HITP - _24_

GENERAL CORRESPONDENCE

YEAR(S): _2011-2012_

November 29, 2011

UPS NEXT DAY AIR *(Tracking Number 1Z F46 915 01 9722 2025)*

Mr. Brad Jones
New Mexico Energy, Minerals, and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Subject: Notice of Intent to Perform a Hydrostatic Test
Magnum to Pecos Diamond 10-inch Pipeline Project
Eddy County, New Mexico

Mr. Jones,

Enclosed for your consideration is a Notice of Intent (NOI) prepared by DCP Midstream, LP (DCP) for the completion of a hydrostatic test and subsequent test water disposal associated with our recently installed Magnum to Pecos Diamond pipeline. Approximately 19,300 feet of 10-inch steel pipeline will be hydrostatically tested in order to place this new natural gas gathering pipeline into service. The pipeline will be used to transmit field gas to DCP's Pecos Diamond Gas Plant for processing.

Upon completion of the hydrostatic test, the test water will be withdrawn from the pipeline and temporarily placed into five 500-barrel frac tanks prior to being hauled for disposal. The withdrawal point for the test water will be approximately 3.5 miles southeast of the Pecos Diamond Gas Plant, on right-of-way purchased by DCP. DCP expects that approximately 1,950 barrels of water will be required for the test. Shortly after completion of testing, the test water will be hauled to Judah Oil's Class II Red Lake State Well No. 1 for disposal. DCP plans on completing the hydrostatic test sometime between December 5, 2011 and December 12, 2011, and will dispose of the test water within 10 days of completion of the test.

This NOI was prepared following the information included in the New Mexico Oil Conservation Division (NMOCD) "*Guidelines for Hydrostatic Test Dewatering*", dated January 11, 2007, and following guidance provided by you during recent telephone conversations. A check for $100.00 to cover the filing fee is included with this notice. The temporary permission fee ($150.00) will be sent upon notification that the authorization to perform the hydrostatic test and to dispose of the test water has been approved.

Please contact me at (303) 605-1936 if you have questions regarding this Notice of Intent or any of the information provided herein.

Sincerely,
DCP Midstream, LP

Keith Warren, P.E.
Senior Environmental Engineer

Enclosures

cc: Jim Allred, DCP Midstream, LP
John Cook, DCP Midstream, LP
Johnnie Bradford, DCP Midstream, LP

DCP Midstream, LP
Notice of Intent to Perform a Hydrostatic Test
Project Name: Magnum to Pecos Diamond 10-inch Pipeline Hydrostatic Test

Project Background Information
DCP Midstream, LP (DCP) is currently planning to place into service a new 19,300 foot section of 10 inch steel pipeline in northeast Eddy County, New Mexico. Once placed into service, the pipeline segment will be used to transmit low pressure field gas to DCP's Pecos Diamond Gas Plant for processing prior to sales. In order to place this section of new pipeline into service, DCP plans to complete a hydrostatic test of the pipeline. It is estimated that this hydrostatic test will generate approximately 1,950 barrels (or 81,900 gallons) of wastewater. The wastewater generated will E&P exempt based on the definition in 40 CFR 261.4(b)(5). It is DCP's intention to dispose of the generated wastewater via injection into a state approved Class II disposal well, such that no wastewater will be intentionally discharged to the surface of the land.

DCP is submitting this Notice of Intent (NOI) in accordance with the New Mexico Oil Conservation Division's (NMOCD) "*Guidelines for Hydrostatic Test Dewatering*", dated January 11, 2007.

