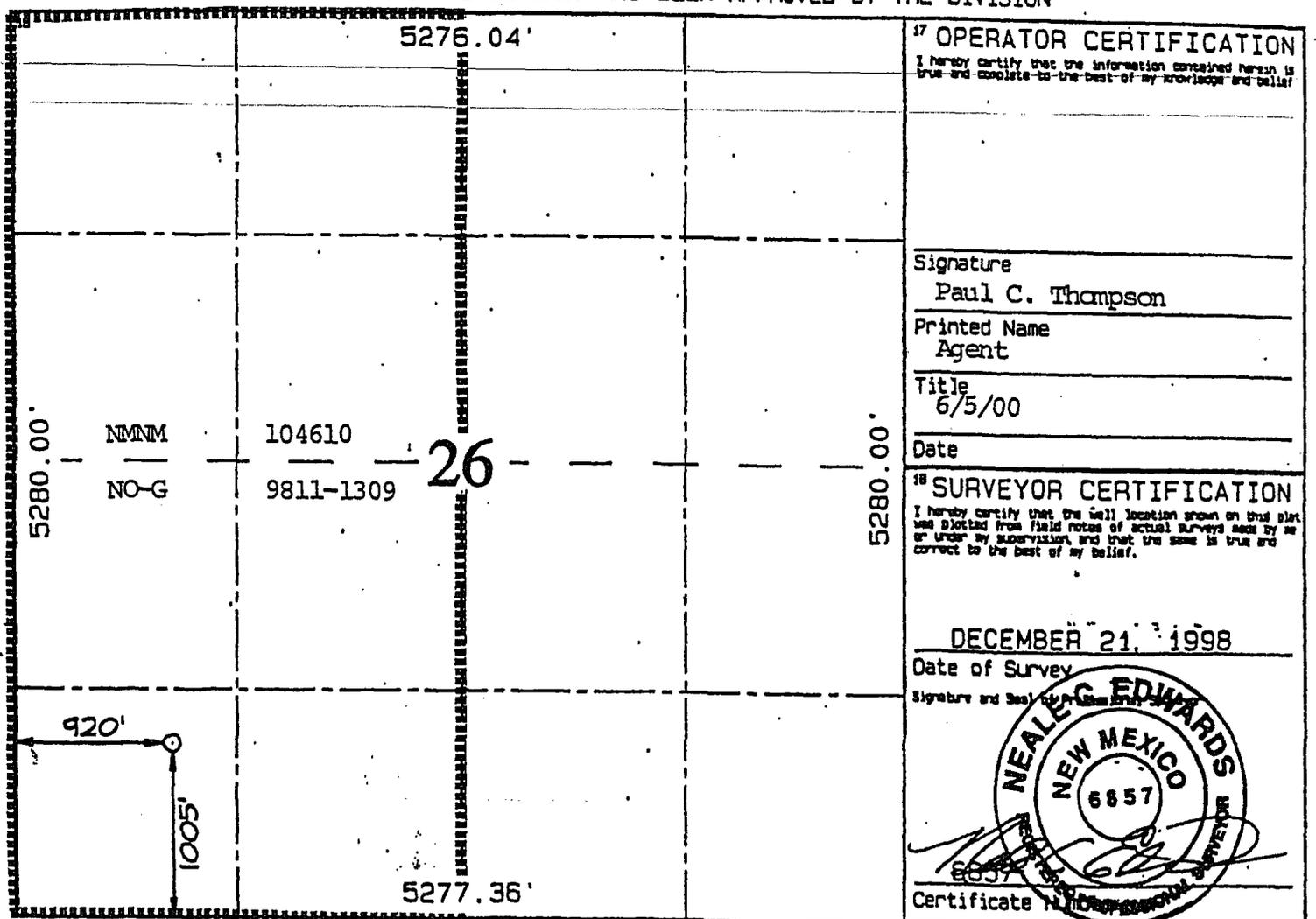
UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
M	26	26N	12W		1005	SOUTH	920	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County

