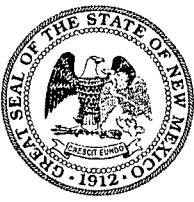


HI - _____106_____

**PERMITS,
RENEWALS, &
MODS**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 4, 2007

Ms. Marcelle Fiedler
Senior Environmental Scientist
PNM
Alvarado Square MS2104
Albuquerque, New Mexico 87158-2104

**Re: Hydrostatic Test Discharge Permit HI-106
PNM Albuquerque Mainline Pressure Test
Discharge Location: Sections 22, 26, and 27, Township 22 North, Range 8 West, NMPM,
San Juan County, New Mexico**

Dear Ms. Fiedler:

The New Mexico Oil Conservation Division (OCD) has received Public Service Company of New Mexico's (PNM) request dated July 23, 2007, for authorization to discharge approximately 399,000 gallons of wastewater from a hydrostatic test of 12.8 miles of the Albuquerque Mainline, a natural gas pipeline that extends from Albuquerque to Bloomfield, in San Juan County, New Mexico.

Based on the information provided in the request, the hydrostatic test water discharge **is hereby approved** with the following understandings and conditions:

1. PNM will be testing the pipeline section from milepost 35 to milepost 48, approximately 12.8 miles of the Albuquerque Mainline, a natural gas pipeline that extends from Albuquerque to Bloomfield, in San Juan County, New Mexico.
2. The pipeline will be cleansed prior to hydrostatic testing by a method of dry-pigging and a chemical cleanse utilizing "Lubchem IS-1100". The cleaning methods will generate 67-335 cubic feet of pigging waste and approximately 8,000-12,000 gallons of chemical cleaning fluid waste.
3. The dry-pigging waste will be collected in a 60-barrel tanker truck and temporarily stored in a 3,000 gallon plastic tank prior to testing. Best management practices will be implemented to prevent the release of any waste material. Secondary containment will be constructed for temporary storage of the pigging waste material. Test results will determine the proper method of disposal or treatment of the waste.
4. The chemical cleaning fluid waste will be collected in a 60-barrel tanker truck and temporarily stored in four 3,000 gallon plastic tanks prior to testing. Best management practices will be implemented to prevent the release of any waste material. Secondary containment will be constructed for temporary storage of the chemical cleaning fluid waste material. Test results will determine the proper method of disposal or treatment of the waste.
5. Source of the hydrostatic test water will be obtained from the City of Bloomfield, NM municipal supply.

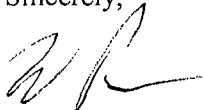
6. Hydrostatic test water generated from the test will be collected and temporarily stored within twenty 20,000 gallon mobile tanks. Best management practices will be implemented to prevent the release of any hydrostatic test wastewater. PNM will conduct daily inspections of the mobile tanks while awaiting test results.
7. PNM will secure a sample directly from the first and last 20,000 gallon mobile tank and immediately analyze it at a certified laboratory. PNM agrees to expedite the laboratory analyses.
8. All analyzes of samples from water generated from the test must not exceed the standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC.
9. Test results will be sent to the OCD for review and subsequent approval or disapproval for the test water to be discharged along the PNM pipeline right of way.
10. If final discharge of the test water is not approved by the OCD, PNM will transport the hydrostatic test water to Key Energy Services Class I injection well for disposal based upon the submittal request. PNM must request and obtain approval from the OCD to dispose of the test water at another division approved facility.
11. If final discharge of the wastewater is approved, the discharge shall occur along the pipeline right-of-way located within Sections 22, 26, and 27, Township 22 North, Range 8 West, NMPM, San Juan County, New Mexico.
12. If final discharge of the wastewater is approved, no hydrostatic test water generated from the test will be discharged to groundwater or be allowed to exit the right of way.
13. If final discharge of the wastewater is approved, no discharge shall occur:
 - a. where ground water is less than 10 feet below ground surface.
 - b. within 200 feet of a watercourse, lakebed, sinkhole or playa lake;
 - c. within an existing wellhead protection area;
 - d. within, or within 500 feet of a wetland; or
 - e. within 500 feet from the nearest permanent residence, school, hospital, institution or church;

It is understood that the hydrostatic test will occur sometime during the period of September 10, 2007 through November 23, 2007. **This permit will expire in 120 calendar days from the proposed start date of September 10, 2007.**

Please be advised that OCD approval of this permit does not relieve PNM of responsibility should operations pose a threat to ground water, surface water, human health or the environment. In addition, OCD approval does not relieve PNM of responsibility for compliance with any other federal, state, or local laws and/or regulations

If there are any questions regarding this matter, please do not hesitate to contact Brad A. Jones at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Wayne Price
Environmental Bureau Chief

LWP/baj

Cc: OCD District III Office, Aztec