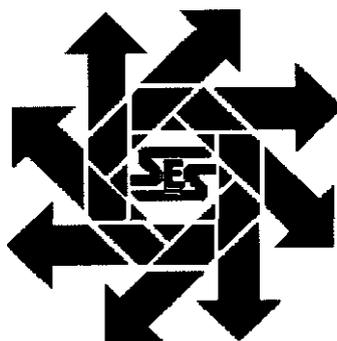


**Holly Energy Partners
Navaho Apache DAD Lateral
Closure Report**

**Section 30, T17S, R29E
Eddy County, New Mexico**

July 19, 2013



Prepared for:

**Holly Energy Partners
P.O. Box 1260
Artesia, New Mexico 88211**

By:

**Safety & Environmental Solutions, Inc.
703 East Clinton
Hobbs, New Mexico 88240
(575) 397-0510**

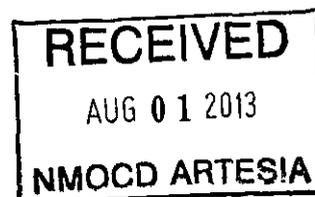


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I. Company Contacts

Representative	Company	Telephone	E-mail
Bill Green	Holly Energy Partners	575-748-8968	bill.green@hollyenergy.com
Bob Allen	SESI	575-397-0510	ballen@sesi-nm.com

II. Background

Safety and Environmental Solutions, Inc. (SESI) was contracted by Holly Energy Partners (HEP) to perform site assessment of a release area at the Navaho Apache DAD Lateral located in Section 30 of Township 17 South, Range 29 East, Eddy County, New Mexico.

According to the C-141, on October 22, 2011 a below ground release occurred due to internal corrosion of a 3" steel pipe tie-in from Concho Resources Navaho Federal #8. Clean-up crews were dispatched and free product was removed. Approximately 100 barrels of crude oil was released with an unknown amount recovered.

III. Surface and Ground Water

The nearest groundwater of record is approximately 2.9 miles northwest of the site in Section 22 Range 29 East and Township 17 South. The NM State Engineer Office reported depth in 2012 was 76 feet below ground surface (BGS). During a meeting with the local Oil Conservation Division (OCD) representative discussed personal knowledge of the last depth to water (DTW) measurement of an unmapped nearby well that was around 90' BGS. The surface relief of the site to the water well is in excess of 100'. This fact puts the likely DTW at the subject site to be well over the 100' BGS. (Appendix C)

IV. Characterization

The target cleanup levels are determined using the *Guidelines for Remediation of Leaks, Spills and Releases* published by the NMOCD (August 13, 1993). Based on the ranking criteria presented below, the applicable Recommended Remediation Action Levels (RRAL) are 10 parts per million (ppm) Benzene, 50 ppm combined benzene, toluene, ethylbenzene, and total xylenes (BTEX), and 5,000 ppm Total Petroleum Hydrocarbons (TPH).

Depth to Ground Water:			
(Vertical distance from contaminants to seasonal high water elevation of groundwater)	Less than 50 feet	20 points	
	50 feet to 99 feet	10 points	
	>100 feet	0 points	X
Wellhead Protection Area:			
(Less than 200 feet from a private domestic water source; or less than 1000 feet from all other water sources)	Yes	20 points	
	No	0 points	X
Distance to Surface Water:			
(Horizontal distance to perennial lakes, ponds, rivers, streams, creeks, irrigation canals and ditches)	Less than 200 feet	20 points	
	200 feet to 1000 feet	10 points	
	>1000 feet	0 points	X
RANKING SCORE (TOTAL POINTS)			0

V. Work Performed

On February 8, 2012, SESI installed four test trenches to determine the vertical extent of hydrocarbon impacts. Samples were retrieved, properly preserved, and transported under chain of custody to Cardinal Laboratories in Hobbs, New Mexico to be analyzed for TPH (EPA Method 418.1), and BTEX (EPA Method 8021B). The results are as follows:

Sample ID	Benzene (mg/kg)	Toluene (mg/kg)	Ethyl - Benzene (mg/kg)	Total Xylenes (mg/kg)	TPH 418.1 (mg/kg)
Analysis Date:-	2/08/12	2/08/12	2/08/12	2/08/12	2/08/12
TT - 4 5' BGS	<0.050	<0.050	<0.050	<0.150	113
TT - 3 7' BGS	<0.050	<0.050	<0.050	<0.150	340
TT - 2 10' BGS	<1.00	19.9	23.7	41.7	5180
TT - 1 11' BGS	8.24	101	82.4	132	6790

On February 20, 2012, SESI installed two boreholes to a depth where the TPH concentrations were field tested to be below 1,000 ppm TPH. Samples were properly preserved and transported under chain of custody to Cardinal Laboratories in Hobbs, New Mexico for TPH (EPA Method 418.1), and BTEX (EPA Method 8021B) analyses. The results are as follows:

Sample ID	Benzene (mg/kg)	Toluene (mg/kg)	Ethyl - Benzene (mg/kg)	Total Xylenes (mg/kg)	TPH 418.1 (mg/kg)
-Analysis Date:	2/20/12	2/20/12	2/20/12	2/20/12	2/20/12
BH - 1 19" TO 21" BGS	<0.050	<0.050	<0.050	<0.150	118
BH - 1 29" TO 31" BGS	<0.050	<0.050	<0.050	<0.150	<100
BH - 2 19" TO 21" BGS	<0.050	<0.050	<0.050	<0.150	106
BH - 2 25" BGS	<0.050	<0.050	<0.050	<0.150	166

On November 05, 2012 SESI began excavating the southwest release area where the most pooling occurred. Field tested the soil and at the depths 8 ft., and 10 ft., 18 ft. and 20 ft. were performed during the excavation to determine the depth of contamination. A composite sample from the stockpile was retrieved, properly preserved and transported under chain of custody to Cardinal Laboratories. The results are as follows:

Sample ID	Benzene (mg/kg)	Toluene (mg/kg)	Ethyl - Benzene (mg/kg)	Total Xylenes (mg/kg)	Total BTEX (mg/kg)
Analysis Date:	11/05/12	11/05/12	11/05/12	11/05/12	11/05/12
Stockpile C-1	8.15	68.0	56.9	103	236

Sample ID	GRO C6-C10 (mg/kg)	DRO >C10-C28 (mg/kg)	EXT DRO >C-28-C35 (mg/kg)
Analysis Date:-	11/05/12	11/05/12	11/05/12
Stockpile C-1	2010	5450	828

On April 26, 2013 SESI collected confirmation soil samples. Twenty-two samples were retrieved, properly preserved and transported under chain of custody to Hall Environmental Analysis Laboratory to be analyzed for DRO/GRO and BTEX. The results are as follows:

Sample ID	DRO (mg/kg)	GRO (mg/kg)	Benzene (µg/L)	Toluene (µg/L)	Ethyl - Benzene (µg/L)	Total Xylenes (µg/L)
Analysis Date:-	5/6/13	5/6/13	5/6/13	5/6/13	5/6/13	5/6/13
AH-1 North Wall	41	ND	ND	ND	ND	ND
AH-2 North Wall	ND	ND	ND	ND	ND	ND
AH-3 North Wall	ND	ND	ND	ND	ND	ND
AH-1 South Wall	ND	ND	ND	ND	ND	ND
AH-2 South Wall	ND	ND	ND	ND	ND	ND
AH-3 South Wall	ND	ND	ND	ND	ND	ND
AH-1 Bottom 4' BGS	ND	ND	ND	ND	ND	ND
AH-2 Bottom 4' BGS	ND	ND	ND	ND	ND	ND
AH-3 Bottom 4' BGS	ND	ND	ND	ND	ND	ND
AH-4 Bottom 4' BGS	ND	ND	ND	ND	ND	ND
AH-5 West Wall	1100	12	ND	ND	0.22	0.052
AH-6 West Wall	ND	ND	ND	ND	ND	ND
AH-7 West Wall	ND	ND	ND	ND	ND	ND
AH-8 East Wall	460	11	ND	ND	0.12	0.37
AH-9 East Wall	900	10	ND	ND	0.086	0.29
AH-10 East Wall	ND	ND	ND	ND	ND	ND
AH-11 Bottom 6' BGS	870	42	ND	0.061	0.58	1.6
AH-12 Bottom 9' BGS	830	13	ND	ND	0.073	0.28
AH-13 Bottom 9' BGS	860	12	ND	ND	0.078	0.28
West Wall WP-10' BGS	11	ND	ND	ND	ND	ND
North Wall WP-8' BGS	85	ND	ND	0.065	0.11	0.24
Bottom WP-19' BGS	2000	130	ND	1.2	2.8	6.5

May 05, 2013 the bottom hole of excavation was cleaned out. The spoils from the excavation were hauled to R360 Environmental Solutions Land Waste Disposal. A total of 2,180 yards of contaminated soils was disposed. On May 21, 2013, SESI began backfilling the excavations.

Lab copy

VI. Conclusion

Remedial actions at this site have all been performed with the approval of, and in accordance with all New Mexico Oil Conservation Division (NMOCD) requirements

As a result, we respectfully submit this closure report for your consideration and approval.