Required Information

a. Operator/discharger name and address
Responsible Party
Mr. Jim Allred
DCP Midstream, LP
1625 West Marland
Hobbs, NM 88240
Office - (575) 397-5543
Cellular – (575) 802-5132

Operator
Mr. Danny Forlines
DCP Midstream, LP
1925 Illinois Camp Road
Artesia, NM 88211
Office - (575) 677-5207
Cellular – (575) 802-5148

b. Location of the discharge, including a street address, if available, and sufficient information to locate the facility with respect to surrounding landmarks
The location of the wastewater withdrawal prior to disposal will be on right-of-way purchased by DCP, approximately 3.5 miles southeast of the Pecos Diamond Gas Plant. The location of the water withdrawal and temporary storage is also approximately 1 mile south and one half mile west of DCP's Artesia Gas Plant, which has a facility address of 1925 Illinois Camp Road, Artesia, NM 88211. DCP's Artesia Gas Plant is located on Illinois Camp Road,

approximately 3 miles south of the intersection of Illinois Camp Road and Lovington Highway.

It is the intention of DCP to dispose of the test water by injection into a state approved Class II disposal well. The well that will be utilized is owned by Judah Oil, LLC (Judah Oil), and is designated as Red Lake State Well No.1. The well is permitted by the State of New Mexico under Administrative Order SWD-332-A and the API number is 30-015-22893. No intentional discharge of water to the ground surface will occur as a result of this project.

c. Legal description (Section/Township/Range) of the discharge location
Dewatering of the line and temporary storage will occur at the following location:

Section 19, Township 18 South, Range 28 East (DCP pipeline right-of-way)

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested
Appendix A contains a map showing the section of pipeline to be installed, including all of the other pipelines in the area of this new section. Appendix B contains an aerial photograph of the pipeline dewatering location and Appendix C contains a generalized map of the dewatering location. The dewatering location is clearly identified on the maps and aerial photograph.

e. A demonstration of compliance to the following siting criteria or justification for any exceptions
Since disposal of the hydrostatic test water will be via injection into Judah Oil's Class II disposal well identified above, demonstration of compliance with the siting criteria identified is not required, per Brad Jones.

f. A brief description of the activities that produce the discharge
Hydrostatic testing of a 19,300 foot section of new 10-inch steel piping will generate the wastewater in question. The pipeline segment to be tested is owned by DCP Midstream, and will be used for transmitting low pressure field gas to the Pecos Diamond Gas Plant for processing.

The water used for the hydrostatic test will be acquired from the Haldeman Fresh Water Station, located approximately 2 miles east of Artesia, New Mexico on US Highway 82. The water originates from the Artesia Municipal Water System. The hydrostatic test water will not be discharged to the ground surface, but will be withdrawn from the pipeline following completion of the test and placed into temporary frac tanks at the dewatering location. The test water will then be loaded into trucks operated by Texas Lobo Trucking Services for immediate delivery and disposal at Judah Oil's Red Lake State Well No. 1 (Permit #SWD-332-A).

g. The method and location for collection and retention of fluids and solids
Following completion of the hydrostatic test, the water will be transferred directly from the pipeline to the temporary frac tanks via a system of flexible hoses and temporary piping at the withdrawal point within DCP's Right-of-Way. Collection pans will be placed below the

connection points to prevent test water from reaching the ground surface. Field operators will be present during water transfer operations to immediately close isolation valves in the event of a larger leak or line failure. Solids are not expected to be generated during the hydrostatic test.

h. A brief description of best management practices to be implemented to contain the discharge onsite and to control erosion

The hydrostatic test water will be properly disposed of in the Class II disposal well identified above. Field operators and/or testing personnel will be onsite during the duration of the hydrostatic test and during all water transfer operations. Drip collection trays will be placed below hose and piping connections to prevent hydrostatic test water from making contact with the ground surface from incidental leaks during transfer operations.

Water will be transferred to five 500-barrel temporary storage tanks (frac tanks) following completion of the test and prior to disposal. An earthen containment structure with an impervious synthetic liner will be constructed for the frac tanks at the dewatering location to prevent an inadvertent release of test water to the surrounding environment. Since there will not be an intentional surface discharge, erosion control measures are not currently planned for the dewatering location.

i. A request for approval of an alternative treatment, use, and/or discharge location (other than the original discharge site), if necessary

Judah Oil has agreed to accept and dispose of the hydrostatic test water using its Class II disposal well identified above. Based on this agreement, no alternative treatment or discharge location is being proposed at this time.

