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October 11, 2002

Ms. Lori Wrotenbery, Chairman
Ms. Jamie Bailey, Member
Dr. Robert Lee, Member

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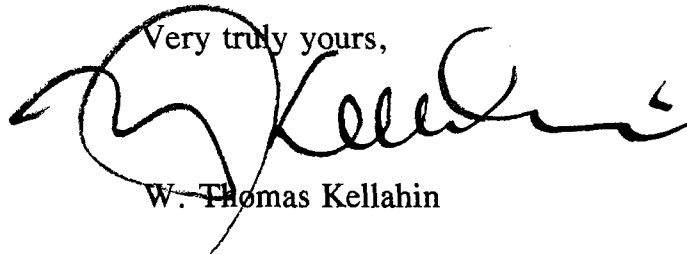
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case: 12734 (De Novo)
Application of Richardson Operating Company
to establish a Special "Infill Well" Area within
the Basin-Fruitland Coal Gas Pool as provided in
Rule of the special rule for this pool,
San Juan County, New Mexico

Dear Members of the Commission:

On behalf of Richardson Operating Company please find enclosed our prehearing
statement and exhibits for the Commission's hearing scheduled for October 28-29, 2002.

Very truly yours,



W. Thomas Kellahin

CC:

Steve Ross, Esq.
Attorney for the Commission
James Bruce, Esq.,
Charles E. Roybal, Esq.
Larry Ausherman, Esq.
Attorney for San Juan Coal Company
Richardson Operating Company

*Application of Richardson Operating
Co.
Record on Appeal, 1363.*

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 12734 (De Novo)

**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.**

Draft 9/25/02

**PRE-HEARING STATEMENT
OF
RICHARDSON OPERATING COMPANY**

This Pre-hearing Statement is submitted by Richardson Operating Company ("Richardson") as required by the Oil Conservation Commission.

APPEARANCE OF PARTIES

APPLICANT

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*Application of Richardson Operating
Co.
Record on Appeal, 1364.*

BACKGROUND

(1) Effective October 17, 1998, the Division issued Order R-8768 creating the Basin-Fruitland Coal Gas Pool ("Pool") and establishing special rules and regulations authorizing the production of coalbed methane gas from the coal seams within the Fruitland formation.

(2) These rules provided for 320-acres spacing units ("GPU") with one well per GPU provided that the well is located in the NE/4 or the SW/4 of a section.

(3) In accordance with NMSA (1979) Section 70-2-11, the Division has already established a procedure for any oil or gas operator to drill a second well on a GPU in the Pool. See **Division Order R-8768**.

(4) These rules also provided for the creation of a special "Infill Area" which will allow a well density of 2 wells per GPU.

(5) On July 9-10, 2002, the Division heard NMOCD Case 12888 to consider a request by the Pool Operators in the San Juan Basin to increase the well density for the entire Pool to the same density sought by Richardson in this case.

RICHARDSON'S REQUEST

(6) On November 13-14, 2001, the Division heard Richardson's application seeking the creation of a special "Infill Well Area" for the drilling of a second well on a 320-acre GPU where San Juan Coal Company ("SJCC") intends to mine the coal. See **Richardson Exhibit "1"(map)**.

(7) Richardson's application is an attempt to accommodate SJCC by accelerating the production of gas from the Fruitland formation so that SJCC can then mine the coal.

(8) On June 6, 2002, the Division entered Order R-11755 **granting** Richardson's application and **denying** the protect by SJCC. **See Richardson's Exhibit "2"**.

SJCC'S PROTEST

(9) SJCC will ask the Commission to "protect the coal" despite its agreement with both the State and with the BLM that the coalbed methane gas shall be recovered and produced by the gas operator prior to SJCC mining coal.

(10) Rather than abide by its agreements with the BLM, SJCC wants this Commission to impose special limitations on the gas operators (Richardson) and give priority to the coal operator (SJCC).

THE COMMISSION'S JURISDICTION

(11) The New Mexico Oil & Gas Act has specific statutory mandates concerning the prevention of waste of potash in addition to prevention of the waste of oil and gas; however, no such specific mandate exists concerning waste of coal. **See Division Order R-11775 (Finding 26), Richardson's Exhibits "2"**.

