

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

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

Case No. 12734 (De Novo)

02 OCT 11 PM 4:45  
OIL CONSERVATION DIV.

**SUPPLEMENTAL RESPONSE OF SAN JUAN COAL COMPANY  
TO RICHARDSON OPERATING COMPANY'S  
MOTION TO DISMISS**

In the Response of San Juan Coal Company ("SJCC") to the Motion to Dismiss of Richardson Operating Company ("Richardson") filed on September 11, 2002, SJCC addressed the three points of Richardson's Motion: jurisdiction "over Federal or State coal"; standing; and seniority of lease rights. In SJCC's Response to Richardson's jurisdictional argument, SJCC established that the Oil Conservation Commission ("Commission") should consider the potential damage by gas operations to the coal resource and mine. This Supplemental Response highlights that, in addition to presenting evidence that infill wells will damage coal, SJCC is entitled to, and will present evidence that Richardson has not met its burden in establishing that 160 acres is the "area that can be efficiently and economically drained and developed by one well" under NMSA 1978, §70-2-17(B).

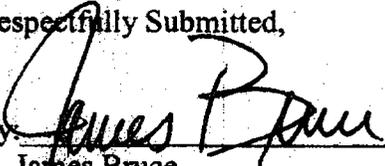
As is apparent from SJCC's pre-hearing statement and pre-filed exhibits (filed concurrently herewith), an important component of SJCC's objection to the application for infill spacing is that the wells to be added by the infill application for the most part are neither economic nor efficient under NMSA 1978, §70-2-17(B). It is not economic or efficient to drill

additional infill wells, especially in light of Richardson's Pictured Cliffs wells within the infill area that are draining the Fruitland Coal Seam Gas. SJCC's evidence concerning the coal resource supports, but is in addition to evidence SJCC will present concerning reservoir engineering, geology and economics.

The points of Richardson's Motion to Dismiss are not well taken. The Commission has authority to consider the impact of infill wells upon SJCC's coal resource. Moreover, SJCC has standing to participate in this proceeding and demonstrate not only the impact of gas development on coal, but also that, based on economic, geologic, and engineering data, the wells to be added by the infill application are neither economic nor efficient.

Respectfully Submitted,

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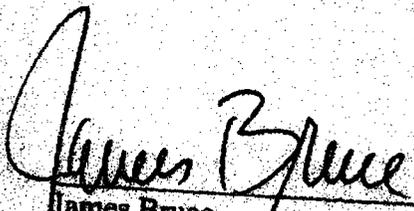
ATTORNEYS FOR SAN JUAN COAL COMPANY

**CERTIFICATE OF SERVICE**

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

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