

HITP - 030

**TEMPORARY
PERMISSION
2012-2013**

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 345311 dated 9/5/12
or cash received on _____ in the amount of \$ 150⁰⁰

from DCP Midstream LR

for HITP-30

Submitted by: Lawrence Romero Date: 9/10/12

Submitted to ASD by: Patricia Romero Date: 9/10/12

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other Temp Permission

Organization Code 521.07 Applicable FY _____

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____



DCP Midstream
370 17th Street, Suite 2500
Denver, CO 80202
303-595-3331

September 5, 2012

Brad Jones
Environmental Engineer
Oil Conservation Division
New Mexico Energy, Minerals, and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

**Re: Temporary Permission Fee
Hydrostatic Test Individual Temporary Permission HITP-030**

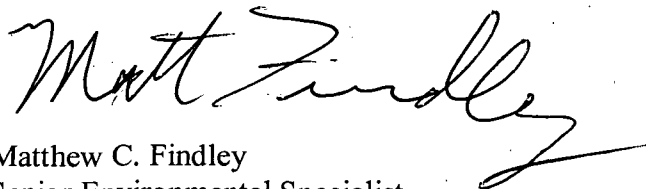
Mr Jones:

Here is a \$150 check payable to the Water Quality Management Fund to cover the temporary permission fee for hydrostatic test individual temporary permission HITP-030. This hydrostatic test will take place in Lea County, New Mexico and is associated with our Cimarex Hallertau 5 Federal CTB pipeline project.

If you have any questions or would like additional information, please contact me at 303.605.2176 or mcfindley@dcpmidstream.com.

Sincerely,

DCP Midstream, LP



Matthew C. Findley
Senior Environmental Specialist

Attachments

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2012 SEP -7 P 12:49

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



August 27, 2012

Mr. Mike Gerwick
DCP Midstream, L.P.
1625 West Marland
Hobbs, New Mexico 88240

Re: Hydrostatic Test Individual Temporary Permission HITP-030
DCP Midstream, L.P.
Cimarex Hallertau 5 Federal CTB Pipeline Project
Location: SE/4, SE/4 of Section 6, Township 26 South, Range 32 East, NMPM,
Lea County, New Mexico

Dear Mr. Gerwick:

The Oil Conservation Division (OCD) has received DCP Midstream, L.P.'s (DCP) revised notice of intent, dated August 21, 2012, for authorization to withdraw and collect approximately 109,800 gallons of wastewater generated from a hydrostatic test of approximately 17,500 feet of new 12-inch natural gas transmission pipeline and approximately 970 feet of new 18-inch lateral pipeline, located between the Cimarex Hallertau 5 Federal No. 4H well site and DCP's Rattlesnake Pipeline (Line #11500); approximately 30 miles west of Jal, New Mexico. The proposed collection location is within DCP's pipeline right-of way, approximately 0.125 miles west of Cimarex Energy Corporation's Hallertau 5 Federal No. 4H (API#30-025-40254) well pad, within the SE/4, SE/4 of Section 6, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico. No surface discharge is proposed by DCP. The hydrostatic test wastewater will be discharged from the pipeline into frac tanks for temporary storage, transferred from the frac tanks to an OCD approved water hauler, and delivered to R360 Permian Basin LLC for disposal. OCD acknowledges the receipt of the filing fee (\$100.00) from a submittal dated August 20, 2012. This approval will not become effective until OCD receives the temporary permission fee of \$150.00 pursuant to 20.6.2.3114 NMAC. Please make the check payable to the **Water Quality Management Fund**.