FUNDAMENTAL ISSUES

(12) The fundamental issues involved in this case concern when and how to remove the coalbed methane ("CBM") from the coal:

should the Division allow coalbed methane ("CBM") to be vented and thereby wasted when San Juan Coal Company ("SJCC") mines the coal; or

should Richardson Operating Company ("Richardson") as the owner of the CBM be afforded its right to produce and sell the CBM before the coal is mined.

SCOPE OF RICHARDSON'S REQUEST

(13) By Order R-11775, dated June 6, 2002, the Oil Conservation Division ("Division") granted the application of Richardson for a Special "Infill Well" area to allow it to recover more than 50 Bcf of coalbed methane gas with a value to Richardson of \$50 million as follows:

- (a) recompletion in the Basin Fruitland Coal Gas Pool of 18 existing Pictured Cliffs formation wells and the downhole commingling of that production; and
- (b) drilling of 7 new wells to be completed as downhole commingled wellbores in the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool.¹

(14) In support of its case, Richardson will present the testimony and exhibits of Mr. Roger Hively, its consulting geologist, which is contained in the Geologic Summary and Exhibits B(1) through B(7) in Richardson's Exhibit Book.

(15) In support of its case, Richardson will present the testimony and exhibits of Mr. Dave O. Cox its consulting petroleum engineer, which is contained in the Petroleum Engineering Summary and Exhibits C(1) through C(28) in Richardson's Exhibit Book.

¹ See Map attached as Exhibit "A".

(16) San Juan Coal Company ("SJCC") has certain state and federal coal leases which are subject to the prior existing rights of Richardson as the oil and gas lessee.

(17) Richardson's application is an attempt to prevent the waste of valuable coalbed methane gas ("CBM") by accelerating the production of gas from the Fruitland formation prior to SJCC mining the coal and venting the methane gas.

(18) Richardson filed its application with the Division after the Bureau of Land Management ("BLM") had encouraged Richardson and SJCC to accelerate development of the CBM in advance of mining to ensure recovery of methane that otherwise would be lost, and to reduce the safety threat to methane degassing during mining operations.

(19) Within Richardson's Special "Infill Well" Area where there are 76 existing wellbores that penetrate the coal, SJCC complains about oil and gas exploration and development which is occurring in an area which SJCC would like to mine. **See Exhibit "A"**

SCOPE OF SJCC PROTEST

(20) SJCC wants to substantially expand the scope of this case and to sue this proceeding to seek the adoption of exploration, development and operational, rules for oil & gas operations conducted within the area of its coal mining plan. SJCC wants the Commission to engage in such mining issues as the affects, if any, of hydraulic fracturing of coalbed methane wells on roof stability in SJCC's underground mine; the potential, if any, for the migration of methane gas into a mine area including the potential, if any, for combustion of the methane; and the potential waste of coal by the presence of existing and further wellbores.

MINE PLAN

(21) SJCC mine plan presented at the Division's hearing, involves converting its surface mine to underground mine system consisting of coal blocks ("mine districts") to mine the Coal Seam #8 with a continuous miner as follows: **See Exhibit "A"**

District 1:	September, 2002
District 2:	January, 2004
District 3:	January, 2005
District 4:	February 2009
District 5:	August, 2010
District 6:	December 2014
District 7:	November 2019

(22) The mine plan is to mine each mine district through the system, expanding the mining in an easterly direction towards Richardson's existing CBM wells and gathering system. The current mine plan already must deal with the fact that 35 existing wells within their mine districts.

(23) Within Richardson's Special Infill Area, Richardson operates 19 existing coalbed methane gas wells, 22 existing Pictured Cliffs which can be recompleted to add the coalbed methane, and proposed to drill 7 new coal wells.

(24) Using SJCC's mine plan, Richardson only has plans for 3 new wellbores and 5 recompletions of existing wellbores, with the mine plan not encountering the first of Richardson's new wells until October, 2004 and the second new well in about the year 2016.

(25) Prior to August, 2001, SJCC took the position that it was in the best interests of all parties, including SJCC, to have Richardson drill and produce the "infill" CBM

wells and accelerate the recovery of methane.

(26) In August, 2001, SJCC changed its position and now wants the Division to preclude any new wells and prevent the hydraulic fracturing of new and old wells for the purpose of simplifying its coal mining operations. SJCC prefers to vent the CBM to the atmosphere while mining the coal.

(27) SJCC, despite the Division's denial, wants the Commission to minimize the number and location of protection pillars that it must leave underground as required by MSHA regulations.

