DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
06/07/07	06/07/07	DRC	8/24/07	ACC	pDRC0723628730

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name	Signature	Title	Date

e-mail Address

P.O. DRAWER 3337
FARMINGTON, NM 87499

OFFICE: 505-327-0356
FAX: 505-327-9425

COLEMAN OIL & GAS, INC.

2007 JUN 11 PM 4 25

Bryan Lewis
e-mail: cogblewis@yahoo.com

Thursday, June 07, 2007

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

Attention: Mr. Mark Fesmire

RE: Surface Commingling Order

Ladies and Gentlemen:

Coleman Oil & Gas, Inc. by its letter dated November 30, 2006 requested approval to operate its two Juniper gathering pipeline systems as one open system and to surface commingle the gas production from the Juniper area wells on a field wide basis through both the CPD # 1 and CPD # 2 delivery points.

On March 22, 2007 Mr. David Catanach of your office informed me that Coleman's application was deficient in that it proposed to include wells in the open system that had not been properly added to the existing surface commingling orders, CTB 556 and CTB 528A. By orders signed by the New Mexico Oil Conservation Division that deficiency was corrected and those wells have now been properly added.

This letter is a request to revisit Coleman's November 30th open system application letter and to approve same for implementation at the earliest possible juncture.

Sincerely,

COLEMAN OIL & GAS, INC.

Bryan Lewis

Bryan Lewis
Landman

cc: *Mr. Charlie Perrin, Supervisor District 3*
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

P.O. DRAWER 3337
FARMINGTON, NM 87499

OFFICE: 505-327-0356
FAX: 505-327-9425

COLEMAN OIL & GAS, INC.

Bryan Lewis
e-mail: cogblewis@yahoo.com

Thursday, November 30, 2006
Sent Again February 20, 2007 NMOCD - SFNM
Sent Again July 11, 2007 NMOCD - SFNM

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attention: Mr. Mark Fesmire

Bureau Of Land Management
1235 La Plata Highway, Suite A
Farmington, NM 87401

Attention: Mr. Jim Lovato

New Mexico State Land Office
Oil, Gas & Minerals Division
Post Office Box 1148
Santa Fe, NM 87504-1148

Attention: Ms. Jami Bailey

RE: Surface Commingling Order

Ladies and Gentlemen:

Applicant, Coleman Oil & Gas, Inc. has applied for and received approval to surface commingle produced gas from their Juniper area wells by NMOCD Commingling Orders CTB-556 (CPD # 2) and CTB-528 (CPD # 1), with concurrence by the Bureau of Land Management and State Land Office, where applicable, and currently embracing the following lands in San Juan County:

Township 24 North – Range 10 West, NMPM

Section 04:	W/2	Section 05:	All
Section 06:	All	Section 07:	All
Section 08:	All	Section 09:	All
Section 10:	All	Section 15:	All
Section 16:	All	Section 17:	All
Section 18:	All	Section 21:	All
Section 28:	N/2		

Coleman wells on the following lands will be added to the system as they come on line:

Township 24 North – Range 11 West, NMPM

Section 12:	NE/4[1]	Section 13:	All
Section 14:	All	Section 15:	All
Section 22:	E/2	Section 23:	All
Section 24:	All		

Coleman's CPD #1 delivery point is in the NWNW of Section 10-Township 24 North, Range 10 West. The CPD #2 delivery point is in the NWNE of Section 05-Township 24 North, Range 10 West.

This is a request for approval to operate the two Coleman gathering pipeline systems as one open system and to surface commingle the gas production from the Juniper area wells on a field wide basis through both the CPD #1 and CPD #2 delivery points.

