GW - 356

GENERAL CORRESPONDENCE

YEAR(S):

2004 - 2006

Price, Wayne, EMNRD

From: Price, Wayne, EMNRD
Sent: Wednesday, September 20, 2006 7:49 AM
To: 'rfox@bhgen.com'
Subject: RE: Document retention of Discharge Permits as required by New Mexico Oil Conservation Division

OCD hereby agrees.

From: rfox@bhgen.com [mailto:rfox@bhgen.com]
Sent: Tuesday, September 19, 2006 7:36 PM
To: Price, Wayne, EMNRD
Cc: fcarl@bh-corp.com; astulken@bh-corp.com
Subject: Document retention of Discharge Permits as required by New Mexico Oil Conservation Division

Wayne,

Thanks for taking a few minutes with me and discussing the requirements for document retention of Discharge Permits as required by the New Mexico Oil Conservation Division. As I mentioned to you, Black Hills Gas Resources has Discharge Permits at two of its New Mexico Facilities: Espinosa Canyon Amine Plant and Gavilan Compressor Station. Based on our conversation, you stated that Black Hills is not required to maintain hard copies of these permits (along with any relevant correspondence) at these two facilities. At the Espinosa Plant, Black Hills will maintain electronic copies on its computer system which will be readily accessible for field inspections. At our unmanned Gavilan Station, we do not store hard copy records or electronic files. The records for the Gavilan Station are electronically stored in our Golden, Colorado and Rapid City, South Dakota corporate offices. You stated that the document retention situation for both facilities is acceptable to the New Mexico Oil Conservation Division.

Thank you again for your help in this matter.

Randy Fox
Black Hills Energy
350 Indiana Street, Suite 400
Golden, Colorado 80401
720-210-1334 (direct)
303-909-9589 (cell)
303-568-3261 (fax)
rfox@bhenergy.com

GW-356

GW-132

AFFIDAVIT OF PUBLICATION

Ad No. 51791

STATE OF NEW MEXICO
County of San Juan:

CONNIE PRUITT, being duly sworn says: That she is the ADVERTISING MANAGER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Tuesday, June 7, 2005.

And the cost of the publication is $62.46.

Connie Pruitt

ON 6/14/05 CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

Wynell Corey

My Commission Expires November 17, 2008.

COPY OF PUBLICATION

918 Legals

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to the New Mexico Water Quality Control Commission Regulations, the following discharge permit application has been submitted to the Director of the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(GW-356) – Black Hills Exploration and Production, Inc., Mr. Randy Fox, 350 Indiana Street, Suite 400, Golden, Colorado 80401, (720) 210-1334, has submitted a discharge permit application for the Espinosa Canyon Gas Plant located in the NW/4 NE/4 of Section 13, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. Approximately 500 gallons of liquid Thermal Oxidizer waste per year is collected in an above ground steel tank prior to transport off-site to an OCD approved disposal facility. The discharge permit addresses how oilfield products and waste will be properly handled, stored and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water. Ground water most likely to be affected in the event of an accidental discharge is at a depth of approximately 250 feet with a total dissolved solids concentration ranging from approximately 200 to 2000 mg/l.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on ony proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted to him and public hearing may be requested by any interested person. Request for public hearing shall set forth the reosons why a hearing shall be held. A hearing will be held if the director determines that there is significant public interest.

If no hearing is held, the Director will approve or disapprove the permit based on the information available. If a public hearing is held, the Director will approve the permit based on the information in the permit and information presented at the hearing.

GIVEN under the Seal of New Mexico Conservation Commission at Santa Fe, New Mexico, on this 23rd day of May 2005.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL

MARK FEISMIRE, P.E., Director

Legal No. 51791 published in The Daily Times, Farmington, New Mexico on Tuesday, June 07, 2005.a

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to the New Mexico Water Quality Control Commission Regulations, the following discharge plan application has been submitted to the Director of the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(GW-202) – Pro-Kem, Inc., Gerald Phillips, P.O. Box 1506, Lovington, New Mexico 88260, has submitted a discharge permit renewal application for their Artesia facility located in the SE/4 NW/4 of Section 15, Township 16 South, Range 36 East, Lea County, New Mexico. All effluents that may be generated at the facility will be collected in a closed top tank prior to transport off-site to an OCD approved off-site disposal facility. The discharge permit addresses how oilfield products and waste will be properly handled, stored and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water. Groundwater most likely to be affected by an accidental discharge is at a depth of approximately 60 feet with a total dissolved solids concentrations ranging from approximately 100 mg/l to 200 mg/l.

