

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12033
ORDER NO. R-11134**

**APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR
REVIEW OF OIL CONSERVATION DIVISION DIRECTIVE DATED MARCH 13,
1998, DIRECTING APPLICANT TO PERFORM ADDITIONAL REMEDIATION
FOR HYDROCARBON CONTAMINATION, SAN JUAN COUNTY, NEW MEXICO.**

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 19, 1998, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 5th day of February, 1999, the Division Director, having considered the record and the recommendation of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Public Service Company of New Mexico ("PNM"), seeks an order nullifying the Division directive to PNM dated March 13, 1998 requiring it to perform additional remediation for hydrocarbon contamination in the area of the Burlington Resources Oil & Gas Company ("Burlington") Hampton No. 4 M Well ("Hampton 4M") located in Unit Letter N, Section 13, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, and a determination by the Division that PNM is not a responsible person for purposes of further investigation and remediation of contamination at this location.

(3) Burlington appeared at the hearing and presented testimony in opposition to the application of PNM.

(4) The Environmental Bureau of the Oil Conservation Division ("Bureau") appeared at the hearing and presented testimony in support of the Division directive dated

March 13, 1998.

(5) In 1984 Burlington's predecessors Meridian Oil Company and/or Southland Royalty Company drilled and completed the Hampton 4M well in the Dakota and Mesaverde formations. Burlington operates well equipment located in the southern most portion of the Hampton 4M well site. At one time, this equipment discharged into an unlined pit at the site. The unlined pit has since been covered up.

(6) PNM installed and operated dehydration equipment in the northern most portion of the Hampton 4M well site until Williams Field Services purchased the equipment on June 30, 1995. The equipment included an unlined discharge pit. The purpose of the dehydration equipment is to remove liquids from the gas stream produced from the Hampton 4M well.

(7) During a site assessment of the Hampton 4M well site conducted on April 23, 1996, PNM discovered potential hydrocarbon contamination at PNM's pit. PNM began closure activities at PNM's pit in April 1996 pursuant to a Bureau-approved pit closure plan.

(8) On December 16, 1996 PNM performed soil borings at PNM's former pit which encountered ground water hydrocarbon contamination.

(9) On January 13, 1997 PNM notified the Bureau in writing of ground water hydrocarbon contamination at PNM's former pit.

(10) On January 31, 1997 PNM installed two monitor wells upgradient from PNM's former pit. One of the wells, located adjacent to Burlington equipment, encountered ground water hydrocarbon contamination.

(11) On April 14, 1997 Burlington discovered a hydrocarbon seep along the northwestern edge of the Hampton 4M well site adjacent to PNM's former pit. Burlington notified both the Bureau and PNM about the seep.

(12) On April 17, 1997 Burlington conducted excavations around the northwest perimeter of the site and constructed a collection trench.

(13) On April 30, 1997 Burlington began excavation in the area of the Burlington's former pit located in the southeastern portion of the Hampton 4M well site. Burlington drilled soil borings and monitor wells at the excavation that encountered ground water hydrocarbon contamination.

(14) Additional monitor wells were installed at the Hampton 4M well site between June 1997 and May 1998.

(15) In August 1997 the Bureau drew a line of demarcation just south of the PNM equipment for the purpose of apportioning liability for hydrocarbon contamination at the Hampton 4M well site. PNM was assigned responsibility for any hydrocarbon contamination north of that line. Burlington was assigned responsibility for any hydrocarbon contamination south of the line.

(16) PNM installed a free phase hydrocarbon recovery well system adjacent to PNM's former pit in November 1997 and initiated recovery of free phase hydrocarbons from the ground water in January 1998.

(17) On March 13, 1998 the Bureau wrote to PNM and directed PNM to remove, within 30 days, the remaining source areas with free phase hydrocarbons in the vicinity of and immediately downgradient of PNM's former pit.

(18) In April 1998 PNM appealed the March 13, 1998 directive and sought a stay of the directive pending a decision on its appeal. The Division denied PNM's request for stay on August 20, 1998.

