Hampton 4M Synopsis

Public Service Company of New Mexico (PNM) formerly owned and operated the gathering system and natural gas dehydration equipment located downstream and downgradient of the Hampton 4M wellhead and associated equipment. The dehydration equipment was and is used to dehydrate natural gas as an accommodation for Burlington (producer). The dehydration equipment is now owned and operated by Williams (since June 30, 1995). Any releases occurring after the June 30, 1995 sale date would be indemnified by Williams.

It is PNM's contention that free product, regardless of where it occurs, is the property of the producer. PNM's dehydration equipment was not meant to handle free product, and any free product recovered after moving through PNM's equipment was typically collected and managed by the producer. We feel that the producer's ownership of free product should therefore also extend to free phase hydrocarbons released to the subsurface environment.

In early 1996, PNM remediated approximately 300 cubic yards of hydrocarbon-contaminated soil associated with a former PNM dehydration pit (unlined surface impoundment) located downgradient from the Hampton 4M. At the time of pit closure, groundwater was encountered at 28 feet below surface and an approximate 2-inch layer of free phase hydrocarbons was encountered. Free phase hydrocarbons accumulated to approximately 4.4 feet in thickness. PNM installed a free product recovery system in November 1997 and initiated free phase hydrocarbon recovery in January 1998.

In the meantime, the producer (Burlington) has undertaken its own investigation and remediation activities. Based on analysis of data presented by Burlington, despite having excavated soils to a level of 15 feet, contaminated soils documented at 15 to 16 feet remain in place as a continuing source of hydrocarbons to downgradient locations. Most recently, additional significant free phase hydrocarbons have been discovered at newly installed monitoring well locations upgradient of PNM's former pit and product recovery system, further substantiating the presence of significant free phase hydrocarbons associated with activities and equipment attributed to the producer.

Located in a highly dissected canyon, surface topographic and groundwater gradients are fairly steep (0.010 ft/ft). This is a high energy environment with impetus for contaminants to move quickly downgradient. Additional site features include a hydrocarbon seep at the edge of the wellpad with obvious surficial soil contamination, stressed vegetation. An accompanying dissolved phase plume extends at least 800 feet offsite and potentially impacts property owned by a third party.

The New Mexico Oil Conservation Division (the regulatory agency with jurisdiction in matters of soil and groundwater remediation associated with the oil and gas industry in New Mexico) had initially drawn a "line in the sand" indicating that PNM is responsible for downgradient free product and groundwater contamination. NMOCD issued a letter requiring PNM to take further remedial actions to mitigate downgradient groundwater contaminant migration by performing additional source and free product removal in the vicinity of the former PNM dehydration pit. This letter was issued on March 13, 1998. As the real source of free phase hydrocarbons is located upgradient of the "line in the sand", PNM was placed in an untenable position of trying to remediate a release as a bandaid against a continuing unmanaged, upgradient source. Without investigation and remediation of the real sources of hydrocarbon contamination, interim remediation by PNM stands little chance of success. Therefore, PNM requested a hearing with the New Mexico Oil Conservation Commission (presently scheduled for August 20 and 21, 1998 in Santa Fe, New Mexico).

Most other groundwater-impacted sites identified by PNM have had only dissolved phase groundwater contamination. Where present, and following source removal (pit excavation and soil treatment), dissolved phase groundwater has typically been managed by documenting natural attenuation and seeking regulatory

approval for closure within one to two years. Sites with free product are almost always associated with a concomitant release by the upstream producer.

PNM is not only attempting to get relief from primary responsibility for groundwater and free product remediation at the Hampton 4M site, but is also attempting to set regulatory precedent by demonstrating that any site with free product contamination is by default the primary responsibility of the producer.

Lines of evidence:

1. Operation of gas production and gathering systems and prior responsibility for produced liquids. The producer has ownership of free product topside - we wish to extend this to the subsurface. (all sites)
2. Free product recovery has not made a significant dent in product levels suggesting current continuing and/or intermittent sources of product. (Hampton 4M)
3. Similarities in free product to product from tanks and separators onsite. (Hampton 4M)
4. Age determination for free product - target release dates if possible (Hampton 4M)
5. Presence of significant free product at upgradient locations (typical sites & Hampton 4M)
6. PNM is not the current operator and is therefore not a responsible person for liability purposes

Available Data:

1. Free product fuel fingerprinting
2. Site maps showing locations of fuel sampling, product tanks, wellhead equipment, and process lines
3. Groundwater sampling data - PNM and Burlington
4. Soil sampling data - PNM and Burlington
5. Free product recovery and free product thickness data - PNM and Burlington

Please provide:

1. Evaluation of free product fuel fingerprinting information
2. Recommendations for additional data collection (expedited turnaround can be obtained)- an upcoming quarterly sampling event is scheduled for July 1998 (hearing is not until August 20th)
3. Estimate of time and costs associated with technical support for the NMOCC Hearing

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12033 Exhibit No. 1

Submitted by: Burlington Resources Oil & Gas Company

Hearing Date: November 19, 1998