(GW-356) – Black Hills Exploration and Production, Inc., Mr. Randy Fox, 350 Indiana Street, Suite 400, Golden, Colorado 80401, (720) 210-1334, has submitted a discharge permit application for the Espinosa Canyon Gas Plant located in the NW/4 NE/4 of Section 13, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. Approximately 500 gallons of liquid Thermal Oxidizer waste per year is collected in an above ground steel tank prior to transport off-site to an OCD approved disposal facility. The discharge permit addresses how oilfield products and waste will be properly handled, stored and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water. Ground water most likely to be affected in the event of an accidental discharge is at a depth of approximately 250 feet with a total dissolved solids concentration ranging from approximately 200 to 2000 mg/l.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge plan application may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on any proposed discharge plan or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted to him and public hearing may be requested by any interested person. Request for public hearing shall set forth the reasons why a hearing shall be held.

A hearing will be held if the director determines that there is significant public interest.

If no hearing is held, the Director will approve or disapprove the plan based on the information available. If a public hearing is held, the Director will approve the plan based on the information in the plan and information presented at the hearing.

GIVEN under the Seal of New Mexico Conservation Commission at Santa Fe, New Mexico, on this 23rd day of May 2005.

STATE OF
NEW MEXICO
OIL CONSERVATION
DIVISION

SEAL

MARK FEISMIER, P.E.,
Director

Legal #77219
Pub. June 7, 2005

Randy Fox
Environmental Engineer
E-mail rfox@bhenergy.com

350 Indiana St., Suite 400
Golden, Colorado 80401
P (720) 210-1334
F (720) 210-1361

April 12, 2006

W. Jack Ford, C.P.G.
Environmental Bureau
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Minor Modification and Updated Information for
Discharge Permit GW-356
Espinosa Canyon Amine Plant
Black Hills Cabresto Pipeline, LLC (wholly owned subsidiary of Black Hills Exploration and Production, Inc.)

Dear Mr. Ford:

As we discussed in our telephone conversation on March 8, 2006, Black Hills Cabresto Pipeline, LLC submits to the Oil Conservation Division the following updated information concerning Discharge Permit GW-356 for the Espinosa Canyon Amine Plant:

- The name of the facility is "Espinosa Canyon Amine Plant". The original permit lists the site name as "Espinosa Canyon Gas Pant".
- The plant is owned by Black Hills Cabresto Pipeline, LLC (which is a wholly owned subsidiary of Black Hills Exploration and Production, Inc.) – this information was sent to Roger Anderson in an October 20, 2004 letter.
- The equipment list has been updated to address the addition of three proposed compressor engines – see attachment
- The list of tanks has been updated since a few of the tanks have volume capacities that are different from those listed in the original permit application – see attachment
- The process description has been updated to address the addition of three proposed compressor engines – see attachment
- The process flow diagram has been updated – see attachment
- The site diagram (plot plant) has been updated – see attachment

Black Hills Cabresto Pipeline, LLC feels that these changes constitute a minor modification to the discharge permit and do not require the submittal of a formal application to modify the permit.

If you have any questions, please contact me at 720-210-1334 (office) or 303-909-9589 (cell).

Sincerely,

Randy Fox
Black Hills Energy

Attachments

cc: Fred Carl, Black Hills Energy
Lynn Benally, Black Hills Exploration and Production

Updated Equipment List for Espinosa Canyon Amine Plant
Discharge Permit GW-356

Updated Equipment List

The following table lists the major process equipment at the Espinosa Canyon Amine Plant. It includes both existing equipment and equipment to be added in the near future. An update list of tanks can be found in the next attachment.