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. DCP will be testing approximately 17,500 feet of new 12-inch natural gas transmission pipeline and approximately 970 feet of new 18-inch lateral pipeline, located between the

Cimarex Hallertau 5 Federal No. 4H well site and DCP's Rattlesnake Pipeline (Line #11500); approximately 30 miles west of Jal, New Mexico;

2. DCP shall ensure no discharge will occur at the hydrostatic test wastewater collection location: within DCP's pipeline right-of way, approximately 0.125 miles west of Cimarex Energy Corporation's Corporation's Hallertau 5 Federal No. 4H (API#30-025-40254) well pad, in SE/4, SE/4 of Section 6, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico;
3. DCP will acquire the hydrostatic test water from the M&M Fresh Water Station, located approximately 24 miles west of Jal, New Mexico on Highway 128;
4. DCP will generate approximately 109,800 gallons of hydrostatic test wastewater from the test event that will be slowly discharged via a system of flexible hoses and temporary piping discharged into six (6) 21,000 gallon frac tanks for temporary storage, while awaiting being transferred to R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for disposal;
5. DCP 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. DCP 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. DCP will not discharge any hydrostatic test wastewater generated from the test event to the ground or within the easement right-of-way;
8. DCP 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 R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for disposal;
9. DCP will ensure the transfer the hydrostatic test wastewater via an OCD approved C-133 water hauler to R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for disposal;
10. DCP shall remove all hydrostatic test wastewater from the collection/retention location within ten (10) calendar days of the completion of the hydrostatic test;
11. DCP shall restore any surface area impacted or disturb from the approved activities;
12. DCP shall implement best management practices to prevent unauthorized releases during the transfer/collection activities;

Mr. Gerwick
DCP Midstream, L.P.
Permit HTP-030
August 27, 2012
Page 3 of 3

13. DCP 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);
14. DCP must properly notify the landowner(s) of the proposed collection/retention of the approved activities prior to the hydrostatic test event; and
15. DCP 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).

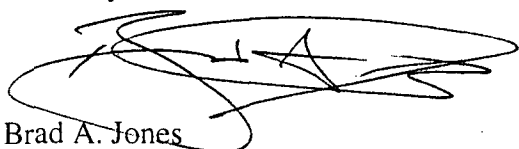
It is understood that the hydrostatic test will begin approximately September 10, 2012. This temporary permission will expire within 120 calendar days of its issue date. Temporary permission may be revoked or suspended for violation of any applicable provisions and/or conditions.

This approval will not become effective until OCD receives the temporary permission fee of \$150.00 pursuant to 20.6.2.3114 NMAC. Please make the check payable to the **Water Quality Management Fund**.

Please be advised that approval of this request does not relieve DCP of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve DCP 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', enclosed within a large, loopy oval shape.

Brad A. Jones
Environmental Engineer

BAJ/baj

Cc: OCD District I Office, Hobbs
Matthew Findley, DCP Midstream, LP, 370 17th Street, Suite 2500, Denver, CO 80202



DCP Midstream
370 17th Street, Suite 2500
Denver, CO 80202
303-595-3331

August 21, 2012

UPS 2nd Day Air (1Z F46 915 02 9053 4093)

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

**Re: Notice of Intent to Perform a Hydrostatic Test
Cimarex Hallertau 5 Federal CTB
Lea County, New Mexico**

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2012 AUG 23 P 12 37

Mr. Jones:

Here is a revised notice of intent (NoI) prepared by DCP Midstream, LP (DCP) for completing a hydrostatic test and subsequent test water disposal associated with a recently installed pipeline and lateral. The submittal is revised to indicate county in Section C and revise incorrect text in Section H. A check for \$100 to cover the filing fee was provided with the earlier, August 20, version of the submittal. We will provide another check to cover the temporary permission fee after DCP has been authorized to perform the hydrostatic test.

This NoI was prepared according to the New Mexico Oil Conservation Division *Guidelines for Hydrostatic Test Dewatering*, dated January 11, 2007, and by following guidance provided by you during recent telephone conversations.

DCP anticipates that the hydrostatic test will be conducted no earlier than September 10, 2012.

If you have any questions or would like additional information, please contact me at 303.605.2176 or mcfindley@dcpmidstream.com.

