

BEFORE THE
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE 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.

OIL CONSERVATION DIV.
99 MAR -4 PM 3:52

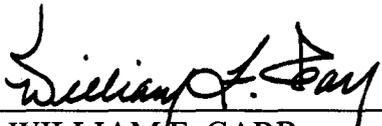
CASE NO. 12033

APPLICATION FOR HEARING DE NOVO

BURLINGTON RESOURCES OIL & GAS COMPANY a party of record adversely affected by the decision of the Oil Conservation Division in Case 12033 (Order No. R-11134) herein, hereby applies for a hearing *De Novo* before the full Commission, pursuant to NMSA 1978, Section 70-2-13.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

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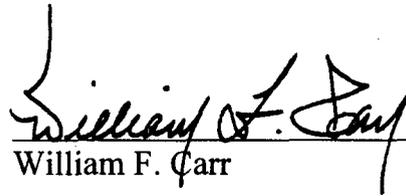
ATTORNEYS FOR BURLINGTON RESOURCES
OIL & GAS COMPANY.

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of March, 1999, I have caused to be faxed and mailed a copy of our Application for Hearing De Novo in the above-captioned case to the following named parties:

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William F. Carr



Direct Dial: 505-346-9113

March 5, 1999

HAND-DELIVERED

State of New Mexico
Oil Conservation Commission
2040 South Pacheco
Santa Fe, New Mexico 87501

Re: **OCD Case No. 12,033**

Ladies and Gentlemen:

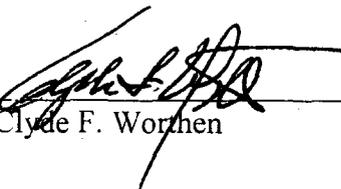
Enclosed for filing with the Oil Conservation Commission, please find an original and three copies of Public Service Company of New Mexico's Application and Request for *de novo* Hearing on Order No. R-11134 Issued by the New Mexico Oil Conservation Division. After filing the Application, please return an endorsed copy in ~~the self-addressed and stamped envelope~~ which is also enclosed.

With our courier

Thank you for your assistance in this matter. If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

KELEHER & McLEOD, P.A.

By 
Clyde F. Worthen

CFW:lcb

Enclosures

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" Mr. Ron Johnson
" Ms. Maureen Gannon
" Rick Alvidrez, Esq.

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

99 MAR -5 PM 4:54

OIL CONSERVATION DIV.

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

APPLICATION OF PUBLIC SERVICE COMPANY
OF NEW MEXICO FOR *DE NOVO* HEARING ON
ORDER NO. R-11134 ISSUED BY THE NEW
MEXICO OIL CONSERVATION DIVISION IN
OCD CASE NO. 12,033

CASE NO. _____

**APPLICATION AND REQUEST FOR *DE NOVO* HEARING
ON ORDER NO. R-11134 ISSUED BY
THE NEW MEXICO OIL CONSERVATION DIVISION**

COMES NOW Applicant, Public Service Company of New Mexico ("PNM"), and pursuant to 19 NMAC 15 § 1220, hereby submits its application and request for a *de novo* hearing relating to Order No. R-11134 (the "Order") issued by the New Mexico Oil Conservation Division ("OCD" or "Division") in OCD Case No. 12,033. In support of this application, PNM states as follows:

1. PNM is a combined natural gas and electric utility providing natural gas service to customers in various areas of the State of New Mexico.
2. In furtherance of its business as a gas utility, PNM procures a portion of its gas supply from various producers in the northwestern part of New Mexico.

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3. PNM has procured natural gas from Burlington Resources, Inc. and its predecessors, Meridian Oil Company and/or Southland Royalty Company (collectively "Burlington"). Burlington has owned and operated a well known as the Burlington Resources Hampton 4M well ("Hampton 4M") located at Unit Letter N, Section 13, Township 30N, Range 11 W near Aztec, New Mexico. The Hampton 4M is located on certain land leased by Burlington from the United States Bureau of Land Management ("BLM"). PNM has purchased natural gas produced from the Hampton 4M.

