

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

IN THE MATTER OF THE APPLICATION OF COLEMAN OIL & GAS, INC. FOR  
AMENDMENT OF DIVISION ADMINISTRATIVE ORDER SWD-806-B, SAN  
JUAN COUNTY, NEW MEXICO.

CASE NO. 13812 de novo (*reopened*)

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by the Oil Conservation Division.

APPEARANCES

APPLICANT

COLEMAN OIL & GAS, INC.

APPLICANT'S ATTORNEY

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RESPONDENT

OIL CONSERVATION DIVISION

RESPONDENT'S ATTORNEY

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RELEVANT PROCEDURAL HISTORY & STATEMENT OF THE CASE

Coleman has asked that this matter be re-opened to either "rescind Order No. R-12820-A," or "that the Commission no longer require Coleman to re-enter and re-complete the well for disposal" on the basis that it no longer seeks to re-enter the well to dispose of produced water, and wishes instead to plug it.

The Commission will recall that the de novo Application submitted by Coleman Oil & Gas, Inc. ("Coleman") sought an order amending Administrative Order SWD-806-B to delete the provisions requiring it to re-enter and re-plug the Monument Well No. 1 and

the Monument Well No. 2, and indicating that Coleman was willing to re-enter the Monument Well No. 1, if it would be permitted to deepen it to the Entrada and utilize it for disposal purposes. However, because Coleman anticipated that completion of the proposed plan would take some time, it further sought approval to continue injecting into the Juniper SWD Well No. 1 while it obtained necessary permits to complete the proposed work on the Monument Well No. 1.

A hearing on the matter was held before the Commission on March 13, 2008, resulting in issuance of Commission Order R-12820-A on April 16, 2008. That order granted Coleman's application subject to the following specific conditions:

1. Coleman shall continue downhole monitoring of the Juniper SWD Well No. 1 as provided in Order No. R-12820-A.
2. Coleman shall provide progress reports to the Aztec Office on a quarterly basis along with copies of documents related to the access and permitting process that Coleman submits to other agencies such as the United State Environmental Protection Agency, the Navajo Nation, and the United States Department of the Interior, Bureau of Land Management or the Bureau of Indian Affairs.
3. **Coleman shall complete re-entry and deepening of the Monument Well No. 1 within two years from the date of this order.**
4. Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

*Emphasis Added.* Order R-12820-A, p. 4. Given the April 16, 2008 date of the Order, the deadline for re-entry and deepening of the Monument Well No. 1 as established by Ordering Paragraph No. 3 was April 16, 2010.

On October 31, 2009, Coleman sought an extension for deepening and re-entry Ordering Paragraph No. 3). Although initially submitted to the wrong arbiter and referencing the wrong order number, the request eventually was routed to Commission Chairman Fesmire who properly determined it to be in reference to Commission Order R-12820-A issued under this case, and granted the request by letter issued on November 3, 2009. Chairman Fesmire extended the deadline to November 3, 2010.<sup>1</sup>

On February 24, 2010, Coleman filed a notice of intent form 3160-5 with the BLM stating in part as follows:

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<sup>1</sup> The request for an extension was not formally made through counsel for respondent. Rather, the request was made by Coleman itself. The requesting Coleman representative inexplicably sought this extension by referencing the deadline under administrative order SWD-1137, rather than controlling Order No. R-12820-A and referencing this case, and did so by submitting a letter to the *OCD Engineering Bureau Chief*, rather than to the *Commission*. Although Coleman did copy its counsel on the original correspondence making the request, no copy was likewise provided to OCD counsel by Coleman. The request did ultimately get routed to the Commission Chair, who was able to address the request, applying the proper/controlling Order and correlating case. For some reason, however, a copy of the 11/3/09 letter issued by the Commission Chair granting the extension was not provided to *either* Coleman counsel or OCD counsel.

As per the New Mexico Oil Conservation Division's Case #13812, Order #R-12820-A Coleman Oil & Gas, Inc. is required to re-enter the Monument #1 and *place a cement plug across the entire Cliff House and La Ventana Tounge [sic] members of the Mesa Verde Formation and re-plug the Monument #1 back to surface.*

(*Emphasis added*). In actuality, however, Oil Conservation Commission Order R-12820-A [issued at Coleman's request in the de novo matter] required Coleman to re-enter and deepen that well. The prior Division Order, R-12820 from which Coleman sought a de novo review and which was superseded by the Commission's subsequent Order R-12820-A, had previously required Coleman to plug the well back to surface; however, having been superseded by R-12820-A, Order R-12820 no longer remains in effect. Nonetheless, Coleman submitted a federal sundry on April 7, 2010 confirming that the plugging of the Monument #001 had been completed, that a "P & A" marker had been set on April 2, 2010 and that surface restoration had yet to be completed.

### OCD'S POSITION

The Division does not have any overriding objections specifically relating to the actual plugging and abandonment of the Monument #001 - indeed it was the original recommendation made *four years ago* at the time the OCD issued SWD-806-B addressing this well, which was the original order with which Coleman took issue with and therefore took steps to initiate these proceedings. However, the Division would like to bring to both Coleman's and to the Commission's attention the actions taken (and/or omitted) over the course of the last two years since the entry of the Commission's Order, particularly once it became apparent to Coleman that it no longer wished to deepen and re-enter this well and desired to proceed in a manner inconsistent with the directives specified in the Commission's Order.

The OCD has two primary areas of concerns regarding the handling of this case: (1) the first having to do with the filing and disposition of Coleman's Motion for an extension in October 2009, and (2) the second having to do with the fact that an amendment or rescission of the Order was not properly sought prior to implementation of a change in plans for this well.

(1)

This case was twice litigated - once at the Division examiner level and once at the Commission level. Both the operator and the OCD were represented by counsel at all proceedings, and numerous formal pleadings were filed relating to this case, culminating in issuance of a Commission Order with deadlines set two years beyond the date of the Order's entry. In such a case, the requirement and necessity for notice and communication among and between parties, their counsel and the tribunal does not cease with the issuance of the Order. Indeed, in its entry of the Order, the Commission expressly retained jurisdiction to address any remaining issues that might arise. (*See Ordering Paragraph No. 4*). When Coleman requested an extension in October of 2009, it was, in effect, making a Motion in this case. Pursuant to OCD Rules, Coleman was required to

provide notice to the OCD, and the Commission was then required to provide the OCD a reasonable opportunity to respond prior to ruling on the Motion and issuing its Order. See Rules 19.15.4.16.C and 19.15.4.13.A NMAC. Proper notice would have consisted of notice issued to OCD counsel of record in this case. Because this protocol was not followed, the OCD was denied notice of the request that a part of the Order be changed, was denied the right to respond to the Motion, and was ultimately denied notice of the Order Granting the Extension issued in November 2009. Moreover, the original request sent by Coleman, which was copied to Coleman's counsel but not to OCD counsel, was an *ex parte* communication. In this case the actual, resultant consequences were largely limited to the wasted time and resources of OCD staff and counsel; however, in other cases there could be much greater impacts.