Permit Equip#	Description	Manufacturer	Model #	Equipment Serial #
C-101	Compressor engine	Caterpillar	G3516	4EK00311
C-201	Compressor engine	Caterpillar	G3516	4EK01857
C-301	Compressor engine	Caterpillar	G3516	4EK01954
C-401	Compressor engine (to be installed in the future)	Caterpillar	G3516	Not available
C-501	Compressor engine (to be installed in the future)	Caterpillar	G3516	Not available
C-601	Compressor engine (to be installed in the future)	Caterpillar	G3516	Not available
TO-101	Acid gas thermal oxidizer	MRW	-	080404-02
R-101	Amine reboiler	QB Johnson	5 gpm amine skid	Glycol Unit is one Serial Number - 474104
R-102A	Glycol still vent	QB Johnson	-	Glycol Unit is one Serial Number - 474104
R-102B	Glycol reboiler	QB Johnson	375,000 btu/hr	474104
G-101	Diesel generator	Ford	G75F3S	04XS24349
G-102	Electrical generator	Perkins	D50P3S	U521595J

Updated List of Tanks for Espinosa Canyon Amine Plant
Discharge Permit GW-356

Updated Tank List

The following table lists the tanks at the Espinosa Canyon Amine Plant.

Storage Tanks at Espinosa Canyon Amine Plant

Current Tank Designation	Description	Size	Above ground or Underground
TK-101	Glycol Drain	500 gal	Underground
TK-102	Amine Drain	500 gal	Underground
TK-103	Condensate Storage	8,000 gal	Aboveground
TK-104	Amine Storage	6,000 gal	Aboveground
TK-105	Deionized Water Storage	6,000 gal	Aboveground
TK-106	HC Drain	500 gal	Underground
TK-107	Glycol Storage	1000 gal	Aboveground
TK-108	Potable Water	100 barrel (4,200 gal)	Aboveground
TK-109	Lube Oil	500 gal	Underground

Updated Process Description for Espinosa Canyon Amine Plant
Discharge Permit GW-356

Updated Process Description

Compression

Currently, the Espinosa Canyon Amine Plant operates 3 compressors and receives from the gathering system 8 to15 million standard cubic feet per day (MMscfd) of natural gas at a pressure of approximately 15 to 20 pounds per square inch gauge (psig). Black Hills Cabresto Pipeline, LLC (Black Hills), the owner and operator of the plant, will be adding 3 compressors to the existing facility in the near future, thus increasing the number of compressors from 3 to 6. As a result of this modification, the facility will be able to receive 25 to 30 MMSFD of natural gas.

The natural gas contains hydrogen sulfide (H_2S) at a concentration near or below 250 parts per million (ppm) and carbon dioxide (CO_2) below 3% concentration. This inlet gas passes through a separator to remove entrained water and possibly some condensed hydrocarbons. These liquids are sent to storage tanks (sour water storage tanks).

The gas then enters a manifold where it is distributed to six engine driven compressors, each capable of handling approximately 5 MMscfd of gas. Each compressor boosts the pressure of the gas from inlet conditions (15 to 20 psig) to 500 psig. The engines from these compressors release air emissions (existing emission units C-101, C-201, and C-301; and proposed emission units C-401, C-501, and C-601). Four emission units (C-101, C-201, C-301, and C-401) will receive "sour gas" (a natural gas stream that contains elevated levels of H_2S or CO_2). Two emission units (C-501 and C-601) will receive "sweet gas" (a natural gas stream that does not contain these elevated levels.) The "sour gas" is routed to the amine unit for H_2S or CO_2 removal. The "sweet gas" bypasses the amine unit and is routed directly to the dehydrator.

These compressors have three stages of compression, inter stage cooling, and after stage cooling. Between each stage, liquids are condensed, separated, and sent to hydrocarbon drain tanks (TK-106). The pressurized natural gas then passes through a filter coalescer to remove water and trace amounts of lubricating oil.

Amine Treating

The pressurized "sour gas" is then contacted by an amine and water solution through a column of trays. The amine absorbs the H_2S and CO_2 contained in the gas. The amine mixture stays in the amine treating process. The rest of the gas ("treated sweet gas") leaves this contactor and is sent to the dehydration process with an H_2S concentration below 4 ppm.