SJCC ISSUES

Waste:

(28) SJCC is unable cite to any specific statutory authority which authorizes the Division to protect the coal, but SJCC contends that the Division has jurisdiction under its broad statutory duties to protect public health and safety. SJCC controls the issue of when and how much coal was wasted. SJCC must already deal with 77 existing wellbores within Richardson's Special "Infill Well" Area. See **Exhibit "A"**

Protection of correlative rights:

(29) SJCC owns no interest in any affected oil or gas lease. The protection of correlative rights to coal is not in the Oil & Gas Act.

Protection of Public Health (Mine Safety):

(30) SJCC's concerns about mine safety and health as addressed by the regulations of the Mine Safety and Health Administration ("MSHA") and can be resolved as follows:

(a) provided SJCC leaves a 300 foot radius protection pillar² around any current or future wellbore; or in the alternative

(b) any wellbore purchased by SJCC could be milled out through the coal seam and plugged and abandoned with cement, in which case a coal protection pillar would not be needed.

(31) The BLM, after a detailed review of SJCC's protests, including its concerns about hydraulic fracturing, denied SJCC's protests and concluded that "there are many publications which attempt to address the safety concerns raised by BHP-Billiton ("SJCC") with conflicting opinions as to severity and magnitude." Further, the BLM believes "the safety issues should be addressed by the mine safety plan developed by BHP-Billiton ("SJCC").

Prevention of gross negative consequences (irreparable harm):

(32) SJCC is not harmed if the Division does not stay its order and Richardson elects to act. In the unlikely event that SJCC prevails, Richardson can be required to plug and abandon the disputed wellbores and SJCC could mill out the casing and mine the coal as stated by the BLM and as testified to by SJCC mining expert.

² There is a conflict between SJCC testimony in which it refers to a 300 foot radius protection pillar required by MSHA and the MSHA's web page which shows a 300 foot diameter protection pillar.

BUREAU OF LAND MANAGEMENT ACTION

Priority of Oil & Gas Lease:

(33) The Bureau of Land Management ("BLM") approved the SJCC request for the Deep Lease Extension Area specifically conditioned, among other things, that SJCC would be "solely responsible...to clear the coal tract of any..pre-existing land uses that would impede or prevent coal mining on the tract" **and** that "the coal lease is subject to all prior existing rights including the right of oil and gas lessees..."

(34) By letter dated August 31, 2001, SJCC protested the BLM's issuance of approval of 4 Richardson APDs contending, among other things, that the proposed hydraulic fracturing of the CBM wells would create two potential operations and safety hazards (i) significantly decreasing roof stability above Coal Seam #8 and (ii) increasing the threat of spontaneous combustion in the fractured coal by introducing oxygen. In addition, SJCC argued that dewatering the coal, which is essential for any CBM production, would prematurely dry the coal and thereby increase the risk of spontaneous combustion.

(35) By letter dated September 20, 2001, the BLM-Farmington denied SJCC's protest and re-instated Richardson's 4 APDs. Those wells have now been drilled but not completed for CBM production.

Acceleration of CBM development:

(36) **BLM State Director letter:** In December, 2001, the State Director for the BLM denied SJCC's appeal of the BLM Farmington Area decision (see **Exhibit "B"**) and:

- (a) acknowledged the priority of Richardson's oil and gas lease over SJCC's coal leases;
- (b) denied SJCC's claims of safety hazards to mining equipment and personnel;
- (c) denied SJCC's economic claim because SJCC could mill out the wellbore casing prior to mining; and
- (d) states that "It is unfortunate that San Juan only recently recognized the potential adverse impacts of CBM development on its ability to mine the coal."

AUTHORITY

Protection of the coal:

(37) SJCC wants to mine the coal before the CBM is produced by Richardson which would require SJCC to vent to the atmosphere any CBM present in the coal seam and contends that there will be CBM in the gob left after it has mined the coal.

(36) SJCC's protest essentially asks the Commission to allow too few Basin-Fruitland Coal Gas wells in the vicinity of its mine for the purpose of simplifying its coal mining operations.

(37) The Commission has no authority to decide how much coal is "wasted" by SJCC having to leave protection pillars.

(38) It is irrelevant that SJCC asserts that its coal is more valuable than the CBM and that the Commission should minimize the number of future wellbores which penetrate Coal Seam #8.