For the above reasons, the OCD respectfully requests the following that the Commission look at the handling of this case as an example and consider the potential implications as they might apply to Commission cases, generally, and respectfully requests the following:

- The OCD asks that in future Commission Orders the Commission consider including language that specifically requires operators and their counsel to provide copies to OCD counsel of any post-hearing correspondence to the Commission relating to the case and/or Motions (as required by OCD Rules);
- In cases where the operator is required to submit documentation or reports to the district office or any other office within the Division, the OCD asks that the Commission specifically require that operators also provide OCD counsel with copies of all such submissions ; and
- Finally, the OCD requests that in future Orders the Commission consider inserting language that specifically provides a procedure with regard to Motions for Extension that provides direction to operators, the OCD and the Commission so that there is no confusion regarding how such requests are to be submitted, what parties are to receive notice, how they are to be reviewed or by whom.

(2)

The OCD's second concern arising out of this case has to do with how Coleman chose to proceed with its plans for the Monument #001. At some point between October 31, 2009 (when Coleman sought an extension for deepening and re-entry) and February 24, 2010 (when Coleman filed its notice of intent to plug), it made a determination that it no longer wished to deepen the well and use it for disposal. However, in spite of the fact that there was a Commission Order in place directing that they deepen and re-enter the well, Coleman chose to move forward with the plugging of the well before coming back to the Commission and seeking an amendment of or rescission of that portion of the Order.

Coleman filed a federal plugging sundry referencing Commission Order R-12820-A and stating in that sundry that the Order required them to reenter and

plug the well. However, because Coleman opted to proceed with the plugging prior to seeking an amendment of the Order, the statement included in the sundry amounts to the submission of an incorrect statement on a federal form. The statement actually summarizes what Coleman would like Order No. 12820-A to require - not what it actually requires currently, which is that Coleman re-enter and deepen the well. Had Coleman properly sought an amendment of the Order prior to proceeding with the plugging of the well, and given that the Commission grants the request, it could have then proceeded to file the sundry referencing the Order and stating that the Order required them to re-enter and plug the well. Because it did not do so, it has now submitted a federal filing with inaccurate information.

The OCD recognizes that it was not Coleman's intention to file an inaccurate federal sundry, and further recognizes that the OCD Aztec district office had received and reviewed a copy of the notice of intent to plug the well. However, because Coleman did not properly proceed through its counsel regarding its performance of, or desire to change the requirements of a *final order* issued as a result of the hearing process, actions have now been taken that are inconsistent with the explicit orders of this tribunal and documents have now been submitted that are inaccurate.

The OCD feels that it is important to bring to the attention of operators that where, in cases such as this, an operator's obligations are dictated by a formally entered Order, a party's decision to take action contrary to that Order without working through or consulting its counsel and without seeking an amendment to the Order by the Ordering tribunal has the potential for significant consequences.

#### **DIVISION'S PROPOSED EVIDENCE**

<b><u>WITNESS:</u></b>	<b><u>ESTIMATED TIME:</u></b>
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<b>Charlie Perrin</b> , OCD District 3 Supervisor (tentative; telephonic)	30 minutes
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<b>Steve Hayden</b> , OCD District 3 Geologist (tentative; telephonic)	30 minutes
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<b>Daniel Sanchez</b> , OCD Enforcement Compliance Mgr (tentative)	30 minutes
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<b><u>EXHIBIT:</u></b>
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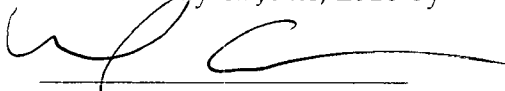
- |           |                                |
|-----------|--------------------------------|
| <b>A.</b> | Administrative Order SWD 806-B |
| <b>B.</b> | OCD Order No. R-12820          |

- C. OCC Order No. R-12820-A
- D. 10/31/2009 Letter from B. Wood
- E. 11/3/2009 Letter from M. Fesmire
- F. Federal Form 3160-5 dated 2/24/2010 submitted by Coleman Oil and Gas, Inc.
- G. 3/3/2010 Letter from Coleman counsel O. Munds-Dry requesting Order R-12820-A be "rescinded" or ""that the Commission no longer require Coleman to re-enter and re-complete the well for disposal."

**PROCEDURAL MATTERS**

None.

Respectfully submitted  
this 10<sup>th</sup> day of June, 2010 by

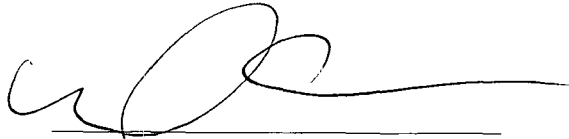


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Attorney for the Oil Conservation Division

## **CERTIFICATE OF SERVICE**

I certify that on June 10, 2010 I served a copy of the foregoing document to counsel for Coleman Oil and Gas (Ocean Munds-Dry) via email.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Mikal Altomare



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

~~Case No. 13812 de novo (reopened)~~

~~Application of Coleman Oil & Gas Inc.~~

~~EXHIBIT A~~

ADMINISTRATIVE ORDER SWD-806-B

## APPLICATION OF COLEMAN OIL & GAS, INC. FOR PRODUCED WATER DISPOSAL, SAN JUAN COUNTY, NEW MEXICO.

### ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

During a meeting between Coleman Oil & Gas, Inc. ("Coleman" or "operator") and the Division on December 15, 2005 in Santa Fe, Coleman requested its injection permit SWD-806-A for the Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico, be amended to exclude potential sources of drinking water within the Cliff House and the upper Menefee members of the Mesaverde from injection of produced water.