VII. Figures & Appendices

Figure 1 – Site Plan

Appendix A – Site Photographs

Appendix B – C-141

Appendix C – RRAL Request Letter/Approval E-Mail

**Figure 1
Site Map**

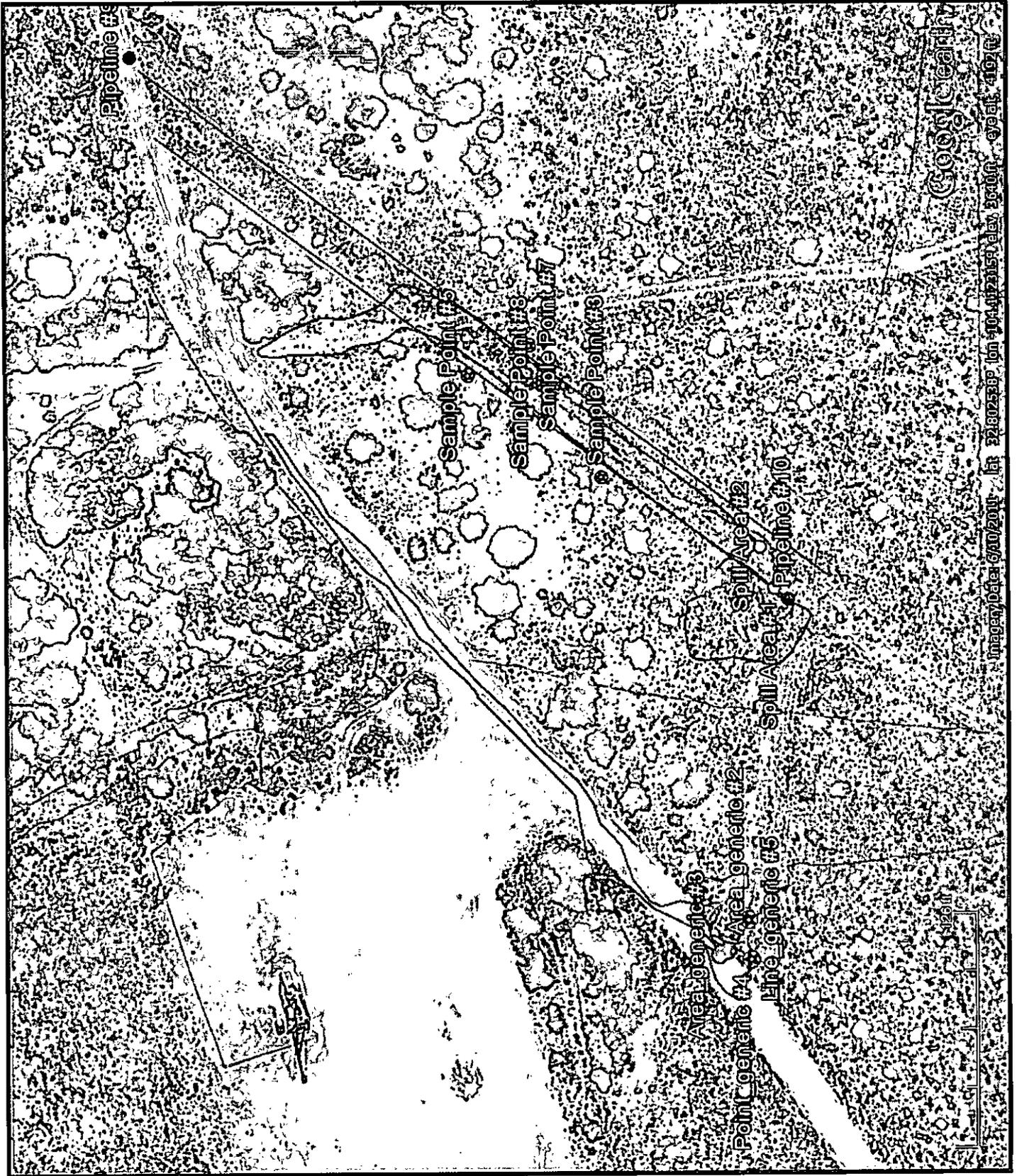
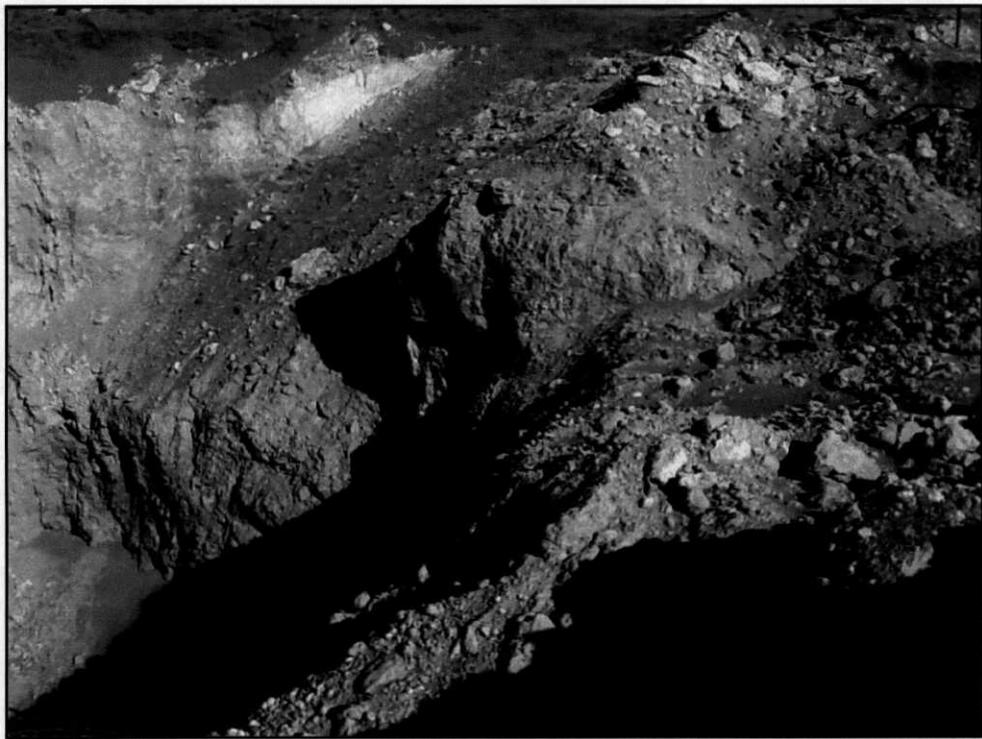