'Dedicated Acres 320	'Joint or Infill Y	'Consolidation Code C	'Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Paul C. Thompson

Printed Name
Agent

Title
6/5/00

Date

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

DECEMBER 21, 1998
Date of Survey

Signature and Seal
Nealec Edwards

NEALEC EDWARDS
NEW MEXICO
6857
Professional Surveyor

Certificate No. 6857

Rate/Time Graph

Project: C:\Program Files\IHS Energy\PowerTools v5.0\Projects\farmington.MDB

Date: 2/14/2003

Time: 4:29 PM

Lease Name: CHIPPER (1)

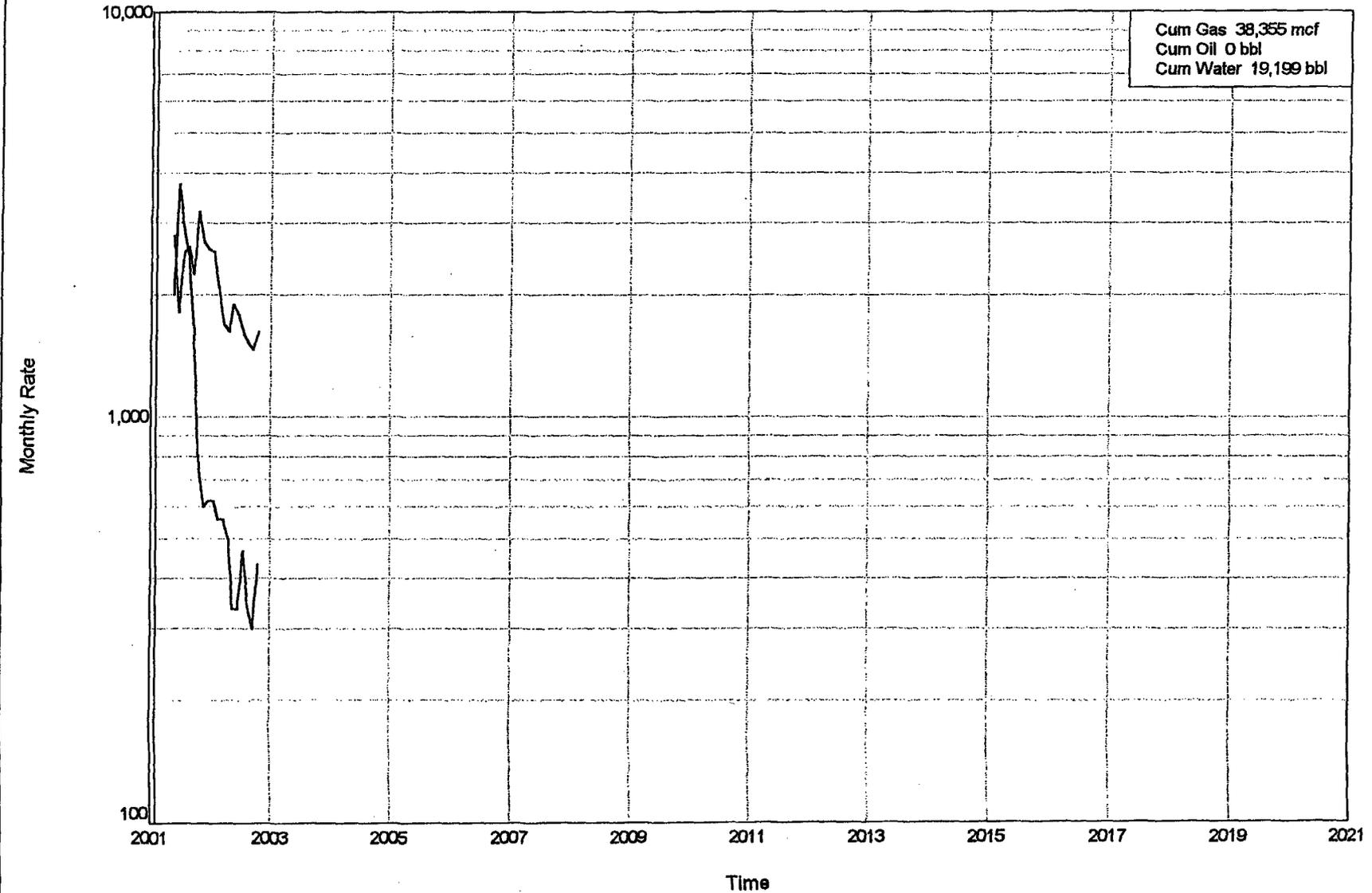
Operator: COLEMAN OIL & GAS INCORPORATED

