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. TO AMEND ORDER NO. R-12201 TO EXTEND FOR ONE YEAR THE PRODUCTION TEST AUTHORIZED THEREIN TO DETERMINE THE ECONOMIC VIABILITY OF SIMULTANEOUSLY PRODUCING FOUR EXISTING GAS WELLS ON A STANDARD 320-ACRE SPACING UNIT IN THE BASIN FRUITLAND COAL GAS POOL, SAN JUAN, COUNTY, NEW MEXICO.

CASE NO. 13358

AFFIDAVIT

STATE OF NEW MEXICO)	
)	SS
COUNTY OF SANTA FE)	

William F. Carr, attorney in fact and authorized representative of Coleman Oil & Gas, Inc., the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the addresses shown on Exhibit "A" attached hereto, and that true and correct copies of the notice letter and proof of receipt are attached hereto.

william r. Carr

SUBSCRIBED AND SWORN to before me this

day of September 2005 by William F.

Carr.



LISAMARIE ORTIZ
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires 011404

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Notary Public

My Commission Expires:

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13358 Exhibit No. 7

Submitted by:
COLEMAN OIL & GAS, INC.
Hearing Date: September 22, 2005

EXHIBIT A

APPLICATION OF COLEMAN OIL & GAS, INC. TO AMEND ORDER NO. R-12201 TO EXTEND FOR ONE YEAR THE PRODUCTION TEST AUTHORIZED THEREIN TO DETERMINE THE ECONOMIC VIABILITY OF SIMULTANEOUSLY PRODUCING FOUR EXISTING GAS WELLS ON A STANDARD 320-ACRE SPACING UNIT IN THE BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

Dugan Production Corp. P. O. Box 420 Farmington, NM 87499

Robert L. Bayless Prod. LLC P. O. Box 168 Farmington, NM 87499

ConocoPhillips Co. P. O. Box 7500 Bartlesville, OK 74005

Energen Resources Corp. 605 Richard Arrington Jr. Blvd Birmingham, AL 35203-2707

J & R Merrion Trust 610 Reilly Avenue Farmington, NM 87401

Prime Energy Corp.
P. O. Box 160206
San Antonio, TX 78280-2406

Carol Proyect 124 E. Marcy Street Santa Fe, NM 87501

XTO Energy Inc. 810 Houston Street, #2000 Fort Worth, TX 76102-6298

Redwolf Production Company P. O. Box 1915 Farmington, NM 87499

3234008_1.DOC

Gregory Merrion Trust P. O. Box 840 Farmington, NM 87499-0840

Burlington Resources Oil & Gas Co. LP P. O. Box 51810 Midland, TX 79710-1810

Dominion OK TX Exploration & Production, Inc. 14000 Quail Springs Parkway, #600 Oklahoma City, OK 73134

EPNG Co. Land Department P. O. Box 1087 Colorado Springs, CO 80944

Merrion Oil & Gas Corp. 610 Reilly Avenue Farmington, NM 87401

Pro NM Energy Inc. 460 St. Michaels Drive Santa Fe, NM 87505

Martin Proyect 124 E. Marcy Street Santa Fe, NM 87501

Thomas H. Yates, Jr. 10500 N Highway 281 #100 San Antonio, TX 78216

ConocoPhillips Company P. O. Box 2197, WL3 4066 Houston, TX 77252-2197

HOLLAND&HART.

William F. Carr wcarr@hollandhart.com

September 1, 2005

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Coleman Oil & Gas, Inc. to amend Order No. R-12201 to extend for one year the production test authorized therein to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Coleman Oil & Gas, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking a one year extension of the production test authorized by Division Order No. R-12201 to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool.

This application has been set for hearing before a Division Examiner on September 22, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sillent of

William F. Carr

Attorney for Coleman Oil & Gas, Inc.

Enclosures

cc:

Alan Emmendorfer

Coleman Oil & Gas, Inc.

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. TO AMEND ORDER NO. R-12201 TO EXTEND FOR ONE YEAR THE PRODUCTION TEST AUTHORIZED THEREIN TO DETERMINE THE ECONOMIC VIABILITY OF SIMULTANEOUSLY PRODUCING FOUR EXISTING GAS WELLS ON A STANDARD 320-ACRE SPACING UNIT IN THE BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO	
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APPLICATION

COLEMAN OIL & GAS, INC. ("Coleman"), by its undersigned attorneys, Holland & Hart, LLP, seeks the amendment of Order No. R-12201 entered on August 26, 2004, to extend for one year the production test authorized in four wells located on a standard 320-acre spacing unit comprised of the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico to determine the economic viability of producing the upper coal interval in this portion of the Basin-Fruitland Coal Gas Pool and the feasibility of producing these intervals 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 Fruitland Coal Gas wells:
 - 1. 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);
 - 2. 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);
 - 3. 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
 - 4. 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. On August 24, 2004, the Division entered Order No. R-12201 which granted Coleman's application for an exception to Rule 7(d)(2) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool to authorize the simultaneous dedication of four existing coal gas wells in the W/2 of Section 18, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico for the

purpose of conducting a production test to determine the economic viability of simultaneously dedicating and producing these wells on this standard 320-acre spacing unit in the Basin Fruitland Coal Gas Pool.