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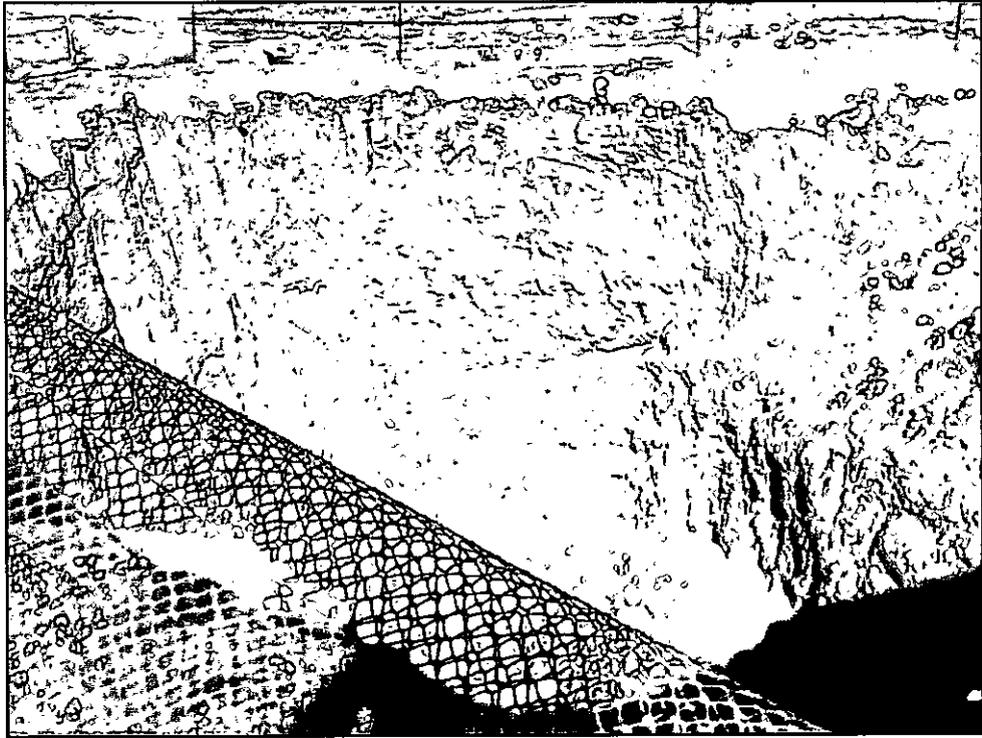
Appendix A
Site Photographs



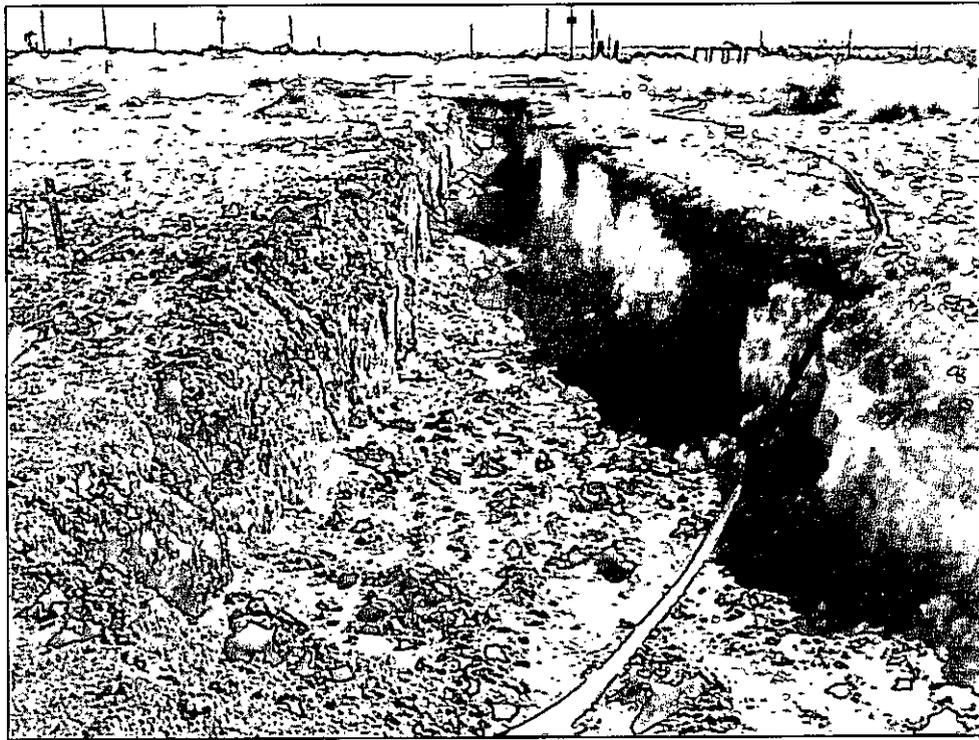
West Pit Excavation (Facing Southeast)



