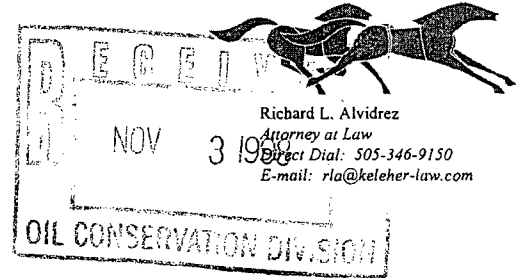


October 28, 1998



Via Facsimile (505) 983-6043

William Carr, Esq.
Campbell, Carr, Berg & Sheridan, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208

Re: Oil Conservation Division Case 12033

Dear Mr. Carr:

This will confirm receipt of your letter dated October 26, 1998 directing that Public Service Company of New Mexico ("PNM") commence remediation at the Hampton 4M Well site on or before October 30, 1998.

As you are aware, PNM has already undertaken substantial investigatory and remedial work at the Hampton 4M Well site. The data developed during the course of this work shows that the referenced contamination, particularly the free product in the ground water, is not the result of any past or present operations by PNM. PNM has not maintained any operational responsibilities at this site since June 30, 1995. Cease discharge for the former unlined pit was accomplished on April 24, 1996 on behalf of Williams Field Services. Under these circumstances, we strongly dispute that PNM's activities in any way constitute a continuing source at the site.

Your letter refers to "recent sampling" which purportedly confirms that prior activities by PNM at this site continue as an active source. The only recent sampling of which we are aware are two soil borings performed by Envirotech for Burlington Resources Oil & Gas Company ("Burlington"). Our review of the sampling results from these soil borings only serves to confirm that the existing contamination did not originate from PNM's former unlined pit. If you are privy to other sampling results which show anything to the contrary, please provide them to us at once.

We also dispute the assertion in your letter that PNM has in any way delayed remediation at the Hampton 4M Well site. The record is very clear that PNM undertook soil remediation activities at the location of its former unlined pit

W. A. Keleher (1886 - 1972)
A.H. McLeod (1902 - 1976)

Mailing Address
PO Drawer AA
Albuquerque NM 87103

Main Phone
505-346-4646

Street Address
Albuquerque Plaza
201 Third NW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1370

414 Silver SW, 12th floor
Albuquerque NM 87102
Fax: 505-346-1345

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KELEHER & McLEOD, P.A.

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in connection with attaining cease discharge status. In addition, since January of 1998, PNM has been actively remediating free product in the ground water underlying the site and has recovered over 1000 gallons of product to date. We believe that PNM's proactive approach at this site stands in stark contrast to the lack of any meaningful effort on the part of Burlington to undertake investigatory or remedial measures to date.

Under the circumstances described above, we must respectfully decline your directive to immediately undertake remediation. However, we encourage Burlington to immediately proceed with remediation of the contamination as you have represented in your letter. Please also be advised that PNM reserves its rights to pursue all remedies available to it for work performed by PNM at this site.

Should you have any questions concerning the foregoing, please advise.

Very truly yours,

KELEHER & McLEOD, P.A.

By: 

Richard L. Alvidrez

RLA:sp

cc Rand Carroll-OCD