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dugan production corp.

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• Energy, Minerals & Natural
Resources Department
• Office of the Secretary

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VIA FAX & FEDERAL EXPRESS

Joanna Prukop
Secretary
Energy, Minerals and Natural Resources Department
State of New Mexico
P.O. Box 6429
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Copy:
Tom
Carol
Bill B
Lori

Re: Dugan Production Corp. Support of Richardson Operating Company's In-fill Fruitland Coal Wells in Case 12734

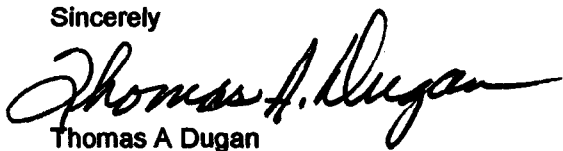
Dear Ms. Prukop:

Dugan Production Corp. supports the application of Richardson Operating Company to drill Fruitland Coal Wells on 160 acre spacing within the underground mine area being developed by San Juan Coal Company (SJCC). SJCC seeks to deny oil and gas operators the ability to develop their resources in a prudent manner. Regulations prior to the in-fill order allowed for the development of four Pictured Cliffs sandstone and two Basin Fruitland Coal wells in each section. The in-fill order approved by the New Mexico Oil Conservation Division allows for the drilling of two additional Basin Fruitland Coal wells in each section. The result of full development is eight wells in each section (four Pictured Cliffs and four Basin Fruitland Coal) in place of the six. There is the possibility of additional wells in any section if deeper intervals are included in the well count. SJCC currently must deal with the six wells in each section penetrating the Pictured Cliffs and Fruitland Coal formations. It is impossible for us to see how two additional wells will have a significant impact on their mining operations. All of SJCC's problems with oil and gas wells impeding their mining operations could be solved by purchasing the oil and gas rights of operators in the area of the mine. SJCC's approach is to avoid meaningful dialog about compensation and continue an attempt to impede oil and gas development by litigation. SJCC is aware of the need to remove oil and gas wellbores before they mine through them. This cost was surely included in their economics for development of the coal resource. Wellbores were already in place prior to SJCC's coal lease and were hydraulically fractured. Surely SJCC was aware of the dangers they say exist because of fracturing. If they were not aware of the dangers, it was poor planning on their part. It now appears that oil and gas operators are being asked to pay for this poor planning.

We have no idea about how the public interest is served by allowing the development of one natural resource while sacrificing another. Public interest is best served by development of coal bed methane gas and coal. Removal of natural gas ahead of mining will facilitate the public interest by increasing the royalties paid to the State of New Mexico and the United States Government.

We ask that you uphold the decision made after a long and detailed process by both the Oil Conservation Division and the Oil Conservation Commission to allow in-fill drilling of the Basin Fruitland Coal. The technical evidence presented during the hearings supported the increased well density. San Juan Coal should not be allowed to circumvent the scientific evidence by claiming that it is not in the public interest.

Sincerely


Thomas A Dugan
President