West Pit Excavation (Facing West)



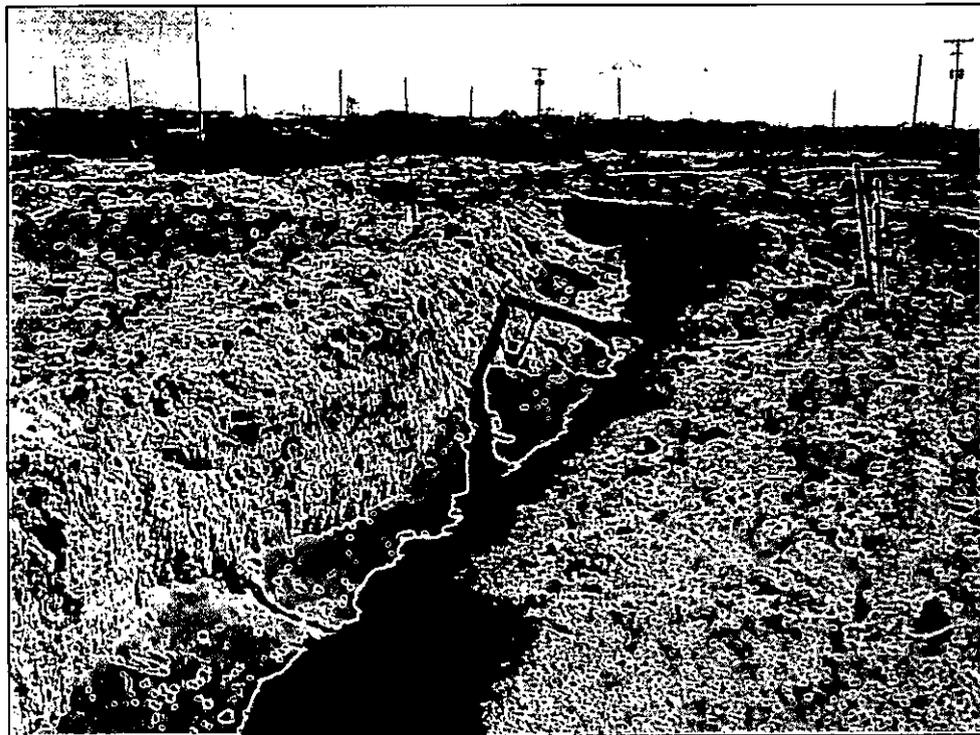
West Pit Excavation (Facing West)



Excavation (Facing Northeast)



Excavation (Facing Northeast)



Excavation (Facing Northeast)



Excavation (Facing North)



Excavation (Facing Southwest)



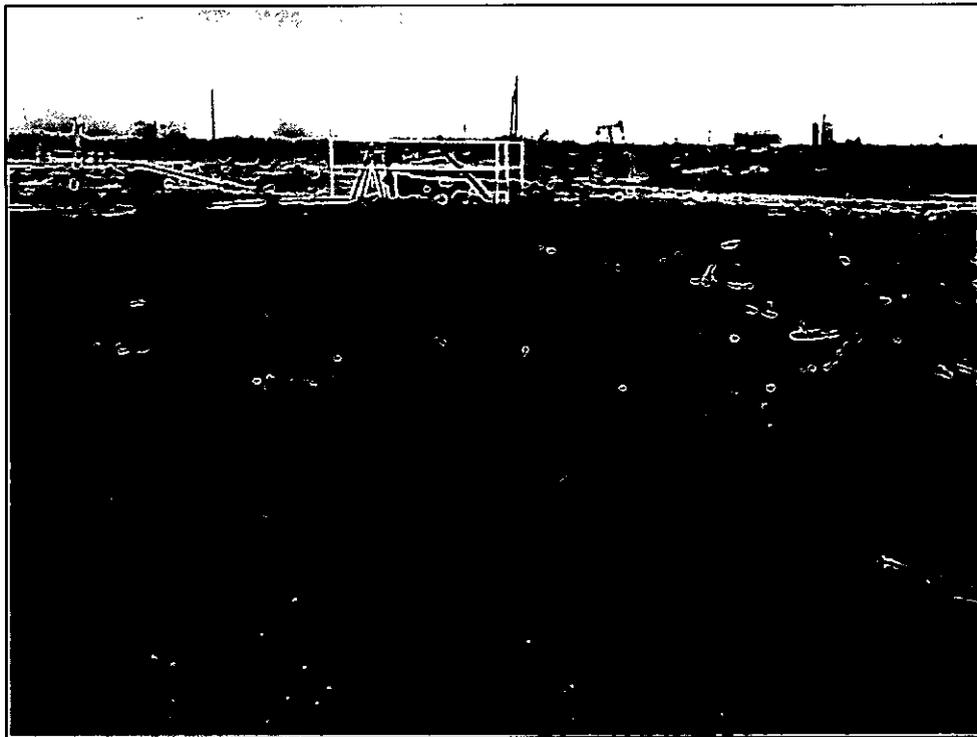
Excavation (Facing South)



