

RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700
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May 11, 2000

Ms. Michelle Chavez
State Director
Bureau of Land Management
P.O. Box 27115
Santa Fe, NM 87502-0115

Via Fax (505) 438-7452 and Mail

Dear Ms. Chavez:

This letter is to advise that Richardson Production Company protests Coal Lease Sale NMNM 99144. We regard this as a highly illegal sale which we foresee the BLM ultimately having to defend in a court of law.

We do not support BHP's demands for immediate issuance of a deep coal lease in this area. Timing is a serious issue. As everyone is aware, Richardson is actively drilling coalbed methane gas wells under the terms of our oil and gas leases. It can easily be shown that natural gas production is adversely affected as mining operations approach within 1500 feet of a producing gas well. According to the BHP timeline set forth in our March 23, 2000 meeting, underground mining could interfere with our wells as soon as 2005.

The citizens of the United States and the environment of our country would be better served if the gas operator would be allowed to degasify the coal seams prior to commencement of underground mining operations. BHP's statement that its strip mining operations will become non-economic in two to three years, when electricity is deregulated, is mere speculation. At this time, the affects of electrical deregulation are unknown. As an active operator of existing gas leases, we are alarmed the BLM would allow us to be penalized by BHP's poor management decisions. BHP is negligently wasting the coal resource by adding to the overburden in an otherwise mineable area. To add insult to injury, they are now trying to drive the gas producers off their leases and then vent the natural gas.

Finally, BHP's offers to work with and accommodate the gas producers are weak, at best. Their plan to temporarily place our water and natural gas gathering systems on the surface during the period of subsidence won't work, it is a dangerous plan, and would likely paralyze all of our wells in the Township. The Protocol for the Mediation of Adverse Impacts on Oil and Gas Revenues was written without any consideration to comments from the gas producers, and is unacceptable as written. We strongly object to the BLM mandating compliance to same as a special stipulation of newly issued leases.

Again, we urge you to cancel this sale for at least five years, giving us a chance to further develop our oil and gas resources. Any attempt to compromise our position will be rigorously challenged, using all available legal avenues.

RICHARDSON PRODUCTION COMPANY

David B. Richardson

David B. Richardson
President

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12734 Exhibit No. A-10
Submitted By:
Richardson Operating Company
Hearing Date: November 11, 2001



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Road
P. O. Box 27115
Santa Fe, New Mexico 87502-0115

RECEIVED MAY 30 2000

IN REPLY REFER TO:
NMNM 99144
3400 (93000)

MAY 26 2000

Mr. David B. Richardson, President
Richardson Production Company
1700 Lincoln, Suite 1700
Denver, Colorado 80203

Dear Mr. Richardson:

On the afternoon of May 11, 2000, our office received your coal sale protest letter, by facsimile, dated the same day. Because the Coal Sale was being held the next morning, we were unable to fully consider and answer your letter until after the sale. As you may recall, Mr. Jim Olsen from our State Office phoned you that afternoon to explain the situation.

We concur with you that timing is a serious issue. Your statement could probably be applied to oil and gas and coal production in the subject area. It is in the public interest to issue coal and coalbed methane leases on the same lands.

You raised the issue of BHP Minerals mid-range economics based on deregulation. It is out of the Bureau of Land Management's (BLM) purview to base decisions on market economics. Even economists cannot safely predict market impacts with regularity. We cannot make determinations on an operator's financial management or supply contracts. We have the authority to ensure that operators comply with operationally correct mining procedures as defined in the CFR's directives and the mine plan.

You stated that the Protocol for Mediation of Adverse Impacts was written without concern for gas producers' comments. On May 22, 1998, you wrote us a letter stating that you believe all parties would be protected if the coal was degasified before mining. In your most recent letter you stated that BHP time line shows that underground mining could interfere with methane recovery by 2005. Although not specified in the Protocol, we will only approve new leases or mine plan modifications that won't impede methane production for the next ten years.

Given your situation, we encourage rapid development of methane to maximize coalbed methane recovery. To accomplish this we will be requiring coalbed methane producers to follow our diligence requirements in your Lease Terms for timely development.

On October 30, 1998, you wrote us a letter stating that the RMP Amendment, which contains the Protocol, interferes with your oil and gas production and does not allow maximum economic recovery (MER). You again addressed these concerns in your letter of May 11, 2000. The General Principles of the Protocol states, . . ." San Juan Coal Company (SJCC) will use its best efforts to achieve maximum economic recovery of federal resources. Valid existing rights under federal oil and gas leases, which predate SJCC's coal leases, will be honored." A Protocol section titled Commitments, addresses SJCC avoidance of adverse impacts on oil and gas production and includes mitigation steps. Remedies which SJCC may be required to pursue include altering monoplanes, relocating oil and gas surface facilities and improvements, and financial compensation.

In your letter you characterize the BHP accommodation plan as weak. If you believe the plan does not meet standards, established in the Protocol, regulations, or our directives, please contact Jim Olsen. If the plan does not address issues or standards outside these parameters, it is your responsibility to negotiate these separately with BHP. We need to be notified if these issues entail demonstrable health and safety hazards. If you have any further questions, please contract Jim Olsen at (505) 438-7455.

Sincerely,



M. J. Chavez
State Director

cc:

Richard Troat
BHP Minerals
San Juan Mine
PO Box 561
Waterflow NM 87421

NM (070, Shannon Hoefler)
NM (930, Jim Olsen)