County, ST: SAN JUAN, NM

Field Name: WAW

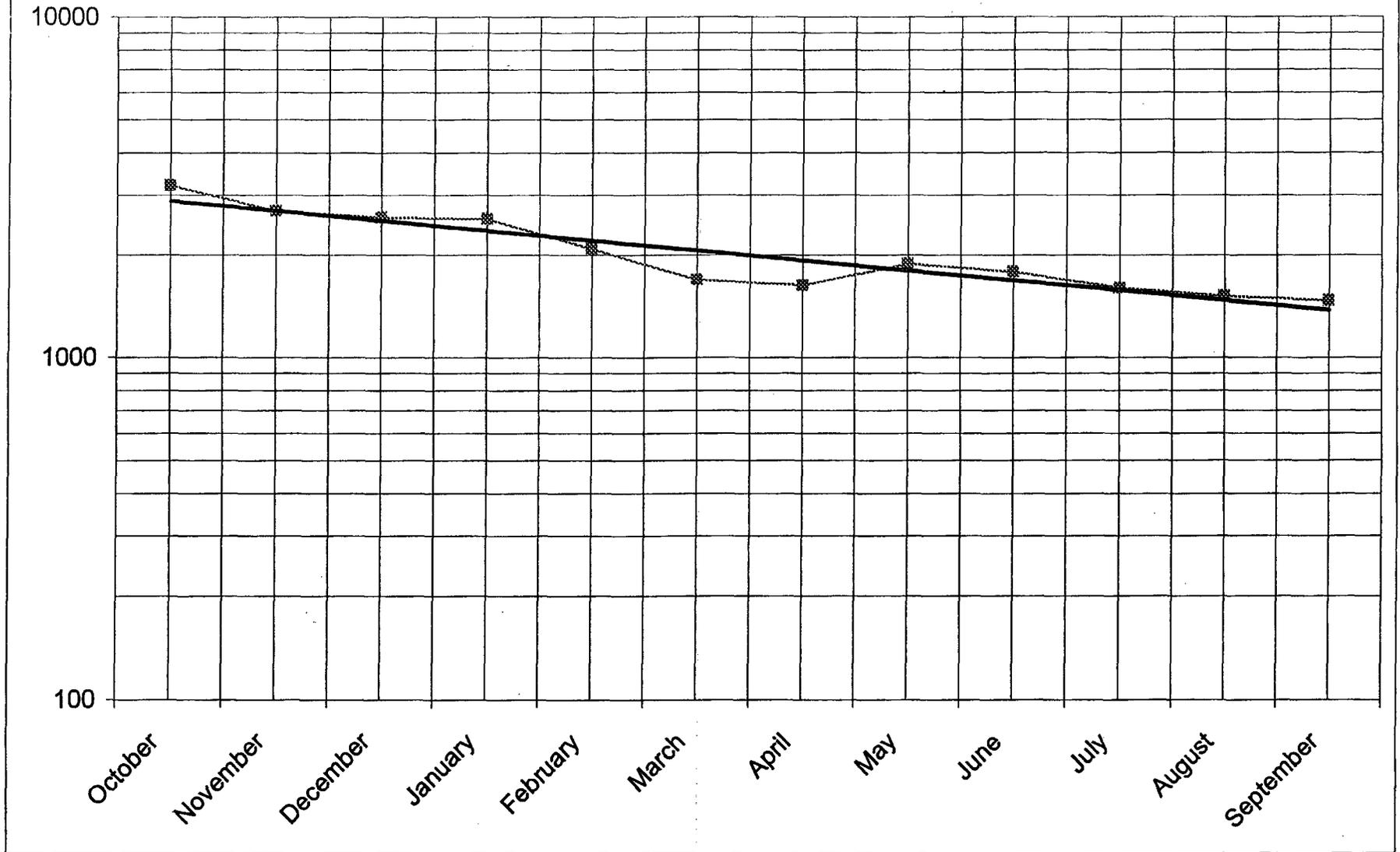
Location: 26 26N 12W SE NW NW

CHIPPER - WAW



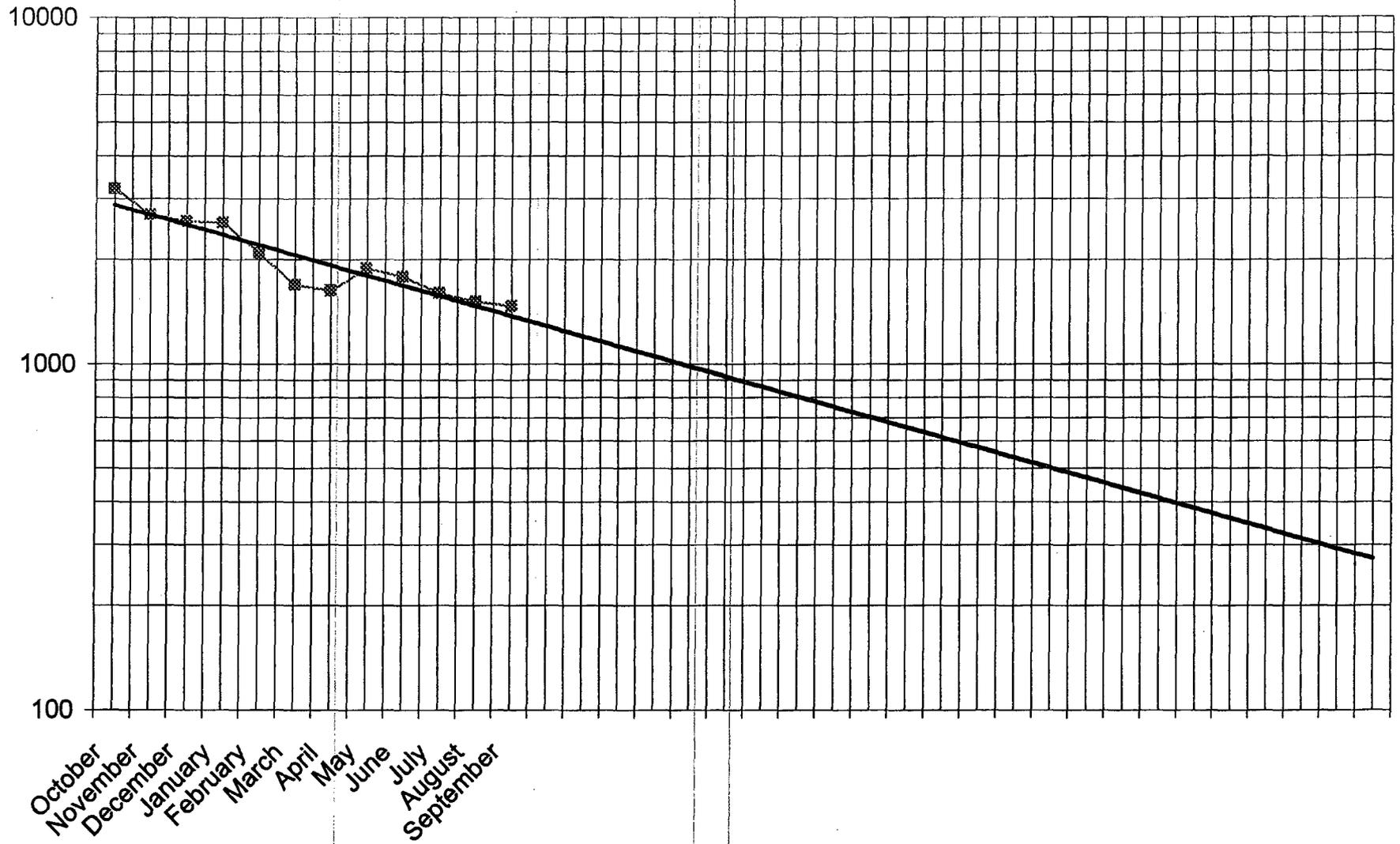
Chipper #1

$$y = 3087.8e^{-0.0673x}$$



Chipper #1

$$y = 3087.8e^{-0.0673x}$$



Well: CHIPPER No.: 1
 Operator: COLEMAN OIL & GAS INC API: 3E+09
 Township: 26.0N Range: 12W
 Section: 26 Unit: D
 Land Type F County: San Juan
 Total Acre: 160
 Number of 1

Accumulated:
 Oil: 0 (BBLs) Gas: 53706 (MCF)
 Water: 27106 (BBLs) Days Prod: 632 (Days)

Year: 2001

Pool Name: WAW FRUITLAND SAND PC (GAS)

Month	Oil(BBLS)	Gas(MCF)	Water(BBL)	Days Prod	Accum. Oil	Accum. Gas(MCF)
January	0	0	0	0	0	0
February	0	0	0	0	0	0
March	0	0	0	0	0	0
April	0	0	0	0	0	0
May	0	2795	1998	12	0	2795
June	0	1813	3750	18	0	4608