The amine mixture, now separated from the "treated sweet gas", consists of amine that is chemically bound to the H_2S and CO_2 and is referred to as rich amine. The rich amine enters a flash vessel, where its pressure is reduced to approximately 80 psig. The rich amine is heated by cross exchange with hot, lean amine (amine that is free of H_2S and CO_2) and fed to an amine still, comprising a second column of trays. The amine enters at the top of the column and drops through the trays. Steam is produced at the bottom of the column by circulating amine through a fired amine reboiler (emission unit R-101). This steam moves through the trays and acts to liberate the H_2S and CO_2 from the rich amine. The purified amine (lean amine) leaves the bottom of the still and is pumped through the rich/lean heat exchanger and then through an air cooler and reduced in temperature to below 115 ^{o}F. It is then filtered and passed through a charcoal bed for removal of hydrocarbons. It is then boosted in pressure to 500 psig in another pump and recirculated back to the contactor.

The remaining gas stream consists of H_2S, CO_2, methane, and water vapor liberated from the rich amine and is referred to as acid gas. The acid gas leaves the top of the amine still and passes through an air cooler. It then enters a reflux drum where condensed water is removed. This water is recycled back to the top of the still as reflux via reflux pumps.

The acid gas is sent to a secondary knockout vessel. This vessel captures any residual amine still entrained in the acid gas. The acid gas is then routed to the acid gas thermal oxidizer for disposal.

The acid gas thermal oxidizer (emission unit TO-101) heats the acid gas (along with some rich amine vent gas and the vent stream from the storage tanks). The H_2S in this mixed gas stream is converted to sulfur dioxide (SO_2) and released in a vent. Volatile organic compounds (VOCs) and other compounds are also released. The acid gas thermal oxidizer requires supplemental fuel to ensure that the Btu content of the vent streams is sufficient for proper combustion.

Dehydration

The "treated sweet gas" leaves the amine contactor and passes through a knockout vessel for removal of entrained amine. It is mixed with "sweet gas" from compressors C-501 and C-601 that bypasses the amine unit. This mixture is then sent to the glycol contactor, which is a trayed column. In this vessel, triethylene glycol (TEG) is used to reduce the moisture content of the sweet gas to less than 7 pounds of water (H_2O) per million standard cubic feet of gas (lb/MMscf). The TEG leaves the contactor and is sent to a glycol regenerator. The glycol regenerator contains a glycol reboiler (emission unit R-102B), which is a direct-fired vessel used to heat the glycol and liberate the water.

The water vapor produced from the glycol regenerator is cooled against rich glycol from the contactor before venting to atmosphere (emission unit R-102A). It contains water and some hydrocarbons (including benzene, toluene, ethyl benzene, and xylene [BTEX]).

Ancillary Systems

The plant has the following ancillary systems to support the primary processes of compression, amine treating, and glycol dehydration.

Fuel and Instrument Air Systems

The purified natural gas from the plant is used to supply fuel to the reboilers, compressors, control building, and thermal oxidizer (temperature control). This system consists of a knockout vessel to remove liquids and pressure regulators to control pressure of the distribution headers. The instrument air system contains an air compressor and pressure regulators for operation of plant instrumentation and control valves.

Generators

The plant will be powered by a primary electrical generator engine fueled by natural gas (emission unit G-101). The backup power source is the secondary electrical generator engine fueled by diesel oil (emission unit G-102).