Sincerely,

DCP Midstream, LP

Matthew C. Findley
Senior Environmental Specialist

Attachments

DCP Midstream, LP
Notice of Intent to Perform a Hydrostatic Test
Project Name: Cimarex Hallertau 5 Federal CTB

Project Background Information

DCP Midstream, LP (DCP) is currently planning to place into service a new 17,500 foot section of 12-inch steel pipeline and a smaller new 970 foot lateral of 8-inch pipe in Lea County, New Mexico. Once placed into service, the pipeline segments will be used to transmit high pressure natural gas from a well site to DCP's existing Rattlesnake Pipeline (Line #11500). The field gas will end up at DCP's Linam Ranch Gas Plant for treating and processing. In order to place this section of new pipeline into service, DCP plans to complete a hydrostatic test. It is estimated that the test will generate approximately 2,615 barrels (or 109,800 gallons) of wastewater. The wastewater generated will be RCRA exempt E&P waste based on the definition in 40 CFR 261.4(b)(5)- Drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy. It is DCP's intention to dispose of the generated wastewater in permitted evaporation basins, 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. Mike Gerwick
DCP Midstream, LP
1625 West Marland Street
Hobbs, NM 88240
Cell phone: (575) 802-5136

Operator

Mr. Charlie Joslin
DCP Midstream, LP
1625 West Marland Street
Hobbs, NM 88240
Office phone: (575) 391-5705
Cell phone: (575) 802-5101

b. Location of the discharge, including a street address, if available, and sufficient information to locate the facility with respect to surrounding landmarks

At the completion of the hydrostatic test, DCP will dewater from the pipeline just west of the Cimarex Energy Corporation's Hallertau 5 Federal No. 4H well site (API#30-025-40254) approximately 30 miles west of Jal, New Mexico. To access the site from Jal, travel

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approximately 29 miles west on NM 128 to Orla Road, then south approximately 10.5 on Orla Road, then turn right on Ross Lane and travel west for approximately 1.8 miles, then turn right (north) onto the lease road. The dewater site for the hydrostatic test is on the west (left) side of the lease road. This is at nominal latitude 32° 3' 58" North and longitude 103° 42' 24" West.

DCP plans to dispose of the test water at a state approved surface waste management facility (evaporation basins). Texas Lobo Trucking (TLT) will transport the water under a C-138 manifest from the discharge site to a disposal facility owned by R360 Environmental Services (aka R360 Permian Basin LLC) and operating under Order Number R-9166 and permit number NM1-006. The facility is near Halfway, New Mexico (approximately halfway between Hobbs and Carlsbad on US Highway 62. This disposal site is in Section 27, Township 20 South, Range 32 East (New Mexico Meridian).

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:

SE ¼ of the SE ¼ of Section 6, Township 26 South, Range 32 East (New Mexico Meridian), Lea County, New Mexico.

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested

Figure 1 shows the pipeline that will be hydrostatic tested and the dewatering site overlaid on USGS 1:24,000 topographic maps and illustrates the landscape traversed by the new pipeline.

Figure 2 is an overview map showing the dewatering site overlaid on recent aerial imagery and shows land use surrounding the dewatering site.

Figure 3 is a topographic map of the dewatering site showing surface contours in the vicinity of the site.

Figure 4 is a detailed map showing planned locations of the tanks that will temporarily store hydrostatic test discharge water prior to hauling and disposal (overlaid on an aerial photo). These will be placed on the pipeline right of way.

Figure 5 is similar to Figure 4, except the information is overlaid on a USGS 1:24,000 map.

e. A demonstration of compliance to the following siting criteria or justification for any exceptions

Since disposal of the hydrostatic test water will take place at R360 Environmental Services in Halfway, NM, 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

The wastewater discharge will be generated from the hydrostatic testing of a 17,500 foot section of new 12-inch steel piping and the 970-foot 8-inch lateral. The pipeline segments to be tested are owned by DCP Midstream and will be used for transmitting high pressure natural gas from the Cimarex Hallertau 5 Federal #4H well site to DCP's Rattlesnake Pipeline

(Pipeline Number 11500). The gas will end up at the Linam Ranch Gas Plant for treating and processing.

