



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 operators 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 show 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.

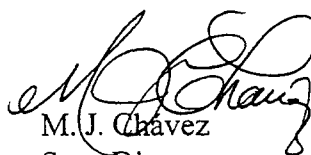
BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 12734
Exhibit # **A-16**
Submitted By: Richardson Oper. Co.
Hearing Date: October 28 & 30, 2002

Application of Richardson Operating
Co.
Record on Appeal, 785.

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 monopoles, 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 contact 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)