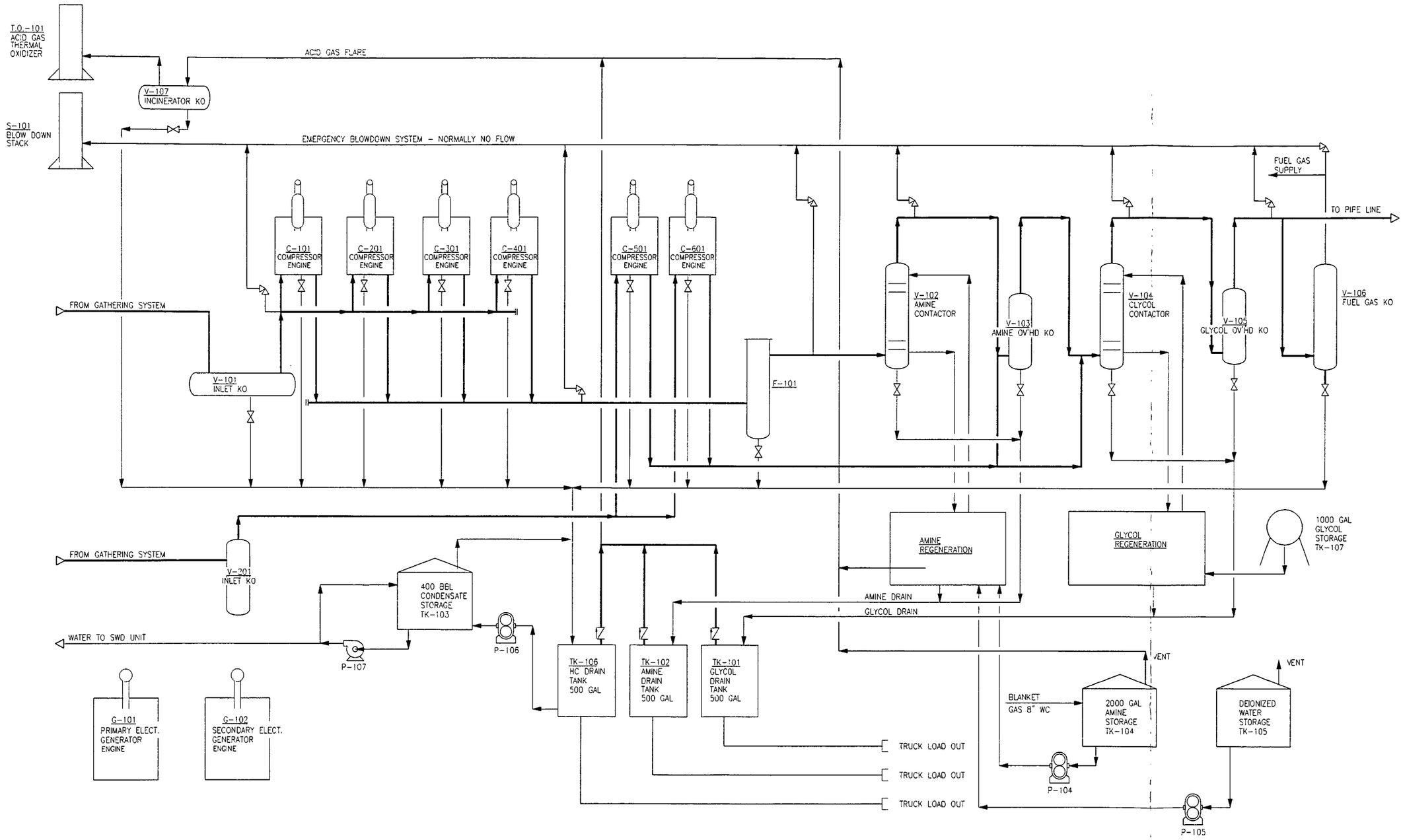
Fugitive Emissions

The plant contains connections, flanges, pumps, and valves. As a result of having these components, the plant has fugitive emissions.

Tanks

The plant has several tanks. The vapor emissions from most of the tanks are piped to the acid gas thermal oxidizer, thus reducing the emissions to insignificant levels. The other tanks are vented to the atmosphere. However, the air emissions from these vented tanks are negligible due to the: (1) size of the tanks (500 gallons or less) and (2) low vapor pressure for both amine and TEG.

Updated Process Flow Diagram for Espinosa Canyon Amine Plant
Discharge Permit GW-356



REV	REVISION DESCRIPTION	DATE	CHANGES BY	CHECKED BY	QC APPROVED BY
2	ADDED ADDITIONAL COMPRESSORS	5/29/05	ROY		
1	ADDED SWEET GAS COMPRESSOR	25-AUG-05	GAN		
0	ISSUED FOR CONSTRUCTION	6/7/05	TD	ROY	DC

NUMBER	REFERENCE

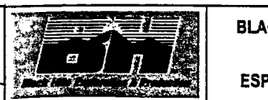
PereGrine Group
2255 S WADSWORTH BLVD, SUITE 100
LAKEWOOD, CO 80227
303-670-9388 Voice 303-384-0867 Fax

PEREGRINE	SIGNATURE	DATE
DRAWN	NN	7/28/04
DESIGNED	DC	7/28/04
QC REVIEW	GAN	6/6/05
APPROVED	ROY	6/6/05
CLIENT	SIGNATURE	DATE
REVIEW		
APPROVED		
CAD FILE NAME		

CLIENT PROJECT NO.