#### THE DIVISION DIRECTOR FINDS THAT:

- (1) The existing administrative permit (SWD-806-A) was approved May 20, 2002 and includes permission for Coleman to inject into the Cliff House, Menefee, and Point Lookout members of the Mesaverde formation from depths of 2176 to 3974 feet.
- (2) The well was first perforated in the Point Lookout member of the Mesaverde formation from 3036 to 3974 feet and hydraulically fractured.
- (3) The well was then perforated in the upper Menefee and the Cliff House members of the Mesaverde formation from 2176 to 2758 feet and hydraulically fractured.
- (4) It has been determined through analysis of electric logs that the interval from 2170 to 2758 may contain in-situ waters with characteristics determined to be protectable under Oil Conservation Division Rules and under the federal Safe Drinking Water Act.
- (5) This injection permit should be amended to exclude this fractured interval from direct or indirect injection of oil field produced water.



(6) Coleman should be allowed to either (i) squeeze off the upper perforations and ensure the squeeze will hold up to a pressure test or (ii) place a surface readout and downhole pressure sensor directly above the injection packer after placing the packer below the upper perforated interval.

(7) Within a ½ mile radius from this well are two wellbores drilled to at least the depth of the Point Lookout. Both of these wells have been plugged.

(a) The Monument Well No. 1 (API No. 30-045-21912) is located 1650 feet from the North line and 990 feet from the East line of Section 17, Township 24 North, Range 10 West or approximately 1884 feet southwest of the Juniper Well No. 1. This well was drilled in 1975 to 6100 feet and plugged without setting production casing. The cement plugs were set above and below the Mesaverde, with an open interval from 1900 feet to 3900 feet. This well should be re-entered and re-plugged by filling the hole from 1900 to 3900 feet with cement (or as otherwise ordered by the Aztec district) in order to isolate the injection interval and to isolate and protect the potential fresh water interval.

(b) The Monument Well No. 2 (API No. 30-045-21463) is located 800 feet from the North line and 800 feet from the West line of Section 16, Township 24 North, Range 10 West or approximately 106 feet southwest of the Juniper Well No. 1. This well was drilled in 1974 to 6190 feet and cased with 5-1/2 inch casing cemented in two stages. The depth where the DV tool was set is not available in the Division's well file but can be assumed to be at the bottom of the Mesaverde. The well was plugged in 1976. Logs were run on this well but are also not available in the Division's well file. The operator should be required to supply these logs to the Aztec district office along with any information pertaining to the 5-1/2 inch DV tool.

IT IS THEREFORE ORDERED THAT:

Administrative permit SWD-806-A is hereby amended. Coleman is authorized to utilize its Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the Point Lookout member of the Mesaverde formation from 3036 feet to 3974 feet through plastic-lined tubing set in a packer located within 100 feet above the top of the injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall, under direction of the Aztec district office, re-enter and re-plug the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico. The goal of this procedure shall be to place cement across all former and future intervals of injection within the Mesaverde in the Juniper Well No. 1 and to cover and

isolate with cement any potential fresh water intervals. The work to re-enter this well must be commenced prior to January 1, 2007 or the permit to inject into the Juniper Well No. 1 will expire.

The operator shall send to the Aztec district office, all available casing information and copies of electric logs for the Monument Well No. 2 (API No. 30-045-21463) located 800 feet from the North line and 800 feet from the West line of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

The casing-tubing annulus shall be monitored to ensure leakage does not occur in the casing, tubing, or packer either by (i) squeezing off the upper perforated interval then filling the annulus with inert fluid to the surface and pressure testing or (ii) by placing a pressure sensor directly above the newly set injection packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead tubing pressure on the injection well to **no more than 607 psi**.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the gross injection interval. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

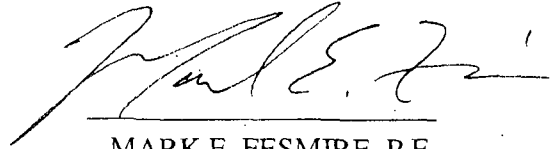
The operator shall notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Aztec district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage. In addition, if a downhole sensor is installed, the operator shall provide the Aztec district office with periodic pressure reports.

The operator shall submit monthly reports of the disposal operations on Division Form C-120-A, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

Approved at Santa Fe, New Mexico, on May 18, 2006.



MARK E. FESMIRE, P.E.  
Director

MEF/wvjj

cc: Oil Conservation Division – Aztec  
Bureau of Land Management-Farmington  
Holland & Hart – William F. Carr, Esq.

Case No. 13812 de novo (reopened)

Application of Coleman Oil & Gas Inc

EXHIBIT B

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

**IN THE MATTER OF THE HEARING CALLED BY THE OIL  
CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:**

**CASE NO. 13812  
ORDER NO. R-12820**

**APPLICATION OF COLEMAN OIL AND GAS, INC. FOR AMENDMENT OF  
ADMINISTRATIVE ORDER NO. SWD-806-B, SAN JUAN COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on November 9, 2006, at Santa Fe, New Mexico, before Examiner David R. Catanach; however, the order was drafted by Examiner Richard I. Ezeanyim

NOW, on this 22<sup>nd</sup> day of October, 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Administrative Order SWD-806 dated July 20, 2001, the Oil Conservation Division ("Division") authorized Coleman Oil & Gas, Inc ("Coleman") to utilize its Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico for the injection of produced water for disposal purposes into the Mesaverde formation from a depth of approximately 3,820 feet to 3,980 feet through 2-7/8 inch plastic lined tubing set in a packer located at approximately 3790 feet.

(3) In May 2002, Coleman requested that the Division change the approved injection interval from 3,820 feet to 3,980 feet to 2,176 feet to 3,974 feet also through 2-7/8 inch plastic-lined tubing set in a packer at approximately 2,125 feet. The request was approved by Administrative order SWD-806-A dated May 20, 2002.

(4) Pursuant to Administrative Order SWD-806-A, Coleman first perforated the Juniper well in the Lower Menefee and Point Lookout member of the Mesaverde formation from 3,036 feet to 3,974 feet and hydraulically fractured in this interval.

(5) The Juniper well was next perforated in the upper Menefee and Cliff House members of the Mesaverde formation from 2,176 feet to 2,758 feet and hydraulically fractured in this interval.

(6) By letter dated October 28, 2005, the Division advised Coleman that the Division and the U.S. Environmental Protection Agency (USEPA) had determined that the upper Mesaverde injection interval contains protectable water. The Division proposed to amend Administrative Order SWD-806-A to limit the injection interval to depths of 3,820 feet to 3,980 feet and to require remedial cementing operations on offsetting wells located within one-half mile of this injection well in order to isolate the upper members of the Mesaverde formation from saltwater injection into the lower Mesaverde.

