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Via Email: florene.davidson@state.nm.us<mailto:florene.davidson@state.nm.us

To Whom It May Concern:

I was born, raised in New Mexico and was graduated from New Mexico State University. I am involved in the management and operations of multiple companies in the Permian Basin of West Texas and Southeastern New Mexico. My companies operate over 300 wells on multiple NM State, BLM and Fee leases throughout Texas and New Mexico. Further, I own interests in many wells that are operated by multiple other companies both independent and publicly held. My involvement embraces over 50,000 gross acres in Southeast New Mexico.

I am not in favor of the new rules that will allow the Oil Conservation Division (OCD) the authority to administer monetary penalties for violations. My 40 + years of experience in the oil & gas industry dictates that this new authority is an overreach. I believe and have witnessed how the existing framework gave OCD more than enough authority and leverage to assure compliance over operators to pull their permits, limit their oil & gas marketing or refer violators to the Attorney General's office for prosecution.

Further, this new authority granted to OCD by the State Legislature has the opportunity for unintended consequences. The capricious and arbitrary application of fines and penalties will negatively impact production and development of the oil and gas resources of New Mexico. These policies will drive operators to seek other venues for investment and operations. What little potential new income to the OCD in penalties will be more than offset by the much greater potential negative impact to the State of New Mexico and will not provide incentive to the valuable income generated from state and federal leasing bonuses on new leases or the substantial royalty income from new wells.

Please consider this new authority as a potential negative to the oil industry, to the OCD and to the State of New Mexico.

Respectfully,

Thomas M. Beall