PROJECT NO. 200404103

SCALE: NONE



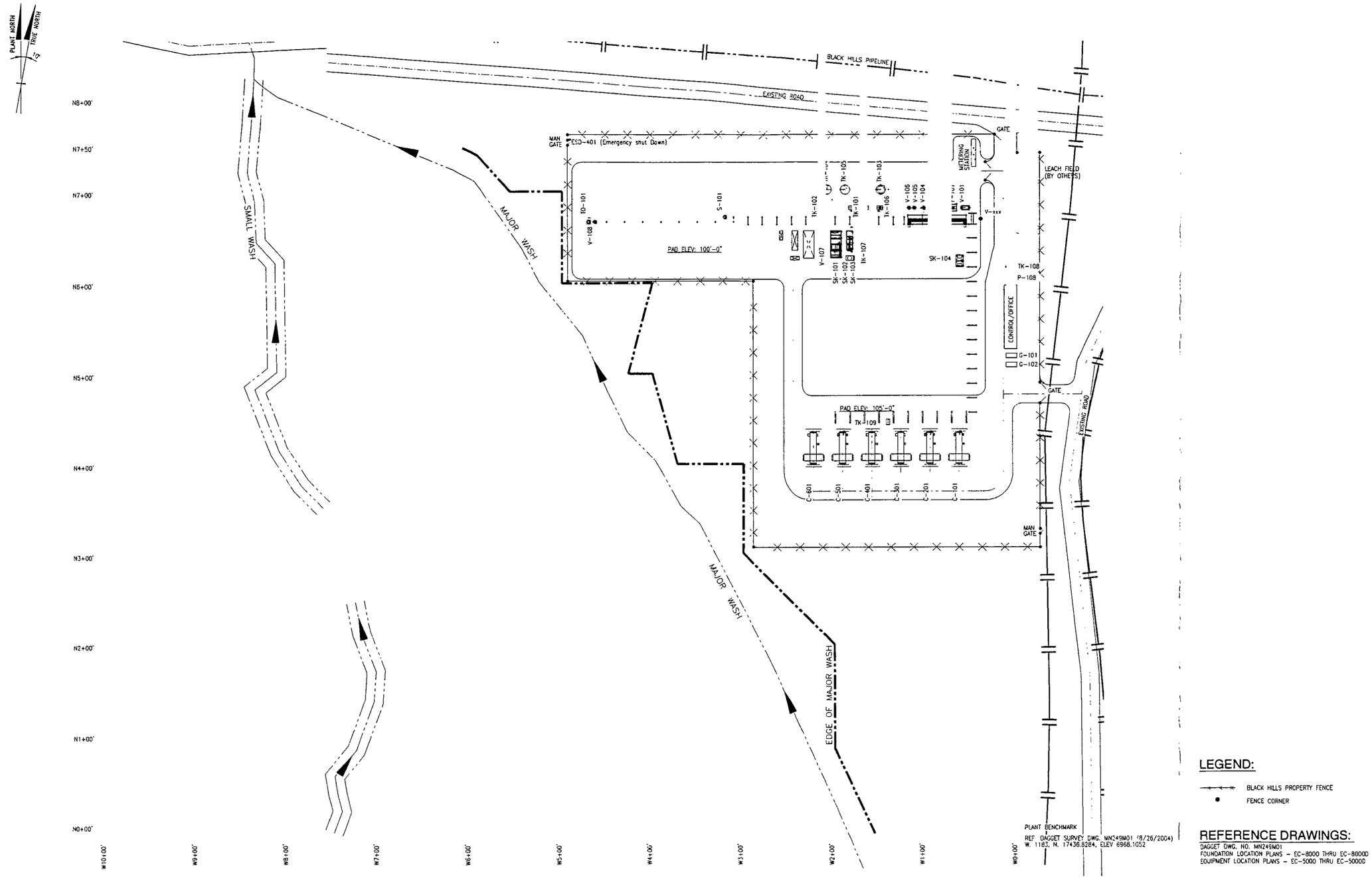
BLACK HILLS EXPLORATION
AND PRODUCTION, INC.
350 INDIANA STREET, SUITE 400
GOLDEN, CO 80401-5096