(7) By Administrative Order No. SWD-806-B issued on May 18, 2006, the Oil Conservation Division ("Division") authorized Coleman Oil & Gas, Inc. to utilize its Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico, for injection of produced water for disposal purposes into the Point Lookout member of the Mesaverde formation from 3,036 feet to 3,974 feet through plastic-lined tubing set in a packer located within 100 feet above the top of the injection interval, with the following remedial work to be completed before commencing injection operations:

(a) The operator shall, under direction of the Aztec district office, re-enter and re-plug the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico. The goal of this procedure shall be to place cement across all former and future intervals of injection within the Mesaverde in the Juniper Well No. 1 and to cover and isolate with cement any potential fresh water intervals. The work to re-enter this well must be commenced prior to January 1, 2007 or the permit to inject into the Juniper Well No. 1 will expire.

(b) The operator shall send to the Aztec district office, all available casing information and copies of electric logs for the Monument Well No. 2 (API No. 30-045-21463) located 800 feet from the North line and 800 feet from the West line of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

(8) The applicant, Coleman Oil & Gas, Inc. ("Coleman" or "Applicant"), now seeks an order amending Administrative Order SWD-806-B to delete the provisions requiring Coleman to re-enter and re-plug the Monument Well No. 1.

(9) The Oil Conservation Division (OCD) objects to granting Coleman's request to amend Administrative Order SWD-806-B to delete the provisions requiring that the Monument Well No. 1 be re-entered and re-plugged.

(10) In the Juniper SWD Well No. 1, the OCD also required Coleman to limit injection into the Point Lookout member of the Mesaverde formation only and squeeze off all perforations in the La Ventana, Cliff House, and Menefee members of the Mesaverde formation

(11) In his opening statement, the counsel for Coleman argued that the Monument Well No. 1 is an orphan well and should be plugged with the State reclamation funds.

(12) The OCD counsel argued that it is the entity who seeks to utilize a saltwater disposal well and will benefit from that saltwater disposal well who should be the entity responsible for taking care of any problem wells within the area of review (AOR), in order to get the permit the entity desires.

(13) The Applicant's witness testified that Coleman had already spent \$500,000 building the saltwater disposal plant and it would be cost prohibitive for Coleman to re-enter and re-plug the Monument Well No.1, and squeeze off the perforations in the La Ventana, Cliff House, and the upper Menefee members of the Mesaverde formation in the Juniper SWD Well No.1.

(14) The Applicant's witnesses further presented the following testimony:

(a) It will be difficult to squeeze off the perforations in the La Ventana, Cliff House, and the upper Menefee members of the Mesaverde formation in the Juniper SWD Well No.1.

(b) There is approximately 270 feet of un-perforated interval (interburden) between the uppermost Menefee perforations and the lowermost Cliff House perforations. In addition, a series of small coals at the top of the Menefee and the base of the Cliff House serve effectively as fracture barriers so that the growth of the fractures should not communicate to two different zones.

(c) About 50 to 75 percent of production in the Juniper area would have to be shut-in if the Juniper SWD Well No.1 is shut-in.

(d) The completion report on the Monument Well No. 2 indicated a two-stage cement job with 100 percent excess cement which suggests that the well was cemented from total depth to the surface.

(e) It would cost \$50,000 to \$60,000 to re-enter the Monument Well No. 2 to determine the cement top, and that does not include any remedial work that may be required.

(f) It would also be too expensive to re-enter and re-plug the Monument Well No 1; further, the well is located on tribal surface which could be an additional expense.

(15) Coleman employed the services of a Hydrogeologist to conduct a **Radius-Of-Influence** study for the Juniper SWD Well No. 1. The study assumed that the Menefee and the Point Lookout members of the Mesaverde formation are homogeneous. The results of this study based on a maximum water injection rate of 2,000 barrels per day were presented at the hearing as follows:

(i) For water production through September 2006, the radius of injected water ranged from 231 feet to 292 feet with an overall average of 253 feet. The rate of radius change from December 2005 through September 2006 is 4.7 feet per month.

(ii) The area of injected water ranged from 3.8 acres to 6.1 acres with an overall average of 4.6 acres. The rate of area change from December 2005 through September 2006 is 0.16 acres per month.

(iii) It will take between 52 years and 74 years for Juniper SWD Well No.1 injection water to reach a radius of 1885 feet if the injection was confined to the Menefee and Point Lookout formations at a rate of 2,000 barrels of water per day.

(16) The OCD Geologist testified that the Menefee and Point Lookout members of the Mesaverde formation are not homogeneous; therefore the results of this study are questionable. However, the depths between 3912 feet to 3975 feet are the intervals where the sands tend to be continuous and homogeneous and therefore raises the possibility of fluid migration from the saltwater disposal well to the Monument wells.

(17) The OCD Engineer provided the following testimony:

(a) The Mesaverde formation is a very big pool and consists of several members with different salinities ranging on the average between 1,600 to 25,000 parts per million (ppm) total dissolved solids.

(b) The total dissolved solids concentration from 2,085 feet to 2,872 feet in the Juniper SWD Well No.1 ranges from 1,600 to 6,000 ppm.

(c) The U.S. Environmental Protection Agency (USEPA) is concerned that the waters in the Cliff House are fresh and should be protected because they contain TDS of 10,000 ppm or less.

(d) The Point Lookout member of the Mesaverde formation contain waters with TDS of 25,000 ppm or greater and if these waters are displaced into waters with TDS of 10,000 ppm or less, the latter will be contaminated.

**Analysis**

(18) The evidence presented demonstrates that the La Ventana and the Cliff House members of the Mesaverde formation appear to contain fresh waters as defined by OCD Rules and Regulations and the Federal Safe Drinking Water Act and should be protected.

(19) The Juniper SWD Well no. 1 should not be shut-in; otherwise about 50 to 75 percent of production from the Juniper area would be shut-in.

(20) The Monument Well No. 1 is an uncased dry hole which has been plugged and abandoned by merely placing cement plugs at several intervals. Coleman should re-enter the well and place a 200 foot cement plug from 2,836 feet to 3,036 feet.

(21) The evidence presented by the Applicant at the hearing indicates that the Monument Well No. 2 was properly plugged and abandoned.