1. **Proposed System.** Open system and surface commingling (proposed action of open system and surface commingling hereinafter referred to as "open system") of the Juniper area wells as proposed will allow production through one compressor at each delivery point, thereby allowing the containment of operating costs and prolonging the economic life of the wells. Operationally, the open system will allow Applicant to maximize gathering capacity thereby allowing wells to produce at their optimal rates and for longer. Wells producing at their optimal rates for longer periods of time will of course benefit Applicant in the form of higher revenues and will generate more revenue dollars for the royalty owners, being the Federal government, individual Navajo allottees, the State of New Mexico through its state land office and for the local and regional economies. If a compressor at one CPD delivery point becomes non operational, the compressor at the other CPD delivery point will still be able to pull the gas to its delivery point, although at a reduced rate, which will ensure that all wells produce continually, eliminating or minimizing the problems associated with intermittent production of coalbed methane wells. The proposed open system will easily allow for additional wells to be added to the gathering system as they commence gas production. All wells on the open system will have an allocation meter on location.

2. **Location Map.** Exhibit 1 is a plat showing the representative locations of the wells and CPD # 1 and CPD #2 subject to this Application for an open system.

3. **Well, Locations and Lease Numbers.** This item has been adequately discussed in the initial Applications for Surface Commingling.

[1] This FC well is operated independently from the other well in the spacing unit (N/2). The other well (NW/4) is operated by Dugan Production Corporation.

4. **Schematic Diagram.** Schematic diagrams were included with the original Applications for Surface Commingling. Changing to an open system as contemplated herein will not alter the original schematics provided.

5. **Lease Use Gas.** Each well has a pumping unit that uses approximately 2.0 MCFD of lease use gas and a separator that uses approximately 0.5 MCFD of lease use gas. When and if additional equipment is added to the system, such as a natural gas compressor, lease use gas to operate such equipment will be split ratably between producing wells upstream of such equipment.

6. **Mechanical Integrity.** This item has been adequately discussed in the initial Applications for Surface Commingling. No changes to the gathering systems that would degrade the mechanical integrity of the open system will be allowed.

7. **Production – Gravity/BTU.** Gas Analysis reports were included with the original Applications for Surface Commingling. Gas composition is similar in the Juniper area wells subject to this Application as they produce from the same formation and are within close proximity to each other. None of the wells produces liquid hydrocarbons.

8. **Allocation Formula.** All wells have an allocation meter on location. The production allocated to each well will be the sum of the integrated volume from the CPD 1 sales meter plus the integrated volume from the CPD 2 sales meter less the sum of the other allocation meters plus lease use gas. As an example, the CPD 1 sales meter indicates production of 1,300 MCF and CPD 2 sales meter indicates production of 2,025 MCF for a total open system production of 3,325 MCF for First well and Other well 1, Other well 2, Other well 3 and Other well 4. Other well 1 allocation meter indicates 400 MCF production. Other well 2 allocation meter indicates 350 MCF production. Other well 3 allocation meter indicates 1,200 MCF production. Other well 4 allocation meter indicates 275 MCF production. The sum of these Other well allocation meters is 2,225 MCF. Total open system production of 3,325 MCF through CPD 1 and CPD 2 less the sum of other allocation meters of 2,225 MCF plus lease use gas of 2 MCF is 1,102 MCF, the calculated production of First well. When the sum of the allocation meters doesn't equal the sum of the CPD meters, the gas production from each well will be calculated according to the volume its allocation meter indicates was produced divided by the sum of all of the allocation meters (percent) multiplied by the sum of the CPD meters indicated production plus lease use gas. As an example, the sum of the CPD meters indicates an integrated volume of 40,000 MCF gas was produced but the sum of the allocation meters indicates that 39,000 MCF was produced. The allocation meter of the well in question indicates 10,000 MCF of production divided by the sum of the allocation meters (39,000 MCF) equals 25.64% multiplied by the total of the CPDs meter volume of 40,000 MCF equals 10,256 MCF plus lease use gas of 60 MCF totals 10,316 MCF, the calculated

production of the well in question. To the extent that the wells covered by this Application for Surface Commingling are drilled on or communitized with Navajo Allotted Leases, Applicant will allocate the gas production and sales according to the Guidelines for Surface Commingling and / or Off-lease Sales, Storage, Usage and Measurement for Navajo Allotted Leases. Royalties will be paid on the volumes according to applicable MMS guidelines.

