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September 11, 2001

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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis  
Santa Fe, New Mexico 87505

**Re: SPECIAL "INFILL WELL" AREA**  
*Application of Richardson Operating Company to  
establish a special project area within the Basin-  
Fruitland Coal Gas Pool as an exception from  
Rule 4 of the special rules for this pool, San Juan  
County, New Mexico*

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OIL CONSERVATION DIV.

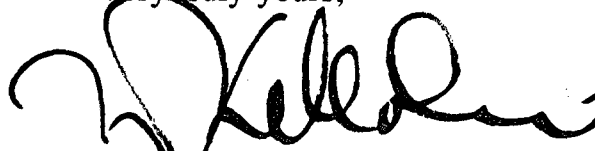
Dear Ms. Wrotenbery:

*Case 12734*

On behalf of Richardson Operating Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 4, 2001.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Richardson Operating Company  
Attn: Cathy Colby

## PROPOSED ADVERTISEMENT

Case 12734 Application of Richardson Operating Company to establish a Special "infill Well" Area within the Basin-Fruitland Coal Gas Pool as an exception from Rule 4 of the special rules for this pool, San Juan County, New Mexico. Applicant seeks the establishment of a Special "Infill Well" Area consisting of Section 36 of T30N, R15W, Section 1 of T29N, R15W, Sections 16, 19, 20, 21, 28 through 33 of T30N, R14W, Sections 4, 5 and 6 of T29N, R14W within the Basin-Fruitland Coal Gas Pool, as an exception from Rule 4 of the Special Rules and Regulations for this pool to allow the drilling of a second well within a standard 320-acre spacing unit. The Special "Infill Well" Area is located approximately 2 miles north of Kirkland, New Mexico.

**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. 12734

**APPLICATION OF RICHARDSON OPERATING COMPANY  
TO ESTABLISH A SPECIAL "INFILL WELL" AREA WITHIN  
THE BASIN-FRUITLAND COAL GAS POOL AS AN  
EXCEPTION FROM RULE 4 OF THE SPECIAL RULES  
FOR THIS POOL, SAN JUAN COUNTY, NEW MEXICO**

**APPLICATION**

Comes now Richardson Operating Company ("Richardson") and applies to the Division for the establishment of a special "infill well" area consisting of Section 36 of T30N, R15W, Section 1 of T29N, R15W, Sections 16, 19, 20, 21, 28 through 33 of T30N, R14W, Sections 4, 5 and 6 of T29N, R14W within the Basin-Fruitland Coal Gas Pool, as an exception from Rule 4 of the Special Rules and Regulations for this pool to allow the drilling of a second well within a standard 320-acre spacing unit.

In support of its application, Richardson states:

(1) Effective October 17, 1988, Division Order R-8768 created the Basin-Fruitland Coal Gas Pool, established special rules and regulations for this pool ("Pool Rules") and authorized the production of gas from the coal seam within the Fruitland formation.

(2) Rule 4 of the Pool provides for one parent well and for an exception from Rule 4 for "specifically defined areas of the pool" for the drilling of an optional second well within a 320-acre gas proration and spacing unit ("GPU") providing this **one optional** "infill well" to be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further providing that these infill wells were not closer than 660 feet to the outer boundary of the GPU and not closer than 10 feet to any quarter, quarter-quarter line or subdivision inner boundary.

(3) In accordance with Rule 4 of the Pool, Richardson seeks the creation of a Special "Infill Well" Area which is within the western edge of the Basin Fruitland Coal Gas Pool. See Exhibit "A".

(4) Richardson is the current operator of wells in the Basin Fruitland Coal Gas Pool and within the proposed Special "Infill Well" Area.

(5) Portions of the Special "Infill Well" Area are subject to certain State of New Mexico oil and gas leases issued by the Commissioner of Public Lands for New Mexico which authorize Richardson, among other things, to drill, complete and produce coalbed methane wells for gas production from the Fruitland Coal Gas Pool.

(6) Other portions of the Special "Infill Well" Area are subject to certain Federal oil and gas leases issued by the Bureau of Land Management ("BLM") which authorize Richardson, among other things, to drill, complete and produce coalbed methane wells for gas production from the Fruitland Coal Gas Pool.

(7) In 1991, part of the Special "Infill Well" Area is defined as being the "Deep Lease" was leased by the State of New Mexico to San Juan Coal Company for the underground mining of coal from the coal seams within the Fruitland formation.

(8) Richardson's state oil and gas lease for that portion of the Deep Lease area was issued in 1949, some 42 years before the state coal lease was issued.

(9) In 2001, part of the Special "Infill Well" Area is defined as being the "Deep Lease Extension" was leased by the BLM to San Juan Coal Company for the underground mining of coal from the coal seams within the Fruitland formation.

(10) Richardson's federal oil and gas leases for the Deep Lease Extension area were issued in 1973, 1975 and 1996 and predate the federal coal lease.

(11) In 1991 part of the Special "Infill Well" Area is defined as being in the "Deep Lease Extension" Area was leased by the State of New Mexico to San Juan Coal Company for the underground mining of coal from the coal seams within the Fruitland formation.

(12) With the exception of one lease issued in 1997 involving approximately 80 acres of overlap with the coal lease, Richardson's state oil and gas leases for the "Deep Lease Extension" Area were issued in 1950, 1952, and 1975 and predate the state coal lease.

