



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

September 1, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Holland & Hart, LLP
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Mr. William F. Carr

Re: Division Case No. 13279
Coleman Oil & Gas, Inc.

Dear Mr. Carr:

By Order No. R-12201 dated August 26, 2004, the Division authorized Coleman Oil & Gas, Inc. to conduct a one-year production test to determine the economic viability of producing the upper coal interval within the Basin-Fruitland Coal Gas Pool by producing four wells on a standard 320-acre unit comprising the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico. Order No. R-12201 further stipulated that the production test shall end on August 31, 2005, and at that time, the Ricky Wells No. 1 and 2 shall be shut-in.

Pursuant to your request dated August 29, 2005, and for the reasons outlined in your letter, Coleman Oil & Gas, Inc., is hereby granted temporary approval to continue producing its Ricky Wells No. 1 and 2 until such time as Coleman Oil & Gas, Inc.'s application to extend the production test is heard by the Division. It is our understanding that this case (Case No. 13558) is currently scheduled to be heard on September 22, 2005.

If necessary, Coleman Oil & Gas, Inc. may request a further extension from the Division examiner at the September 22nd hearing.

Sincerely,

Mark E. Fesmire, P.E.
Director

Xc: OCD-Aztec
Case Files-13279, 13558



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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 29 PM 1:10

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-12202 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



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".

William F. Carr

Attorney for Coleman Oil & Gas, Inc.