

United States Department of the Interior

BUREAU OF LAND MANAGEMENT Farmington Field Office 1235 La Plata Highway, Suite A Farmington, New Mexico 87401

IN REPLY REFER TO: NM NM 99144 ((Coal, GC) NM NM 99003 (O & G, GC) 3100/3400 (07100) RECEIVED SEP 2 : 2001

September 20, 2001

CERTIFIED-RETURN RECEIPT REQUESTED 7106 4575 1292 2684 0142

Mr. Lynn Woomer BHP Billiton San Juan Coal Company P.O. Box 561 Waterflow, NM 87421 BEFORE THE OIL CONSERVATION DIVISION Case No. 12734 Exhibit No. _____A Submitted By: Richardson Operating Company Hearing Date: November 11,2001

RE: Protest of Applications for Permit to Drill (APDs)

Dear Mr. Woomer:

The Bureau of Land Management (BLM) acknowledges the receipt of your letter dated August 31, 2001, protesting the issuance of APDs to Richardson Operating Company and Dugan Production Corporation. The area of concern identified in your correspondence involves properties covered by valid existing oil and gas leases listed below.

Richardson Operating Company	Secs. 30 and 31, T. 30 N., R. 14 W., San Juan County
Dugan Production Corporation	Sec. 24, T. 30 N., R. 15 W., and Secs. 17, 18 and 19, T. 30 N., R. 14 W., San Juan County

The protest requests that the BLM refrain from issuing APDs unless certain stipulations are placed on the operators. BHP also requests that the Operators refrain from hydraulically fracturing the coal seams. These requests were made in order to mitigate certain safety concerns associated with subsequent underground coal mining of the oil and gas leases.

There are three specific safety issues mentioned: 1) the presence of steel casing in the basal coal seam and the adverse impact on the continuous mining machines (CMs); 2) the potentially adverse impacts of hydraulic fracturing on roof stability; and 3) the increased risk of spontaneous combustion occasioned by hydraulic fracturing.

The BLM appreciated the opportunity to meet with BHP-Billiton on Friday, September 14, 2001, to discuss the safety concerns and review a rather comprehensive ventilation plan for the mine.

After reviewing the safety issues in detail, it is difficult to quantify the risks associated with degassing of the basal coal seam of the Fruitland Coal horizon by conventional drilling and completion techniques utilized by the oil and gas operators. There are many publications which attempt to address the safety concerns raised by BHP-Billiton with conflicting opinions as to severity and magnitude. The BLM acknowledges the concern for the health and safety of the underground mining workforce and believes that the safety issues should be addressed by the mine safety plan developed by BHP-Billiton.

Your proposed conditions to be imposed upon the operators (e.g. milling of casing, pressure coring, and lack of well stimulation) would add significant costs to the operators thereby rendering the leases uneconomic to



develop. This would constitute an unfair burden on the oil and gas lessees who have priority rights in developing their associated mineral resource. All properties alluded to fall within the Deep Lease Extension with the exception of Sec. 24, T. 30 N., R. 15 W. The BLM reminds BHP-Billiton of Special Stipulation 3 of coal lease NM NM 99144 (The Deep Lease Extension) issued March 1, 2001, which reads:

"It is solely the responsibility of the coal lessee, not the responsibility of BLM, to clear the coal tract of any legal encumbrances or pre-existing land uses that would impede or prevent coal mining on the tract."

The BLM cannot encumber the issuance of APDs with unreasonable conditions of approval that render the lessees' operations uneconomic. Consequently, the APDs on Federal oil and gas lease NM-99003 in Secs. 30 and 31, T. 31 N., R. 14 W. are approved. There are several steel-cased well bores already existing on the coal leases with the potential for several more in the foreseeable future with subsequent issuance of additional APDs to the operators. In the interest of mitigating the perceived safety threat to the underground mining operations, the BLM strongly encourages BHP-Billiton to reach a settlement with the oil and gas operators in the area as quickly as possible.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review, before the State Director either with or without oral presentation, or the action described above. Such a request, including all supporting documentation, shall be filed in writing with the State Director, Bureau of Land Management (NM-93000), P.O. Box 27115, Santa Fe, New Mexico 87502-0115 within 20-business days of the date this notice was received or considered to have been received. Such request shall not result in a suspension of the action unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 *et seq.*

If you have any questions regarding the above, please contact Dave Mankiewicz at (505) 599-6387.

Sincerely,

Steve Henke Acting Field Manager

cc: (7106 4575 1292 2684 0159) Richardson Operating Company 1700 Lincoln, Suite 1700 Denver, CO 80203

(7106 4575 1292 2684 0166) Dugan Production Corporation P.O. Box 420 Farmington, NM 87499

(7106 4575 1292 2684 0173) Mr. Steve Hayden New Mexico Oil Conservation Division 1000 Rio Brazos Road Aztec, NM 87410