4. Burlington installed, maintained and continues to operate an extensive amount of well equipment located in the southernmost portion of the site, including two combination unit separators which discharged into an unlined earthen pit at the site. In addition, Burlington maintained two large volume product tanks on the site. Historical records show that Burlington maintained at least two unlined pits at the site. There is evidence of surface releases from Burlington's equipment at the site.

5. PNM, or its subsidiary Sunterra Gas Gathering Company, formerly owned and operated the gathering system and certain natural gas dehydration equipment located adjacent to and downgradient from Burlington's operations at the Hampton 4M site. The dehydration equipment was and is used to dehydrate the natural gas from the Hampton 4M as an accommodation for Burlington and its predecessors.

6. The dehydration units owned and operated by PNM at the Hampton 4M site are and were intended to remove water vapor from the natural gas stream. Water vapor and other liquids in the gas pipelines will cause operational problems, including freezing and shut ins of wells. The combination unit separators owned and operated by Burlington are

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necessary for proper well operation in order to prevent free product from entering the dehydration unit and causing malfunctions and loss of glycol from the dehydration equipment. PNM, as a public utility, has an absolute obligation to serve its customers. Therefore, PNM installs dehydrators to remove moisture from its gas lines to help ensure operational integrity and to ensure that it can meet its obligations to serve its customers. All of PNM's former operations and equipment at the Hampton 4M were located downstream and downgradient from Burlington's operations at this site.

7. On June 30, 1995, PNM sold the gathering system and dehydration equipment associated with the Hampton 4M to Williams Gas Processing-Blanco, Inc. ("Williams"). Since June 30, 1995, Williams has owned and continued to operate the gathering system and natural gas dehydration equipment which services the Hampton 4M.

8. In 1996, PNM undertook actions to timely cease discharge into its former dehydrator pit located adjacent to the Hampton 4M by installation of a collection tank. The cease discharge was undertaken pursuant to OCD Order R-7940-C relating to the elimination of discharges into unlined pits ("Discharge Order") and PNM's Pit Closure Plan ("Closure Plan") which was submitted to and approved by the OCD and BLM in 1993.

9. In addition to achieving cease discharge, PNM undertook remediation activities to address certain hydrocarbon soil contamination in the area of the former dehydrator pit which is located downgradient from the Hampton 4M wellhead and Burlington's operations. Pursuant to the Discharge Order and PNM's Closure Plan, PNM removed and properly treated approximately 300 cubic yards of soil in and around the

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former dehydrator pit at the Hampton 4M site and backfilled the pit with clean soil. PNM took the lead in these activities pursuant to its agreement with Williams for the sale of the gathering system.

10. In December 1996, subsequent to the cessation of discharge by PNM at the site and remediation of the soil contamination in the vicinity of the dehydrator pit, PNM assessed the vertical extent of the soil contamination underlying the former pit. This work was conducted pursuant to direction by the OCD and in accordance with PNM's approved Groundwater Management Plan for Surface Impoundments Closures dated March 1996 ("Groundwater Management Program"). PNM encountered groundwater at 28 ft. below surface. Initial sampling of the groundwater beneath the site revealed an approximate 2 inch layer of free phase hydrocarbons. As detailed below, the free phase hydrocarbon layer underlying the site significantly increased in thickness over the next several months, though there was no additional discharge to ground from Williams' operations at the site.

11. Upon information and belief, after PNM notified the OCD of the unusual levels of contamination at this site, the OCD directed Burlington to undertake certain investigatory and remedial activities in the immediate vicinity of Burlington's ongoing activities at the Hampton 4M. The investigation and remediation performed by Burlington included the limited removal of certain contaminated soils and the installation of temporary well borings. Temporary well borings installed by Burlington at Hampton 4M in the area upgradient of PNM's former operations detected significant soil contamination at the 15 to 16 foot level. Burlington's excavation of contaminated soils was performed to only 15 feet below grade level, leaving documented contamination in place at Hampton 4M.

16. PNM installed monitoring well MW-8 downgradient from the Burlington source area and upgradient from PNM's former pit area. Test results from the well showed soil contamination at depths of 14 to 20 feet below grade. In addition, the groundwater had a visible sheen and analytical results showed high concentrations of dissolved phase hydrocarbons. The foregoing test results show that upgradient contamination from Burlington's operations exists and is impacting the area of PNM's former pit.

