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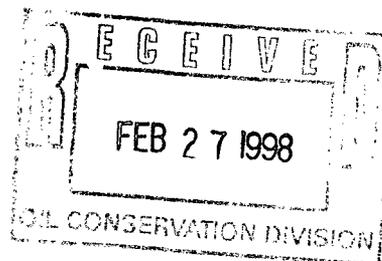
**GENERAL
CORRESPONDENCE**

YEAR(S):
1998-1997

BLAGG ENGINEERING, INC.

P.O. Box 87, Bloomfield, New Mexico 87413

Phone: (505)632-1199 Fax: (505)632-3903



February 25, 1998

Mr. Roger Anderson
Chief of Environmental Bureau
State of New Mexico Oil Conservation Division
2040 So. Pacheco
Santa Fe, New Mexico 87505

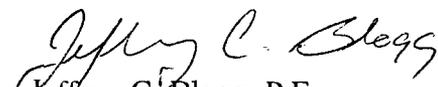
RE: Groundwater Impact
Amoco Production Company: Florance Z # 40 Well site
Legal Description: Unit G, Sec. 21, T30N, R8W
San Juan County, New Mexico

Dear Mr. Anderson:

Physical observation of groundwater after monitor well construction was completed at the above referenced well site indicates approximately 0.08 ft. or 1 inch of free phase product. The monitor well is located within the abandoned separator pit area. Further assessment will be conducted and a remediation plan drafted after more data is collected. Depth to water in the monitor well was approximately 50 ft. below the ground surface.

If you have any questions concerning this information, please do not hesitate to contact us at (505) 632-1199. Thank you for your cooperation.

Respectfully submitted,
Blagg Engineering, Inc.


Jeffrey C. Blagg, P.E.
President

cc: Denny Foust, Deputy Oil & Gas Inspector, NMOCD, Aztec, NM
Buddy Shaw, Environmental Coordinator, Amoco Production Company, Farmington, NM



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

December 30, 1997

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

**RE: GROUND WATER CONTAMINATION
FLORANCE Z 40 WELL SITE**

Dear Ms. Gannon:

The New Mexico Oil Conservation Division (OCD) has reviewed Public Service Company of New Mexico's (PNM) September 10, 1997 "UPDATE OF THE FLORANCE Z 40 CONTAMINATED GROUNDWATER SITE". This document contains the results of PNM's recent investigation of ground water contamination related to PNM's dehydrator pit at the Florance Z 40 well site. The document also requests guidance concerning contamination upgradient of PNM's dehydration pit.

A review of the above referenced document shows that ground water contamination upgradient of PNM's former dehydration pit appears to be a result of production disposal activities related to Amoco's Florance Z 40 former separator pit. However, free phase product contamination of ground water in the vicinity of the dehy unit appears to be the result of disposal practices at PNM's former unlined dehy pit. Therefore, the OCD requires that PNM address soil and ground water contamination at PNM's former dehy pit and downgradient of the dehy pit under PNM's "GROUNDWATER MANAGEMENT PROGRAM FOR UNLINED SURFACE IMPOUNDMENT CLOSURES". Ground water contamination upgradient of PNM's dehy pit is the responsibility of Amoco.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Will Olson".

William C. Olson
Hydrogeologist
Environmental Bureau

xc: Denny Foust, OCD Aztec District Office
Buddy Shaw, Amoco
Bill Liess, BLM Farmington Office



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

December 30, 1997

CERTIFIED MAIL
RETURN RECEIPT NO. Z-235-437-211

Mr. B.D. Shaw
Amoco Production Company
200 Amoco Court
Farmington, New Mexico 87401

**RE: GROUND WATER CONTAMINATION
FLORANCE Z 40 WELL SITE**

Dear Mr. Shaw:

The New Mexico Oil Conservation Division (OCD) has recently reviewed Public Service Company of New Mexico's (PNM) September 10, 1997 "UPDATE OF THE FLORANCE Z 40 CONTAMINATED GROUNDWATER SITE". This document contains the results of PNM's recent investigation of ground water contamination related to PNM's dehydrator pit at Amoco's Florance Z 40 well site.

A review of the above referenced document shows that ground water contamination upgradient of PNM's former dehydration pit appears to be a result of production disposal activities related to Amoco's Florance Z 40 former separator pit. Therefore, the OCD requires that Amoco address soil and ground water contamination downgradient of Amoco's separator pit pursuant to Amoco's approved ground water remediation plan. Ground water contamination downgradient of PNM's former dehy pit is the responsibility of PNM.

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

Sincerely,

William C. Olson
Hydrogeologist
Environmental Bureau

xc: OCD Aztec District Office
Bill Liess, BLM Farmington District Office
Nelson Velez, Blagg Engineering, Inc.
Maureen Gannon, PNM