

ROBERT L. BAYLESS, PRODUCER LLC

OIL & GAS PRODUCER

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October 30, 2007

Governor Bill Richardson  
Office of the Governor  
490 Old Santa Fe Trail, Room 400  
Santa Fe, NM 87501

Re: Proposed Re-Write of Pit Rules

Dear Governor Richardson,

Robert L. Bayless, Producer LLC is an independent oil and gas company with a long history of drilling, completing and operating wells in the state of New Mexico. We feel we have considerable knowledge of how the industry operates and therefore feel it is necessary to comment on the proposed re-write of the current Rule 50 "Pit Rules" that is before the New Mexico Oil Conservation Commission (NMOCC). The oil and gas industry has a long and proud history as the leading money maker for the state of New Mexico, and for the most part, independents like our company live where we work – in the state. We work very closely with the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management to do the right things the right way, our lives and livelihood depend on it. Energy producers are among the most active environmentalists. Our company spends a great amount of time and money each year to improve our State's land, air and water. Our families and the families of our employees live in this State, and we would have it no other way.

The historical mandate of the NMOCD has been, and still should be, to protect correlative rights and prevent waste. We believe Director Fesmire's Office is going beyond this historical mandate. We have been led to believe the NMOCD is under specific direction from the Governor's Office to "clean up the industry" by re-writing existing oil and gas rules that have been in existence for years. The proposed re-write of the pit rules (which were just re-written in 2003) falls in this direction. The new rules are not based on sound scientific principles. During the past year, countless hours have been spent discussing pit rules, with many companies offering scientific input demonstrating that the existing pit rules are more than adequate to protect ground water and the environment. This input has been ignored and the re-write of the rules going before the NMOCC are essentially as they were first presented, with environmentalist claims and exaggerations taken as fact. The NMOCD stated what they were going to accomplish with the new pit rules before any discussions took place, and they have not moved from that stance regardless of the scientific evidence presented. NMOCD Director Fesmire will be one of the three NMOCC commissioners to vote on the approval of these rules. How absurd does this sound?

Among other things, the new pit rules advocate the use of closed loop drilling systems and dig and haul operations. Besides being unnecessary and extremely expensive (adding \$100,000 to \$150,000 per well), this new practice will end up being more intrusive to the environment than the current practices. When drill cuttings are trucked to an "approved disposal site" (now available only in the southeast portion of the State) what is actually accomplished is all these benign cuttings will end up in one place instead of on individual locations. The unintended consequence of a large increase in truck traffic will cause more dust, increase the use of diesel fuel and cause an increase in green house gas emissions. This adversely affects the health and safety of the citizens of the State.

In addition to being unnecessary and non beneficial to the environment, we believe the proposed pit rules will severely inhibit the development of the resources of the state of New Mexico. This will, in turn, result in decreased revenue to the State, a waste of a valuable resource and a drop in employment in the oil, natural gas and supporting industries. As a small independent producer we have a limited budget for capital projects across several areas in the United States. We have consistently drilled six to twelve wells per year in New Mexico. However, with the increased cost of well drilling caused by the proposed rules, it only makes sense that we move our drilling capital outside of New Mexico, where we can obtain a more reasonable return on our investment. Because our company is small, our strategy change will not greatly impact the State's budget. However, the majority of the wells in New Mexico are drilled and operated by independent producers of various sizes who may arrive at the same economic conclusion. The resulting negative impact to the State's production taxes will not be realized immediately because existing production will continue. However, the drop in employment caused by a severe reduction in drilling and completion activity may be profound. If drilling to replace our declining reserves does not continue, the money available for future spending by the State will be severely impacted in two or three years.

During numerous meetings, you have told us that you are a friend to the New Mexico oil and gas industry. Please show us that you are supportive of a healthy industry by speaking to Mr. Fesmire's Office and putting a stop to this nonsense. Thank you for your time to read this letter and thank you for your attention to this critical issue. Please let us know if we can provide any further information.

Sincerely,



Price M. Bayless  
Engineering Manager



Kevin H. McCord  
Operational Manager

cc: Ms. Joanna Prukop, Cabinet Secretary, New Mexico, Energy, Minerals and Natural Resources Department

Ms. Florene Davidson, Commission Clerk, New Mexico Oil Conservation Commission

Client:	Blagg / IEI	Project #:	94034-010
Sample ID:	Cell 11A	Date Reported:	10-14-03
Laboratory Number:	26832	Date Sampled:	10-10-03
Chain of Custody:	11453	Date Received:	10-13-03
Sample Matrix:	Soil	Date Extracted:	10-13-03
Preservative:	Cool	Date Analyzed:	10-14-03
Condition:	Cool & Intact		

