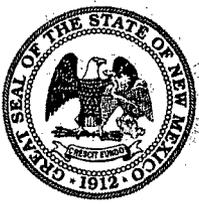


HIP - 89

**PERMITS,
RENEWALS, &
MODS**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 22, 2004

Lori Wrotenberg

Director

Oil Conservation Division

Steve Crabtree
Pinnacle Pipeline Company
7904 N. Sam Houston West, Suite 100
Houston, TX 77064

Re: Hydrostatic Test Water Discharge Permit HI-089
Pinnacle Pipeline Company
Discharge location: NE/4 NE/4 of Section 29, T 30 N, R 6 W, NMPM,
San Juan County, New Mexico

Dear Mr. Steve Crabtree:

The New Mexico Oil Conservation Division (OCD) has received PBS&J request, on behalf of Pinnacle Pipeline Company, dated December 5, 2003 for authorization to discharge up to 80,000 gallons of waste water from the hydrostatic test of a 12" natural gas Hobbs Lateral Expansion Project. The test will be on approximately 2.5 miles of new 12-inch natural gas pipeline. The discharge point will be located in SW/4 SW/4 Section 25, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico.

Based on the information provided in the request, the hydrostatic test water discharge is hereby approved subject to the following conditions:

1. The test water (80,000 gallons) will be discharged to the ground surface in the SW/4 SW/4 Section 25, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico.
2. Test water will be discharged into a silt-fence and hay bale structure at a controlled rate to prevent erosion.
3. The pipe must be new and never previously used for oil and/or gas transmission.
4. Only fresh water of less than 1,000 mg/l total dissolved solids from a water supply system or other potable source shall be used in the hydrostatic test.
5. The fluids will not be allowed to migrate to a water of the State or a water of the U.S.
6. Written permission of landowners must be obtained.

Mr. Steve Crabtree
January 22, 2004
Page 2

Pursuant to WQCC Regulation 20 NMAC 6.2.3106.B, this approval will allow Pinnacle Pipeline Company to discharge without an approved discharge plan for a period not to exceed 120 days. Pursuant to WQCC Regulation 20 NMAC 6.2.3114 an application fee of one hundred dollars (\$100) is due at the time of the permit application submittal and a temporary permission permit fee of one hundred fifty dollars (\$150) is due upon receipt of this approval. The \$100 application fee and \$150 temporary permission fee have been received. If the site is to be used for more than one test discharge, formal reapplication must be made. If the discharge exceeds 120 days, a formal discharge plan must be submitted for review.

Please be advised that this approval does not relieve Pinnacle Pipeline Company of liability should their operation result in pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve Pinnacle Pipeline Company of responsibility for compliance with other federal, state or local regulations.

If there are any questions, please call Martyne Kieling at (505) 476-3488.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief

RCA/mjk

xc: OCD Hobbs Office
Ms. Brandy Lim, PBS&J, 1880 S. Dairy Ashford St., Suite 300, Houston, Texas 77077-4760



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 12, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Steve Crabtree
Pinnacle Pipeline Company
7904 N. Sam Houston West, Suite 100
Houston, TX 77064

Re: Hydrostatic Test Water Discharge Permit HI-089
Pinnacle Pipeline Company
Discharge location: SW/4 SW/4 Section 25, T 18 S, R 36 E, NMPM,
San Juan County, New Mexico

Dear Mr. Crabtree:

The New Mexico Oil Conservation Division (OCD) has reviewed Pinnacle Pipeline Company's (Pinnacle) letter detailing the results of the hydrostatic dated April 29, 2004. The OCD thanks you for the data regarding Pinnacle's March 10, 2004 test located in SW/4 SW/4 Section 25, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico. The analytical results will be placed in Pinnacle's file HI-089.

If there are any questions, please call me at (505) 476-3488.

Sincerely,

Martyne J. Kieling

xc: OCD Hobbs Office



PINNACLE PIPELINE COMPANY

* NATURAL GAS TRANSPORTATION, GATHERING, PURCHASING & SALES *

7904 N. SAM HOUSTON PARKWAY WEST, SUITE 100
HOUSTON, TEXAS 77056
TELEPHONE (713) 965-9151
FAX (713) 965-9156

April 29, 2004

RECEIVED

MAY 06 2004

OIL CONSERVATION
DIVISION

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

Attention: Mr. Roger C. Anderson

Re:

Pinnacle Pipeline Company
Hydrostatic Test Water Discharge Permit HI-089

Dear Mr. Anderson:

Pinnacle Pipeline Company completed the hydrotest of the new 12" pipeline per the referenced permit. Per your request we are submitting the following information.