The water used for the hydrostatic test will be acquired from the M&M Fresh Water Station located approximately 24 miles west of Jal, New Mexico on Highway 128 just on the north side of the road. The water originates from water wells in Lea County owned by Mark McCloy's Ranch. The supplier indicates that fresh water will be supplied for the hydrostatic tests, but did not have any analytical data (to use in the event of a spill). 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 for immediate delivery to R360's evaporation basins near Halfway, New Mexico.

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 (approximately six 500-barrel tanks) via a system of flexible hoses and temporary piping at the withdrawal point within DCP's right-of-way. Drip collection trays 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 permitted evaporation basins 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 six 500-barrel frac tanks for temporary storage on the right of way following completion of the test and prior to disposal. To prevent an inadvertent release of test water to the surrounding environment, frac tanks at the dewatering location will be surrounded by secondary containment sized to be 1.33 times the size of the largest tank or largest interconnected volume (whichever is larger). 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

Texas Lobo Trucking has agreed to accept and dispose of the hydrostatic test water using the evaporation basin 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 RCRA exempt E&P waste based on the definition provided in 40 CFR 261.4(b)(5) and because the material will be disposed of in a permitted surface waste management facility.

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 R360 Environmental Services evaporation basins. 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 2,615 barrels (109,800 gallons) 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 RCRA exempt E&P waste per 40 CFR 261.4(b)(5).

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

Regional Features

The proposed discharge area is on the Mescalero Piedmont within the Pecos River Basin. The site sits on a relatively flat plateau and is approximately 5 miles west of the Paduca Breaks and the Red Hills.

Site Geology

The site geology is comprised of Quaternary eolian, piedmont, and alluvial deposits (Holocene to middle Pleistocene). The area is characterized by interlayered eolian sands and piedmont-slope deposits that are typically capped by thin eolian deposits. These deposits unconformably overlie Triassic aged sedimentary rocks of the Dockum Group.

Regional Hydrology

The site is located in the Pecos River Basin but has no connecting drainage to the Pecos River. Average annual precipitation in this area of Lea County is meager – between 12 and 16 inches per year, and evapotranspiration is a significant component of the water balance in this region.

Local Groundwater Hydrology

The proposed discharge site is located within the Carlsbad Underground Water Basin (UWB). The shallowest Carlsbad UWB aquifer beneath the site is in the Santa Rosa Sandstone (part of the Dockum Group), which is approximately 200 feet thick in this area. Carlsbad UWB ground-water flow in this part of Lea County generally to the southwest, towards Eddy County.