(22) There is approximately 270 feet of interburden between the uppermost Menefee perforations and the lowermost Cliff House perforations in the Juniper SWD Well No. 1. Coleman should set an isolation packer at approximately 2950 feet to isolate the Cliff house perforations and monitor the annulus integrity with an electronic bottomhole pressure sensor.

(23) To prevent waste, protect correlative rights, and protect fresh waters in the Cliff House member of the Mesaverde formation, Administrative Order SWD-806-B should be amended.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Coleman Oil and Gas, Inc. to amend Division Administrative Order SWD-806-B to delete the requirement that it re-enter and re-plug the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) Coleman Oil & Gas, Inc. is hereby authorized to utilize the existing perforations from 3,036 feet to 3,974 feet to dispose saltwater into the Lower Menefee and Point Lookout members of the Mesaverde formation, and the disposal shall be through a 2-7/8 inch plastic lined tubing set in a packer at approximately 2950 feet. However, Coleman shall perform the following remedial work before commencing and/or continuing injection operations into the Juniper SWD Well No.1.

(3) Coleman shall re-enter the Monument Well No.1 and place a 200-foot cement plug from 2,836 feet to 3,036 feet in order to protect fresh waters in the La Ventana and the Cliff House members of the Mesaverde formation.



(4) Coleman shall set an isolation packer at approximately 2950 feet to isolate the Cliff house perforations in the Juniper SWD Well No. 1, and monitor the annulus integrity with an electronic bottomhole pressure sensor. The bottomhole pressure in this well shall be monitored on a daily basis with the digital information sent to the office via internet. Data shall be collected and stored on a minimum of 6 hours intervals per day. Fluid levels shall be taken at least quarterly and shall be recorded and monitored for changes. Electronic Field Measurements as well as fluid levels shall be used to monitor tubing and packer integrity. Coleman shall immediately report any leakage in the tubing or packer to the Division.

(5) Before commencing and/or continuing injection operations into the Juniper SWD Well No. 1, the operator shall provide documentation to the Santa Fe and Aztec offices of the Division that the above remedial work have been successfully completed.

(6) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

(7) The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead tubing pressure on the injection well to **no more than 607 psi**.

(8) The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the gross injection interval. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

(9) The operator shall notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

(10) The operator shall immediately notify the supervisor of the Aztec district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage. In addition, the operator shall provide the Aztec district office with periodic pressure reports.

(11) The operator shall submit monthly reports of the disposal operations on Division Form C-120-A, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

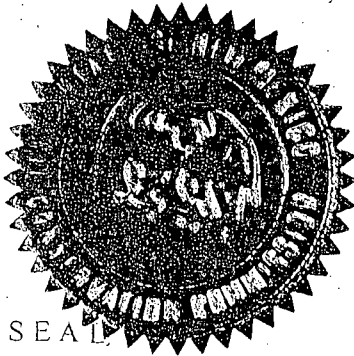
(12) This Order supersedes the Division Administrative Order SWD-806-B.

(13) This order does not relieve the operator of responsibility should its

operations cause any actual damage to protectible fresh water, human health or the environment, nor does it relieve the operator of responsibility for complying with applicable Division rules or other federal, state, or local laws or regulations.

(14) Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.  
Director

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc.

EXHIBIT C

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

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF COLEMAN OIL & GAS,  
INC. FOR AMENDMENT OF DIVISION  
ADMINISTRATIVE ORDER SWD-806-B,  
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 13812 (De Novo)  
ORDER NO. R-12820-A

ORDER OF THE COMMISSION

THIS MATTER, having come before the New Mexico Oil Conservation Commission (Commission) on March 13, 2008 at Santa Fe, New Mexico, on application of Coleman Oil & Gas, Inc. (Coleman) for amendment of the Oil Conservation Division's (Division) Administrative Order SWD-806-B, San Juan County, New Mexico, and the Commission, having carefully considered the evidence and other materials the parties submitted, now, on this 16th day of April, 2008,

FINDS:

1. Due public notice has been given, and the Commission has jurisdiction of this case and its subject matter.
2. By Administrative Order SWD-806 dated July 20, 2001, the Division authorized Coleman to utilize its Juniper SWD Well No. 1 (API No. 30-045-29732) located 880 feet from the North line and 730 feet from the West line (Unit D) of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico for the injection of produced water for disposal purposes in the Mesaverde formation from a depth of approximately 3,820 feet to 3,980 feet through 2-7/8 inch plastic lined tubing set in a packer located at approximately 3,790 feet.
3. In May 2002, Coleman requested that the Division change the approved injection interval from 3,820 feet to 3,980 feet to 2,176 feet to 3,974 feet also through 2-7/8 inch plastic tubing set in a packer at approximately 2,125 feet. The Division approved the request on May 20, 2002 by Administrative Order SWD-806-A.
4. Pursuant to Administrative Order SWD-806-A, Coleman first perforated the Juniper SWD Well No. 1 in the Lower Menefee and Point Lookout member of the

Mesaverde formation from 3,036 feet to 3,974 feet and hydraulically fractured in this interval.

5. Coleman next perforated the Juniper SWD Well No. 1 in the Upper Menefee and Cliff House members of the Mesaverde formation from 2,176 feet to 2,758 feet and hydraulically fractured in this interval.

6. By letter dated October 28, 2005, the Division advised Coleman that the Division and the U.S. Environmental Protection Agency had determined that the upper Mesaverde injection interval contains protectable water. The Division proposed to amend Administrative Order SWD-806-A to limit the injection interval to a depth of 3,820 feet to 3,980 feet and to require remedial cementing operations on offsetting wells located within one-half mile of the Juniper SWD Well No. 1 in order to isolate the upper members of the Mesaverde formation from saltwater injection into the lower Mesaverde.

7. By Administrative Order No. SWD-806-B issued on May 18, 2006, the Division authorized Coleman to use its Juniper SWD Well No. 1 for injection of produced water for disposal purposes into the Point Lookout member of the Mesaverde formation from 3,036 feet to 3,974 feet through plastic-lined tubing set in a packer located within 100 feet above the top of the injection interval with Coleman to complete the following remedial work before commencing injection operations.

a. Coleman, under direction of the Aztec District Office, was to re-enter and re-plug the Monument Well No. 1 (API No. 30-045-21912) located 1650 feet from the North line and 990 feet from the East line of Section 17, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico. The goal of the procedure was to place cement across all former and future intervals of injection with the Mesaverde formation in the Juniper SWD Well No. 1 and to cover and isolate with cement any potential fresh water intervals. The work to re-enter the well was to be commenced prior to January 1, 2007 or the permit to inject into the Juniper SWD Well No. 1 was to expire.

b. Coleman was also to send to the Aztec District Office all available casing information and copies of electric logs for the Monument Well No. 2 (API No. 30-045-21463) located 800 feet from the North line and 800 feet from the West line of Section 16, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico.