9. **Line Purging.** It is anticipated that line purging will occur infrequently. Any lost gas due to purging the system will be allocated ratably to each of the wells.

10. **Purged Fluids.** Any fluids purged will be natural gas and condensed water vapor.

11. **Meter Calibration Schedule.** Enterprise Field Services will calibrate the CPD meters at least semi annually at current production volumes. The calibration schedule will be more frequent with higher gas volumes and less frequent with lower gas volumes. Coleman will calibrate the allocation meters semi annually.

12. **Gas Analysis Schedule.** Enterprise Field Services will analyze the gas from the commingled stream at least twice a year, more frequently with higher gas volumes.

13. **Effective Date.** The effective date of the open system will be on the first day of the next month following approval.

Sincerely,

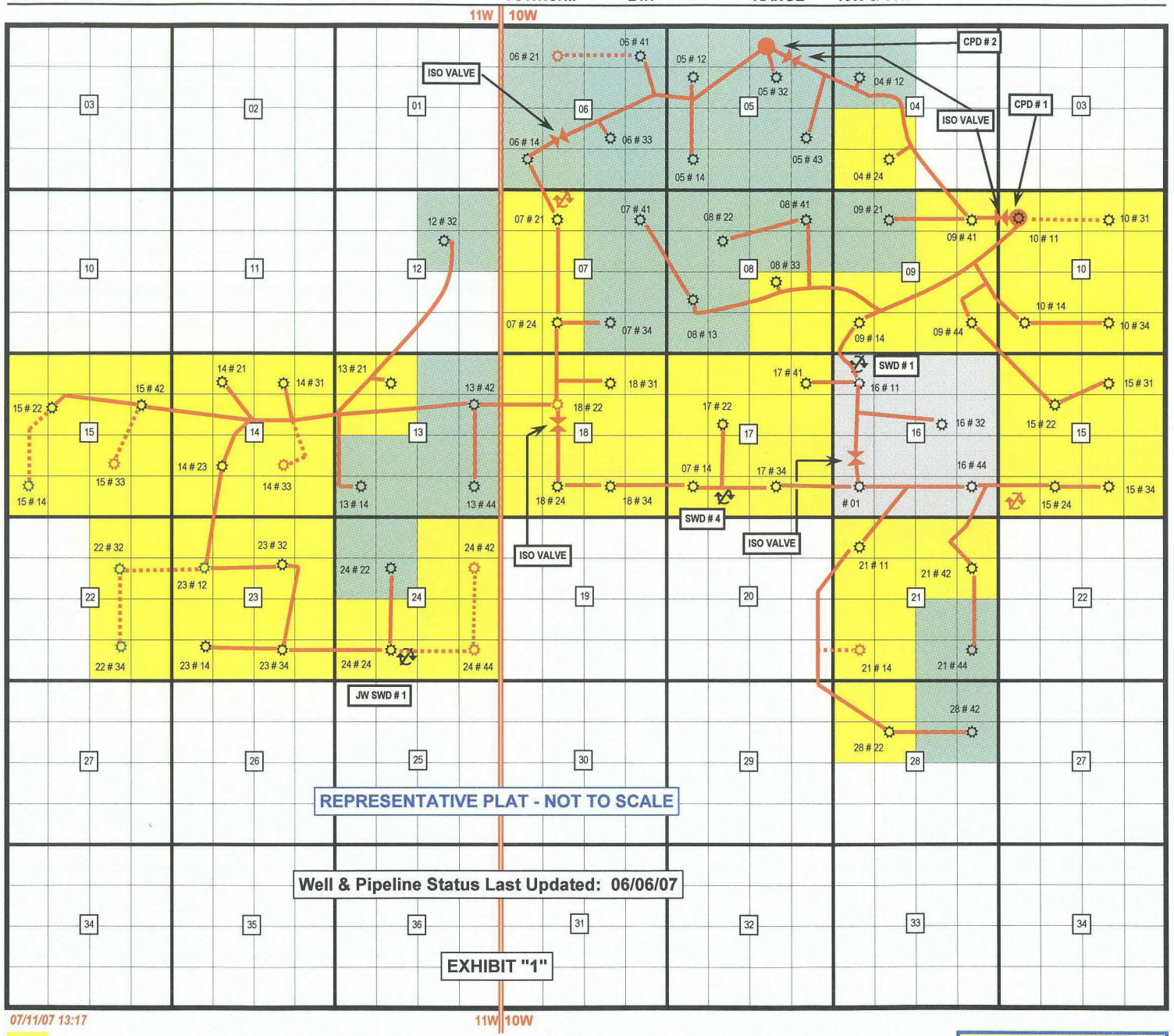
COLEMAN OIL & GAS, INC.