- 3. Order No. R-12201 further provides that the production test authorized therein will end on August 31, 2005 at which time the final disposition of theses wells shall be determined.
- 4. After one year, the production data 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.
- 5. 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.
- 6. 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 there will be no drainage from offsetting wells and the information obtained to date shows that there is little or no communication between the wells in this portion of the Basin-Fruitland Coal Gas Pool. Accordingly, the extension of the test for an additional year, under the parameters established by the Division will not impair the rights of any other operators.
- 7. In accordance with Division Rules, notice of this application has been provided to the affected interest owners identified on Exhibit A to this application.
- 8. Approval of this application will be 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 September 22, 2005 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

William F. Carr

ATTORNEYS FOR COLEMAN OIL & GAS, INC.

PROPOSED LEGAL ADVERTISEMENT:

Case ____

Application of Coleman Oil & Gas, Inc. to amend Order No. R-12201to extend for one year the production test authorized therein to determine the economic viability of simultaneously producing four existing gas wells on a standard 320-acre spacing unit in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. Applicant seeks the amendment of Order No. R-13279 entered on August 26, 2004, that granted an exception to Rule 7(d) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool and authorized the simultaneous dedication of the S/2 of Section 8, Township 31 North, Range 5 West, NMPM, San Juan County, New Mexico to the following four existing coal gas wells for the purpose of conducting a production test for one year to determine the economic viability of simultaneously producing these wells:

- 1. 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);
- 2. 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);
- 3. 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
- 4. 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).