j. A proposed hydrostatic test wastewater sampling plan

DCP will not analyze the hydrostatic test water because it is E&P exempt based on the definition provided in 40 CFR 261.4(b)(5), and because the disposal well operator has not requested analytical data as a condition for their acceptance of the water.

k. A proposed method of disposal of fluids and solids after test completion, including closure of any pits, in case the water generated from the test exceeds the 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)

As mentioned in j) above, DCP Midstream will not be analyzing the hydrostatic test water prior to disposal in Judah Oil's Class II disposal well. Solids are not expected to be generated from the hydrostatic test.

l. A brief description of the expected quality and volume of the discharge

Approximately 81,900 gallons (1,950 barrels) of water is expected to be generated during the hydrostatic test. Because the pipe to be tested is new and no additives will be used during the test, the quality of the wastewater is expected to be nearly identical to the quality of the water prior to hydrostatic testing. The wastewater generated is considered to be E&P exempt per 40 CFR 261.4(b)(5).

m. Geological characteristics of the subsurface at the proposed discharge site

Regional Features

The proposed hydrostatic test water withdrawal location is approximately 12.5 miles southeast of Artesia, New Mexico, and is located within the Pecos River Valley Basin. To access the withdrawal location, you drive approximately 12 miles east from Artesia, NM on Lovington Highway to Illinois Camp Road, then south approximately 4 miles. The dewatering location is approximately one mile west of Illinois Camp Road. This location lies adjacent to both Quaternary Period sediments to the east (including alluvium piedmont, and landslide materials), as well as the Permian Period Artesia Group formation to the west. Regional topography slopes to the south and west, towards the Pecos River.

Site Geology

The proposed hydrostatic test withdrawal location is north of the San Simon Swale that runs northeast to southwest west through central Eddy County New Mexico. The area lies on the eastern edge of the Pecos River valley, and is typically comprised of the Tansil, Yates, Seven Rivers, Queen, and Grayburg formations within the Artesia Group. Surface geology in the area is characterized by mixed alluvium and/or eolian sands with gradual slopes.

Regional Hydrology

The proposed hydrostatic test withdrawal location is within the boundaries of the Pecos River Basin. The Pecos River lies approximately 5 miles west of the withdrawal location, and is the primary significant water body in the area. Several small seasonal drainages are present in the area, and these drainages eventually empty into the Pecos River. Groundwater in this area (East of the Pecos River) is generally of poor quality, as it is too high in chlorides and sulfate for domestic and livestock use. Average annual precipitation in this area of Eddy County is meager – between 12 and 14 inches per year.

Local Groundwater Hydrology

Per the New Mexico Office of the State Engineer, groundwater in the vicinity of the proposed hydrostatic test withdrawal location appears to range between 50 and 100 feet below ground surface. Total dissolved solids (TDS) concentration data was unable to be located for the area where the test water withdrawal will be occurring.

n. The depth to and total dissolved solids concentration of the ground water most likely to be affected by the discharge

According to information available from the New Mexico Office of the State Engineer, depth to water in wells closest to hydrostatic test water withdrawal location ranges between 50 and 100 feet below ground surface (bgs). The well closest to the withdrawal point of the pipeline to be tested has a reported water depth of 50 feet bgs. This well is approximately 3.2 miles west of the withdrawal point.

