



November 20, 2007

Hon. Bill Richardson
Office of the Governor
490 Old Santa Fe Trail, Rm. 400
Santa Fe, NM 87501

Re: Oil Conservation Commission Proposed Pit Rules (Case No. 14015)

Dear Governor Richardson:

I would like to express my opposition to the New Mexico Oil Conservation Division's proposal, in its current form, to modify existing rules and institute new rules governing pits, below grade tanks, closed-looped systems and related matters. I believe that these changes are unfounded, unnecessary and damaging to the national, state and local energy industry.

For prospective, I would like to introduce Concho Resources to you. Concho is a publicly-traded company, whose shareholders include many New Mexico citizens. Concho's operating affiliate, COG Operating LLC, based upon the latest data provided by the NMOCD, was among the top ten oil producers in New Mexico in 2006. In 2007, our \$165 million New Mexico capital program will result in approximately 120 new wells drilled and approximately 100 wells reworked or recompleted. In 2008, we project drilling 135 new wells and reworking or recompleting an additional 200 wells, at an estimated cost of \$215 million, before consideration of any increased costs arising from changes proposed by the NMOCD, which many believe will be in excess of \$150,000 per well, and which would represent a minimum increase of 14% over the current projected cost of a 5500' well in New Mexico. This estimate does not consider other unknown costs and liabilities arising from the NMOCD's proposed changes.

I believe these costly changes are unfounded and unnecessary as the State and the NMOCD have the framework and means now to protect the environment and industry they steward. These new changes will serve only to force many operators to abandon projects needed to mitigate our nation's dependence on foreign oil, and will ultimately damage the state and local economies of New Mexico, particularly in the communities whose economies are dedicated solely or primarily to serving the energy industry.

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I encourage you to reject these damaging rule changes and lead all constituencies to solutions, where needed, that will enhance, not diminish, an industry so vital to this nation and the State of New Mexico. In this regard, Concho encourages the adoption of the New Mexico Industry Committee's recommended modifications to the NMOCD's proposed pit rules, which I believe strike a balance between the interests of all concerned.

Sincerely,



Timothy A. Leach
Chairman of the Board and
Chief Executive Officer

TAL:jlh

cc: Hon. Mark E. Fesmire, Chairman
New Mexico Oil Conservation Division

Members, New Mexico State Senate

Members, New Mexico House of Representatives

Members, New Mexico Industry Committee