

May 18, 2004

HAND-DELIVERED

Case 13279

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MAY 17 2004

Joanna Prukop, Acting Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

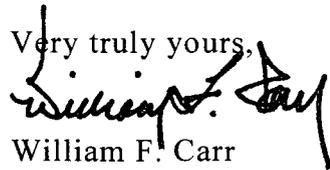
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Application of Coleman Oil & Gas, Inc. for an exception to Rule 7(b) 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 Ms. Prukop:

Enclosed in triplicate is an Application of Coleman Oil & Gas, Inc. in the above-referenced case as well as a copy of a legal advertisement. Coleman Oil & Gas, Inc. respectfully requests that this matter be placed on the docket for the June 10, 2004 Examiner hearings.

Very truly yours,


William F. Carr

Enclosures

cc: Alan Emmendorfer

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

**IN THE MATTER OF THE 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 JAUN COUNTY, NEW MEXICO.**

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

CASE NO. 13279

APPLICATION

COLEMAN OIL & GAS, INC. ("Coleman"), by its undersigned attorneys, Holland & Hart, LLP, seeks 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, San Juan County, New Mexico to four existing coal gas wells. Coleman seeks authorization to conduct a one year production test on these wells by segregating in individual wellbores and separately producing coal gas stringers to determine the economic viability of producing the upper coal intervals in this portion of the pool and to determine the feasibility of producing these intervals in these existing coal gas wells without completing and commingling the production from all stringers in individual wellbores. In support of its application, Coleman Oil & Gas, Inc. states:

1. Coleman is the operator of the W/2 of said Section 18, Township 26 North, Range 11 West, NMPM, on which are located the following wells:

Ricky Well No. 1 (API No. 30-045-25976) located 790 feet from the North line and 875 feet from the West line (Unit D);

Ricky Well No. 1R (API No. 30-045-31165) located 765 feet from the North line and 830 feet from the West line (Unit D);

Ricky Well No. 2 (API No. 30-045-25977) located 1850 feet from the South line and 790 feet from the West line (Unit L); and

Ricky Well No. 2R (API No. 30-045-31166) located 1845 feet from the South line and 745 feet from the West line (Unit L).

2. The original wells on this standard Fruitland Coal gas spacing unit, the Ricky Well Nos. 1 and 2, are slim hole completions and produced dry gas from upper Fruitland Coal stringers at rates of 60 to 80 mcf per day.

3. The Ricky Well Nos. 1R and 2R were drilled as replacement wells and completed in lower Fruitland Coal, which is separated from the upper coal intervals by a 20 to 30 foot shale barrier. These wells are completed with 4 1/2 inch casing and 2 3/8th inch tubing. They produce, with artificial lift, at rates of 200 to 300 mcf per day.

4. Rule 7(d) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool establishes a well density for this pool of "No More than two (2) wells per standard 320-acre gas spacing Unit..."

5. In compliance with Rule 7(d) of these Special Pool Rules, Coleman has shut in the Ricky Wells No. 1 and 2.

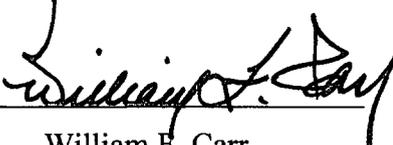
6. Coleman seeks an exception to Rule 7(d) to authorize it to produce all four wells and to conduct a twelve-month production test on these wells. All four of the subject wells have been hydraulically stimulated and Coleman proposes to conduct this test with meters on all four wells so the gas produced from each interval can be monitored. Production data will be matched with the original decline curves from the wells to determine if there is communication between zones. Coleman will use the data obtained from this one year production test to determine if it is economically viable to complete wells in this portion of the reservoir in these upper coal gas intervals. Furthermore, the simultaneous dedication all four wells on this 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool will permit Coleman to produce the gas from the individual zones without incurring the expense of completing and commingling the lower and upper coal intervals in individual wellbores.

7. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Coleman Oil & Gas, Inc. requests that this application be set for hearing on June 10, 2004 before a duly appointed Examiner of the Oil Conservation Division and that 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

ATTORNEYS FOR COLEMAN OIL &
GAS, INC.

PROPOSED LEGAL ADVERTISEMENT:

Case 13279: **Application of Coleman Oil & Gas, Inc. for an exception to Rule 7(d) of the Special Pool Rules and Regulations for 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.** Applicant seeks 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, San Juan County, New Mexico to the following four existing coal gas wells:

Ricky Well No. 1 (API No. 30-045-25976) located 790 feet from the North line and 875 feet from the West line (Unit D);

Ricky Well No. 1R (API No. 30-045-31165) located 765 feet from the North line and 830 feet from the West line (Unit D);

Ricky Well No. 2 (API No. 30-045-25977) located 1850 feet from the South line and 790 feet from the West line (Unit L); and

Ricky Well No. 2R (API No. 30-045-31166) located 1845 feet from the South line and 745 feet from the West line.

Applicant seeks authorization to conduct a one year production test on these wells by segregating in individual wellbores and separately producing coal gas stringers in these wells to determine the economic viability of producing the upper coals interval in this portion of the pool and to determine the feasibility of producing these intervals in these existing coal gas wells without completing and commingling the production from all stringers in individual wellbores.

Said spacing unit is located approximately 30 miles southeast of Farmington, New Mexico.