



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

2005 AUG 30 PM 4:00
OFFICE

Re: Oil Conservation Division Case No. 13279: Application of Coleman Oil & Gas, Inc. for an exception to Rule 7(d) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize the simultaneous dedication of the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, to four existing Coal Gas Wells, San Juan County, New Mexico.

Dear Mr. Fesmire:

On August 26, 2004, the Oil Conservation Division entered Order No. R-1220¹ which granted the application of Coleman Oil & Gas, Inc. in the above-referenced case for an order authorizing the simultaneous dedication and the production of four Fruitland Coal Gas Wells located in the "Low Productivity Area" of the Basin Fruitland Coal Gas Pool in the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, for the purpose of conducting a one-year production test. The purpose of this test is to determine the economic viability of producing the upper coal interval in this portion of the Basin-Fruitland Coal Gas Pool, to determine the feasibility of producing these intervals in existing coal wells without completing and commingling the production from all stringers in individual wellbores. This order also provides that the test shall end on August 31, 2005 and at that time the Ricky Wells No. 1 and 2 shall be shut-in until such time as the final disposition of these wells shall be determined.

After one year, the production data obtained from this test 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. Therefore, on this date, Coleman Oil & Gas, Inc. has filed an application seeking authorization to extend the test for an additional year. 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. The hearing on Coleman's application will be on September 22, 2005.

The purpose of this letter is request that the Ricky Wells No. 1 and 2 be allowed to continue to produce pending this hearing. Shutting these wells in at this time will only cause a disruption

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in the orderly collection of this production information. 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 continued production from these wells pending the September 22nd hearing will not impair the correlative rights of any other operator in this pool.

Your consideration of this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large, prominent initial "W".

William F. Carr

Attorney for Coleman Oil & Gas, Inc.