17. Burlington installed temporary well TPW-02 upgradient of PNM's former pit. Analysis from the well boring showed significant soil contamination at a depth of 25 to 26 feet. In addition, analysis of water from the temporary well showed the presence of free product in the groundwater. Because free product will not migrate upgradient, particularly when a recovery well is pumping in an area downgradient from the temporary well, the contamination at TPW-02 originated from an upgradient source and was released through the normal operation or malfunction of Burlington's equipment at the site.

18. Sampling results from monitoring wells indicate that hydrocarbon contamination has migrated downgradient from the area of the Hampton 4M well head and well head equipment to the area of PNM's former dehydrator pit. In addition, these sampling results show that contamination may have migrated to downgradient off-site locations.

19. The OCD issued a letter dated March 13, 1998 directing PNM to "take additional remedial actions within 30 days to remove the remaining source area with free phase hydrocarbons in the vicinity of and immediately downgradient of the dehy pit." The

March 13, 1998 constituted an appealable final determination by the OCD (Final Determination"). A true and correct copy of the OCD's Final Determination is attached as Exhibit "A".

20. PNM continued recovery of free product until early November of 1998 when MW-6 was removed from the site by Burlington, effectively rendering any additional free product recovery by PNM an impossibility. Over the nearly 11 months of operation, PNM recovered approximately 1,100 gallons of free product from the groundwater. Free product thickness decreased by two feet as a result of PNM's recovery actions. PNM also continued to conduct additional sampling from the monitoring wells at and around the site. The continued monitoring showed the presence of free product in wells far upgradient from PNM's former unlined pit in the location of Burlington's operations.

21. In early November 1998, Burlington undertook soil remediation in the area of PNM's former unlined pit. Burlington used a bulldozer to excavate in the area of the former pit until Burlington encountered groundwater. The groundwater contained free product contamination. Burlington's use of the bulldozers resulted in the removal and destruction of PNM's monitoring and recovery wells in this area. Burlington excavated all of the remaining soil underlying PNM's former pit location (as well as underlying Williams' current operations) thereby completely eliminating either the dehydrator or the former pit as a potential source of any further soil or groundwater contamination.

22. Burlington's stated remediation strategy was to remove the free product contamination by pumping the groundwater (including any free product on the groundwater) dry under the Hampton 4M well pad. Upon information and belief,

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Burlington has been unsuccessful at pumping all of the groundwater from under the site or in removing all free product contamination at the site.

23. Data developed as a result of Burlington's free product remediation efforts confirm that the free product contamination at the Hampton 4M could not have originated from PNM's former pit. The release point of the free product is clearly upgradient in the area of Burlington's operations. Moreover, the volume of free product recovered thus far is far in excess of any amounts that PNM could have released to the groundwater from its pit under a worst case scenario.

24. The data developed during the course of investigation at this site show that there is a continuing source for dissolved phase hydrocarbons and suggest a continuous or intermittent source of free phase product in the vicinity of the Hampton 4M. The data also show that the source for the dissolved phase and free phase product is upgradient from PNM's former dehydrator pit and did not originate from the pit.

25. Because of the existence of a continuing source for contamination in the vicinity of the Hampton 4M, from operations and locations that are not within the control of PNM, any efforts to conduct further remediation by PNM would be ineffective.

26. Unless and until the specific release point or points of the contamination is located and this source is removed, it is unreasonable to require PNM to conduct further remediation in the area of the former pit.

27. It is likely that operational deficiencies relating to the separators and tanks owned and operated by Burlington and its predecessors as Hampton 4M have resulted in

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the release of free phase product to the environment which has impacted the soils and groundwater in the vicinity of the Hampton 4M.

28. In the alternative, it is possible that a casing leak or leaks, or leaks in underground piping wellhead operated by Burlington on Burlington's leasehold, has caused and/or is causing the release of free product to the environment. As PNM is neither the lessee nor the operator of the well or the wellhead equipment, PNM cannot investigate or control this release.