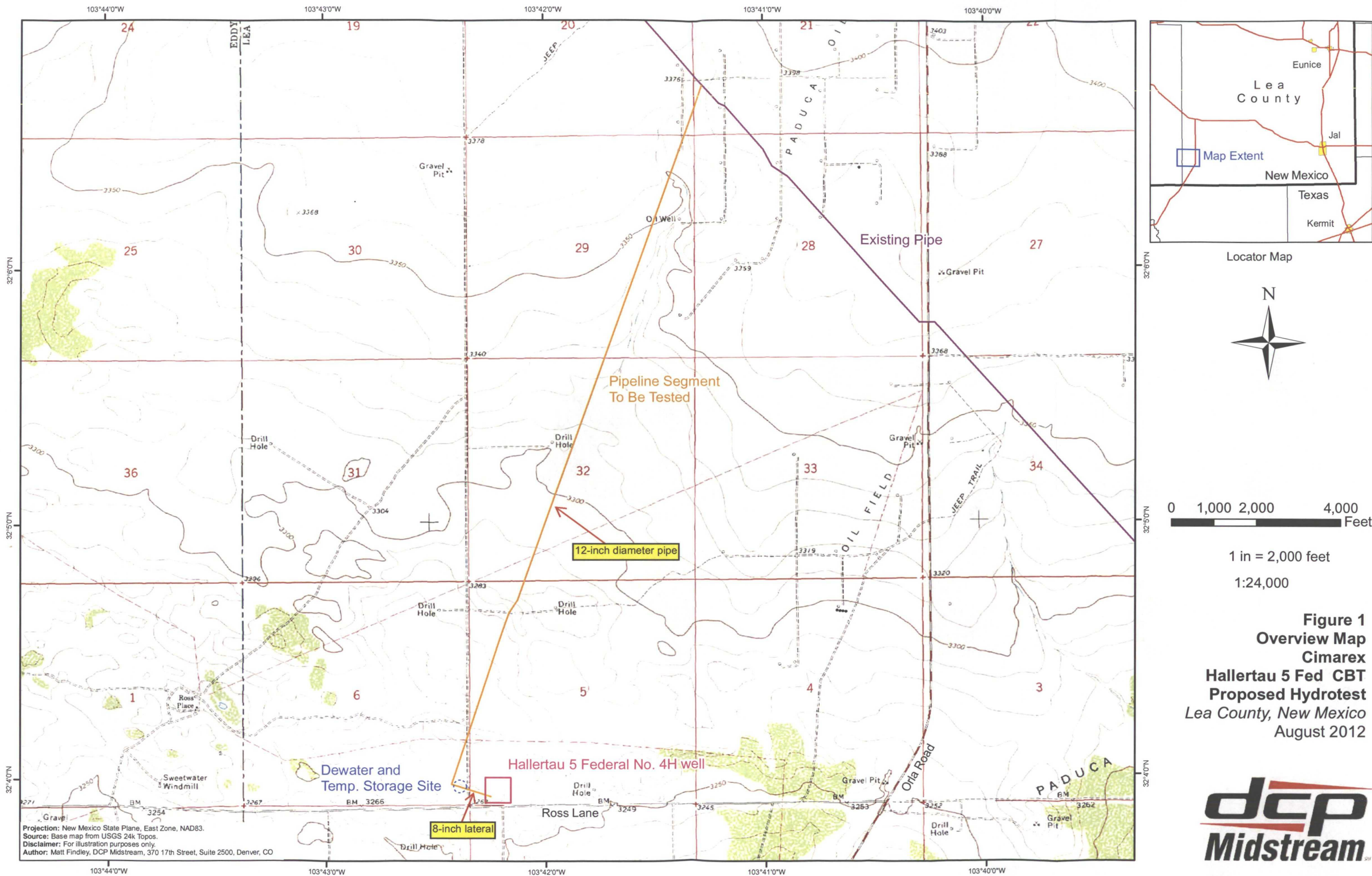
n. The depth to and total dissolved solids concentration of the ground water most likely to be affected by the discharge

According to information available from the Lea County New Mexico Water Plan, depth to groundwater is approximately 300 ft. Total dissolved solids in groundwater from Santa Rosa Sandstone ranges from 635 to 1,950 mg/L.

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

The discharge site and the lands surrounding the discharge site are owned by the federal government and managed by the Bureau of Land Management. DCP was granted a 50 foot wide right-of-way along the proposed pipeline route for construction (including testing) of the pipeline.