Bryan Lewis
Landman

cc: *Mr. Charlie Perrin, Supervisor District 3*
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Attachments: *Exhibit 1* *Plat*

COUNTY: SAN JUAN STATE: NM TOWNSHIP 24N RANGE 10W & 11W



COGI - Federal Lease
COGI - Navajo Allotted Lease
COGI - State New Mexico Lease

COGI Well - APD Pending
COGI Well - APD Approved
COGI Well - Drilled

COGI SWD - Proposed
COGI SWD - Drilled

Pipe As Built
Pipe Planned

COLEMAN OIL & GAS, INC.

Juniper Area Status Map

San Juan County, New Mexico

P.O. DRAWER 3337
FARMINGTON, NM 87499

OFFICE: 505-327-0356
FAX: 505-327-9425

COLEMAN OIL & GAS, INC.

Bryan Lewis
e-mail: cogblewis@yahoo.com

CERTIFIED RETURN RECEIPT REQUESTED
7006 0100 0007 2049 0305

Wednesday, July 11, 2007

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505-4000

RE: SURFACE COMMINGLING ORDERS
OPEN SYSTEM

Dear Mr. Catanach:

Per your email request of today I am enclosing Coleman's November 30, 2006 letter (the "Letter") requesting approval to operate our two Juniper area CPDs as one entire "open" system. The Letter was originally sent to the South Saint Francis address on November 30, 2006, was resent February 20, 2007 and again today.

I spoke with you on March 22nd and you said that our request to run the Juniper area as an open system was premature in that Coleman needed to add new and proposed wells to the two existing surface commingling orders before we could proceed. The new and proposed wells have now been added to the existing surface commingling orders.

The enclosed Letter is straight forward about what we want to do. We want to be able to send the gas from our Juniper area wells to both CPDs or only one CPD as operational parameters dictate. I prepared the Letter, the surface commingling applications and additions to the surface commingling orders under the direction of Mike Hanson our Operations Engineer so I may be able to answer some questions that you may have. If you have any questions of a highly technical nature you may want to speak with Mr. Hanson as he is more conversant in those matters.

Please approve the November 30th Letter to operate our Juniper area gas gathering system as one open system as requested therein.

Sincerely,

Bryan Lewis
Landman

***** FACSIMILE COVER SHEET *****

JUL-02-2007 16:44

Message To:

☎81-15054763462

Message From:

COLEMAN OIL AND GAS 505 327 9425

02
Page(s)
Following This Cover Page

P.O. DRAWER 3337
FARMINGTON, NM 87499

OFFICE: 505-327-0356
FAX: 505-327-9425

COLEMAN OIL & GAS, INC.

Bryan Lewis
e-mail: colemanlewis@yahoo.com

Thursday, June 07, 2007

! 2ND REQUEST !

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

FAXED By: BL
Date: 07/02/07
(505) 327-6177
(505) 476-3462

Attention: Mr. Mark Fesmire

RE: Surface Commingling Order

Ladies and Gentlemen:

Coleman Oil & Gas, Inc. by its letter dated November 30, 2006 requested approval to operate its two Juniper gathering pipeline systems as one open system and to surface commingle the gas production from the Juniper area wells on a field wide basis through both the CPD # 1 and CPD # 2 delivery points.

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This letter is a request to revisit Coleman's November 30th open system application letter and to approve same for implementation at the earliest possible juncture.

Sincerely,

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cc: *Mr. Charlie Perrin, Supervisor District 3*
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410