- De water date: March 10, 2004
- Location: SW/4 SW/4 Section 25, T18S R36E, NMPM, Lea County NM.
- Volume: 80,000 gallons
- Water Source: City of Hobbs, NM

See the attached lab reports for the analysis of the water

- received from the city
- discharged

If you need any other information please call me at 713-965-9151.

Respectfully Submitted,

PINNACLE PIPELINE COMPANY

By

Steve Crabtree
Engineer

Steve Crabtree

CAPROCK LABORATORIES, INC.
3312 BANKHEAD HIGHWAY
MIDLAND, TEXAS 79701
(915) 689-7252

COMPANY: Markwest Pinnacle, L.P.
SAMPLE ID.: As Noted

JOB NUMBER: 0404015
DATE SAMPLED: As Noted
DATE RECEIVED: Apr. 05, 2004
DATE REPORTED: Apr. 14, 2004
REPORTED TO: Danny Dollar

RECEIVED
APR 21 2004

SUMMARY OF BTEX ANALYSIS

SAMPLE IDENTIFICATION: Fresh Water Fill De Water, 2/3 thru
03-08-04 @ 14:00 03-10-04 @ 17:30

LABORATORY NUMBER	04015-1	04015-2
BENZENE, mg/L	< 0.01	< 0.01
TOLUENE, mg/L	< 0.01	< 0.01
ETHYL BENZENE, mg/L	< 0.01	< 0.01
XYLENES, mg/L	< 0.01	< 0.01

QUALITY CONTROL - QUALITY ASSURANCE DATA

	Benzene	Toluene	E-Benzene	Xylenes
Quality Control, mg/L	24	26	23	26
True Value, mg/L	25	25	25	25
% Instrument Accuracy	96	104	92	104
Spiked Amount, mg/L	24	24	24	24
Original Sample	< 1	< 1	< 1	< 1
Spike, mg/L	23	25	23	25
Spike Duplicate, mg/L	24	24	23	24
% Extraction Accuracy	98	102	96	102
Blank	< 1	< 1	< 1	< 1

Method: 8021B 5030: Gc, PID, Purge & Trap
Sample: Water Samples

Analyst: *James L. Pritchard*
James L. Pritchard, Lab Manager

CAPROCK LABORATORIES, INC.
3312 BANKHEAD HIGHWAY
MIDLAND, TEXAS 79701
(915) 689-7252

COMPANY: Markwest Pinnacle, L.P.
SAMPLE ID: As Noted

JOB NUMBER: 0404015
DATE SAMPLED: As Noted
DATE RECEIVED: Apr. 05, 2004
DATE REPORTED: Apr. 14, 2004
REPORTED TO: Danny Dollar

SUMMARY OF TOX ANALYSIS

SAMPLE IDENTIFICATION	LAB NUMBER	TOTAL ORGANIC HALIDES, (TOX) ppm
Fresh Water Fill, 03-08-04 @ 14:00	04015-1	< 0.01
De Water, 2/3 thru 03-10-04 @ 17:30	04015-2	< 0.01

Method: TOX - Hexane extraction, Electron Capture G. C.
Sample: Water

Analyst:


James L. Pritchard, Lab Manager

CAPROCK LABORATORIES, INC.
 3312 BANKHEAD HIGHWAY
 MIDLAND, TEXAS 79701
 (915) 689-7252

COMPANY:	Markwest Pinnacle, L.P.	JOB NUMBER:	0404015
SAMPLE ID.:	Fresh Water Fill, 03-08-04 @ 14:00	DATE SAMPLED:	As Noted
		DATE RECEIVED:	Apr. 05, 2004
		DATE REPORTED:	Apr. 14, 2004
		REPORTED TO:	Danny Dollar

SPECTROCHEMICAL ANALYSIS, RCRA METALS

ELEMENT	METHOD	EPA LIMIT	CONC. mg/L	DETECTION LIMIT, mg/L
ARSENIC	EPA SW-846 7061	5.0	< 0.004	0.004
BARIUM	EPA SW-846 7080	200.0	< 0.25	0.25
CADMIUM	EPA SW-846 7130	0.5	< 0.10	0.10
CHROMIUM	EPA SW-846 7190	1.0	< 0.10	0.10
LEAD	EPA SW-846 7420	5.0	< 0.10	0.10
MERCURY	EPA SW-846 7470	0.2	< 0.002	0.002
SELENIUM	EPA SW-846 7741	1.0	< 0.002	0.002
SILVER	EPA SW-846 7760	5.0	< 0.10	0.10