(19) On September 1, 1998, the Bureau directed PNM and Burlington to conduct additional investigation and to determine the complete downgradient extent of hydrocarbon contamination at the Hampton 4M well site.

(20) On October 28, 1998 Burlington submitted a response to the Bureau letter dated September 1, 1998. Burlington stated that if PNM did not begin remediation of PNM's former pit by October 30, 1998, then Burlington would begin remediating the entire Hampton 4M well site, starting at PNM's former pit and working south towards Burlington's former pit.

(21) PNM continued recovery of free phase hydrocarbons until early November 1998 when Burlington's remediation activities resulted in the removal of PNM's free phase hydrocarbon recovery well system.

(22) At the time of the hearing, neither PNM nor Burlington had completed remediation activities at the Hampton 4M well site.

(23) The evidence indicates that soil and ground water contamination at the Hampton 4M well site is a result of hydrocarbon releases at the facilities of both PNM and Burlington, and not from off-site sources.

(24) The evidence also indicates that the ground water gradient is from southeast to northwest.

(25) The evidence further indicates that PNM's facilities are located downgradient from Burlington's facilities and that ground water contamination from Burlington's facilities has moved downgradient and commingled with ground water contamination from PNM's facilities.

(26) The evidence failed to indicate that PNM or Burlington had removed all soil and ground water contamination that resulted from releases from their former pits.

(27) The application of PNM should be denied.

(28) Burlington should be the responsible party for any contamination remaining south and upgradient of the previously determined Bureau line of demarcation.

(29) PNM should be the responsible party for any soil contamination remaining north and downgradient of the previously determined Bureau line of demarcation.

(30) PNM and Burlington should equally share the responsibility of remediation for any ground water contamination remaining north and downgradient of the previously determined Bureau line of demarcation.

(31) Both PNM and Burlington should submit remediation plans to the Bureau, for approval, within 60 days of the date of this order. At a minimum, the remediation plans should contain plans to determine the lateral extent of contamination, to remove remaining sources of contamination, and to remediate the remaining contaminants.

(32) PNM should have the oversight and reporting responsibilities for ground water remediation in the area north and downgradient of the previously determined Bureau line of demarcation.

(33) This order should supersede all prior directives of the Bureau.

IT IS THEREFORE ORDERED THAT:

(1) The application of the Public Service Company of New Mexico ("PNM") for an order nullifying the Division directive to PNM dated March 13, 1998 requiring it to perform additional remediation for hydrocarbon contamination in the area of the Burlington Resources Oil & Gas Company Hampton No. 4-M Well located in Unit N, Section 13, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, and a determination by the Division that PNM is not a responsible person for purposes of further investigation and remediation of contamination at this location is hereby denied.

(2) Burlington shall be the responsible party for any contamination remaining south and upgradient of the previously determined Bureau line of demarcation.

(3) PNM shall be the responsible party for any soil contamination remaining north and downgradient of the previously determined Bureau line of demarcation.

(4) PNM and Burlington shall equally share the responsibility of remediation for any ground water contamination remaining north and downgradient of the previously determined Bureau line of demarcation.

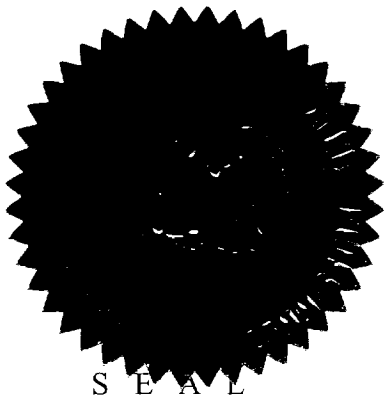
(5) Both PNM and Burlington shall submit remediation plans to the Bureau, for approval, within 60 days of the date of this order. At a minimum, the remediation plans shall contain plans to determine the lateral extent of contamination, to remove remaining sources of contamination, and to remediate the remaining contaminants.

(6) PNM shall have the oversight and reporting responsibilities for ground water remediation in the area north and downgradient of the previously determined Bureau line of demarcation.

(7) This order shall supersede all prior directives of the Bureau.

(8) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director