FIGURES



Locator Map



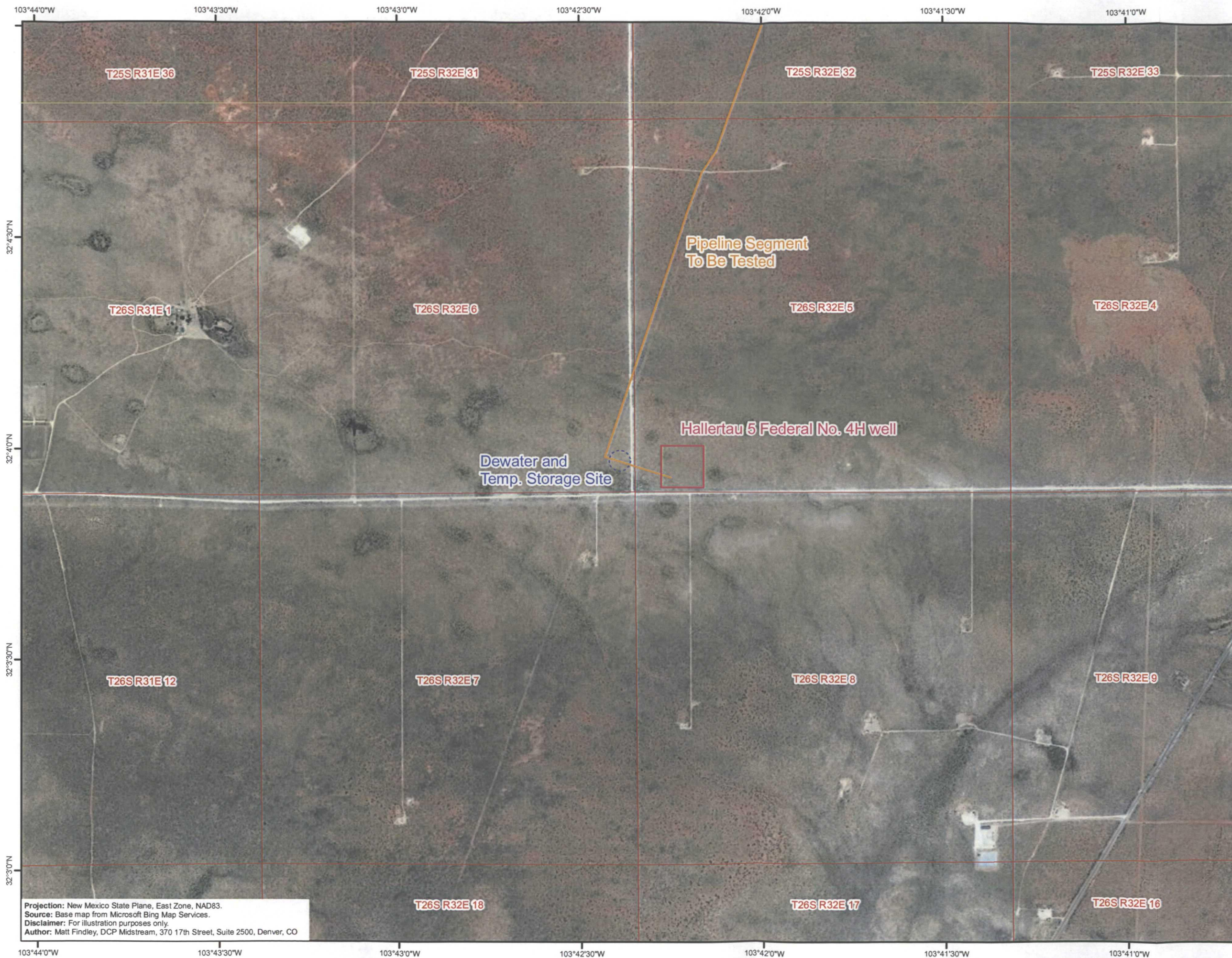
0 1,000 2,000 4,000 Feet

1 in = 2,000 feet

1:24,000

Figure 1
Overview Map
Cimarex
Hallertau 5 Fed CBT
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp
Midstream



