



## RICHARDSON OPERATING COMPANY

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January 8, 2001

Mr. Rich Dembowski  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

Re: Gas Development Report  
San Juan County, New Mexico

Dear Mr. Dembowski:

In accordance with your request, enclosed is a map showing Richardson's producing wells, planned wells, and existing gas and water gathering systems located east of San Juan Coal Company's mine.

Richardson Operating Company identified this area for natural gas development in January 1996, and spent the first year and a half determining mineral ownership and buying leases. June 1997 we drilled our first well, and to date, we have drilled 36 wells and built extensive gathering systems for transportation of the gas and water. Richardson currently has 12 APD's pending at the BLM, which will be drilled upon approval. Finally, we plan to permit and drill our last 34 wells over the next three years.

In several previous letters to the BLM, we set forth our objections to San Juan Coal Company prematurely commencing underground mining operations at the expense of natural gas development. To allow the coal company to vent this precious resource during a time of natural gas shortages across the country would be a travesty. Growth in natural gas usage in residential and commercial markets, and the growing use of gas for power generation is documented fact, reflected by an increase in value of over 6 to 7 fold in less than a year.

Coalbed methane gas production is characterized by initial low volumes of gas when water volumes and operating costs are high. Production inclines as the coal seams are dewatered. Once dewatered, this area will likely be as prolific in natural gas production as the Hallwood wells 10 to 15 miles to the north. It is imperative that coal mining operations not be allowed to prematurely interfere with the development of this field.

**BEFORE THE  
OIL CONSERVATION DIVISION**  
Case No. 12734 Exhibit No. A-15  
Submitted By:  
*Richardson Operating Company*  
Hearing Date: November 13, 2001

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San Juan Coal Company's deep lease was recently issued subject to, and subordinate to, our valid, existing oil and gas leases, wells and lease surface rights for storage, gathering lines, access roads, and drilling pads. However, in the spirit of cooperation, the following incentives would encourage Richardson to accelerate its development program:

1. Assurance that underground mining operations will not prematurely interfere with diligent, but orderly, exploitation of natural gas reserves
2. Compensation for relocation of mainline tie-in and compressor and line modifications to result in increased production rates
3. Compensation for new water disposal well and permission to dispose produced water on the coal haul road to accelerate dewatering process
4. Reduced royalty rates to help cover capital expenditures of accelerated drilling program
5. Compensation for dewatering coal seams for benefit of San Juan Coal Company

Sincerely,

RICHARDSON OPERATING COMPANY



David B. Richardson  
President

cc: Mr. Chip Harraden  
Mr. Jim Lovato  
Ms. Shannon Hoefeler  
Mr. Charlie Beecham  
Mr. Kurt Fagrelus

- Producing
- Drilled waiting on completion/pipeline
- Pending APD approval
- To be drilled