Excavation (Facing Southwest)



West Pit Excavation Back filled (Facing Southeast)



West Pit Excavation Back filled (Facing East)



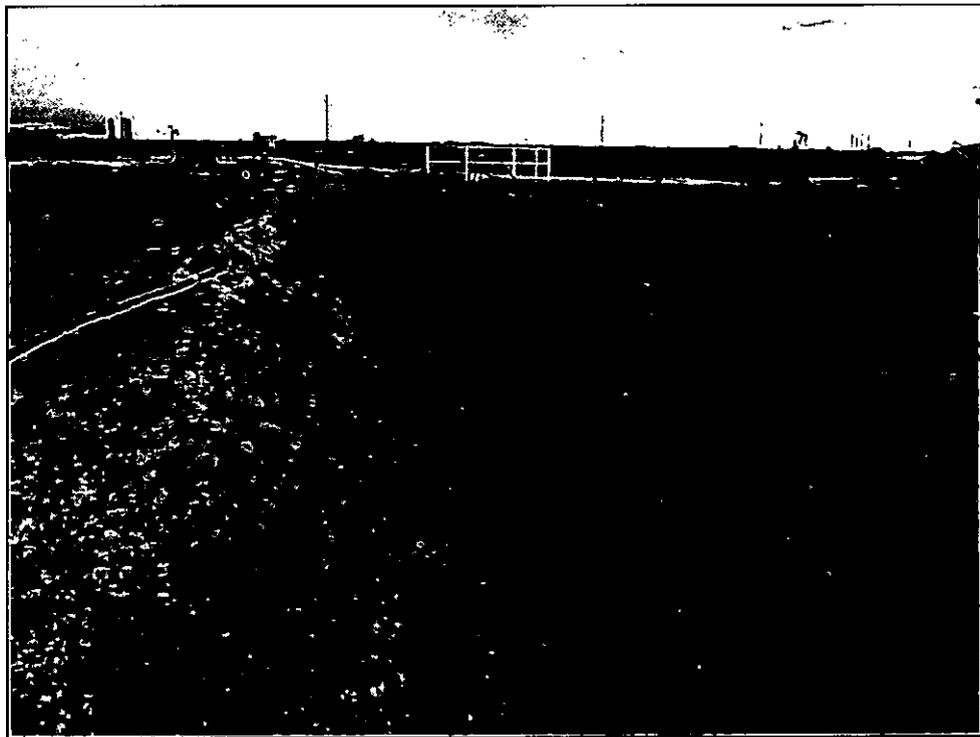
West Pit Excavation Back filled (Facing East)



West Pit Excavation Back filled (Facing East)



Excavation Back filled (Facing South)



Excavation Back filled (Facing Southwest)



Excavation Back filled (Facing South)