July	0	2549	2900	25	0	7157
August	0	2623	2460	26	0	9780
September	0	2242	1650	24	0	12022
October	0	3204	775	31	0	15226
November	0	2701	600	30	0	17927
December	0	2582	620	31	0	20509
Total	0	20509	14753	197		

Year: 2002

Pool Name: WAW FRUITLAND SAND PC (GAS)

Month	Oil(BBLS)	Gas(MCF)	Water(BBL)	Days Prod	Accum. Oil	Accum. Gas(MCF)
January	0	2552	620	31	0	23061
February	0	2088	560	28	0	25149
March	0	1694	560	31	0	26843
April	0	1628	500	25	0	28471
May	0	1888	336	28	0	30359
June	0	1786	336	28	0	32145
July	0	1604	468	29	0	33749
August	0	1518	336	28	0	35267
September	0	1467	300	25	0	36734
October	0	1621	430	31	0	38355
November	0	1722	2145	30	0	40077
December	0	3211	1976	31	0	43288
Total	0	22779	8567	345		



2030 AFTON PLACE
 FARMINGTON, N.M. 87401
 (505) 325-6622

ANALYSIS NO. CM220034
 CUST. NO. 18200 - 10050

WELL/LEASE INFORMATION

CUSTOMER NAME	COLEMAN OIL AND GAS INC.	SOURCE	N/A
WELL NAME	CHIPPER #1	PRESSURE	36 PSIG
COUNTY/ STATE	SAN JUAN NM	SAMPLE TEMP	N/A DEG.F
LOCATION		WELL FLOWING	Y
FIELD		DATE SAMPLED	9/29/02
FORMATION	PICTURED CLIFFS	SAMPLED BY	SUSAN SULLIVAN
CUST.STN.NO.	8327	FOREMAN/ENGR.	

REMARKS

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.102	0.0000	0.00	0.0010
CO2	2.658	0.0000	0.00	0.0404
METHANE	95.335	0.0000	965.08	0.5281
ETHANE	1.899	0.5080	33.68	0.0197
PROPANE	0.005	0.0014	0.13	0.0001
I-BUTANE	0.000	0.0000	0.00	0.0000
N-BUTANE	0.000	0.0000	0.00	0.0000
I-PENTANE	0.001	0.0004	0.04	0.0000
N-PENTANE	0.000	0.0000	0.00	0.0000
HEXANE PLUS	0.000	0.0000	0.00	0.0000
TOTAL	100.000	0.5097	998.93	0.5893