8. On or about November 9, 2006, Coleman sought an order amending Administrative Order SWD-806-B to delete the provisions requiring Coleman to re-enter and re-plug the Monument Well No. 1.

9. The Division objected to the granting of Coleman's request to delete the provisions requiring that Coleman re-enter and re-plug the Monument Well No. 1.

10. After a hearing the Division in Order No. R-12820, dated October 22, 2007, granted Coleman's application to amend Division Administrative Order SWD-806-B to delete the requirement that Coleman re-enter and re-plug the Monument Well No. 1.

---

11. The Division authorized Coleman to use the existing perforations in the Juniper SWD Well No. 1 from 3,036 feet to 3,974 feet to dispose of saltwater into the Lower Menefee and Point Lookout members of the Mesaverde formation, but directed that Coleman perform the following remedial work before commencing or continuing injection into the Juniper SWD Well No. 1.

a. The Division ordered Coleman to re-enter the Monument Well No. 1 and place a 200-foot cement plug from 2,836 to 3,036 feet in order to protect fresh waters in the La Ventana and the Cliff House members of the Mesaverde formation.

b. The Division also directed Coleman to set an isolation packer at approximately 2,950 feet to isolate the Cliff House perforations in the Juniper SWD Well No. 1 and monitor the annulus integrity regularly with an electronic bottomhole pressure sensor.

12. On November 2, 2007, Coleman filed an application for hearing de novo before the Commission to challenge that part of Order No. R-12820 requiring Coleman to re-enter and re-plug the Monument Well No. 1.

13. Coleman has complied with the requirement to set an isolation packer in the Juniper SWD Well No. 1 and to install a downhole monitoring device in the Juniper SWD Well No. 1. Coleman installed the isolation packer in December 2006.

14. Coleman now seeks to re-enter and re-complete the Monument Well No. 1 for the disposal of produced water into the Entrada, and to be allowed to continue injection operations in the Juniper SWD Well No. 1.

15. Coleman has provided the Division with data concerning the Monument Well No. 1 and the Juniper SWD Well No. 1.

16. Based on the data that Coleman provided the Division does not oppose the proposed re-entry and deepening of the Monument Well No. 1 to dispose of produced water.

17. At the March 13, 2008 hearing before the Commission, Coleman presented testimony and evidence about its proposal to re-enter and deepen the Monument Well No. 1 and use it as a saltwater disposal well, including the need for an additional disposal well and the time Coleman anticipates it will take to obtain access and requisite permits for the well.

18. Coleman anticipates it will take 15 to 18 months to obtain permission to access the surface where the Monument Well No. 1 is located given that the surface is Navajo Nation Tribal Trust. This amount of time would be required regardless of whether Coleman re-entered and re-plugged the Monument Well No. 1 as ordered by the

Division or is allowed to re-enter and deepen the well to use it as a saltwater disposal well.

19. Coleman also presented testimony that the continued use of the Juniper SWD Well No. 1 pending re-entry and deepening of the Monument Well No. 1 to use as a saltwater disposal well will not harm potential fresh water sources if the injection is confined to the Menefee and Point Lookout formations.

20. The Division does not oppose allowing Coleman to continue injection operations in the Juniper SWD Well No. 1 if the Commission imposes the following conditions:

a. Coleman continues downhole monitoring of the Juniper SWD Well No. 1 as provided in Order No. R-12820; and

b. Coleman provides progress reports to the Aztec Office on a quarterly basis along with copies of documents related to the access and permitting process that Coleman submits to other agencies such as the United States Environmental Protection Agency, the Navajo Nation, and the United States Department of the Interior, Bureau of Land Management or the Bureau of Indian Affairs.

21. Coleman's proposal will protect fresh waters within the La Ventana and Cliff House members of the Mesaverde formation and prevent waste and protect correlative rights by allowing Coleman to continue to produce from the area of the Juniper SWD Well No. 1.

**IT IS THEREFORE ORDERED THAT:**

Coleman's application for amendment of the Oil Conservation Division's Administrative Order SWD-806-B, San Juan County, New Mexico is granted subject to the following conditions.

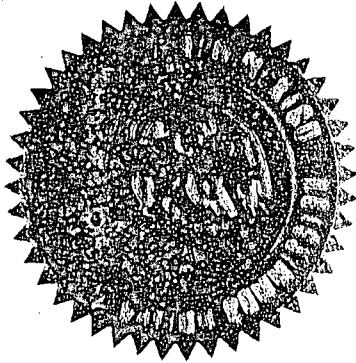
1. Coleman shall continue downhole monitoring of the Juniper SWD Well No. 1 as provided in Order No. R-12820.

2. Coleman shall provide progress reports to the Aztec Office on a quarterly basis along with copies of documents related to the access and permitting process that Coleman submits to other agencies such as the United States Environmental Protection Agency, the Navajo Nation, and the United States Department of the Interior, Bureau of Land Management or the Bureau of Indian Affairs.

3. Coleman shall complete re-entry and deepening of the Monument Well No. 1 within two years from the date of this order.

4. Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico on the 16th of April 2008.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY, CPG, Member

A handwritten signature in cursive script, appearing to read "William Olson".

WILLIAM OLSON, Member

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E., Chair

# PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

37 Verano Loop, Santa Fe, New Mexico 87508

(505) 466-8120

October 31, 2009

Richard Ezeanyim  
NM Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc

EXHIBIT D

Dear Mr. Ezeanyim:

I testified during the March 13, 2008 NM Oil Conservation Commission hearing for Coleman's Juniper SWD #1, Case 13812, Order R-12820-A, API #30-045-29732. The Commission ordered Coleman to "complete re-entry and deepening of the Monument Well No. 1 within two years from the date of this order."

