TEXLAND PETROLEUM, L.P.
EXPLORATION AND PRODUCTION
777 MAIN STREET, SUITE 3200
FORT WORTH, TEXAS 76102

(817) 336-2751

November 29, 2007

Governor Bill Richardson
Capitol Building, Suite 400
Santa Fe, NM 87503

Re: Impact of Regulatory Changes

Dear Governor Richardson:

Texland Petroleum LP operates many wells in both Texas and New Mexico. Texland has enjoyed good relationships with New Mexico regulatory agencies and contractors. However, changes in New Mexico state law and changes in the regulatory environment have increased the cost of doing business in the state to the point that development projects will be very limited. With higher oil and gas prices, we would normally drill more marginal wells, resulting in greater long term New Mexico tax revenues. We have been baffled by the strict new regulations and increased difficulty in dealing with surface owners. In July 2007, the Surface Owner's Protection Act went into effect. This act has emboldened surface owners, causing the amount of damage payments to increase significantly due to "mandatory compensation for future crop losses". This tends to be very subjective. Damage payments for the New Mexico wells now cost more than 3 times those typically paid in Texas.

The regulatory environment in New Mexico has changed as well. Though not "officially" adopted yet, New Mexico OCD's new pit rule is being strictly enforced. Drilling pits are considered hazardous waste sites and must be remediated as such, even though the 1980 Resource Conservation and Recovery Act (RCRA) exempted drilling fluids, produced water, and associated E&P drilling wastes from regulation as hazardous waste. In 1988, the EPA confirmed the appropriateness of this exemption "because the volumes are large, toxicities are low, and economic impact of its regulation could be high". Unfortunately, New Mexico OCD's pit rule treats drilling fluids and wastes as hazardous. Essentially this means that no environmental footprint can remain after the drilling operation is completed. The result has been a 150% increase in the cost of pit remediation over the last year. Additionally, pit remediation in New Mexico is 16 times more expensive than in Texas. As an example, one recent pit cleanup will be over $200,000. This is 22% of the total well cost!

It appears that every operator in New Mexico is experiencing the same problem with regard to the cost of over-regulation and that nothing will improve business until regulations become saner. The Albuquerque Journal on November 22, 2007, stated that a year ago, 90 rigs were active in New Mexico. As of early November, only 69 rigs (23% less) were working during this boom period in the industry. In order to preserve oil business jobs and tax revenues, please direct the New Mexico OCD to withdraw the proposed pit rule.

Respectfully,

G. Mendenhall

Greg L. Mendenhall
Drilling and Production Manager