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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

October 25, 2005

Mr. Gabe Valdes
CH2M Hill
445 Executive Center Blvd.
Suite 110
El Paso, TX 79902

Re: Segment 2 of SFPP East Line Expansion Project
Hydrostatic Tests on Various Sections
Located in Luna and Hidalgo Counties, New Mexico

Dear Mr. Valdes:

The New Mexico Oil Conservation Division has received and reviewed CH2M Hill's application, submitted on behalf of SFPP, for a hydrostatic test permit as shown above. This permit is hereby approved with the following conditions and understandings:

1. Total length of pipeline to be tested is 161.1 miles and is to be tested in six sections as described in the application.
2. All of the pipeline is new and has never contained petroleum products.
3. Water to be used in the testing is fresh water obtained from either the City of Deming or a private well located on Rex Kipp's property.
4. Total volume to be discharged will be 168,800 barrels.
5. Discharge locations are as described in the application.
6. Discharges will take place on or about October 18, 2005 and November 30, 2005.

The term of this permit is 120 days and will expire on February 18, 2005.

If you have any questions, contact me at (505) 476-3492 or ed.martin@state.nm.us

NEW MEXICO OIL CONSERVATION DIVISION

Edwin E. Martin
Environmental Bureau

Copy: NMOCD, Santa Fe District Office