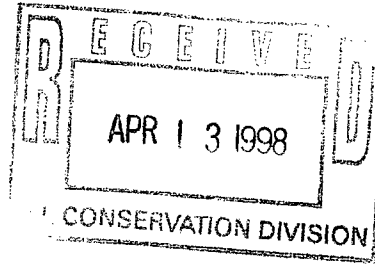




April 13, 1998



HAND DELIVERED

New Mexico Oil Conservation Commission
2040 S. Pacheco
Santa Fe, New Mexico 87505

Attn: Director

Re: In the Matter of the Application of Public Service
New Mexico Oil Conservation Commission
Relating to the Hampton 4M Well Site

Gentlemen:

Enclosed are an original and four copies of the Application of Public Service Company of New Mexico ("PNM") For Review of Final Determination by the New Mexico Oil Conservation Commission Relating to the Hampton 4M Well Site. PNM respectfully requests that this matter be set for hearing before the Oil Conservation Commission.

If you have any questions, please don't hesitate to contact the undersigned.

Very truly yours,

KELEHER & McLEOD, P.A.

By


Richard L. Alvidrez

Russell Moore
William B. Keleher
Michael L. Keleher
Charles A. Pharris
Richard B. Cole
Arthur O. Beach
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S. Charles Archuleta
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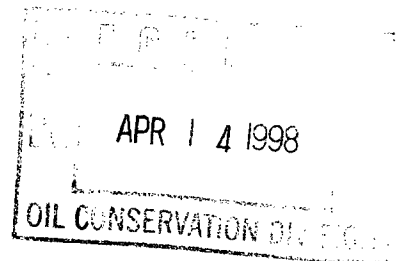
Member, Commercial Law
Affiliates*, the world's largest
affiliation of independent law firms

Running Horses © Gray Mercer 1989,
provided for the City of Albuquerque
Public Art Collection in 1991.

bcc Colin Adams
Toni Ristau
Maureen Gannon
Valda Terauds
Mark Sikelianos

BEFORE THE NEW MEXICO

OIL CONSERVATION COMMISSION



IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF)
NEW MEXICO FOR REVIEW OF FINAL)
DETERMINATION OF THE OIL)
CONSERVATION DIVISION RELATING)
TO THE HAMPTON 4M WELL SITE,)
PUBLIC SERVICE COMPANY)
OF NEW MEXICO,)
Applicant)

No. 12133

**APPLICATION AND REQUEST FOR HEARING OF
PUBLIC SERVICE COMPANY OF NEW
MEXICO FOR REVIEW OF FINAL DETERMINATION
BY THE NEW MEXICO OIL CONSERVATION DIVISION**

COMES NOW Applicant, Public Service Company of New Mexico ("PNM"), and hereby submits its application and request for hearing for review of a final determination ("Final Determination") issued by the New Mexico Oil Conservation Division ("OCD") in its certified letter to PNM dated March 13, 1998. In support of this application, PNM states as follows:

1. PNM is a combined natural gas and electric utility providing natural gas service to customers in various areas of the State of New Mexico.
2. In furtherance of its business as a gas utility, PNM procures a portion of its gas supply from various producers in the northwestern part of New Mexico.

3. PNM has procured natural gas from Burlington Resources, Inc. ("Burlington") and its predecessor, Meridian Oil Company and/or Southland Royalty Company, from a well known as the Burlington Resources Hampton 4M well ("Hampton 4M") located at Unit Letter N, Section 13, Township 30N, Range 11 W near Aztec, New Mexico. The Hampton 4M is located on certain land leased from the United States Bureau of Land Management ("BLM").

4. PNM, or its subsidiary Sunterra Gas Gathering Company ("Sunterra"), formerly owned and operated the gathering system and certain natural gas dehydration equipment located downstream and downgradient from the Hampton 4M well and wellhead equipment. The dehydration equipment was and is used to dehydrate the natural gas from the Hampton 4M as an accommodation for Burlington and its predecessors.

