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APPROVALS

YEAR(S):

1997



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

July 9, 1997

CERTIFIED MAIL
RETURN RECEIPT NO. P-410-431-188

Mr. Denver Bearden
PNM Gas Services
P.O. Box 4750
Farmington, NM 87499

RE: FINAL SAN JUAN BASIN PIT CLOSURE REPORTS

Dear Mr. Bearden

The New Mexico Oil Conservation Division (OCD) has completed a review of PNM Gas Services' (PNM) April 28, 1997 "OCD PIT CLOSURE REPORTS, 1ST REPORTING QUARTER 1997" and June 30, 1997 "OCD PIT CLOSURE REPORTS, 1ST REPORTING QUARTER 1997". These documents contain "PIT REMEDIATION AND CLOSURE REPORTS" for 48 unlined pits in the San Juan Basin of Northwestern New Mexico.

The OCD's review of the above referenced document is addressed below:

A. The pit closure/soil remediation activities conducted at the sites listed below are approved.

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| 1. Calloway #1A (Dehy pit) | Unit C, Sec. 22, T31N, R11W. |
| 2. Crandell #2 (Dehy pit) | Unit G, Sec. 19, T31N, R10W. |
| 3. Day Federal #1R (Dehy pit) | Unit L, Sec. 20, T28N, R10W. |
| 4. Federal A#1 (Dehy pit) | Unit M, Sec. 25, T30N, R13W. |
| 5. Federal A#1E (Dehy pit) | Unit O, Sec. 25, T30N, R13W. |
| 6. Federal A#2 (Dehy pit) | Unit G, Sec. 25, T30N, R13W. |
| 7. Federal A#3 (Dehy pit) | Unit A, Sec. 26, T30N, R13W. |
| 8. Federal A#3E (Dehy pit) | Unit P, Sec. 26, T30N, R13W. |
| 9. Federal Gas Com #2 (Drip pit) | Unit M, Sec. 27, T28N, R10W. |
| 10. Florance #41A (Dehy/inactive pit) | Unit J, Sec. 21, T29N, R09W. |
| 11. Florance AA #14A (Dehy/inactive pit) | Unit C, Sec. 08, T30N, R09W. |
| 12. Florance H #37A (Dehy pit) | Unit J, Sec. 06, T30N, R08W. |
| 13. Florance P#39A (Dehy pit) | Unit L, Sec. 35, T30N, R09W. |
| 14. Giomi GC C#1 (Drip pit) | Unit M, Sec. 28, T30N, R09W. |

