

HITP - 040

**TEMPORARY
PERMISSION
2013-2014**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



August 6, 2013

Mr. William Green
Holly Energy Partners Operating LP
PO Box 1260
Artesia, New Mexico 88210

**Re: Hydrostatic Test Individual Temporary Permission HITP-040
Holly Energy Partners Operating LP
Beeson Station Pipeline Project
Location: Unit D of Section 3, Township 18 South, Range 30 East, NMPM,
Eddy County, New Mexico**

Dear Mr. Green:

The Oil Conservation Division (OCD) has received Holly Energy Partners Operating LP's (HEP) notice of intent, dated August 5, 2013 and received by OCD on August 6, 2013, for authorization to temporarily store approximately 107,730 gallons of wastewater generated from a hydrostatic test of 24,209 feet of new 10-inch crude oil gathering pipeline system, located approximately 2.7 miles southeast of the Village of Loco Hills, New Mexico. The proposed collection location is within HEP's Beeson Crude Oil Pump Station easement in Unit D of Section 3, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. No surface discharge is proposed by HEP. The hydrostatic test wastewater will be discharged into frac tanks for temporary storage, transferred from the tanks to an OCD approved C-133 hauler, and delivered to Basic Energy Services, LP's Class II injection well for injection and disposal. OCD acknowledges the receipt of the filing fee (\$100.00) and the temporary permission fee (\$150.00) from a submittal dated August 5, 2013.

Based on the information provided in the request, temporary permission is hereby granted for the collection, retention, and disposal of the hydrostatic test wastewater generated from the pipeline test with the following understandings and conditions:

1. HEP will be testing approximately 24,209 feet of new 10-inch crude oil gathering pipeline system, located approximately 2.7 miles southeast of the Village of Loco Hills, New Mexico;
2. HEP shall ensure no discharge will occur at the hydrostatic test wastewater collection/discharge location: within HEP's Beeson Crude Oil Pump Station easement in

Unit D of Section 3, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico;

3. HEP acquired the hydrostatic test water from the following source: Mor-West Corporation (NM #3500113) from the Village of Loco Hills, New Mexico;
4. HEP generated approximately 111,943 gallons of hydrostatic test wastewater from the test event that has been slowly discharged via a system of flexible hoses and temporary piping into six (6) 500 barrel frac tanks for temporary storage, while awaiting transfer, injection and disposal at Basic Energy Services, LP's Class II injection well (API# 30-015-32438/SWD Order #1340);
5. HEP shall ensure that the temporary storage tanks shall have impermeable secondary containment (e.g., liners - geomembrane and berms – hay bales or a secondary containment tank), which will contain a volume of at least one-third greater than the total volume of the largest tank or one-third greater than the total volume of all tanks that are inter-connected, whichever is greater;
6. HEP will have personnel on-site to oversee and control the transfer and utilize collection pans placed below the collection points to prevent an unauthorized release;
7. HEP will not discharge any hydrostatic test wastewater generated from the test event to the ground or within the easement right-of-way;
8. HEP will not be analyzing the hydrostatic test wastewater because of the following: there will be no discharge the wastewater to the surface or surface water; the wastewater has been demonstrated to be RCRA exempt waste and the proposal is to transfer the wastewater to Basic Energy Services, LP's Class II injection well (API# 30-015-32438/SWD Order #1340) for injection and disposal;
9. HEP will ensure the transfer the hydrostatic test wastewater via an OCD approved C-133 water hauler to Basic Energy Services, LP's Class II injection well (API# 30-015-32438/SWD Order #1340) for injection and disposal;
10. HEP shall remove all hydrostatic test wastewater from the collection/retention location within ten (10) calendar days of this approval;
11. HEP shall restore any surface area impacted or disturb from the approved activities;
12. HEP shall implement best management practices to prevent unauthorized releases during the transfer/collection activities;
13. HEP shall ensure that the transfer/collection activities do not cause any fresh water supplies to be degraded or to exceed standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC (the New Mexico Water Quality Control Commission Regulations);

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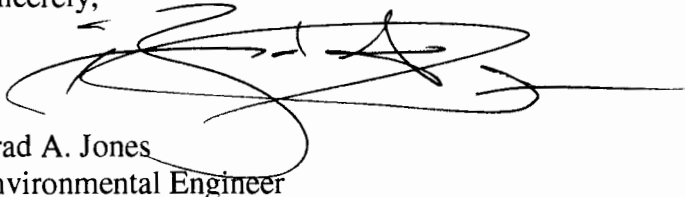
14. HEP must properly notify the landowner(s) of the proposed collection/retention of the approved activities prior to the hydrostatic test event; and
15. HEP shall report all unauthorized discharges, spills, leaks and releases of hydrostatic test water and conduct corrective action pursuant to OCD Rule 29 (19.15.29 NMAC).

It is understood that the hydrostatic test wastewater removal will begin as soon as possible. This temporary permission will expire within 120 calendar days of its issue date. Temporary permission may be revoked or suspended for violation of any applicable provisions and/or conditions.

Please be advised that approval of this request does not relieve HEP of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve HEP of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If there are any questions regarding this matter, please do not hesitate to contact me at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad A. Jones', with a long horizontal line extending to the right.

Brad A. Jones
Environmental Engineer

BAJ/baj

Cc: OCD District II Office, Artesia