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

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7001	City, State, Zif Farmington, NM 87499		4. Restricted Delivery? (Extra Fee)	☐ Yes
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17	Sent To Bureau of Land Managemen		☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee)	☐ Yes
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000	Restricted Delivery Fee (Endorsement Required)	P. O. Box 2197, WL3 4066	
무	Total Postage & Fees \$ 7,65	Houston, TX 77252-2197	3. Service Type
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П	Return Receipt Fee (Endorsement Required)	Production, Inc.	
	Restricted Delivery Fee (Endorsement Required)	14000 Quail Springs Parkway, #600 Oklahoma City, OK 73134	3. Service Type ☑ Certified Mail □ Express Mail
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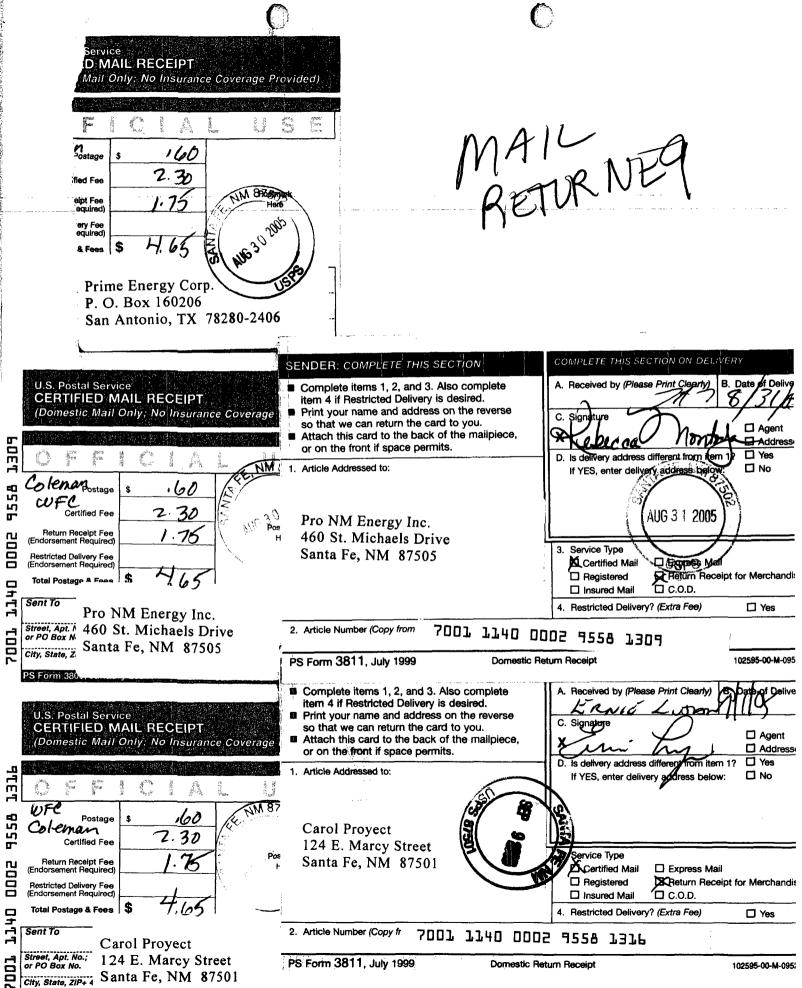
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U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only: No Insurance Coverage) COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION Complete items 1, 2, and 3. Also complete Received by (Please Print Clearly) item 4 if Restricted Delivery is desired. WITH HERLAND Print your name and address on the reverse Coleman 1600 Postage so that we can return the card to you. WFC Attach this card to the back of the mailpiece, Ŋ 2.30 ☐ Address Certified Fee or on the front if space permits. Is delivery address different from item 1? Return Receipt Fee dorsement Required) 1. Article Addressed to: If YES, enter delivery address below: ☐ No Restricted Delivery Fee (Endorsement Required) Total Postage & Fees Dugan Production Corp. Sent To P. O. Box 420 vice Type Dugan Production Corp. Farmington, NM 87499 Street, Apt. No.: Certified Mail ☐ Express Mail P. O. Box 420 USPS Registered Return Receipt for Merchandis City, State, ZIP+ 4 Farmington, NM 87499 Ġ c.o.d. ☐ Insured Mail 4. Restricted Delivery? (Extra Fee) ☐ Yes PS Form 3800, J. 2. Article Number (Co. 7001 1140 0002 9558 1194 U.S. Postal Service PS Form 3811, July 1999 CERTIFIED MAIL RECEIPT **Domestic Return Receipt** 102595-00-M-095 (Domestic Mail Only; No Insurance Coverage "Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. ☐ Agent Attach this card to the back of the mailpiece. Coleman ☐ Addresse 9558 or on the front if space permits. 60 WFC ☐ Yes D. Is delivery address different from item 1? 1. Article Addressed to: If YES, enter delivery address below ☑ No 2.30 Certified Fee Return Receipt Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required) Energen Resources Corp. 605 Richard Arrington Jr. Blvd Total Postage & Fees Birmingham, AL 35203-2707 3. Service Type Certified Mail ☐ Express Mail Sent To Energen Resources Corp. Return Receipt for Merchandise □ Registered Street, Apt. No. 605 Richard Arrington Jr. Bl ☐ Insured Mail □ C.O.D. or PO Box No. Restricted Delivery? (Extra Fee) ☐ Yes Birmingham, AL 35203-270 City. State. ZIP-7001 1140 0002 9558 1255 2. Article Number (Copy from se PS Form 3800 PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952 U.S. Postal Service CERTIFIED MAIL RECEIPT item 4 if Restricted Delivery is desired. (Domestic Mail Only; No Insurance Coverage Print your name and address on the reverse so that we can return the card to you. □ Agent Attach this card to the back of the mailpiece, □ Addressee or on the front if space permits. ☐ Yes D. Is ivery address different from item 1? 1. Article Addressed to: If YES, enter delivery address below: Coleman 160 WFC 2.30 Certified Fee EPNGCo. Land Department Return Receipt Fee (Endorsement Required) P. O. Box 1087 3. Service Type Restricted Delivery Fee (Endorsement Required) Colorado Springs, CO 80944 Certified Mail Express Mail Registered Return Receipt for Merchandise Total Postage & Fees 무 EPNG Co. Land Departm. P. O. Box 1097 ☐ Insured Mail C.O.D. Sent To 4. Restricted Delivery? (Extra Fee) ☐ Yes Street, Apt. No P. O. Box 1087 2. Article Number (Copy from servi-7001 1140 0002 A558 1262 Colorado Springs, CO-80944 City, State, Zif PS Form 3811, July 1999 Domestic Return Receipt 102595-00-M-0952