Locator Map



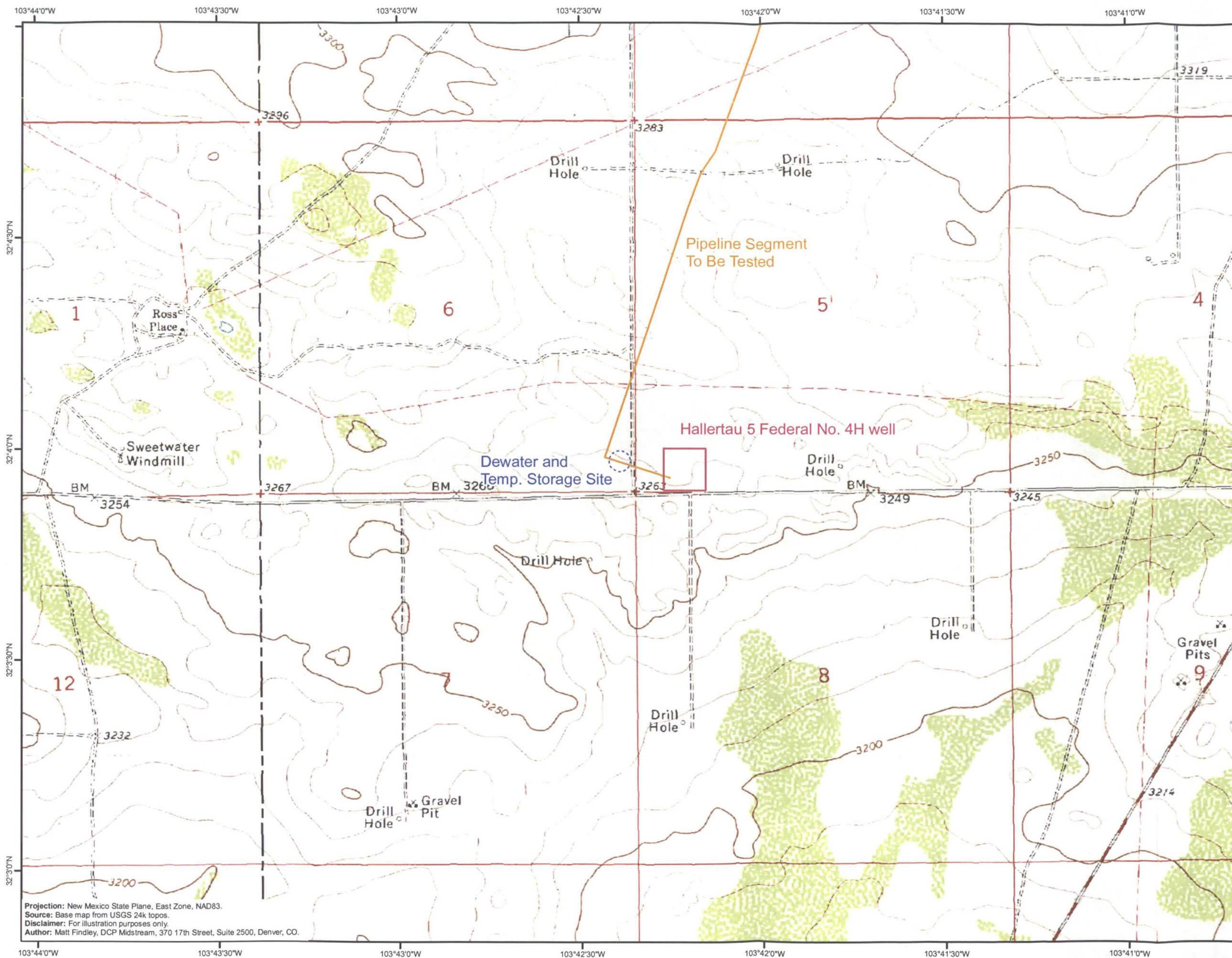
0 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 2
Ground Cover
Around Dewater Site
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012





Locator Map



0 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 3
Topography
Around Dewater Site
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp
Midstream

Projection: New Mexico State Plane, East Zone, NAD83.
 Source: Base map from USGS 24k topos.
 Disclaimer: For illustration purposes only.
 Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO.