The Commission also ordered Coleman to provide quarterly progress reports to the Division's Aztec office on the Monument #1 SWD (30-045-21912). Those seven quarterly reports are attached. Progress since the last report includes:

10-14-09: Navajo BIA recommends approval to BLM

10-26-09: Coleman receives BLM approval for the APD

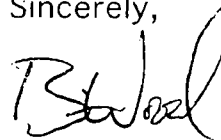
*Coleman is still waiting for BLM to approve the water pipeline right-of-way which was filed with BLM on February 12, 2008.*

The Oil Conservation Division approved SWD-1137 for the Monument 1 on July 23, 2008. That approval has since expired while waiting for the Tribal, BIA, and BLM approvals.

Therefore, I am asking that the SWD-1137 approval be extended for one year for good cause.

Please call me if you have any questions.

Sincerely,



Brian Wood

cc: Hanson  
Jones  
Munds-Dry



# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Joanna Prukop**  
Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



November 03, 2009

Brian Wood  
Agent for Coleman Oil & Gas, Inc.  
37 Verano Loop  
Santa Fe, NM 87508

RCVD NOV 10 '09

OIL CONS. DIV.

DIST. 3

Re: Request for Extension of Commencement of Injection Operations into the Monument Well No. 1 (API No. 30-045 21912) Pursuant to Order No. SWD-1137

*AA*  
Dear Mr. Wood:

The Oil Conservation Division (OCD) received your letter of October 31, 2009, regarding the above referenced well on November 2, 2009. Pursuant to administrative order No. SWD-1137, the authority to commence injection into this well expired on July 23, 2009. However, the Commission Order No. R-12820-A issued in Case No. 13812 (De Novo) on April 16, 2008, authorized Coleman to re-enter and deepen the Monument Well No. 1 for disposal purposes within two (2) years of the order date.

Commission Orders normally take precedent over Division Orders, therefore, Coleman is hereby granted extension for the commencement of injection operations into this well on or before November 3, 2010.

If you have any questions, please contact Richard Ezeanyim at (505)-476-3467.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P.E.  
Director

Cc: ✓ Oil Conservation Division District Office - Aztec

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc  
**EXHIBIT E**



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

FEB 28 2010

FORM APPROVED  
OMB No. 1004-0135  
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.

NM NM 104606

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or N

N/A

8. Well Name and No

Monument # 1

9. API Well No

30-045-21912

10. Field and Pool, or Exploratory Area

Mesa Verde

11. County or Parish, State

San Juan County, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. ☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator  
Coleman Oil & Gas, Inc.

3a. Address  
P O Drawer 3337, Farmington, NM 87499-3337

3b. Phone No. (include area code)  
(505) 327-0356

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
1656' FNL and 942' FEL, Unit G, Section 17, Twp 24N, Rge 10W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input checked="" type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans <input checked="" type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> See below
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

As per the New Mexico Oil Conservation Division's Case # 13812, Order # R-12820-A Coleman Oil & Gas, Inc. is required to re-enter the Monument #1 and place a cement plug across the entire Cliff House and La Ventana Tongue members of the Mesa Verde Formation and re-plug the Monument # 1 back to surface. Please see the attached procedure for the specifics of the re-entering and re-plugging operations. Coleman Oil & Gas, Inc. currently has a permit for the construction of a reserve pit however to reduce impact has decided to use a closed loop system and is in the process of obtaining approval for the closed loop system from the Oil Conservation Division Aztec Field Office. It is our intention to use the original access to location and existing location to re-enter the Monument #1. All activities will remain on previously disturbed areas. Coleman Oil & Gas, Inc. intends to reclaim access and location as soon as possible. It is anticipated that this will be done within thirty to forty five days with weather permitting. Seeding requirements will take place during seasonal periods as per recommendations and approvals by the Farmington BLM Field Office.

RCVD MAR 2 '10  
OIL CONS. DIV.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Bryan Lewis	Title Landman
Signature <i>Bryan Lewis</i>	Date February 24, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by Original Signed: Stephen Mason	Title	Date FEB 24 2010
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Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc

NMOCD 16

Notify NMOCD 24 hrs  
prior to beginning  
operations

EXHIBIT F

# Coleman Oil & Gas, Inc.

## Proposed P&A Procedure

Friday, February 19, 2010

<b>Well:</b>	<b>Monument #1</b>	<b>Field:</b>	
<b>Location:</b>	1650' FNL & 990' FEL (SENE) Sec 17, T24N, R10W, NMPM San Juan County, New Mexico	<b>Elevation:</b>	6776' RKB 6764' GL
<b>By:</b>	Michael T. Hanson	<b>Lease:</b>	NMNM - 104606

---

**Procedure:** (Note: This procedure will be adjusted on site based upon actual conditions)

### ***MIRU Rotary Rig***

1. MIRU Rotary Rig with closed loop system.
2. Nipple up BOP Equipment and hold Safety Meeting.
3. Pressure test BOP and surface equipment to 250 psig low pressure and 500 psig high pressure.
4. Drill out remainder of plugs and clean out to  $\pm$  3100 Feet KB.
5. Condition hole to plug back to surface starting at 3100 Feet KB.
6. After hole has been conditioned POOH and lay down bottom-hole assembly.
7. TIH open ended and plug back to surface as follows.
8. Place 325 sack plug (490.75 cubic feet) from 3100 to 1650. (This plug may have to be placed in stages due to length of interval).
9. Place 112 sack plug (169.12 cubic feet) from 1450 to 950 feet KB. (This plug may have to be placed in stages due to length of interval).
10. Place 45 sack plug (67.95 cubic feet) from 730 to 530 feet KB.
11. Place 24 sack plug (35.20 cubic feet) from 275 to 175 feet KB.
12. Place 15 sack plug (22.65 cubic feet) from 60 feet KB to surface.
13. Release rig.
14. Install dry hole marker.
15. Reclaim location and access road.

Cement Premium Class "G" with 4% Bentonite (Yield = 1.51 cu. ft. /sack; slurry weight = 14.2 PPG). Compressive strength of cement to meet or exceed minimum requirements for Bureau of Land Management and New Mexico Oil Conservation Commission Plugging and Abandonment requirements.

30-045-21912

HOLLAND & HART LLP



Ocean Munds-Dry  
omundsdry@hollandhart.com

March 3, 2010

**VIA HAND-DELIVERY**

Mr. Mark 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

RECEIVED OOD  
2010 MAR -3 P 1:42

**Re: Case No. 13812: Request Order No. R-12820-A be Rescinded or That Coleman Oil & Gas, Inc. No Longer Be Required to Meet Certain Terms of the Order**

Dear Mr. Fesmire:

On April 16, 2008, the Oil Conservation Commission entered Order No. R-12820-A granting the application of Coleman Oil & Gas, Inc. to amend Administrative Order SWD-806-B. The Commission authorized Coleman to re-enter and re-complete the Monument Well No. 1 for disposal of produced water into the Entrada formation.

