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September 25, 1998

Via Facsimile (505) 827-7177

Rand Carroll
NM Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505-5472

**Re: Burlington Hampton 4M Well - OCD Letter Directive
Dated September 1, 1998**

Dear Mr. Carroll:

I am writing to follow up to our telephone conversation yesterday concerning the OCD's letter dated September 1, 1998 to Public Service Company of New Mexico ("PNM") directing PNM to undertake an investigation of groundwater impacts down gradient from the Hampton 4M well site. We understand that a letter with a similar directive was sent to Burlington Resources ("Burlington") as well. As discussed, representatives from PNM and Burlington have met to discuss the OCD's directives. PNM and Burlington have tentatively agreed to cooperate with regard to the installation of a down gradient monitoring well. However, PNM is concerned that by not appealing the OCD directive in the September 1, 1998 letter, it could be somehow argued that PNM has waived its rights under its current appeal and its right to appeal the OCD's determination that PNM is responsible for the down gradient contamination.

Accordingly, PNM requests written assurance from the OCD that if it undertakes the installation of the additional monitoring well in cooperation with Burlington, that PNM will not be deemed to have in any way waived any rights with respect to the pending appeal, or waived any future right to challenge the OCD's determination that PNM is responsible for the down gradient contamination. If such written assurance is not forthcoming from the OCD, PNM is faced with the prospect of having to appeal the directive in the OCD's letter of September 1, 1998.

In order to assure that PNM preserves its rights of appeal, PNM anticipates filing an appeal to the September 1, 1998 directive on or before September 30, 1998. Therefore, we would appreciate written assurance from the OCD before that

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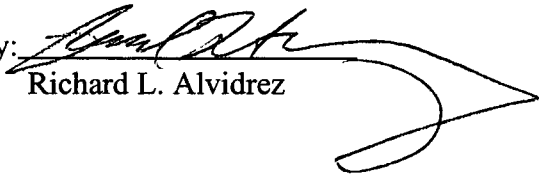
date confirming that PNM will not be waiving any rights under the pending appeal, or its right to challenge the OCD's determination that PNM is a responsible party for the down gradient contamination.

We appreciate your attention to this matter. If you have any questions concerning any of the foregoing, please do not hesitate to call.

Very truly yours,

KELEHER & McLEOD, P.A.

By:


Richard L. Alvidrez

RLA:sp
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