

BURLINGTON RESOURCES

SAN JUAN DIVISION

October 2, 1998

Ms. Maureen Gannon
Public Service Company of New Mexico
Alvarado Square, MS 0408
Albuquerque, NM 87158

**RE: Letter Agreement - Additional Downgradient Well
Hampton 4M Well Site**

Dear Ms. Gannon:

This letter is to inform you that Burlington Resources (BR) does not agree with the draft letter agreement that Public Service Company of New Mexico (PNM) provided us on September 30, 1998. BR does not feel the oversight by Mission Research is necessary and will not pay for these services.

BR will not sign the letter agreement as written, but plans to proceed at our own expense with the scheduled downgradient well installation on Monday, October 5, 1998. PNM is invited to participate by providing a representative at their own expense.

If you have questions or additional information is needed, please contact me at (505) 326-9841.

Sincerely,



Ed Hasely
Sr. Staff Environmental Representative

cc: John Bemis - BR
Bruce Gantner - BR
Johnny Ellis - BR

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 12033 Exhibit No. 3

Submitted by: Burlington Resources Oil & Gas Company

Hearing Date: November 19, 1998



Company _____
 Alvarado Square _____
 Department/Division _____
 MS 0408 _____
 Address _____
 Albuquerque, NM 87158 _____
 City State Zip Code

DATE: 9/30/98

TO: Ed Hasely, Burlington Resources

FAX TELEPHONE NO. (505) 326 9725

FROM: Maureen Gannon

TELEPHONE NO. 241 2974 FAX TELEPHONE No. (505) 241-2340

NUMBER OF PAGES BEING TRANSMITTED INCLUDING COVER SHEET: 3

MESSAGE: DRAFT LETTER AGREEMENT FOR WELL INSTALLATION
NEAR HAMPTON 4M. WE ARE STILL TENTATIVELY
SCHEDULED FOR MON OCT 5th (OR POSSIBLY TUES
IF NECESSARY) PLEASE REVIEW & CALL ME 2412974

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Draft

September 30, 1998

Mr. Ed Hasely
Burlington Resources
3535 E. 30th St.
Farmington, New Mexico 87402-8801

RE: LETTER AGREEMENT- ADDITIONAL DOWNGRAIENT WELL AT THE HAMPTON 4M WELL SITE

Dear Ed:

As discussed and approved in a meeting between Public Service Company of New Mexico (PNM) and Burlington Resources (BR) on Thursday, September 17, 1998, PNM herein submits a letter agreement between PNM and BR to install a downgradient well at the Hampton 4M well site. The purpose of this work is to respond to a letter dated September 1, 1998, from William Olson, OCD, to both PNM and BR instructing the companies to conduct additional investigations to determine the complete downgradient extent of groundwater contamination at the site. In this letter, the OCD requested that PNM and BR cooperatively work together on the investigation. Both companies recognize that, in all likelihood, it is not possible to conduct a complete downgradient investigation by the deadline of October 20, 1998. However, PNM and BR are willing to attempt to further define downgradient contamination through the installation of one downgradient well. In order to conduct a joint effort, PNM and BR have established the following arrangement:

- PNM will contact and obtain approval from the appropriate third-party property owners to gain access to install the new groundwater monitoring well.
- PNM will contract with Mission Research (Albuquerque) to provide oversight and Phillip Services Corporation (Farmington) to install one groundwater monitoring well downgradient of MW-7 (currently the furthest downgradient well from the Hampton 4M well site). PNM and BR will work together to select the location of the well.
- PNM will contract with a reputable environmental firm to conduct sampling of (1) the water well located to the northeast of the Hampton 4M well site on Dr. Everett's land and (2) the newly installed downgradient groundwater monitoring well.
- PNM will invoice BR. BR agrees to pay within 30 days all contractor expenses incurred during the well installation and subsequent well sampling. This includes the following:
 1. Costs associated with acquiring access to third-party property owners and costs resulting from the clearing brush and vegetation (with landowner permission).
 2. Well drilling costs including a hollow-stem auger rig, well supply materials, driller, driller's helper and on site geologist.
 3. Sampling costs (labor and materials) incurred during groundwater sampling of (1) the water well located to the northeast of the Hampton 4M on Dr. Everett's property and (2) the new installed downgradient monitoring well.

Draft

Mr. E. Hasely
09/30/98
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- 4. Analytical laboratory costs for analysis of BTEX in groundwater samples (1 sample + 1 duplicate) from the water well and BTEX, WQCC metals and water quality parameters in groundwater samples {1 sample (+ 1 duplicate for BTEX only) per each parameter} from the downgradient well.
 - 5. Contract groundwater hydrologist costs (Mission Research) related to well installation oversight, and the interpretation of data and results of this most recent investigation.
- Maureen Gannon, PNM, and Ed Hasely, BR, will prepare a joint report to the OCD for submittal on or before October 20, 1998.

This agreement is effective the date upon which signature by a duly authorized PNM and a BR representative occurs. PNM agrees to commence work as soon as practicable to ensure completion of field activities and reporting to OCD in the mandated timeframe. This agreement is contingent upon the parties acquiring the access necessary from any third party to conduct the work specified hereinabove.

Nothing in this letter agreement shall be construed as an admission of liability of any kind or responsibility for any contamination at or in the vicinity of the Hampton 4M well site. The parties expressly reserve all rights to any pending appeal and the right to appeal any further directives of the OCD. Furthermore, this letter agreement shall not be deemed a waiver of any rights or a release of any liabilities except as to those costs incurred with work specified under this letter agreement.

For PNM

By _____

Name/Title

Date

For Burlington Resources

By _____

Name/Title

Date

- cc: Colin Adams, PNM
 Ric Alvidrez, Keleher & McLeod
 Bruce Gantner, BR
 Ed Hasely, BR
 Toni Ristau, PNM
 Bill von Drehle, WFS