(13) None of the federal oil & gas leases contain any special stipulations limiting oil and gas exploration, drilling or production because of the presence of coal.

(14) San Juan Coal Company has a mining plan which will unreasonably interfere with Richardson's ability and right to produce the coalbed methane gas within the Fruitland Coal-Gas formation.

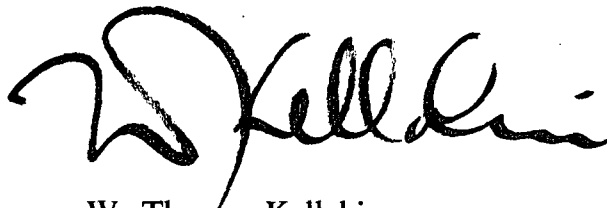
(15) In order to minimize the adverse consequences of San Juan Coal Company's mining plan, Richardson requests that the Division establish a Special "Infill Well" Area to provide an opportunity to accelerate the production of gas from the Fruitland formations prior to having that gas wasted by the mining operations of San Juan Coal Company.

(16) Copies of this application have been sent to all appropriate parties as required by the Division Order R-8768. See **Exhibit "B"**.

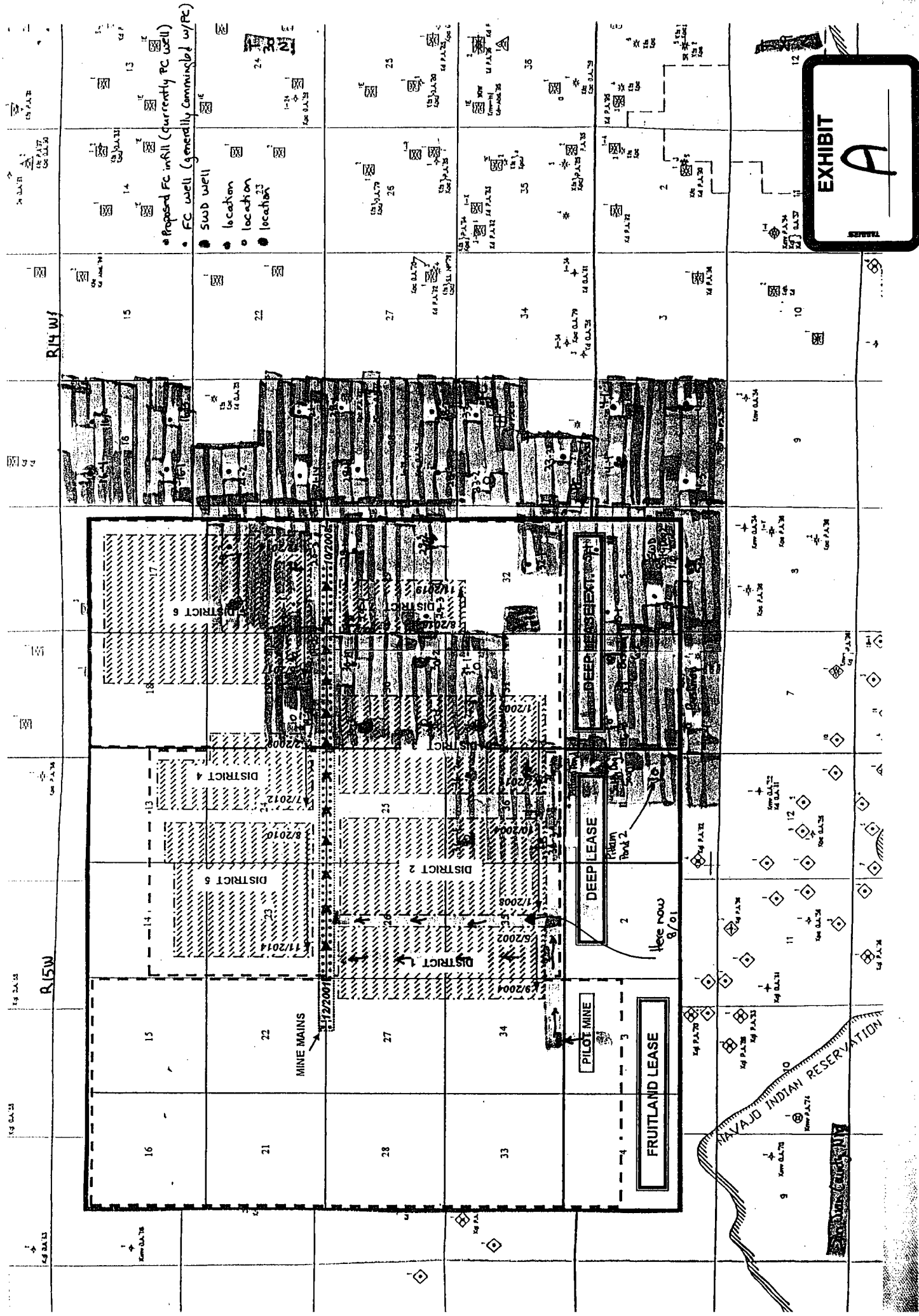
(17) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set for hearing on October 4, 2001 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

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504



**EXHIBIT "B"**

Dugan Production Corp.  
P. O. Box 420  
Farmington, New Mexico 87499-0420

Questar Exploration & Production Company  
1331 17th Street, Suite 800  
Denver, CO 80202

Calpine Natural Gas Company  
1000 Louisiana Street, Suite 800  
Houston, Texas 77002