Locator Map



0 200 400
Feet

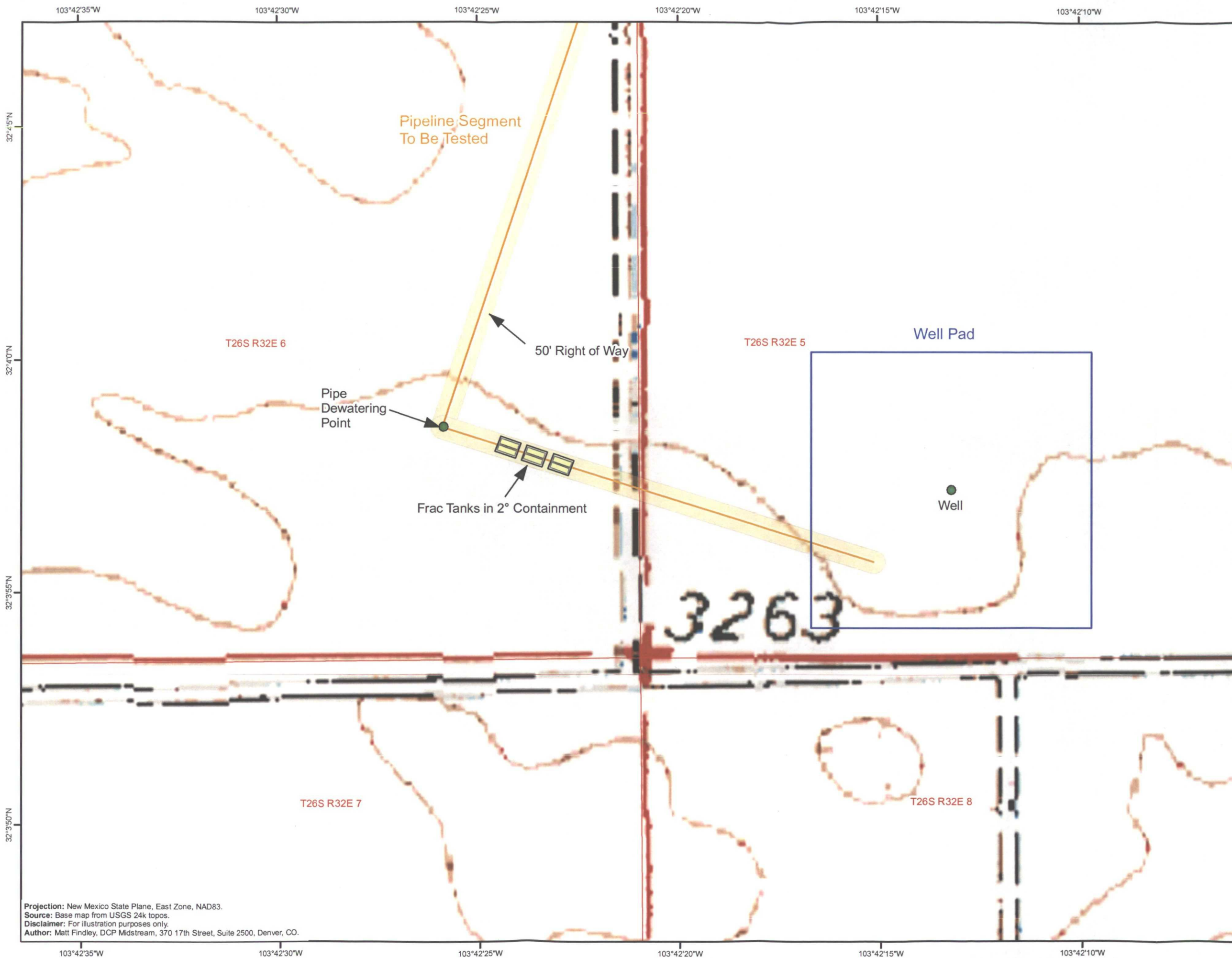
1 in = 200 feet

1:2,400

Figure 4
Dewater Site
Detail on Aerial
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp
Midstream

Projection: New Mexico State Plane, East Zone, NAD83.
 Source: Base map from Bing Map Services.
 Disclaimer: For illustration purposes only.
 Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO.



Locator Map



0 200 400 Feet

1 in = 200 feet

1:2,400

Figure 5
Dewater Site
Detail on Topo
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp
Midstream

Projection: New Mexico State Plane, East Zone, NAD83.
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