5. On June 30, 1995, PNM sold the gathering system and dehydration equipment associated with the Hampton 4M to Williams Gas Processing-Blanco, Inc. ("Williams"). Since June 30, 1995, Williams has owned and continued operate the gathering system and natural gas dehydration equipment which services the Hampton 4M.

6. Pursuant to OCD Order C-7940-R ("Order") and the PNM Pit Closure Plan ("Closure Plan") submitted to and approved by the OCD and BLM in 1993, PNM undertook actions to timely cease discharge into the former pit located adjacent to the Hampton 4M by installation of a collection tank. Although PNM had not owned or operated the equipment since June 30, 1995, PNM undertook the cease discharge

activities pursuant to an agreement with Williams. In addition, early in 1996, PNM undertook remediation activities to address certain hydrocarbon soil contamination in the former pit located downgradient from the Hampton 4M. Pursuant to the Closure Plan, PNM removed and properly treated approximately 300 cubic yards of soil in and around the former pit at the Hampton 4M site and backfilled the pit with clean soil.

7. In December 1996, the request of OCD, PNM assessed the vertical extent of the soil contamination underlying the former pit and encountered groundwater at 28 ft. below surface. Initial sampling of the groundwater beneath the site revealed an approximate 2 inch layer of free phase hydrocarbons on the water table. As detailed below, the free phase hydrocarbon layer significantly increased in thickness from the time of discovery in December of 1996 to November of 1997 when a free product recovery well was installed.

8. Pursuant to a Groundwater Management Program for Surface Impoundments Closures dated March 1996 (Groundwater Management Program”), PNM commenced groundwater monitoring and recovery of free phase hydrocarbons in the vicinity of the Hampton 4M site. PNM installed a free product recovery well, MW-6, in November 1997 and initiated recovery of free phase hydrocarbons in January 1998. In January 1998, free product thickness in MW-6 was 4.71 feet and 4.41 feet in MW-2. Approximately 470 gallons of free product have been recovered from MW-6, resulting in an approximate 2 foot reduction in free product thickness to date. PNM has at all times diligently proceeded with activities in its Closure and Groundwater Management Program. A map showing monitoring well locations is attached as Exhibit “A”.

9. Upon information and belief, the OCD directed Burlington to undertake certain investigatory and remedial activities in the immediate vicinity of Hampton 4M. The investigation and remediation performed by Burlington to date includes the limited removal of certain contaminated soils and the installation of temporary well borings. Temporary well borings installed by Burlington at Hampton 4M detected significant soil contamination at the 15 to 16 foot level. Excavation of contaminated soils was performed by Burlington only to the 15 foot below grade level, leaving documented contamination in place at Hampton 4M.

10. Groundwater flow in the vicinity of the Hampton 4M is down-canyon toward the northwest. The hydraulic gradient is fairly steep and subparallel to the topographic gradient at approximately 0.10 (a slope of approximately 10%). The former pit area is located downgradient and downstream from Burlington's Hampton 4M well and wellhead equipment.

11. PNM installed monitoring well MW-8 downgradient from the Burlington source area and upgradient from the former dehydrator pit area. Test results from the well bore showed soil contamination at depths of 14 to 20 feet below grade. In addition, groundwater had a visible sheen and analytical results showed high dissolved phase hydrocarbons. The foregoing test results show that upgradient contamination exists and is impacting the area of the former pit.

12. Burlington installed temporary well TPW-02 upgradient of the former pit. Analysis from the well boring showed significant soil contamination at a depth of 25 to 26 feet. In addition, analysis of water from the temporary well showed the presence of

free product in the groundwater. Because free product is unlikely to migrate upgradient, the contamination at TPW-02 most likely originated from an upgradient source.

13. Sampling results from monitoring wells indicate that hydrocarbon contamination has migrated downgradient from the area of the Hampton 4M well head and well head equipment to the area of the former pit. In addition, these sampling results show that contamination may have migrated to downgradient off-site locations. Specifically, contamination may have migrated to certain property located south of State Road 173 approximately two miles east of Aztec, New Mexico. Upon information and belief, this property is owned by Everett Investment, a New Mexico limited partnership.

