

February 7, 2006

TO: EMNR Resources Dept. Oil Conservation Commission

The proposed Pit Rule Amendments will stifle the Oil and Gas Exploration Business in the state of New Mexico. We are currently in the process of purchasing a lease in the state of New Mexico and planning to explore for oil and gas on that lease, but with the proposed changes to this regulation and particularly to the drilling pit regulation, would make our acquisition non economical.

I do understand that this stakeholders meeting is for the proposed changes will now be held on February 27, 2006, but I want you to know some of the issues that the proposed changes would affect. The Pit and Below Tank regulations, which were adopted on November 1st, 2004, protect the ground water and I believe this piece of legislation was effective and well thought out for operators and land owners, and should not be tampered with.

The current plan for lining drilling and workover reserve pits requires a 12 mil reinforced geomembrane for the pit and a 20 mil reinforced geomembrane plus 3 feet of topsoil for capping the site. This plan works very well; it protects the environment much better than the proposed plan of removing the cuttings and the liner and transporting these cuttings to an unlined waste pit. In effect, this rule change would require an operator to commingle their drill cuttings with other waste products that are much more hazardous than the rock, soil, gravel and mud which we would be delivering to these current unlined waste sites. We as an operator could not accept the added liability of commingling the drill cuttings with other waste at any of the four current waste facilities. The four current facilities do not protect the environment nor do they protect my liability from a future superfund clean up. I have visited two of these sites and found their conditions deplorable. In all probability, the potential for a these sites to be targeted by Super Funds is extremely high.

The most glaring discrepancy in the proposed Surface Waste Management Rules, is that the four current waste site operators would not be required to be in compliance with the new regulations either now or in the future?? They would be able to operate and expand their current operations without geomembrane liners, monitoring systems, strict engineering guidelines, contingency plans, and many other regulations the state of New Mexico is requiring for a new waste operator to comply with, in order to obtain a license to operate. Under the proposed waste regulations it would almost be impossible to comply and operate a new waste facility in New Mexico. This new regulation would result with no new waste management sites in New Mexico and would require all the waste to go to the current four facilities, resulting in a restraint of trade situation.

If the proposed changes are implemented to the Waste Management Plan, the cost of disposing of drill cuttings would be three to four times the current expense. Under these circumstances, not even the major operators could afford to drill and dispose of the cuttings. There is also the problem of supplying the drilling rigs with all the necessary equipment for them to drill with a closed loop system. Having to provide steel tanks, hauling bins, centrifuges, shakers, trucks, loaders, and the men to operate this equipment, creates a logistical nightmare. Not to mention the added expense of transporting the drill cuttings to a waste facility.

If this Waste Management and subsequent Pit and Below Tank regulation proposals are put into law, we as a small operator could not afford to drill here in New Mexico. Exploration for Oil and Gas in New Mexico would dramatically decrease and the tax revenue stream to the residents of New Mexico would also plummet. Not to go unmentioned the hundreds of New Mexico jobs that would be lost in the pit lining and plastic industries.

I urge you to reevaluate these proposed regulations and, at a minimum, require all waste facilities to operate under the same rules and regulations. Grand-fathering the current sites and not requiring them to operate under any new regulations is most certainly unethical and probably illegal. We are a country founded on fair business practices and requiring some to follow the rules and not others, is not the American way. **I further ask the commission not to require drill cuttings to be moved to a disposal site. Moving these cuttings from a lined, encapsulated drill site to an unlined commingled waste site simply doesn't make sense nor can the industry absorb the additional costs involved.** I believe in my heart if these proposed regulations take effect, it would put the New Mexico oil and gas industry in total chaos. The best scenario would be to continue to allow the drilling and workover pits to be handled as they are today, as stipulated in the Pit and Below Tank Guidelines established November 1, 2004.

I thank you for your time and for the opportunity to voice my opinion.

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