Parameter	Analytical Result	Units		Units
pH	7.04	s.u.		
Conductivity @ 25° C	156	umhos/cm		
Total Dissolved Solids @ 180C	792	mg/L		
Total Dissolved Solids (Calc)	1,249	mg/L		
SAR	5.3	ratio		
Total Alkalinity as CaCO3	16.0	mg/L		
Total Hardness as CaCO3	388	mg/L		
Bicarbonate as HCO3	16.0	mg/L	0.26	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.6	mg/L	0.01	meq/L
Nitrite Nitrogen	<0.001	mg/L	0.00	meq/L
Chloride	24.0	mg/L	0.68	meq/L
Fluoride	0.92	mg/L	0.05	meq/L
Phosphate	1.4	mg/L	0.04	meq/L
Sulfate	832	mg/L	17.32	meq/L
Iron	0.007	mg/L	0.00	meq/L
Calcium	107	mg/L	5.34	meq/L
Magnesium	29.7	mg/L	2.44	meq/L
Potassium	1.27	mg/L	0.03	meq/L
Sodium	242	mg/L	10.53	meq/L
Cations			18.34	meq/L
Anions			18.36	meq/L
Cation/Anion Difference			0.11%	

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.  
 Water And Waste Water", 18th ed., 1992.

Comments: JFJ L.F. 2'-3' BG.

*Christine M. Waeter*  
 Analyst

*Don L. O'Neil*  
 Review

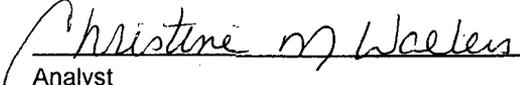


Client:	Blagg / IEI	Project #:	94034-010
Sample ID:	Cell 12A	Date Reported:	10-14-03
Laboratory Number:	26833	Date Sampled:	10-10-03
Chain of Custody:	11453	Date Received:	10-13-03
Sample Matrix:	Soil	Date Extracted:	10-13-03
Preservative:	Cool	Date Analyzed:	10-14-03
Condition:	Cool & Intact		

Parameter	Analytical Result	Units		Units
pH	7.15	s.u.		
Conductivity @ 25° C	334	umhos/cm		
Total Dissolved Solids @ 180C	224	mg/L		
Total Dissolved Solids (Calc)	291	mg/L		
SAR	4.5	ratio		
Total Alkalinity as CaCO3	15.2	mg/L		
Total Hardness as CaCO3	512	mg/L		
Bicarbonate as HCO3	15.2	mg/L	0.25	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.5	mg/L	0.01	meq/L
Nitrite Nitrogen	0.012	mg/L	0.00	meq/L
Chloride	8.8	mg/L	0.25	meq/L
Fluoride	0.24	mg/L	0.01	meq/L
Phosphate	2.5	mg/L	0.08	meq/L
Sulfate	176	mg/L	3.66	meq/L
Iron	0.023	mg/L	0.00	meq/L
Calcium	17.3	mg/L	0.86	meq/L
Magnesium	1.95	mg/L	0.16	meq/L
Potassium	0.43	mg/L	0.01	meq/L
Sodium	74.2	mg/L	3.23	meq/L
Cations			4.26	meq/L
Anions			4.26	meq/L
Cation/Anion Difference			0.04%	

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.  
 Water And Waste Water", 18th ed., 1992.

Comments: JFJ L.F. 2'-3' BG.

  
 Analyst

  
 Review

Client:	Blagg / IEI	Project #:	94034-010
Sample ID:	Cell 13H	Date Reported:	10-14-03
Laboratory Number:	26834	Date Sampled:	10-10-03
Chain of Custody:	11453	Date Received:	10-13-03
Sample Matrix:	Soil	Date Extracted:	10-13-03
Preservative:	Cool	Date Analyzed:	10-14-03
Condition:	Cool & Intact		

Parameter	Analytical Result	Units		Units
pH	7.36	s.u.		
Conductivity @ 25° C	107	umhos/cm		
Total Dissolved Solids @ 180C	40.0	mg/L		
TOTAL Dissolved Solids (Calc)	331	mg/L		
SAR	10.2	ratio		
Total Alkalinity as CaCO3	14.0	mg/L		
Total Hardness as CaCO3	18.8	mg/L		
Bicarbonate as HCO3	18.8	mg/L	0.31	meq/L
Carbonate as CO3	<0.1	mg/L	0.00	meq/L
Hydroxide as OH	<0.1	mg/L	0.00	meq/L
Nitrate Nitrogen	0.5	mg/L	0.01	meq/L
Nitrite Nitrogen	0.017	mg/L	0.00	meq/L
Chloride	6.0	mg/L	0.17	meq/L
Fluoride	<0.1	mg/L	0.00	meq/L
Phosphate	6.6	mg/L	0.21	meq/L
Sulfate	199	mg/L	4.14	meq/L
Iron	0.127	mg/L	0.00	meq/L
Calcium	7.52	mg/L	0.38	meq/L
Magnesium	<0.1	mg/L	0.00	meq/L
Potassium	0.82	mg/L	0.02	meq/L
Sodium	102	mg/L	4.44	meq/L
Cations			4.84	meq/L
Anions			4.84	meq/L
Cation/Anion Difference			0.01%	

Reference: U.S.E.P.A., 600/4-79-020, "Methods for Chemical Analysis of Water and Wastes", 1983.  
 Water And Waste Water", 18th ed., 1992.

Comments: JFJ L.F. 2'-3' BG.

  
 Analyst

  
 Review