Economics and Coleman's needs have changed since this Order was entered and Coleman no longer seeks to re-enter the Monument Well No. 1 to dispose of produced water. Coleman desires to plug the Monument Well No. 1 as originally directed by the Division.

Therefore, Coleman respectfully requests that Order No. R-12820-A be rescinded or that the Commission no longer require Coleman to re-enter and re-complete the well for disposal.

Thank you for your time and attention to this matter.

Sincerely,

Ocean Munds-Dry  
Attorney for Coleman Oil & Gas, Inc.

cc. Alan Emmendorfer

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc

EXHIBIT G

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

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

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☺

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

APR 08 2010

FORM APPROVED  
OMB No 1004-0135  
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5 Lease Serial No  
NM NM 104606  
Indian, Allottee or Tribe Name  
Farmington Field Office

SUBMIT IN TRIPLICATE - Other instructions on reverse side

7. If Unit or CA/Agreement, Name and/or N  
N/A

Oil Well ☐ Gas Well ☐ Other ☒

8. Well Name and No

Monument # 1

2 Name of Operator

Coleman Oil & Gas, Inc.

9. API Well No.

30-045-21912

3a Address

P O Drawer 3337, Farmington, NM 87499-3337

3b. Phone No. (include area code)

(505) 327-0356

10 Field and Pool, or Exploratory Area

Mesa Verde

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)

1656 ' FNL and 942' FEL, Unit G, Section 17, Twp 24N, Rge 10W

11. County or Parish, State

San Juan County, NM

12 CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
X Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input type="checkbox"/> Other
Final Abandonment Notice	<input type="checkbox"/> Change Plans <input checked="" type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13 Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The Monument # 1 well was plugged and abandoned according to the attached detail. The rig was released on March 23, 2010. The P & A marker was set on April 02, 2010. Surface restoration will be implemented as weather permits

RCVD APR 20 '10

OIL CONS. DIV.

DIST. 3

14 I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Bryan Lewis

Title

Landman

Signature

Date

April 07, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

Case No. 13812 de novo (reopened)  
Application of Coleman Oil & Gas Inc  
EXHIBIT H

NMOC

60 4/27

FARMINGTON FIELD OFFICE

# Coleman Oil & Gas, Inc.

Wednesday, April 07, 2010

<b>Well:</b>	<b>Monument #1</b>	<b>Field:</b>	
<b>Location:</b>	1650' FNL & 990' FEL (SENE) Sec 17, T24N, R10W, NMPM San Juan County, New Mexico	<b>Elevation:</b>	6776' RKB 6764' GL
<b>By:</b>	Michael T. Hanson	<b>Lease:</b>	NMNM - 104606

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## Monument #1 Re-Plugged As Follows

1. MIRU Rotary Rig with closed loop system.
2. Nipple up BOP Equipment and held Safety Meeting.
3. Pressure tested BOP and surface equipment to 250 psig low and 500 psig high.
4. Drilled out remainder of plugs and clean out to  $\pm$  3100 Feet KB.
5. Conditioned hole to plug back to surface starting at 3100 Feet KB.
6. POOH and laid down bottom-hole assembly.
7. TIH open ended and plugged back to surface as follows.
8. 422 sack plug (687.86 cubic feet) from 3100 to 1126 feet KB. Tagged plug at 1126 FT KB per BLM Inspector Request.
9. 72 sack plug (117.36 cubic feet) from 1126 to 950 feet KB. BLM Inspector did not require plug to be tagged. Estimate Top of Cement @ 780 Ft KB.
10. 93 sack plug (151.59 cubic feet) from 754 to 330 feet KB. Tagged plug at 330 FT KB per BLM Inspector.
11. 104 sack plug (169.72 cubic feet) from 275 to surface. Estimate 10 barrels of cement was circulated to surface.
12. Released Rig Midnight March 23, 2010.
13. Tagged cement @ 30 Ft. KB. Topped off with 15 sack plug (17.7 cubic feet) from 30 feet KB to surface.
14. Installed dry hole marker.
15. Location will be reclaimed as soon as possible.

Cement TYPE III with 4% Bentonite (Yield = 1.63 cu. ft. /sack; slurry weight = 13.8 PPG)

Witnessed By BLM Inspector; John Hagstrom PET with BLM Farmington Field Office

Notified OCD Aztec Office; Kelly Roberts of P&A Operations

**Monument #1  
Section 17, T24N, R10W  
API# 30-045-21912**

Dry Hole Marker Per OCD Requirements

SURFACE CASING  
8 5/8" CSG. @ 227 FT. KB  
CIRCULATED CEMENT TO SURFACE  
SURFACE HOLE SIZE 12 1/4" Hole  
PRODUCTION HOLE SIZE 7 7/8"

TAGGED CEMENT @ 30 FT KB  
TOPPED OFF WITH BAG CEMENT PRIOR  
TO INSTALLING DRY HOLE MARKER

104 SACK PLUG @ 0 - 284 FEET  
ESTIMATED 10 BARRELS OF CEMENT  
CIRCULATED TO SURFACE

Nacimiento SURFACE  
Ojo Alamo 589

TAGGED TOP OF PLUG @ 330 FT KB  
93 SACK PLUG @ 330 - 754 FT KB

Kirtland 678

Fruitland 1143

Pictured Cliffs 1384

ESTIMATED TOP OF PLUG @ 780 FT KB  
WAS NOT REQUIRED TO TAG.  
72 SACK PLUG 950 - 1126 FT KB

Lewis Shale 1610

Cliff House 1745

TAGGED TOP OF PLUG @ 1126 FT KB  
422 SACK PLUG @ 1126 - 3100 FT KB

La Ventana 2126  
Tounge

Menefee 2836

WASHED AND REAMED TO 3141 FT KB

Point Lookout 3805

Existing Plug  
62 SACK PLUG @ 3900 - 4100 FEET

Mancos 4011

Existing Plug  
62 SACK PLUG @ 4900 - 5100 FEET

Gallup 4846

Existing Plug  
62 SACK PLUG @ 5800 - 6100 FEET

Greenhorn 5756  
Graneros 5806  
Dakota 5852

T.D. @ 6100 FT. KB