QUALITY CONTROL - QUALITY ASSURANCE DATA

	As	Ba	Cd	Cr	Pb	Hg	Se	Ag
Quality Control, mg/L	7.1	20.1	1.2	3.9	24.9	10.1	12.0	3.1
True Value, mg/L	7.0	20.0	1.2	4.0	25.0	10.0	12.0	3.0
% Instrument Accuracy	101	101	100	97.5	99.6	101	100	103
Spiked Amount	10.0	20.0	5.0	5.0	10.0	10.0	10.0	5.0
Original Sample	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
Spike, mg/L	9.9	19.9	5.0	4.9	10.2	10.1	10.0	4.9
Spike Duplicate, mg/L	10.1	19.8	5.1	5.1	10.1	10.2	10.3	4.9
% Extraction Accuracy	100	99	101	100	102	102	102	98
Blank	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01

Method: Metals - As Noted
 Sample: Water

Analyst: 
 James L. Pritchard, Lab Manager



CAPROCK LABORATORIES, INC.

3312 Bankhead Hwy.
Midland, Texas 79701
(915) 689-7252
FAX # (915) 689-0130

WATER ANALYSIS REPORT

SAMPLE

Oil Co. : Markwest Piunncle, L.P.
Lease : De Water 2/3 thru 03-10-04 @ 17:30
Well No. :
Job No. : 0404015

Sample Loc. :
Date Analyzed: 07-April-2004
Date Sampled : As Noted Above
Analysis No. : 2

ANALYSIS

- 1. pH 7.650
- 2. Specific Gravity 60/60 F. 0.998
- 3. CaCO₃ Saturation Index @ 80 F. +0.332
@ 140 F. +0.932

Dissolved Gasses MG/L EQ. WT. *MEQ/L

- 4. Hydrogen Sulfide None Detected
- 5. Carbon Dioxide Not Determined
- 6. Dissolved Oxygen Not Determined

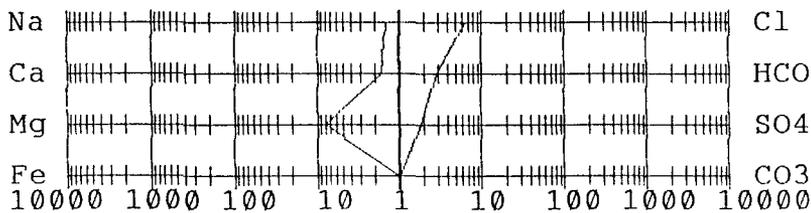
Cations

7. Calcium (Ca ⁺⁺)	32	/	20.1 =	1.59
8. Magnesium (Mg ⁺⁺)	92	/	12.2 =	7.54
9. Sodium (Na ⁺) (Calculated)	32	/	23.0 =	1.39
10. Barium (Ba ⁺⁺)	0	/	68.7 =	0.00

Anions

11. Hydroxyl (OH ⁻)	0	/	17.0 =	0.00
12. Carbonate (CO ₃ ⁼)	0	/	30.0 =	0.00
13. Bicarbonate (HCO ₃ ⁻)	171	/	61.1 =	2.80
14. Sulfate (SO ₄ ⁼)	84	/	48.8 =	1.73
15. Chloride (Cl ⁻)	213	/	35.5 =	6.00
16. Total Dissolved Solids	624			
17. Total Iron (Fe)	0	/	18.2 =	0.00
18. Total Hardness As CaCO ₃	460			
19. Resistivity @ 75 F. (Calculated)	2.739	/cm.		

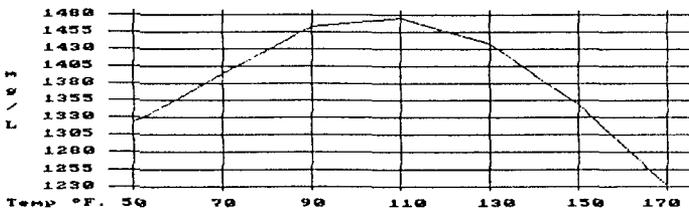
LOGARITHMIC WATER PATTERN
*meq/L.



PROBABLE MINERAL COMPOSITION
COMPOUND EQ. WT. X *meq/L = mg/L.