29. Under either alternative, the free phase product in the vicinity of the Hampton 4M is neither owned, generated or released by PNM. The product is and remains the property of the producer, wherever it may be situated. Thus, PNM had no control over the free phase product and related dissolved phase contamination which are present in the groundwater or which caused soil contamination. Accordingly, PNM has no liability for further investigation or remediation of the free phase product or dissolved phase contamination at the site, and, as PNM has completely remediated all soils which may have been contaminated by its operations, also has no liability for further investigation or remediation of soil contamination at the site.

30. Moreover, based upon the data concerning the area and thickness of the free product plume, PNM has been able to calculate an estimated volume of free product under the site. A conservative estimate of the volume of free product under the site is between 7,700 and 13,000 gallons.

31. There is also an apparent anomaly in production rates of hydrocarbon product from the Hampton 4M well. The production records showing the oil and gas ratios

for the Hampton 4M well indicate that there was no recovery of any oil or liquid hydrocarbons from the Mesa Verde formation for a period of at least two years, though gas production from the formation continued during that period. This loss of production is unexplained. The product unaccounted for by Burlington for the year 1995 alone represents 100 to 125 percent of the volume of free product currently estimated to underlie the site.

32. The combination unit separators owned and operated by Burlington have at least a 99 percent efficiency rate. This means that the separators remove over 99 percent of any free product from the natural gas piped to PNM's dehydration equipment. Under these circumstances, very little free product would ever reach PNM's dehydrators. The dehydrators were designed and operated so that if carryover hydrocarbons were received from upstream operations, the dehydrator sensing element would detect the carryover and would shut in the well. Indeed, the operational history gathered concerning PNM's dehydrators suggests that they were working well. Field personnel indicated that, on occasion, the well would be found to have been shut in, so the sensing element was operating properly to prevent carryover of hydrocarbons into the dehydrator and thus into the discharge pits. Also, no excessive glycol loss or other operational problems with the dehydrators were noted, indicating that the dehydrators neither received nor discharged significant amounts of free product. If significant amounts of free product had gone to the dehydrators due to a malfunction of Burlington's equipment and subsequent malfunction of the sensing element on the dehydrator, significant loss of glycol and other loss of function would have resulted. Because there was no significant loss of glycol or other major

dehydrator operational problems noted, it is reasonable to conclude that the dehydrators were working properly and that little free product was discharged to the pit through the dehydrator.

33. Using data concerning hydrocarbon production from the Hampton 4M well, together with information concerning the relative efficiencies of the separators and volatilization of the free product, PNM was also able to calculate the maximum amount of free product which could have been discharged to its former pit. These calculations show that a maximum of 523 gallons of free product would have been discharged into PNM's pit during the entire existence of the unlined pit. This figure represents the maximum amount of product that could have possibly entered the pit as contrasted with the maximum possible amount that could have entered the ground water. The amount that could have entered the ground water would be significantly less than this amount. As large amounts of free product were never observed in the pit, any hydrocarbons that were released to the pit would have been released slowly, over a long period of time, and soils in and underlying the pit would have absorbed the free product before it could reach the ground water. Other natural processes would also have served to begin the breakdown of the hydrocarbons before it reached groundwater. All of this data suggest that free product could not have come through PNM's pit, migrated through the soil column and ended up as more than four feet of free product in the ground water. PNM did not handle sufficient volume of product through its dehydration pit to result in such contamination.

34. PNM maintains that even if it were determined that PNM somehow contributed to the presence of free product at the Hampton 4M site, it has already recovered

well in excess of any amounts that it could have possibly introduced to the ground water. As noted above, the maximum amount of free product that could possibly have been discharged by PNM is approximately 500 gallons. Up to the time when PNM's recovery well was removed by Burlington, PNM had recovered in excess of 1,100 gallons of free product from the site.

35. As noted above, PNM is no longer owner of the gathering system and dehydration equipment associated with Hampton 4M. The subject system and equipment was sold to Williams on June 30, 1995. At the time that pit remediation was commenced at the Hampton 4M site, PNM no longer owned or operated any facilities at the site. To the extent that any contamination occurred at the former pit location at the Hampton 4M site after June 30, 1995, such contamination is not the responsibility of PNM.