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| 15. Hampton #4 (Dehy pit) | Unit D, Sec. 13, T30N, R11W. |
| 16. Howell #1 (Dehy pit) | Unit K, Sec. 20, T30N, R08W. |
| 17. Jacques #1 (Dehy pit) | Unit M, Sec. 25, T30N, R09W. |
| 18. Jacques #1A (Dehy/separator pit) | Unit P, Sec. 25, T30N, R09W. |
| 19. JF Day C#2 (Drip pit) | Unit P, Sec. 20, T28N, R10W. |
| 20. JF Day D#1E (Separator/drip pit) | Unit P, Sec. 20, T28N, R10W. |
| 21. Kutz Deep Gas Com D#1E (Dehy pit) | Unit I, Sec. 27, T28N, R10W. |
| 22. Kutz J Federal #1 (Drip pit) | Unit B, Sec. 01, T27N, R10W. |
| 23. Langendorf #1-34 (Dehy pit) | Unit A, Sec. 34, T31N, R13W. |
| 24. Lester #1 (Dehy pit) | Unit H, Sec. 03, T30N, R11W. |
| 25. Marie #1 South Main Line Drip (Drip pit) | Unit M, Sec. 13, T28N, R11W. |
| 26. Marie #1 (Separator pit) | Unit J, Sec. 13, T28N, R11W. |
| 27. McClanahan #14 (Drip pit) | Unit M, Sec. 23, T28N, R10W. |
| 28. McClanahan #14E (Dehy pit) | Unit E, Sec. 23, T28N, R10W. |
| 29. McClanahan A#1 (Separator pit) | Unit M, Sec. 23, T28N, R10W. |
| 30. McClanahan A#3 (Separator pit) | Unit M, Sec. 23, T28N, R10W. |
| 31. McDaniel C #1E (Separator pit) | Unit E, Sec. 19, T29N, R11W. |
| 32. Mexico Federal K#1 (Separator pit) | Unit M, Sec. 09, T28N, R10W. |
| 33. Miller Gas Com #1 (Drip pit) | Unit B, Sec. 21, T30N, R13W. |
| 34. Newman C #1E (Separator pit) | Unit E, Sec. 30, T28N, R10W. |
| 35. Olmer A #2E (Drip pit) | Unit F, Sec. 35, T28N, R10W. |
| 36. Olmer A#6 (Separator pit) | Unit G, Sec. 36, T28N, R10W. |
| 37. Olmer A#2 (Separator pit) | Unit G, Sec. 35, T28N, R10W. |
| 38. Olmer #5 (Separator/drip pit) | Unit F, Sec. 26, T28N, R10W. |
| 39. Olmer A#1E (Separator pit) | Unit F, Sec. 26, T28N, R10W. |
| 40. Olmer A#2E (Separator pit) | Unit D, Sec. 35, T28N, R10W. |
| 41. Olmer A#7E (Dehy pit) | Unit K, Sec. 36, T28N, R10W. |
| 42. Phillips #1 (Dehy pit) | Unit I, Sec. 23, T31N, R13W. |
| 43. Pierce #1A (Dehy pit) | Unit O, Sec. 30, T31N, R10W. |
| 44. Pierce #2A (Dehy pit) | Unit E, Sec. 30, T31N, R10W. |
| 45. Scott Federal #3 (Drip pit) | Unit C, Sec. 26, T27N, R11W. |
| 46. State Com #1X (Dehy pit) | Unit N, Sec. 36, T32N, R12W. |
| 47. Templeton #1E (Dehy pit) | Unit B, Sec. 27, T31N, R13W. |

Please be advised that OCD approval does not relieve PNM of liability if remaining contaminants are found to pose a future threat to surface water, ground water, human health or the environment. In addition, OCD approval does not relieve PNM of responsibility for compliance with any other federal, state or local laws and/or regulations.

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- B. According to the report for the site listed below, ground water downgradient of PNM's pit is contaminated with benzene, toluene, ethylbenzene and xylene (BTEX) in excess of New Mexico Water Quality Control Commission (WQCC) ground water standards and upgradient ground water is contaminated with total dissolved solids (TDS) well in excess of 10,000 mg/l. PNM concludes that the upgradient TDS ground water concentrations makes the ground water unprotectable under state regulations and requests closure without remediation of the BTEX contaminants in the ground water.

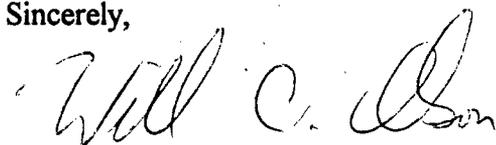
Ground water is considered to have no beneficial use if it is naturally contaminated with TDS in excess of 10,000 mg/l. To date, the OCD has not encountered naturally occurring levels of TDS above 10,000 mg/l in this area and the OCD is concerned that these TDS levels may be the result of other contaminant source areas. Therefore, approval of the pit closure actions at this site are denied until the OCD can investigate the site for additional source areas and determine if the upgradient ground water quality is naturally contaminated with high levels of TDS. In the interim, the OCD requires that PNM continue to sample and analyze the ground water at the site for contaminants related to PNM's activities according to their previously approved ground water management plan.

1. Florance #124 (Dehy pit)

Unit D, Sec. 05, T30N, R10W.

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