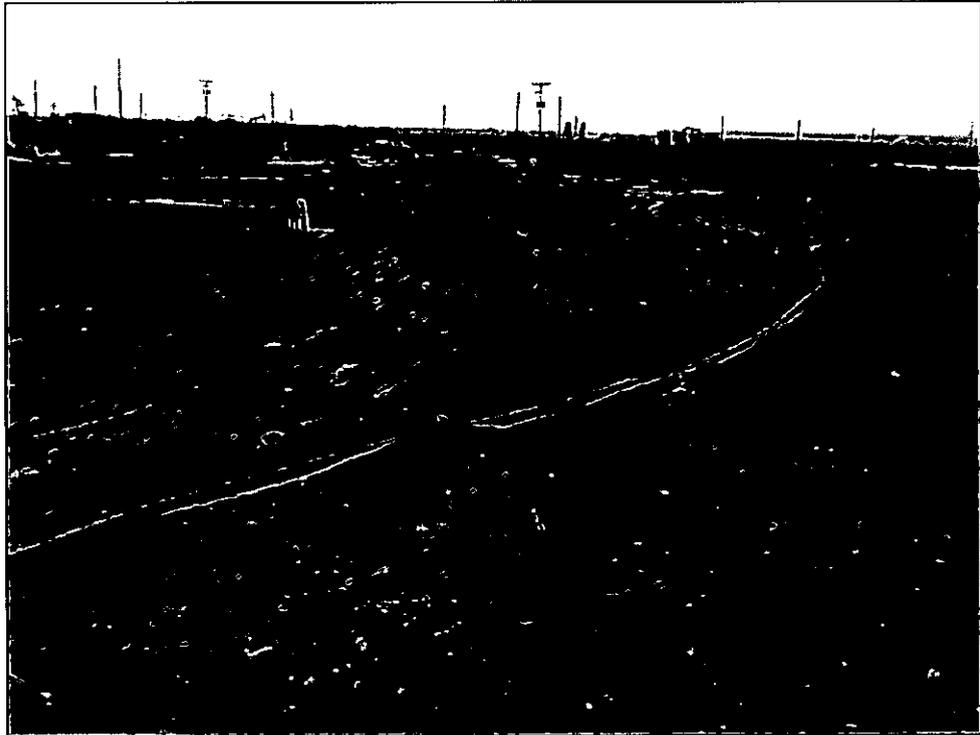
Excavation Back filled (Facing Southwest)



West Pit Excavation Back filled (Facing Northeast)



West Pit Excavation Back filled (Facing East)



Excavation Back filled (Facing Northeast)



Excavation Back filled (Facing Northeast)



Excavation back filled (Facing South)



Excavation back filled (Facing South)

Appendix B
C-141

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Hondo Road, Artesia, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-141
Revised October 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR Initial Report Final Report

Name of Company Holly Energy Partners	Contact Jeff Stubblefield
Address 1602 W Main Street Artesia, NM 88210	Telephone No. 972-322-5782
Facility Name Navaho Federal / Apache DAD Lateral	Facility Type Gathering Line
Surface Owner BLM	Mineral Owner
Lease No.	

LOCATION OF RELEASE

Grid Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
	30	T17S	29E	1650'	FSL	2308'	FEL	Eddy

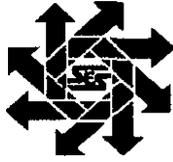
Latitude N 32' 48.167 Longitude W 104' 06.730

NATURE OF RELEASE

Type of Release Crude Oil	Volume of Release ~100 bbls	Volume Recovered bbl
Source of Release 3" steel pipeline	Date and Hour of Occurrence 10/22/2011 unknown	Date and Hour of Discovery 10:10 a.m.
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Randy Dade 575-626-1372	
By Whom? Lori Coupland	Date and Hour 10/22/2011 1:55 p.m.	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. N/A	
If a Watercourse was Impacted, Describe Pully.* N/A		
Describe Cause of Problem and Remedial Action Taken.* Possible internal or external corrosion on a 3" steel pipe tie-in from Concho Resources Navaho Federal #8. The leak is located below ground at the tie-in of the Apache DAD lateral. Clean-up crews have been dispatched and free product will be removed. Contaminated soil will also be removed and placed on plastic near the site.		
Describe Area Affected and Cleanup Action Taken.* Lease road - nearest well: Concho Resources Navaho Federal #8. Lease road has been closed on both sides of release and earthen dikes built to prevent surface migration. The free product will be recovered and the contaminated soil will be excavated and placed on plastic to allow for natural aeration. The soil will be hauled to an approved land farm once analytical tests have been completed and the levels are at acceptable levels for disposal.		
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCDC rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCDC marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCDC acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.		
Signature:		OIL CONSERVATION DIVISION
Printed Name: Lori Coupland		Approved by District Supervisor:
Title: Mgr - Regulatory Compliance		Approval Date: _____ Expiration Date: _____
E-mail Address: lori.coupland@hollyenergy.com		Conditions of Approval: _____ Attached <input type="checkbox"/>
Date: 10/22/2011 Phone: 575.748.4076		

* Attach Additional Sheets If Necessary

Appendix C
RRAL Request Letter/Approval E-Mail



P.O. Box 1613
703 E. Clinton
Hobbs, New Mexico 88240
575/397-0510
Fax 575/393-4388
www.sesi-nm.com

Safety & Environmental Solutions, Inc.

May 15, 2013

Mr. Mike Bratcher
New Mexico Oil Conservation Division
811 S. 1st Street
Artesia, New Mexico 882110

Dear Mr. Bratcher:

The purpose of this letter is to request that Holly Energy Partners be allowed to revise the target cleanup level for the Navaho Apache DAD Lateral from 1000 ppm TPH as stated in the approved work plan dated August 20, 2012 to 5000 ppm TPH.