BLACK HILLS CABRESTO PIPELINE

ESPINOSA CANYON AMINE PLANT
PROCESS FLOW DIAGRAM

REVISION	DRAWING NO.	SHEET NO.
1	EC-2001	1 OF 1

Updated Site Diagram (Plot Plan) for Espinosa Canyon Amine Plant
Discharge Permit GW-356



LEGEND:

- BLACK HILLS PROPERTY FENCE
- FENCE CORNER

REFERENCE DRAWINGS:

DAGGET DWG. NO. MN249M01
FOUNDATION LOCATION PLANS – EC-8000 THRU EC-8000D
EQUIPMENT LOCATION PLANS – EC-5000 THRU EC-5000D

REV	REVISION DESCRIPTION	DATE	DRAWN BY	CHECKED BY	APPROVED BY
A	ISSUED FOR AIR PERMIT	8/25/05	Roy		

NUMBER	REFERENCE

PereGrine Group
2255 S WADSWORTH BLVD, SUITE 100
LAKEWOOD, CO 80227
303-670-9388 Voice 303-384-0867 Fax

PEREGRINE	SIGNATURE	DATE
DRAWN	Roy	8/25/05
DESIGNED	ROY	9/14/04
QC REVIEW		
APPROVED		
CLIENT	SIGNATURE	DATE
REVIEW		
APPROVED		
CAD FILE NAME		

CLIENT PROJECT NO.
PROJECT NO. 200404103
SCALE: 1" : 50'-0"

BLACK HILLS EXPLORATION AND PRODUCTION, INC.
350 INDIANA STREET, SUITE 400
GOLDEN, CO 80401-5096

BLACK HILLS CABRESTO PIPELINE
ESPINOSA CANYON AMINE PLANT
PLOT PLAN

REVISION	DRAWING NO.	SHEET NO.
A	EC-1000	1 OF 1

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

August 8, 2005

Mr. Randy Fox
Black Hills Cabresto Pipeline, LLC
350 Indiana Street, Suite 400
Golden, Colorado 80401

RE: Espinosa Canyon Amine Plant
Rio Arriba County, New Mexico

Dear Mr. Fox:

The OCD is in receipt of your letter, dated August 4, 2005, regarding clarification of the terms of conditions attached to the approved discharge permit for the above captioned facility. Each of your questions are address in order they are presented on page 2 of your letter.

1. Your prompt return of the executed "Discharge Permit Conditions" falls well within the time of return conditions.

2. Your change of Ownership name is noted in the OCD records.

3. For Condition #4 approval is herewith granted for a lined pad with an earthen containment berm for drum storage.

4. Condition #9 can be met with the installation of double-walled tanks that have a method of leak detection.

5. Condition #10 pertains to underground piping having liquid flow influenced by gravity and under atmospheric pressure only. Flow lines under induced pressure above atmospheric pressure are not included in the requirement for integrity testing.

If you have any questions please contact me at (505) 476-3489.

Sincerely,

W. Jack Ford, C.P.G.
Environmental Bureau
Oil Conservation Division

ACKNOWLEDGEMENT OF RECEIPT OF CHECX/CASH

I hereby acknowledge receipt of check No. [redacted] dated 8/4/05,

or cash received on _____ in the amount of $ 4,000.00

from Black Hills Gas Resources

for Espinoso Canyon Amine Plant (Facility Name) GW-356 (OCD No.)

Submitted by: _____ Date: 8/8/05

Submitted to ASD by: _____ Date: _____

Received in ASD by: _____ Date: _____

Filing Fee ___ New Facility ✓ Renewal ___

Modification ___ Other _____ (specify)

Organization Code 521.07 Applicable FY 2001

To be deposited in the Water Quality Management Fund.

Full Payment ✓ or Annual Increment ___

THE FACE OF THIS DOCUMENT HAS A MULTI-COLORED BACKGROUND ON WHITE PAPER. A VOID PANTOGRAPH AND MICROPRINTING. THE BACK OF THIS DOCUMENT HAS AN ARTIFICIAL WATERMARK-HOLD AT AN ANGLE TO VIEW.