(40) The Oil & Gas Act has specific statutory mandates concerning the prevention of the waste of potash in addition to prevention of the waste of hydrocarbons; however, no such specific mandates exist concerning waste of coal.

(41) The Commission does not have any authority over coal mining operations and its consideration of Richardson's application must be limited to a consideration of waste of hydrocarbons and the protection of oil & gas correlative rights.

(42) SJCC 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.

(43) SJCC is unable to cite to any specific statutory authority which authorizes the Division to protect the coal, but SJCC contends that the Division has jurisdiction under its broad statutory duties to protect public health and safety.

Protection of the gas:

(44) Richardson has estimated that its wells which are the subject of SJCC objection are expected to produce more than 50 Bcf (gross) with net to Richardson of 30 Bcf. The future net cash flow to Richardson is estimated to be \$50 million.

(45) 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.

(46) 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.

(47) Rule 4 of the Pool provides a procedure to allow an oil and gas operator to drill a second well on a gas spacing unit in this pool and an opportunity for other oil and gas operators and certain oil and gas interest owners to complain about whether the optional infill well might cause the waste of hydrocarbons or adversely affect oil and gas correlative rights.

CONCLUSION

(48) The Commission does not have any authority over coal mining operations and its consideration of Richardson's application must be limited to a consideration of waste of hydrocarbons and the protection of oil & gas correlative rights.

(49) SJCC 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. Richardson's application is an attempt to prevent the waste of valuable gas resources by accelerating the production of gas from the Fruitland formation prior to SJCC mining the coal and venting the gas.

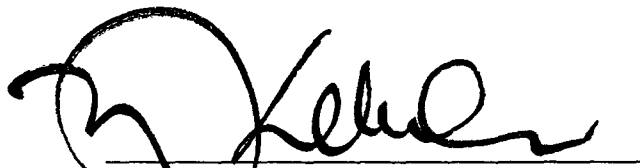
(50) The Commission should **denied** SJCC protest and allow Richardson proceed.

PROPOSED EVIDENCE

Applicant:

WITNESSES:	EST. TIME	EXHIBITS
David Richardson	1 hour	A 1-28 Exhibits
Roger Hively (Consulting Geologist)	30-40 Min	B 1-7 Exhibits
Dave O. Cox (Consulting Petroleum Engineer)	1-2 Hours	C 1-28 Exhibits

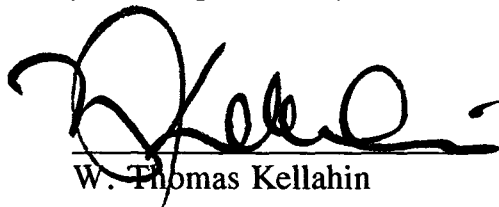
Respectfully Submitted,



W. Thomas Kellahin
Kellahin & Kellahin
Attorneys for Richardson Operating Company

CERTIFICATION OF SERVICE

I, W. Thomas Kellahin, certified that on this October 11, 2002, I delivered caused a true and correct copy of the foregoing to be send to James Bruce, Esq, Larry P. Ausherman, Esq. and Charles Roybal, Esq. Attorneys for San Juan Coal Company.



W. Thomas Kellahin

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

OIL CONSERVATION DIV.
02 OCT 11 PM 4:43

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING:

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

Case No. 12734 (de novo)
Case No. R-11775

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by San Juan Coal Company,
as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Richardson Operating Company

APPLICANT'S ATTORNEY

W. Thomas Kellahin

OPPONENT

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OPPONENT'S ATTORNEYS

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Larry P. Ausherman
Charles E. Roybal

Attention: Charles E. Roybal
(505) 598-4358

*Application of Richardson Operating
Co.
Record on Appeal, 1377.*

STATEMENT OF THE CASE

APPLICANT

Richardson Operating Company ("Richardson") seeks approval of an
infill well area in the Basin-Fruitland Coal Gas Pool covering:
Sections 4-6, Township 29 North, Range 14 West, NMPM; Sections 16,
19-21, and 28-33, Township 30 North, Range 14 West, NMPM; Section
1, Township 29 North, Range 15 West, NMPM; and Section 36, Township
30 North, Range 15 West, NMPM.

