



November 7, 2007

Honorable Bill Richardson  
Office of the Governor, State of New Mexico  
440 Old Santa Fe Trail, Room 400  
Santa Fe, New Mexico 87501

Honorable Bill Richardson:

We at Discovery Operating, Inc. of Midland, Texas, a small independent producer of oil and gas in New Mexico, take major exception to the Oil Conservation Division (OCD) proposed amendment to the existing pit rule. We consider this amendment unnecessary, arbitrary, and capricious and a threat to the oil and gas producing business in New Mexico. While we do not claim to be one of New Mexico's volume producers of fossil energy, we do believe, because of the proposed pit rule, we will discontinue further investments in the state's oil and gas producing business.

We highly endorse House Republican Whip Representative Dan Foley's recent address to the OCD on November 5, 2007 and we highly recommend your review of Mr. Foley's comments, which in essence, suggest the OCD has unfairly placed the states' oil and gas industry on a path to destruction with their policies they are attempting to implement, many if not all, based on the influence of special interest groups and are basically attempting to run the industry out of New Mexico. Such proposals by the OCD, if implemented, would be extremely harmful to many state programs which rely on oil and gas production revenue for their fiscal wellbeing.

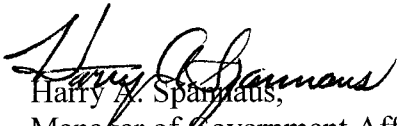
It is apparent that the OCD has gone beyond reason in its attempt to please the Governor's office and other state agencies and perhaps the federal government, in New Mexico's overreaction to satisfy certain unfounded environmental concerns of the state and federal government which impair the state's production of petroleum. Therefore, we believe the New Mexico Industry Committee's position, recommendations and modifications to the OCD September 1, 2007 Pit Rule, specifically below grade tanks, the closed loop systems and other alternative disposals are more than what should be required and frankly, massive media overkill to satisfy unfounded environmental concerns born from stage fright, untruths and misunderstood by many. If such proposals of the OCD are allowed, it will alarm many out of state and in-state oil and gas independent producers to the extent that many will abandon their interest in New Mexico's petroleum energy producing industry and they will seek a more business supportive environment in which to explore and produce oil and gas.

This is not an isolated position by Discovery Operating, Inc. It is shared with most all investments in New Mexico's oil and gas from independent producers from out of state sources and others such as the Mountain States Legal Foundation which believes New Mexico's tenth circuit court's recent ruling on New Mexico's environmental issues over oil and gas leases will cripple America and the State's search for energy.

In addition, we believe pit application should be retained at the district level and not transferred to Santa Fe. Local districts are better equipped and have more expertise and are more adequately staffed with proper and experienced personnel and should be more familiar with proposed pit locations and surface conditions. We further believe the Surface Owner's Protection Act on private surface damage agreement between the operators and surface owners provide the appropriate legal framework for a just relationship between operators and surface owners. The Pit Rule proposal for change provides the surface owner with veto power over certain standard operator activities and allows no recourse for the operator in the event of a veto.

In summary, we believe the implementation of the proposed pit rule will cause dramatic and swift negative reactions and long term repercussions from the New Mexico and Texas operators alike. I have been in contact with many oil and gas operators who contribute millions of dollars annually to the New Mexico economy and have millions of dollars in future investments planned in your state who claim and charge the petroleum producing business in New Mexico is unjust and they will limit their business expansions in New Mexico or dissolve it completely under the current threats presented. We trust you will take a favorable position on our concerns and take the necessary action to preserve interest in New Mexico's oil and gas production.

Sincerely,

A handwritten signature in dark ink, appearing to read "Harry A. Spanghaus". The signature is fluid and cursive, with the first name "Harry" being particularly prominent.

Harry A. Spanghaus,  
Manager of Government Affairs  
Discovery Operating, Inc.