36. Pursuant to OCD practice and internal policy, prior owners or operators of a facility are not regarded as the "responsible person" for purposes imposing liability for abatement of contamination at natural gas well sites. Therefore, under the OCD's practice and internal policy, PNM, as a former operator, is not a "responsible person" for purposes of any required activities in the vicinity of the Hampton 4M.

37. PNM filed a timely application for appeal of the OCD's Final Determination on April 13, 1998. A hearing was held before Hearing Examiner Mark Ashley on November 19 and 20, 1998 in Santa Fe, New Mexico. Appearing at the hearing were PNM, the OCD and Burlington.

38. On February 5, 1999, the Hearing Examiner issued his Order which was adopted by the Division Director. A true and correct copy of the Order is attached as

Exhibit "B". The Order modified the OCD's Final Determination in several respects. The Order concluded that both PNM and Burlington had contributed to free phase contamination under the Hampton 4M well pad. The Order determined that PNM was responsible for any soil contamination on the north side of the previous OCD line of demarcation on the well pad. The Order further determined that Burlington was responsible for any soil and groundwater contamination on the south side of the OCD line of demarcation. As to any groundwater contamination on the north side of the OCD line of demarcation, the Hearing Examiner ruled that PNM and Burlington were jointly responsible for such contamination. PNM and Burlington were directed to submit proposed remediation plans within 60 days of the Order. PNM was assigned primary responsibility for any required reporting.

39. PNM is seeking a *de novo* review of the Order by the Oil Conservation Commission ("OCC") pursuant to 19 NMAC 15 § 1220. PNM seeks a determination by the OCD that PNM has completed all remediation activities relating to its former unlined pit and has no further responsibility for the remediation of any soil contamination, free product contamination and the associated dissolved phase hydrocarbons at and in the vicinity of the Hampton 4M well site.

40. The bases for the relief sought by PNM in this application are as follows: 1) PNM's former unlined pit is not the source for any free phase product in the groundwater under the site; 2) the data show that the free phase product underlying the Hampton 4M well pad originated at a release point or points upgradient of PNM's former dehydration pit; 3) PNM is not the owner of any free product under the site; 4) to the extent that free

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product may have been discharged into PNM's former unlined pit it was the result of operational or mechanical failure of Burlington's upgradient equipment and operations; 5) PNM has already recovered more free product from the ground water than could have possibly been discharged into its former unlined pit under any reasonable scenario; 6) all soil contamination underlying PNM's former unlined pit that was potentially a result of discharges from PNM operations was removed, and any additional contamination that has occurred in the area has been conveyed there from upgradient release points/sources and/or from discharges from equipment that is not owned, operated, or controlled by PNM; and 7) the OCD has no authority to require PNM to submit a remediation plan as PNM has already submitted and received approval of its Closure Plan and Groundwater Management Program.

41. Based upon the foregoing, PNM respectfully requests that the OCC grant the following relief:

- a. Schedule a *de novo* hearing before the OCC to consider PNM's application in this matter;
- b. Stay the OCD Order pending a determination by the OCC on PNM's application;
- c. Declare that all soil contamination in the area of PNM's former pit has been remediated and that PNM shall have no further responsibility for soil contamination at the site;

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- d. Declare that PNM is not a responsible party for any free product underlying the Hampton 4M site or for the associated dissolved phase product in the vicinity of the site;
- e. Grant PNM closure for its former unlined pit at the Hampton 4M site and relieve PNM of any further responsibility for investigation and remediation at this site
- f. Grant such other relief as the OCD deems proper.

Respectfully submitted,

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BY


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

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

APPLICATION OF PUBLIC SERVICE COMPANY
OF NEW MEXICO FOR *DE NOVO* HEARING ON
ORDER NO. R-11134 ISSUED BY THE NEW
MEXICO OIL CONSERVATION DIVISION IN
OCD CASE NO. 12,033

CASE NO. _____

CERTIFICATE OF SERVICE

THIS WILL CERTIFY that a true and correct copy of the Application and Request for Hearing of Public Service Company of New Mexico for Review of a Final Determination by the New Mexico Oil Conservation Division was mailed, this 13th day of April, to the following:

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