14. The OCD issued its Final Determination to PNM on March 13, 1998 directing PNM to "take additional remedial actions with 30 days to remove the remaining source area with free phase hydrocarbons in the vicinity of and immediately downgradient of the dehy pit." A true and correct copy of the OCD's Final Determination is attached as Exhibit "B".

15. Operational deficiencies relating to the separators and tanks owned and operated by Burlington and its predecessors at Hampton 4M have resulted in releases of free phase product to the environment which has impacted the soils and groundwater in the vicinity of the Hampton 4M.

16. The data developed during the course of investigation show that there is a continuing source for dissolved phase hydrocarbons and suggest a continuous or intermittent source of free phase product at the Hampton 4M. The data also show that the

source for the dissolved phase and free phase product is upstream from the dehydrator and upgradient from the former pit.

17. Because of the existence of a continuing source for contamination in the vicinity of the Hampton 4M, any efforts to conduct further remediation will be ineffective. Unless and until the specific source of contamination is contained and removed, it is unreasonable to require PNM to conduct further remediation in the area of the former pit.

18. The free phase product in the vicinity of the Hampton 4M is neither owned, generated or released by PNM. The product is and remains the property of the producer. PNM had no control over the free phase product and related dissolved phase contamination which are present in the groundwater or which caused soil contamination. Accordingly, PNM has no liability for further investigation or remediation of the free phase product or dissolved phase contamination.

19. As noted above, PNM is no longer owner of the gathering system and dehydration equipment associated with Hampton 4M. The subject system and equipment was sold to Williams on June 30, 1995. At the time that pit remediation was commenced at the Hampton 4M site, PNM no longer owned or operated any facilities at the site. To the extent that any contamination occurred at the former pit location at the Hampton 4M site after June 30, 1995, such contamination is not the responsibility of PNM.

20. Pursuant to OCD practice and internal policy, prior owners or operators of a facility are not regarded as the "responsible person" for purposes imposing liability for

abatement of contamination at natural gas well sites. Therefore, under the OCD's practice and internal policy, PNM, as a former operator, is not a "responsible person" for purposes of any required activities in the vicinity of the Hampton 4M.

21. Based upon the foregoing, PNM respectfully requests that the New Mexico Oil Conservation Commission ("OCC") grant the following relief:

- a. That a hearing be scheduled before the OCC to consider PNM's application in this matter;
- b. That notice of the hearing be sent and published in accord with the applicable statutory and regulatory requirements;
- c. That the Final Determination of the OCD be stayed pending a determination by the OCC on PNM's application in this matter;
- d. That the OCC reverse and nullify the OCD's Final Determination and enter a finding that PNM is not a "responsible person" for purposes of any further investigation or remediation at the Hampton 4M site;
- e. That the OCC grant such other relief as it deems proper.

Respectfully submitted,

KELEHER & McLEOD, P.A.