Cl	Ca (HCO ₃) ₂	81.04	1.59	129
HCO ₃	CaSO ₄	68.07	0.00	0
SO ₄	CaCl ₂	55.50	0.00	0
CO ₃	Mg (HCO ₃) ₂	73.17	1.21	88
	MgSO ₄	60.19	1.73	104
	MgCL ₂	47.62	4.61	219
	NaHCO ₃	84.00	0.00	0
	NaSO ₄	71.03	0.00	0
	NaCl	58.46	1.39	81

Calcium Sulfate Solubility Profile



*Milli Equivalent per Liter

James F. Pritchard
Analyst

CAPROCK LABORATORIES, INC.
 3312 BANKHEAD HIGHWAY
 MIDLAND, TEXAS 79701
 (915) 689-7252

COMPANY:	Markwest Pinnacle, L.P.	JOB NUMBER:	0404015
SAMPLE ID.:	De Water, 2/3 thru	DATE SAMPLED:	As Noted
	03-10-04 @ 17:30	DATE RECEIVED:	Apr. 05, 2004
		DATE REPORTED:	Apr. 14, 2004
		REPORTED TO:	Danny Dollar

SPECTROCHEMICAL ANALYSIS, RCRA METALS

ELEMENT	METHOD	EPA LIMIT	CONC. mg/L	DETECTION LIMIT, mg/L
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CHROMIUM	EPA SW-846 7190	1.0	< 0.10	0.10
LEAD	EPA SW-846 7420	5.0	< 0.10	0.10
MERCURY	EPA SW-846 7470	0.2	< 0.002	0.002
SELENIUM	EPA SW-846 7741	1.0	< 0.002	0.002
SILVER	EPA SW-846 7760	5.0	< 0.10	0.10

QUALITY CONTROL - QUALITY ASSURANCE DATA

	As	Ba	Cd	Cr	Pb	Hg	Se	Ag
Quality Control, mg/L	7.1	20.1	1.2	3.9	24.9	10.1	12.0	3.1
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% Instrument Accuracy	101	101	100	97.5	99.6	101	100	103
Spiked Amount	10.0	20.0	5.0	5.0	10.0	10.0	10.0	5.0
Original Sample	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
Spike, mg/L	9.9	19.9	5.0	4.9	10.2	10.1	10.0	4.9
Spike Duplicate, mg/L	10.1	19.8	5.1	5.1	10.1	10.2	10.3	4.9
% Extraction Accuracy	100	99	101	100	102	102	102	98
Blank	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01

Method: Metals - As Noted
 Sample: Water

Analyst: James L. Pritchard
 James L. Pritchard, Lab Manager

STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

EEE 0000519

OFFICIAL RECEIPT

Date: 1-15-2004



Received From: PRS & T

Dollars

Center Code	Revenue Code	Amount	Work Order No.
0740		1.00	
0740		1.50	

Center Code	Revenue Code	Amount	Work Order No.

State Treasurer Deposit Number _____

Total \$ 2.50⁰⁰

Description: _____

Signed: *[Signature]*

NEW MEXICO ENVIRONMENT DEPARTMENT
REVENUE TRANSMITTAL FORM

Description	FUND	CES	DFA ORG	DFA ACCT	ED ORG	ED ACCT	AMOUNT
1 CY Reimbursement Project Tax	064	01		2329	900000	2329134	
5 Gross Receipt Tax	064	01		1896	900000	4169134	
3 Air Quality Title V	092	13	1300	1896	900000	4969014	
4 PRP Prepayments	248	14	1400	9696	900000	4989015	
2 Climax Chemical Co.	248	14	1400	9696	900000	4989248	
6 Circle K Reimbursements	248	14	1400	9696	900000	4169027	
7 Hazardous Waste Permits	339	27	2700	1896	900000	4169339	
8 Hazardous Waste Annual Generator Fees	339	27	2700	1896	900000	4169339	
10 <u>2</u> Water Quality - Oil Conservation Division	341	29		2329	900000	2329029	250.00
11 Water Quality - GW Discharge Permit	341	29	2900	1696	900000	4169029	
12 Air Quality Permits	631	31	2500	1696	900000	4169031	
13 Payments under Protest	851	33		2919	900000	2919033	
*14 Xerox Copies	652	34		2349	900000	2349001	
15 Ground Water Penalties	652	34		2349	900000	2349002	
16 Witness Fees	652	34		2349	900000	2439003	
17 Air Quality Penalties	652	34		2349	900000	2349004	
18 OSHA Penalties	652	34		2349	900000	2349005	
19 Prior Year Reimbursement	652	34		2349	900000	2349006	
20 Surface Water Quality Certification	652	34		2349	900000	2349009	
21 Jury Duty	852	34		2349	900000	2349012	
22 CY Reimbursements (i.e. telephone)	652	34		2349	900000	2349014	
*23 UST Owner's List	783	24	2500	9696	900000	4969201	
*24 Hazardous Waste Notifiers List	783	24	2500	9696	900000	4969202	
*25 UST Maps	783	24	2500	9696	900000	4989203	
*26 UST Owner's Update	783	24	2500	9696	900000	4989205	
*28 Hazardous Waste Regulations	783	24	2500	9696	900000	4969207	
*29 Radiologic Tech. Regulations	783	24	2500	9696	900000	4969208	
*30 Superfund CERLIS List	783	24	2500	9696	900000	4989211	
31 Solid Waste Permit Fees	783	24	2500	9696	900000	4989213	
32 Smoking School	783	24	2500	9696	900000	4989214	
*33 SWQB - NPS Publications	783	24	2500	9696	900000	4989222	
*34 Radiation Licensing Regulation	783	24	2500	9696	900000	4969228	
*35 Sale of Equipment	783	24	2500	9696	900000	4989301	
*36 Sale of Automobile	783	24	2500	9696	900000	4969302	
*37 LUST Recoveries	783	24	2500	9696	900000	4969614	
*38 LUST Repayments	783	24	2500	9696	900000	4969615	
39 Surface Water Publication	783	24	2500	9696	900000	4969801	
40 Exxon Reese Drive Ruidoso - CAF	783	24	2500	9696	900000	4969242	
41 Emerg. Hazardous Waste Penalties NOV	957	32	9600	1896	900000	4164032	
42 Radiologic Tech. Certification	987	05	0500	1896	900000	4169005	
44 Ust Permit Fees	989	20	3100	1896	900000	4169020	
45 UST Tank Installers Fees	989	20	3100	1896	900000	4169021	
46 Food Permit Fees	991	26	2600	1896	900000	4169026	
43 Other							