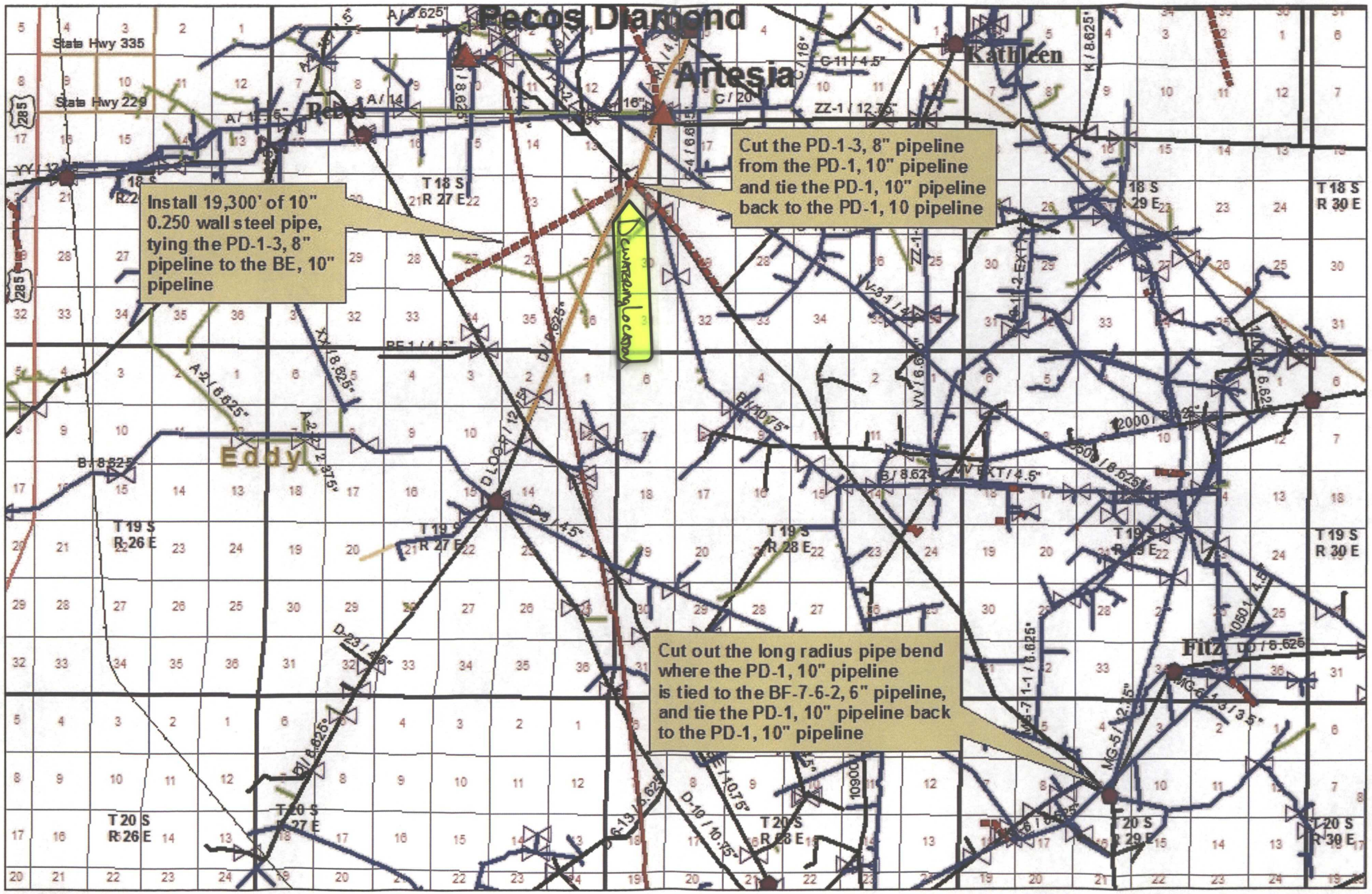
As mentioned above, TDS concentrations were not able to be determined for groundwater at this location. Inquiries made to the Ground Water Quality Bureau of the New Mexico Environment Department and to the United States Geological Survey did not result in any specific TDS concentration data for the area under consideration.

o. Identification of landowners at and adjacent to the discharge and collection/retention site

DCP owns the right-of-way where the dewatering and temporary storage will occur. Per the Eddy County Tax Assessor's Office, the land adjacent to the withdrawal point, as well as all of the land within Section 19, is owned by the State of New Mexico.