BY


Richard L. Alvidrez

P.O. Drawer AA

Albuquerque, New Mexico 87103

(505) 346-4646

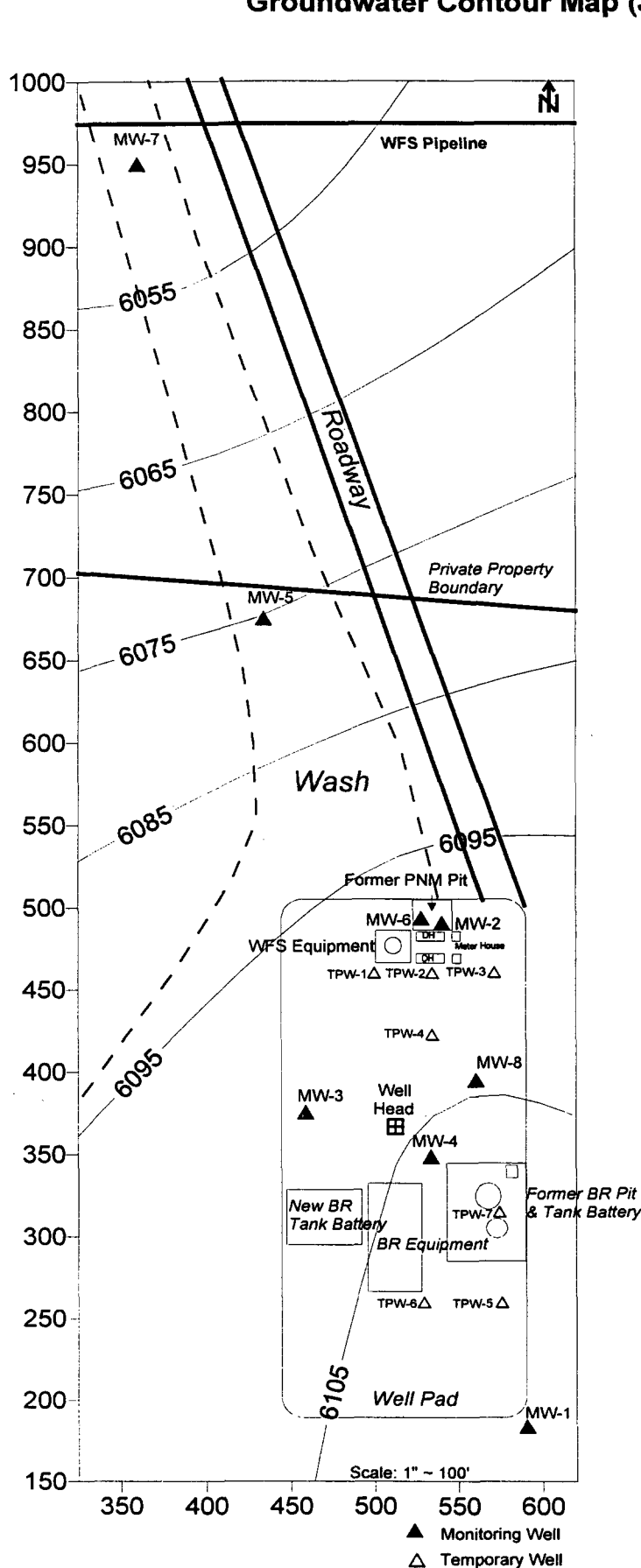
and

Colin A. Adams
Corporate Counsel
Public Service Company of New Mexico
Alvarado Square MS 0806
Albuquerque, New Mexico 87158
(505) 241-4538

Attorneys for Applicant Public Service Company
of New Mexico

54008

Figure 1
Hampton 4M Site Map and Analytical Results (Concentrations in ppb)
Groundwater Contour Map (January, 1998)



△
 EB - Private Well
 (Not to Scale)

Well #	Date	B	T	E	X
MW-1	10/30/97	2.4	2.3	<0.2	1.1
MW-1	1/12/98	4.3	3.3	0.2	1
MW-2	1/12/98	4.41 feet of product			
MW-3	1/31/97	<0.2	<0.2	<0.2	<0.2
MW-3	1/12/98	<0.2	<0.2	<0.2	<0.2
MW-4	1/31/97	811.7	1420.5	31.0	388.1
MW-4	1/12/98	1251	6	81	24
MW-5	10/29/97	5934	10024	709	8188
MW-5	1/12/98	7521	11213	779	8436
MW-6	1/12/98	4.71 feet of product			
MW-7	1/12/98	780	246	258	3942
MW-8	1/12/98	6410	17301	693	9397
EB-Well	11/25/97	<0.2	<0.2	<0.2	<0.2
TPW-1	6/5/97	20	<1.0	<1.0	<1.0
TPW-2	6/9/97	2.48 feet of product			
TPW-3	6/5/97	No Groundwater Water			
TPW-4	6/6/97	2000	57	3100	810
TPW-5	6/6/97	5800	460	16000	7000
TPW-6	6/6/97	1600	48	3400	690
TPW-7	6/6/97	5300	620	18000	9300



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

March 13, 1998

RECEIVED
MAR 18 1998

CERTIFIED MAIL

RETURN RECEIPT NO. Z-235-437-244

Ms. Maureen Gannon
PNM
Alvarado Square, MS 0408
Albuquerque, New Mexico 87158

**RE: GROUND WATER CONTAMINATION
HAMPTON 4M WELL SITE**

Dear Ms. Gannon:

The New Mexico Oil Conservation Division (OCD) has been reviewing the investigation and remedial actions related to PNM's former dehy pit at Burlington Resources Hampton 4M well site near Aztec, New Mexico.