OPPONENT

In the area covered by Richardson's application, San Juan Coal
Company ("SJCC") owns state and federal coal leases covering:
Sections 17-20 and 29-32, Township 30 North, Range 14 West, NMPM;
and the S½ Section 13, S½ Section 14, Sections 23-26, and Sections

35 and 36, Township 30 North, Range 15 West, NMPM (located approximately 16 miles west of Farmington). SJCC also owns other coal leases in the Farmington area. SJCC operates surface coal mines which have been operating for decades, but is currently developing the San Juan underground mine for the above lands. The underground mine will replace the existing surface mines as the sole source of supply for the San Juan Generating Station ("SJGS"). SJCC will use primarily a longwall mining system to mine coal, and it is scheduled to become operational in October 2002. The longwall mining system is an enormous piece of equipment (1,000 feet long), which mines a "panel" of coal 1000 feet wide and almost two miles long.

The San Juan underground mine will be the sole coal supplier to SJGS, which is operated by Public Service Company of New Mexico. SJGS is the second largest power plant in New Mexico, and supplies much of the electricity distributed in New Mexico. SJCC and SJGS each generate substantial payrolls and taxes which benefit state and local governments.

The underground mine involves an initial capital investment of approximately \$150 million, with additional investments planned over time. SJCC plans to employ over 300 people in the underground mine and associated operations (when in full production), with an annual payroll of about \$33 million. SJCC plans to extract approximately 100 million tons or more of coal from the underground mine through the year 2017 under the current contract with SJGS, which will yield about \$250 million in royalties from the federal leases (based on a royalty rate of 8%). One-half of the federal royalty is payable to the state under applicable federal leasing statutes. In addition, coal production from the two state coal leases is expected to generate an additional \$25 million in royalty revenue to the State Land Office. There is also the possibility of coal mining beyond 2017, especially in the "Twin Peaks" area immediately east of the existing coal leases, which could result in a royalty stream beyond that date.

Generally, the underground mine is designed so that mining occurs in a sequence which begins in the west of the mine permit area, and proceeds east. The economic viability of the underground mine depends upon systematic, uninterrupted development of the coal reserve. Adherence to the mine plan is important because, if the longwall miner is required to stop production for prolonged periods (days), explosive gases can accumulate, and the risk of an underground explosion increases. Moreover, stopping and moving the longwall equipment around wellbores is cumbersome, time consuming, and costly.

SJCC has concerns about the compatibility of the development of coalbed methane by Richardson and development of the coal itself. SJCC initially thought that a good solution to the conflict between coal development and gas development was for gas development to

occur ahead of mining. Because mining proceeds slowly, it appeared that coal gas development could proceed in advance of coal mining. However, upon further study, SJCC concluded that additional wellbores and fracing in the coal in advance of mining raise serious safety concerns that Richardson's gas development could increase the risk of spontaneous combustion and aggravate existing roof instability problems. Hydraulic fracturing of the coal seam can create passageways for oxygen to mix with methane in the coal bed, which creates conditions conducive to spontaneous combustion and mine fires. This danger is particularly real at SJCC's mine due to the type of coal being mined. A second way that fracing can create dangerous conditions, particularly in and around "gate roads," is by creating cracks in the ceilings and elsewhere which make it difficult to create a good seal for purposes of controlling mine ventilation and providing a safe working environment. An important part of underground mine management is to seal off areas that have been mined to prevent dilution of the inert atmosphere injected into the "gob." Cracks in the gate roads create pores which cannot be readily sealed, thus allowing gases to migrate.

Also, fracing causes roof instability, increasing the potential for dangerous cave-ins, which adversely affects miner safety. These issues also affect the safety of the coal gas wells, in addition to miner safety, and the ability to fully develop the underground coal reserves.

Another problem for coal development caused by gas operations is the existence of well casings in the coal seam. If wells are not abandoned or milled out in advance of mining operations, the mine must avoid the wells, and large segments of coal around each well must be bypassed, to satisfy Mine Safety and Health Administration ("MSHA") regulations. Even if existing wells are re-entered and frac'd, as opposed to drilling new wells, fracing associated with coal gas development can require mining operations to bypass or take significant mitigation efforts to stabilize the fractured areas due to roof instability. The more wells that are drilled or recompleted, the greater the problems for the mine, especially if wells are located at certain areas in the mine plan.

The problems caused by fracing in the coal seam place large segments of the mine at risk. For example, if a single wellbore must be bypassed, the amount of coal left unmined is approximately 1000 feet long and 600 feet wide, which contains approximately 330,000 tons of coal. At a royalty rate of 8%, the royalty value alone is \$800,000. If there are too many wellbores in a longwall panel, it could cause an entire coal panel (10,000' x 1000' x 13') to be bypassed, with an attendant royalty loss of over \$13 million. This loss of royalty and coal is exacerbated by the economic loss caused by down-time of the longwall mining system while moving the system around a well or wells.