The reason for this request is the result of the discussion between you, Mr. Bill Green of Holly Energy Partners, and me on the day we met at the subject site regarding the depth to ground water in the area. The depth to water in the water well at the propane sales facility east of the subject site is reported by the New Mexico Office of the State Engineer on their website as 76' BGS. During our discussion, you mentioned that your personal knowledge of the last DTW measurement of that well was around 90' BGS. The surface relief of the subject site from the water well is in excess of 100'. This fact puts the likely DTW at the subject site to be well over the 100'BGS required in the NMOCD Guidelines for the 5000 ppm target cleanup level.

Please approve this request and the site will be closed in the very near future as the samples of the sides and bottom of the current excavation are all below 5000 ppm TPH.

Thank you for your consideration in this matter.

Sincerely,

James R. Allen CSP, CHMM
President

Osbelia Leyva

From: Bratcher, Mike, EMNRD
Sent: Friday, May 17, 2013 3:25 PM
To: Bob Allen
Cc: office2@sesi-nm.com; scontreras@sesi-nm.com; Green, Bill
Subject: RE: Holly Energy Partners Navaho Apache DAD Lateral Target Cleanup Level Revision

Bob,

After reviewing OSE data for this Township/Range and OSE data for adjacent Township/Ranges, and in consideration of elevation differentials from the release site to the OSE documented well in S22-T17s-R29e, OCD agrees that while groundwater may exist beneath the release site, it would likely be encountered at a depth greater than 100' from surface. Your request for revision of the site ranking and clean up levels for this release site is approved.

OCD approval does not relieve the operator of liability should their operations fail to adequately investigate and remediate contamination that may pose a threat to ground water, surface water, human health or the environment. In addition, OCD approval does not relieve the operator of responsibility for compliance with any other federal, state, local laws and/or regulations.

If you have any questions or concerns, please contact me.

Mike Bratcher
NMOCD District 2
811 S. First Street
Artesia, NM 88210
O: 575-748-1283 X108
C: 575-626-0857
F: 575-748-9720

From: Bob Allen [<mailto:ballen@sesi-nm.com>]
Sent: Friday, May 17, 2013 2:01 PM
To: Bratcher, Mike, EMNRD
Cc: office2@sesi-nm.com; scontreras@sesi-nm.com; Green, Bill
Subject: Holly Energy Partners Navaho Apache DAD Lateral Target Cleanup Level Revision

Mike.... Please review the attached letter and forward your approval for this revision ASAP. Thank you

Bob Allen CSP, CHMM
Cell # 575.390.7063
Office # 575.397.0510
Fax # 575.393.4388

Isaiah 40:31

They that wait upon the Lord shall renew their strength; they shall mount up with wings as eagles; they shall run, and not be weary; and they shall walk, and not faint.

District I
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District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED

OCT 09 2011

NMOCD ARTESIA

Submit Copy to appropriate District Office in accordance with 19.15.29 NMAC.

Form C-141
Revised August 8, 2011

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company Holly Energy Partners	Contact Jeff Stubbfield
Address 1602 W Main Street Artesia, NM 88210	Telephone No. 972-322-5782
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API No.	

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By Whom? Lori Coupland	Date and Hour 10/22/2011 1:55 p.m.	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. N/A	

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

Possible internal or external corrosion on a 3" steel pipe tie-in from Conch Resources Navaho Federal #8. The leak is located below ground at the tie-in of the Apache DAD Lateral. Clean-up crews have been dispatched and free product will be removed. Contaminated soil will be also be removed and placed on plastic near the site.

Describe Area Affected and Cleanup Action Taken.*

Lease road-nearest well: Concho Resources Navaho Federal #8. Lease road has been closed on both sides of release and earthen dikes built to prevent surface migration. The free product will be recovered and the contaminated soil will be placed on plastic to allow for natural aeration. The soil will be hauled to an approved land farm once analytical test have been completed and the levels are acceptable levels for disposal. See Attached Closure Report

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Lori Coupland</i>	OIL CONSERVATION DIVISION	
Printed Name: Lori Coupland	Approved by Environmental Specialist:	
Title: Mgr. Regulatory Compliance	Approval Date:	Expiration Date:
E-mail Address: lori.coupland@hollyenergy.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 10/22/2011 Phone: 575.748.4076		

* Attach Additional Sheets If Necessary

Bratcher, Mike, EMNRD

From: Osbelia Leyva <office2@sesi-nm.com>
Sent: Wednesday, October 09, 2013 1:54 PM
To: Bratcher, Mike, EMNRD
Subject: Final Report C-141 for Navaho Federal/Apache DAD Lateral
Attachments: MX70403@hollycorp.com_20131009_111542.pdf

Good Afternoon Young Man,

Attached please find the Final Report C-141 for Navaho Federal/Apache DAD Lateral for the closure report. If you have any questions, please feel free to give me a call at (575)397-0510.

Osbelia Leyva (Pepper)

Administrative Assistant
Safety & Environmental Solutions, Inc.
Office: 575.397.0510
Fax: 575.393.4388
E-mail: office2@sesi-nm.com