Black Hills Exploration & Production dba Mallon Oil Company

Black Hills Gas Resources, Inc.
350 Indiana St
Suite 400
Golden, CO 80401
(720) 210-1300

U S Bank
60a 3rd Street Northwest
East Grand Forks, MN 56721
75-1592/912

Check No. [redacted]

Check Date
08/04/2005

Check Amount
$ *****4,000.00

PAY Four Thousand AND 00/100

TO THE ORDER OF
WATER QUALITY MANAGEMENT FUND
ROGER C ANDERSON
CHIEF ENVIRONMENTAL BUREAU
OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS
1220 SOUTH ST FRANCIS DRIVE
SANT[redacted]

Randy Fox
Environmental Engineer
E-mail rfox@bhenergy.com

350 Indiana St., Suite 400
Golden, Colorado 80401
P (720) 210-1334
F (720) 210-1361

August 4, 2005

Roger C. Anderson
Chief, Environmental Bureau
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Discharge Permit GW-356
Espinosa Canyon Amine Plant
Black Hills Exploration and Production, Inc.

Dear Mr. Anderson:

Attached is the signed discharge permit and permit fee payment for the Espinosa Canyon Amine Plant operated by Black Hills Exploration and Production (Black Hills E&P). I have also attached a table of questions, comments, or requests related to this discharge permit which you can address at your convenience.

You can contact me at (720) 210-1334.

Sincerely,

Randy Fox
Black Hills Energy

cc: Fred Carl, Black Hills Energy
Lynn Benally, Black Hills Exploration and Production

Black Hills Gas Resources, Inc.
350 Indiana St
Suite 400
Golden, CO 80401
(720) 210-1300

No. [redacted]

Check Date: 08/04/2005

(5800) WATER QUALITY MANAGEMENT FUND ROGER C ANDERSON, CHIEF ENVIRONMENTAL BUREAU, OIL CONSERVATION DIVISION, NEW MEXICO ENERGY, MINERALS, 1220 SOUTH ST FRANCIS DRIVE, SANTA FE NM 87505

Acct Mo.	Voucher	Inv. Date	Inv. #	Gross Amount	Discount Amount	Net Amount Paid
08/05	900003	08/02/05	2005-08	$4,000.00	$0.00	$4,000.00
			Totals	$4,000.00	$0.00	$4,000.00

Detach at Perforation Before Depositing Check

Questions, Comments, or Requests Related to the Black Hills Discharge Permit GW-356
Espinosa Canyon Amine Plant

Cover Letter Paragraph or Permit Condition	**Item of Interest or Concern**	**Resolution**
First Paragraph of Oil Conservation Division (OCD) Cover Letter dated May 23, 2005 – The letter requested that the signed permit be returned to OCD within 30 day of receipt of letter.	The cover letter is dated May 23, 2005 but Black Hills E&P did not receive it until July 13, 2005. Black Hills E&P sent the signed permit along with payment on July 27, 2005 (which is within 30 days of when Black Hills E&P received the original OCD letter).	Black Hills E&P is stating to OCD that this 30 day response period was met. Black Hills E&P is requesting written confirmation of this assessment by OCD.
Permittee name on the discharge permit	As a result of a recent reorganization of Black Hills Exploration and Production, Inc., the permittee name for the Espinosa Canyon Amine Plant should be changed to **Black Hills Cabresto Pipeline, LLC** (this new business unit is a wholly owned subsidiary of Back Hills Exploration and Production, Inc.)	Black Hills E&P is requesting OCD change the name of the permittee on the permit.
Condition #4 – All drums containing materials other than fresh water must be stored on an impermeable pad with curbing.	Impermeable pad does not necessarily mean a concrete pad. During a July 20 discussion with Randy Fox of Black Hills, a lined pad with a dirt berm will suffice.	Black Hills E&P is requesting written confirmation of this assessment by OCD.
Condition #9 – All pre-existing sumps and below-grade tanks must demonstrate integrity annually.	During a July 20 discussion with Randy Fox of Black Hills, Roger Anderson stated that this condition can be met without integrity testing if the tanks are double lined and that there is a physical way to detect leaks such as a long dip stick that would detect any liquids passing from the inner wall to the outer wall.	Black Hills E&P is requesting written confirmation of this assessment by OCD.
Condition #10 – Underground process/wastewater pipeline must be tested to demonstrate mechanical integrity every 5 years.	Does compliance of this condition include integrity testing of the gas lines that feed the plant?	Black Hills E&P is requesting OCD address this question.