

State of New Mexico
Energy, Minerals and Natural Resources Department

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BY ELECTRONIC MAIL ONLY

September 24, 2021

Kawika Tupou
Environmental Manager
Holly Frontier Navajo Refining LLC
501 East Main
Artesia, New Mexico 88210

Re: HollyFrontier Navajo Refining LLC / Artesia Refinery / Renewable Diesel Project and Pretreatment Unit / Request for Input on OCD Jurisdiction

Dear Mr. Tupou:

On June 11, 2021, the Oil Conservation Division (OCD) received a response letter from HollyFrontier Navajo Refining LLC (HollyFrontier). The response letter provided additional information on HollyFrontier's Renewable Diesel Project (RDP) and Pretreatment Unit (PTU) and addressed the list of questions OCD sent HollyFrontier on May 11, 2021. In the provided letter, HollyFrontier also requested that OCD provide confirmation of HollyFrontier's understanding of agency jurisdiction for the RDP and PTU and provide concurrence that permit modifications are not needed for existing discharge permits GW-028 and UICI-8.

Project Overview

HollyFrontier is in the process of constructing a 9,000 barrel per day Renewable Diesel Unit (RDU) and a 13,000 barrel per day PTU. The feed stocks for these operations will be derived from nonpetroleum renewable resources such as plant and animal-based oils and fats. The PTU will primarily pretreat feedstock to make the material amenable to production of renewable diesel in the RDU. The end-product referred to as R99 will be at least 99% renewable diesel with a very small fraction ranging from 0.1% to 1% of ultra-low sulfur petroleum diesel blended with the renewable diesel. The RDU/PTU will be classified in SIC Major Group 28 (Chemicals and Allied Products). The PTU will be located outside of the current Navajo Artesia Refinery while the RDU will be located within the current Navajo Artesia Refinery boundary. Although the RDU equipment is stand alone and not part of any refinery process, process wastewater from the RDU will be routed to the refinery's sour water strippers and wastewater treatment plant.

OCD Jurisdiction

WQCC 20.6.2.1201.A(1) states, "Notices regarding discharges from facilities for the production, refinement, pipeline transmission of oil and gas or products thereof, the oil field service industry as related to oil and gas production activities, oil field brine production wells, and carbon dioxide facilities shall be filed with the oil conservation division of the energy, minerals and natural resources department." OCD understands that the Navajo Artesia Refinery is under its jurisdiction and as such has issued discharge permits GW-028 and UICI-8 to the refinery. Further, OCD understands that PTU infrastructure is associated with the RDU, which is currently situated within designated refinery premises. OCD also understands that HollyFrontier is in the process of expanding the refinery boundaries to include the area of the PTU, and that the PTU area will be used to stage and temporarily store hydrocarbon products.

Based on the facts noted above, location of the RDU (and potentially PTU) within the refinery premises, and the inclusion of a petroleum product - conventional diesel - in the RD99 product, OCD agrees that both the RDU and PTU fall under OCD's jurisdiction. Therefore, HollyFrontier must include the RDU and PTU plans in its updated discharge permit renewal package for Permit GW-028. This discharge permit is set to expire on April 21, 2022. Under 20.6.2.3106(F) NMAC, if a discharge permit renewal package is submitted at least 120-days before the discharge permit expiration date and is in compliance with the approved discharge permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. Please note that OCD's determination based on the specific facts of this project does not extend OCD jurisdiction to potential projects outside of existing refinery boundaries or final products which do not incorporate conventional petroleum products.

Similarly, the RDU's process wastewater may potentially be routed to an existing UIC Class I Non-hazardous disposal well. If HollyFrontier is proposing to utilize any of the existing UIC Class I wells for disposal, HollyFrontier should prepare a separate formal proposal to be submitted to the UIC Supervisor within the Engineering Bureau, describing the proposed amendment of operation and any corresponding change in the waste stream to be disposed in the wells. The OCD shall review the proposal with the terms of discharge permit UICI-8 and provide a response on any possible requirements for modification, if necessary.

If you have any questions regarding this letter, please contact me via email at LeighP.Barr@state.nm.us or by phone at (505) 670-5684.

Regards,



Leigh Barr
Administrative Permitting Manager

cc: Emily Hernandez, Environmental Bureau Chief
EMNRD-OGC