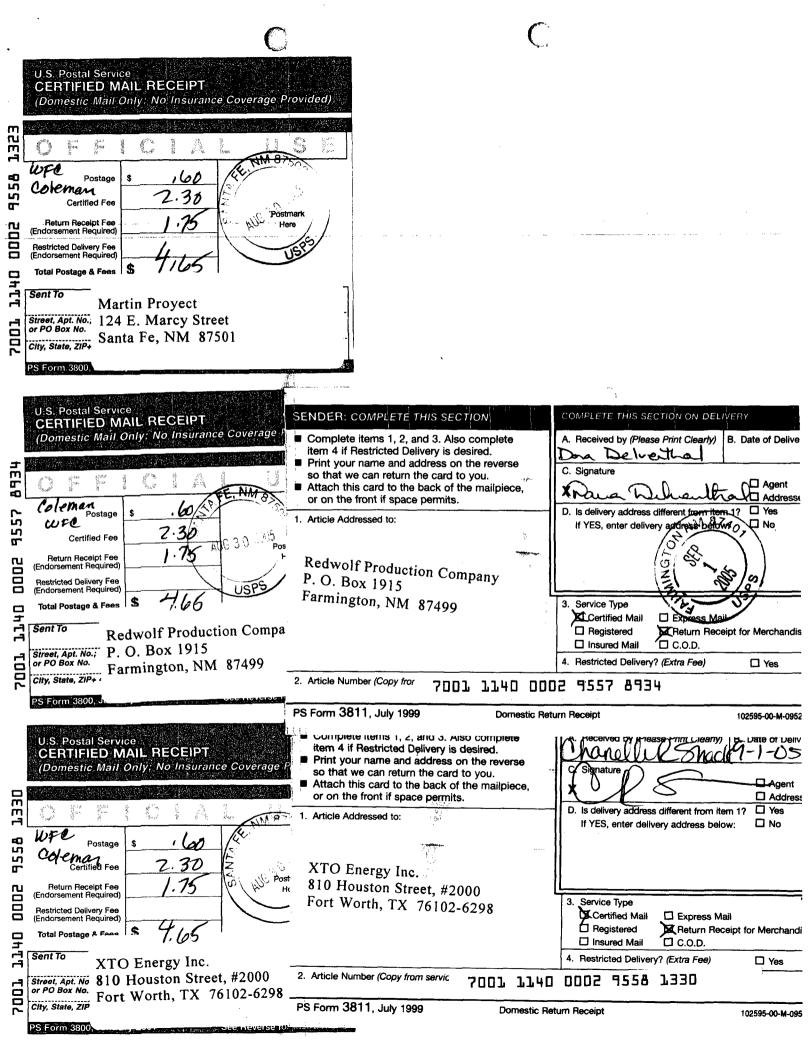
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San Antonio, TX 78216	3. Service Type Certified Mail
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Gregory Merrion Trust P. O. Box 840 Farmington, NM 87499-0840

ESONO SINICAMINADA

P.O. Box 2208 Santa Fe, NM 87504-2208 110 North Guadalupe Suite 1 Santa Fe, NM 87501



HOLLAND&HART.



110 North Guadalupe Suite 1 Santa Fe, NM 87501 P.O. Box 2208 Santa Fe, NM 87504-2208

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Laft no forwardin

Prime Energy Corp.
P. O. Box 160206
San Antonio, TX 78280-2406

AFFIDAVIT OF PUBLICATION

Ad No. 52207

STATE OF NEW MEXICO County of San Juan:

CONNIE PRUITT, being duly sworn says: That she is the ADVERTISING MANAGER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Tuesday, September 06, 2005.

And the cost of the publication is \$130.81.

CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

Commission Expires November

COPY OF PUBLICATION

NOTICE OF PUBLICATION

Legals

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL ESSOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives nolice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on September 22, 2005, in the Oil
Conservation Division Hearing Room at 1220 South St. Francis, Santicife, New
Mexico, before an examinar duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier squalified sign longuage likerpreter, or any other form of availary aid or service to attend a parlicipate in the hearing, please contact: Florene Davidson at 505-476-3458 or
through the New Mexico Relay, Network, 1-800-659-1.779 by September 12,
2005. Public documents including the agenda and minutes, can be provided in
various accessible forms. Please contact Florene Davidson if a symmaty or
other type of accessible form is needed.

STATE OF NEW MEXICO TO: All named porties and persons having any right, title, interest or claim in the following cases, and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian

CASE 13558:

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Application of Coleman Oil & Gas, Inc. to amend Order No. R-12202 to extend for any year the production test authorized therein to determine the economic vishility of simultaneously producing four existing gas wells on a standard 320-acre spacing wall in the fashir-fruitland Coal Gas Peol, Sain-Juan County, New Marica. Applicant seeks the amendment of Order No. R-12201 entered on August 25, 2004, that granted an exception to Rule 7(d) of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Peol and authorized the simultaneous dedication of the S/2 of Section 8. Township 31 North, Range 5 West, NMPM, San Juan County; New Masico to the following four existing coal gas wells for the purpose of conducting a production test for one year to determine the sconomic viability of simultaneously producing these wells:

1. 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);
2. 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);
3. 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
4. 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).

Soid specing unit is located approximately 30 miles southeast of Farmington, New Mexico.

Given under the Scal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 31st day of August 2005

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Mark E. Fesmire, P.E., Director

Legal No. 52207 published in The Dully Times, Farmington, New Mexico on Tuesday, September 6, 2005.