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

** @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR	(1/Z)	1.0021
BTU/CU.FT (DRY) CORRECTED FOR	(1/Z)	1,001.0
BTU/CU.FT (WET) CORRECTED FOR	(1/Z)	983.6
REAL SPECIFIC GRAVITY		0.5905

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650	995.6
DRY BTU @ 14.696	998.7
DRY BTU @ 14.730	1,001.0
DRY BTU @ 15.025	1,021.1

CYLINDER #	206
CYLINDER PRESSURE	32 PSIG
DATE RUN	10/3/02
ANALYSIS RUN BY	JANICE BROWN



2030 AFTON PLACE
 FARMINGTON, N.M. 87401
 (505) 325-6622

ANALYSIS NO. CM220045
 CUST. NO. 18200 - 10060

WELL/LEASE INFORMATION

CUSTOMER NAME	COLEMAN OIL AND GAS INC.	SOURCE	N/A
WELL NAME	PEGASUS #1	PRESSURE	38 PSIG
COUNTY/ STATE	SAN JUAN NM	SAMPLE TEMP	DEG.F
LOCATION		WELL FLOWING	Y
FIELD		DATE SAMPLED	9/29/02
FORMATION	BASIN FRUITLAND COAL	SAMPLED BY	SUSAN SULLIVAN
CUST.STN.NO.	595	FOREMAN/ENGR.	

REMARKS

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.130	0.0000	0.00	0.0013
CO2	2.161	0.0000	0.00	0.0328
METHANE	95.779	0.0000	969.57	0.5305
ETHANE	1.920	0.5136	34.06	0.0199
PROPANE	0.004	0.0011	0.10	0.0001
I-BUTANE	0.000	0.0000	0.00	0.0000
N-BUTANE	0.000	0.0000	0.00	0.0000
I-PENTANE	0.006	0.0022	0.24	0.0001
N-PENTANE	0.000	0.0000	0.00	0.0000
HEXANE PLUS	0.000	0.0000	0.00	0.0000
TOTAL	100.000	0.5169	1,003.97	0.5848

* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

** @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR (1/Z) 1.0021
 BTU/CU.FT (DRY) CORRECTED FOR (1/Z) 1,006.1
 BTU/CU.FT (WET) CORRECTED FOR (1/Z) 988.6
 REAL SPECIFIC GRAVITY 0.5859

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650 1,000.6
 DRY BTU @ 14.696 1,003.8
 DRY BTU @ 14.730 1,006.1
 DRY BTU @ 15.025 1,026.2

CYLINDER # 207
 CYLINDER PRESSURE 33 PSIG
 DATE RUN 10/3/02
 ANALYSIS RUN BY JANICE BROWN

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM 104610

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
N/A

8. Well Name and No.
Chipper #1

9. API Well No.
30-045-30297

10. Field and Pool, or Exploratory Area
WAW Fruitland Sand- PC

11. County or Parish, State
San Juan County, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Oil Well Gas Well Other

2. Name of Operator
COLEMAN OIL & GAS, INC.

3a. Address **P O Drawer 3337, Farmington, NM 87499-3337** 3b. Phone No. (include area code) **(505) 327-0356**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
950' FNL and 950' FWL, Section 26, T26N, R12W

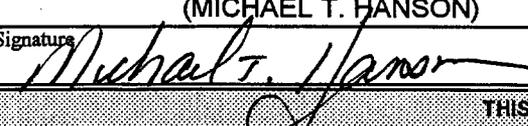
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other SEE BELOW
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Coleman Oil & Gas, Inc. has applied to the NMOCD for approval to downhole commingle the production from the WAW Fruitland Sand/Pictured Cliffs pool with the Basin Fruitland Coal pool. Attached is a copy of this application. The working interests are common between the two pools. The net revenue interests are Federal and Navajo Allotted. This well is on a Federal Lease with a communitization agreement with a Navajo Allotted Lease to the South, so the BLM has also been notified.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) (MICHAEL T. HANSON)	Title ENGINEER
Signature 	Date July 11, 2003

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
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Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.