APPENDIX A
PIPELINE SEGMENT FIGURES

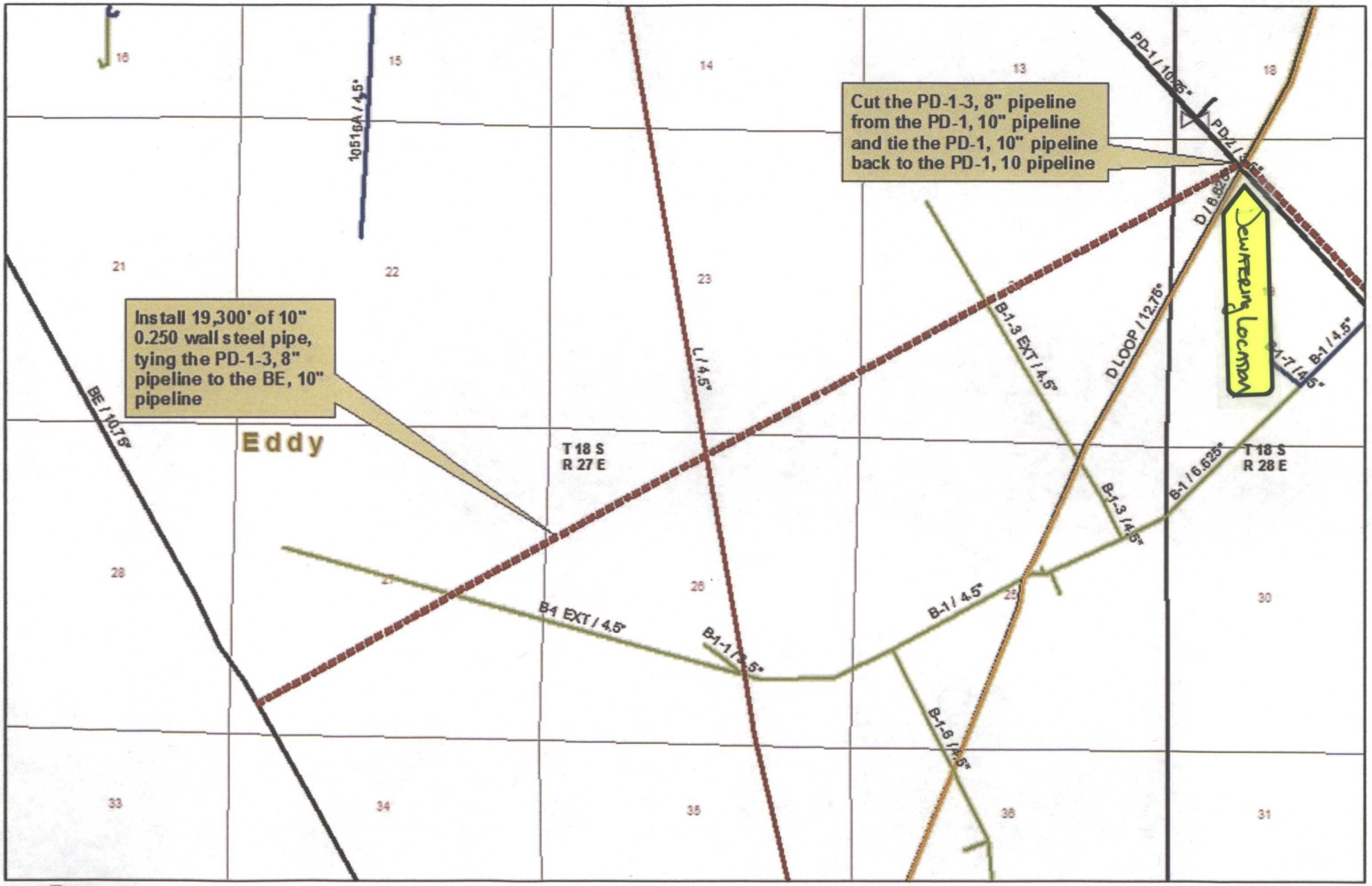
2011HOB016



dcp Midstream

DCP-Fitz, Magnum to PD

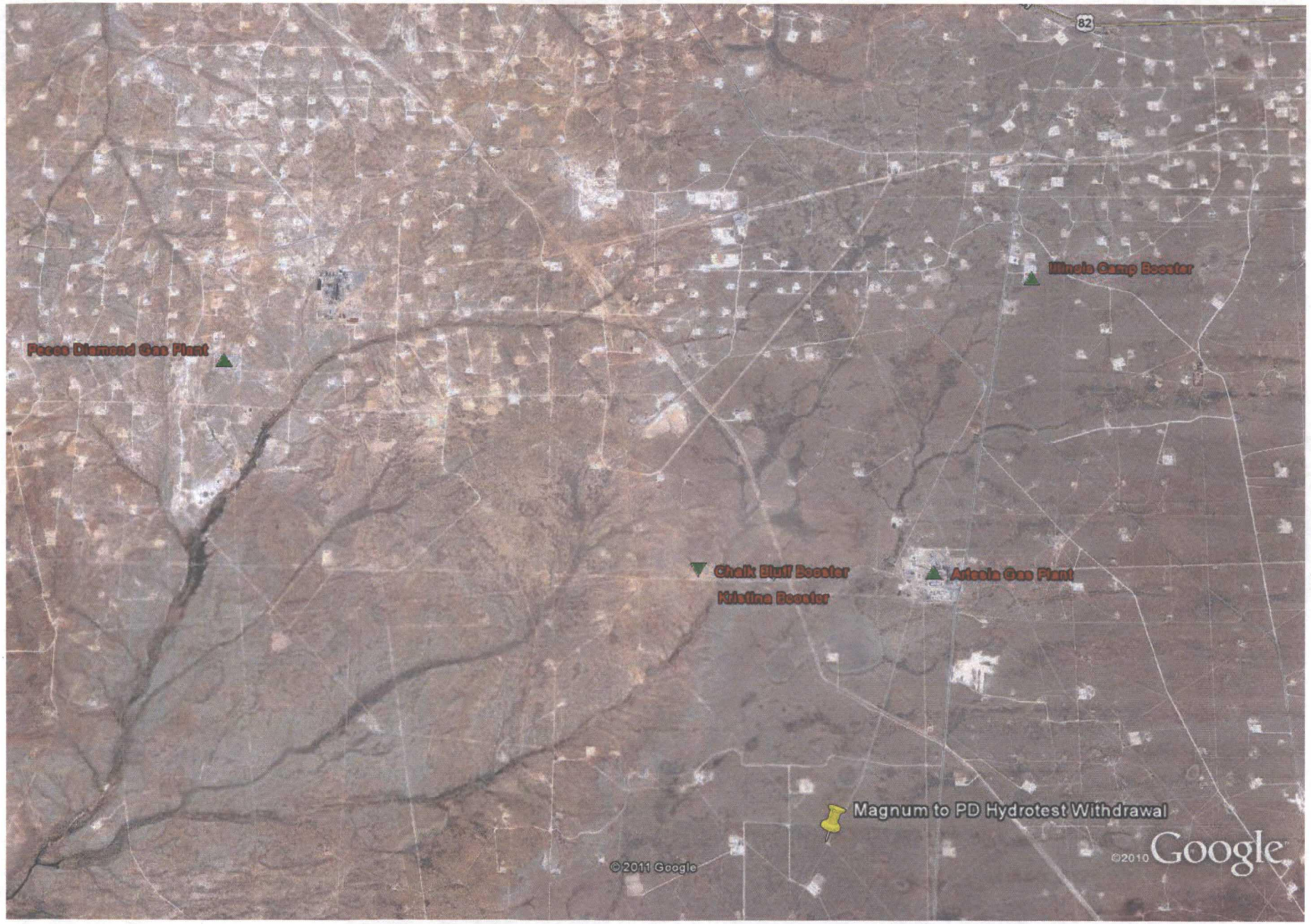
2011HOB016



dcp Midstream

DCP-Fitz, Magnum to PD

APPENDIX B
AERIAL PHOTOGRAPH OF DEWATERING LOCATION



Dewatering location identified with yellow push pin.

APPENDIX C
GENERALIZED AREA MAP

Pipeline dewatering location represented as A.

Google