The investigation and remedial actions taken to date are satisfactory. However, the OCD is concerned about the migration of contaminated ground water onto downgradient private lands and the presence of private water wells downgradient of the site. Therefore, the OCD requires that PNM take additional remedial actions within 30 days to remove the remaining source areas with free phase hydrocarbons in the vicinity of and immediately downgradient of the dehy pit.

If you have any questions, please call me at (505) 827-7154.

Sincerely,

William C. Olson
Hydrogeologist
Environmental Bureau

xc: Denny Foust, OCD Aztec District Office
Ed Hasely, Burlington, Resources
J. Burton Everett

RECEIVED
MAR 18 1998
C. ADAMS

BEFORE THE NEW MEXICO

OIL CONSERVATION COMMISSION

RECEIVED

APR 14 1998

Environmental Bureau
Oil Conservation Division

IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE OF COMPANY OF)
NEW MEXICO FOR REVIEW OF FINAL)
DETERMINATION OF THE OIL)
CONSERVATION DIVISION RELATING)
TO THE HAMPTON 4M WELL SITE,)
)
PUBLIC SERVICE COMPANY)
OF NEW MEXICO,)
)
Applicant)
)

No. 12033

CERTIFICATE OF SERVICE

THIS WILL CERTIFY that a true and correct copy of the Application and Request for Hearing of Public Service Company of New Mexico for Review of a Final Determination by the New Mexico Oil Conservation Division was mailed, this 13th day of April, to the following:

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Farmington, New Mexico 87402-8801

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General Partner
Everett Investment
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Aztec, New Mexico 87410

Mr. Bill VonDrehle
The Williams Companies, Inc.
2800 Post Oak Blvd.
Houston, Texas 77251-1396

Mr. Thomas L. O'Keefe
Director, Torre Alta Operations
Williams Field Services
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Mr. Bill Liese
Bureau of Land Management
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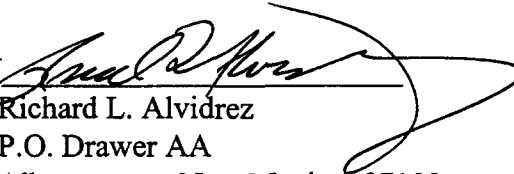
William C. Olson
Hydrologist
New Mexico Oil Conservation Division
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Mr. Gordon Herra
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Aztec, New Mexico 87410

Mr. Jerry Amnon
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Aztec, New Mexico 87410

Mr. Tim Reynolds
#102 Road 2585
Aztec, New Mexico 87410

KELEHER & McLEOD, P.A.

BY 
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Corporate Counsel
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Albuquerque, New Mexico 87158
(505) 241-4538

Attorneys for Applicant Public Service Company
of New Mexico

CASE _____: Application of Public Service Company of New Mexico for review of Oil Conservation Division directive dated March 13, 1998 directing applicant to perform additional remedial action for hydrocarbon contamination, San Juan County, New Mexico

Applicant seeks review of a Division directive dated March 13, 1998 directing applicant to perform additional remediation for hydrocarbon contamination located in the area of the Burlington Resources Hampton Well No. 4M located in Unit N, Section 13, Township 30 North, Range 11 West, and a determination that applicant is not a responsible person for purposes of further investigation or remediation of the contamination. Applicant further seeks a stay of the March 13, 1998 directive pending an order in this matter. The subject area is located approximately 3 miles east-southeast of Aztec, New Mexico.