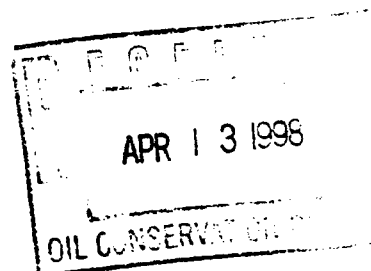


Public Service Company
of New Mexico
Alvarado Square MS 0408
Albuquerque, NM 87158



April 10, 1998

Mr. William Olson
Hydrogeologist
Oil Conservation Division
2040 So. Pacheco
Santa Fe, New Mexico 87505



RE: RESPONSE TO MARCH 13, 1998 LETTER ON GROUNDWATER CONTAMINATION AT THE HAMPTON 4M WELL SITE

Dear Bill:

PNM has reviewed the March 13, 1998 letter from OCD regarding groundwater contamination at the Hampton 4M well site. In the letter, OCD directs PNM to conduct additional remedial actions within 30 days to remove the remaining source areas with free phase hydrocarbons in the vicinity of and immediately downgradient of PNM's former dehydration pit. While we recognize OCD's concerns about migration of contaminated groundwater onto private lands, we are preparing under separate cover a formal appeal to your request for additional remediation by PNM at this site. This appeal is based upon the documented presence of sources or activities on site other than PNM's that have or are contributing to free phase and dissolved phase contamination in groundwater.

While our appeal is reviewed, PNM will continue to conduct quarterly groundwater sampling and water level measurements at the site. We will also continue to operate the free product recovery pump in MW-6. These activities shall not be deemed a waiver or admission of liability of any kind. Please be assured that if we detect any significant changes in the depth of free phase product in MW-2 or MW-6 or detect free phase in any wells downgradient from our former pit, we will notify you immediately. If you have any questions regarding this letter or our ongoing activities at the site, please call me at (505) 241-2974.

Sincerely,

Maureen Gannon
Project Manager

cc: Colin Adams, PNM
Richard Alvidrez, Keleher & McLeod
Denny Foust, OCD-Aztec Office
Ed Hasely, Burlington Resources
Bill VonDrehle, WFS

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