If these issues are not addressed, gas development could lead to significant waste of the coal resource, which has far greater value than the coalbed methane. Moreover, the potential exists for recovering significant amounts of methane vented from the mine operations.

In addition, the Oil and Gas Act (the "Act"), and the Division's regulations, preclude approval of Richardson's application. The Act states in part:

The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, ... the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

NMSA 1978 §70-2-17.B.

Richardson, in its case before the Division, asserted that it could recover 4-5 BCF of gas per section. This was based on unrealistic coal thickness and gas content estimates, and speculation that the coal in this area was saturated. Richardson's assumptions are false. Richardson posited a total coal thickness of over 40 feet, whereas over 450 core holes drilled by SJCC show that coal thickness is less than half that amount. Moreover, data obtained by SJCC shows that the gas content of the coal is approximately half of the 250 scf/ton used by Richardson. Finally, the coal is not saturated, but rather **undersaturated**. Thus, gas per section is radically less than the amounts calculated by Richardson. Even then, due to the nearness to the outcrop and high operating expenses, most of the acreage in the mine area is uneconomic for coal gas development.

As a result of the foregoing, while coal gas wells in the mine area may drain less than 320 acres, they are, for the most part, uneconomic, and approving Richardson's application violates Section 70-2-17.B. The wells are (a) unnecessary, (b) augment the risks involved in coal development, and (c) will lead to economic loss and waste of the coal resource. Richardson's correlative rights are not violated because correlative rights simply means the right to produce oil or gas without waste. **NMSA 1978 §70-2-33.**

Finally, because Richardson's Pictured Cliffs wells produce from the coal seam, Richardson already has achieved the relief it seeks. This issue first arose in the Pendragon/Whiting Matter (**Case No. 11996 (de novo)/ Order No. R-11133-A**). In the present case, Richardson has numerous existing wells in the application area which are allegedly "Pictured Cliffs" wells. The evidence will

show that the Pictured Cliffs wells are actually Fruitland Coal producers. Thus, in effect, Richardson has already obtained what it has requested. In addition, four Pictured Cliffs wells are currently allowed per section, although a pilot project is proposed which could allow an additional four Pictured Cliffs wells per section. If additional Fruitland Coal completions are allowed, there could be up to twelve coal gas wells per section.¹ Granting Richardson's application will only make matters worse.

To support its position, SJCC will present evidence on (a) mine safety requirements, including the prevention of fires, (b) the lack of an economic return and need for additional wellbores or recompletions, (c) economic loss and risk caused by drilling unnecessary wells, (d) the dangers of fracing in the coal seam, (e) economic and physical waste, (f) conservation of mineral resources, (g) protection of neighboring properties, and (h) the public interest.

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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OPPONENT

<u>WITNESSES</u>	<u>EST. TIME²</u>	<u>EXHIBITS</u>
Lynn Woomer	45 minutes	approx. 10
Jacques Abrahamse (mining engineer)	60 minutes	approx. 10
John Mercier (geologist)	25 minutes	approx. 5
Paul Bertoglio (engineer)	25 minutes	approx. 5
John G. Hattner (geologist)	25 minutes	approx. 5
Dan Paul Smith (engineer)	60 minutes	approx. 10

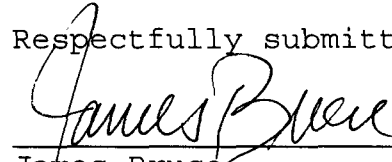
¹In addition, there are numerous "Fruitland Sand" wells in the area, leading to the potential of numerous additional Fruitland Coal wells.

²Direct examination only.

PROCEDURAL MATTERS

Richardson has filed a motion to dismiss SJCC's application for hearing *de novo*, to which SJCC has filed a response and supplemental response. The Commission has not yet ruled on the motion.

Respectfully submitted,



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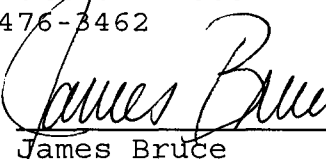
Attorneys for San Juan Coal Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel this 11th day of October, 2002:

W. Thomas Kellahin
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