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TO:

COMPANY:	MS. DAVIDSON
ATTN:	NMOCD
PHONE NUMBER:	
FAX NUMBER:	505) 476-3462

FROM: THOMPSON ENGINEERING & PRODUCTION CORP

SENT BY:	CAROL GARCIA

MESSAGE:

ATTACHED IS A LETTER FROM JOHN THOMPSON REGARDING THE PROPOSED PIT RULE.

THANK YOU

Carol

WALSH ENGINEERING & PRODUCTION CORP.

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New Mexico Oil Conservation Division
Attn. Ms. Davidson
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

October 25, 2007

Re: Comments Regarding Proposed Pit Rule

Walsh Engineering & Production Corp and Thompson Engineering & Production Corp has been an independent operator and consultant for various operators in the San Juan Basin for over 40 years. We have taken every effort to have a positive relationship with both the NMOCD, BLM, and the public when it comes to drilling and producing oil and gas in the San Juan Basin. We have been involved with the Rule 50 "pit guidelines" and now the new draft pit rules by attending industry, regulatory and public meetings and providing technical comments both verbal and written for several years.

After reviewing the draft for the new pit rules, it has been disheartening to realize that Director Fesmire and the NMOCD staff have chosen to, in large part, to ignore or disregard the science, facts, and historical evidence in regards to drilling reserve pits.

The NMOCD has repeatedly pointed to hundreds of cases of "self admitted violations" by the oil and gas industry in regards to pits that have contaminated soil and water. The fact of the matter is these "cases" were the result of the efforts of the former Director Lori Wrotenbery and industry to close production pits. **This has nothing to do with reserve drilling pits.** The NMOCD has been unable to present data of any drilling reserve pit in northwest New Mexico that has contaminated groundwater. When questioned, Wayne Price with the NMOCD indicated there is no evidence of a drilling reserve pit or workover pit ever contaminating ground water in the San Juan Basin, with a liner or without. This is remarkable due to the fact, that in the San Juan Basin, drilling for oil and gas wells has taken place for over 60 years and drilling for water wells has taken place for over 100 years. To date, there is no evidence of groundwater contamination from drilling reserve pits, real or perceived.

Another argument by the NMOCD is the chloride levels that are found in drilling reserve pits is above acceptable limits. Whose limits? The new draft is asking the industry to

have drilling mud be at or below the levels that are set for drinking water. If samples were taken from the San Juan River, Animas River or the Ojo Alamo formation which is our closest thing to a fresh water aquifer none of these waters would meet those standards. The current 250 mg/kg (for Chlorides) and associated limits set for EC, SAR & ESP were not based on any studies done in the San Juan Basin. No attempt was made to create a baseline for the actual chloride content of the soil or within local streams and rivers. Since no background data has been presented and peer reviewed, the limits that have been proposed are not realistic. So far the NMOCD has refused to explain why the industry should haul off soil that contains chlorides at levels that pose no environmental risk? And what good would it do to concentrate these soils in a single spot, when the only way to lower the chlorides would be by dilution with other soils, as is currently practiced.

Lastly, the NMOCD has been unwilling to look specifically at what chemicals and additives are commonly used in the drilling process in the San Juan Basin. This information was previously supplied, during the comment process, but please review the principal items below for reference. We previously supplied the MSDS (material safety data sheets) for each these products which are commonly used to drill oil and gas wells in the San Juan Basin and they have been posted on your website.

Super Col (Bentonite): Gel (made from an naturally occurring clay), which is used to increase the viscosity of the fluid so the cuttings can be circulated or "lifted" to the surface easier. Hazards: Inhaling hazard / dusts when mixing. Sodium Bentonite is utilized to encapsulate wastes from many industries. Once dehydrated following drilling activity, bentonite assists in the retainment of salts, further reducing the possibility of salt migration.

New Drill (Shale stabilizer): Keeps shale intervals stable while drilling and keeps water clear. Hazards: None, (PHPA polymer which is same polymer used in food products)

Mil Pac: Helps build mud cake on the well bore, keep from losing water/fluid into the formation. Hazards: Inhaling hazard / dusts when mixing.

Mil Lime (Calcium Hydroxide): Used to raise the pH and viscosity of the fluid system, also helps flocculate solids. Hazards: Inhaling hazard / dust when mixing.

Cedar Fiber: Small wood chips from cedar trees, used to for lost circulation material (LCM). Hazards: none

Soda Ash: (Water softener) high calcium inhibits the gel, so soda ash can be added to the system to lessen the effects of high calcium.

Aluminum Stearate: De-foamer. Hazards: Inhaling hazard / dust when mixing. Ingestion of large amounts can cause gastro-intestinal disturbances. Typically, in the San Juan Basin, if used at all, less than 1 sack (40 lbs) is used for an entire well.

Ground Paper: Recycled newspapers used for lost circulation material (LCM). Sometimes added w/ polymer and pumped in "sweeps" to help lift cuttings out of the well bore.

Desco: Thinner (made from tree bark extract). Helps "smooth" out the mud system. At times the gel will "clump" together and Desco helps break apart the gel. Desco leaves the reserve pit a "reddish" color and has a distinct odor that some confuse as large amounts of diesel. Hazards: None (dusts when mixing)

Caustic Soda: Used to raise the pH of the water system. Hazards: Can burn skin with prolonged exposure. In the San Juan Basin, if used at all, typically 5 sacks (1 sack = ~ 40 lbs) is a common amount for an entire well.

(Please refer to MSDS sheets for each product)

With the exception of caustic soda and aluminum stearate, the other chemicals listed would be **the same products you would use to drill a drinking water well.** In addition, the caustic soda and aluminum stearate, if used at all, would be insignificant in relation to the size of the reserve pit to be considered harmful to the environment. To put it in perspective, it would be like draining your swimming pool because you spilled a cup of coffee in it and it's contaminated with caffeine.

In closing we would like to emphasize the following points.

1.) Use scientific data and history to generate regulations. To date, in the San Juan Basin there are no proven cases of groundwater contamination due to drilling reserve pits. After 80 plus years of Oil and Gas drilling, there is a tremendous amount of "data" in place to support this.

2.) The current 250 mg/kg (for Chlorides) and stringent ground water quality standards and associated limits set for EC, SAR & ESP were not based on any studies done in the San Juan Basin. No attempt was made to create a baseline for the actual chloride content of the soil or local streams and rivers, nor to identify the mobility mechanism that would impact public health or the environment. The proposed NMOCD limits that have been peer reviewed, nor substantiated as necessary for the protection of the public health and environment.

3.) The EPA has classified drilling mud as an exempt, non-hazardous fluid. Closing drilling reserve pits in the San Juan Basin has not been an issue and has not caused ground water contamination. **Implementing the current guidelines *does***

***not* increase protection of groundwater, public safety, and the environment but does create additional financial and administrative burdens on not only the industry but is counter to the mission of NMOCD regulators ~~as well~~.**

On behalf of Walsh Engineering and the following operators we hope you will closely review the facts and data that has been presented.

Further we specifically support the comments being presented by NMOGA, IPANM, and the industry committee regarding this important matter.

John C. Thompson
Walsh Engineering & Production Corp.

Basin Minerals, Breck Operating Corporation, Enerdyne Corporation, Great Western Drilling, Pinnacle Producing Properties, USEnercorp, Westerly Resources.

CC: Joanna Prokup Energy and Minerals Department
Charlie Perrin NMOCD Aztec Office