Gross Receipt Tax Required

Site Name & Project Code Required

TOTAL

250.00

Contact Person: Roger C. Anderson Phone: 476-3490 Date: 1-15-04

Received in ASD By: _____ Date: _____ RT #: _____ ST #: _____

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 4602583 dated 1-14-04
or cash received on 1-15-04 in the amount of \$ 150.00
from PBS & J

for Pinnacle Pipeline Company HI-089

Submitted by: Martynne Kieling Date: 1-15-04

Submitted to ASD by: Martynne Kieling Date: 1-15-04

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other Temporary Permission Permit Fee

Organization Code 521.07 Applicable FY 2003

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____



206 Wild Basin Road, Suite 300
Austin, Texas 78746

Bank of America, N.A.
Atlanta, Georgia
64-1278/611

4602583

CHECK DATE
January 14, 2004

An employee-owned company

PAY One Hundred Fifty and 00/100 Dollars

AMOUNT \$150.00

TO NMED Water Quality Management Fund
1220 South St. Francis Dr.
Santa Fe NM 87505

PBS & J OPERATIONAL ACCOUNT
S. Augustine Ramos
AUTHORIZED SIGNATURE

Security Check features included. Details on back.

⑈4602583⑈ ⑆061112788⑆ 003299831588⑈

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 4602584 dated 1-14-04
or cash received on 1-15-04 in the amount of \$ 100.⁰⁰
from PBS&J

for Pinnacle Pipeline Company HI-089

Submitted by: Martyn Kiehn Date: 1-15-04

Submitted to ASD by: Marty JKH Date: 1-15-04

Received in ASD by: _____ Date: _____

Filing Fee New Facility _____ Renewal _____

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

4602584



206 Wild Basin Road, Suite 300
Austin, Texas 78746

Bank of America, N.A.
Atlanta, Georgia
64-1278/611

CHECK DATE
January 14, 2004

An employee-owned company

PAY One Hundred and 00/100 Dollars

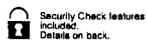
AMOUNT \$100.00

TO NMED Water Quality Management Fund
1220 South St. Francis Dr.
Santa Fe NM 87505

PBS&J

OPERATIONAL ACCOUNT

[Signature]
AUTHORIZED SIGNATURE



⑈4602584⑈ ⑆061112788⑆ 003299831588⑈



An employee-owned company

January 14, 2004

Ms. Martyne Kieling
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

PN 460799.01

Dear Ms. Kieling:

Re: Request for Permit to Discharge Hydrostatic Test Water
Pinnacle Pipeline Company
Hobbs Lateral Expansion Project
Lea County, New Mexico

PBS&J has been contracted by Pinnacle Pipeline Company (Pinnacle) to obtain environmental clearances/consultations for the Hobbs Lateral Expansion Project (Project).

The project includes approximately 2.5 miles of 12-inch pipeline looping adjacent to an existing 4.9-mile 10-inch natural gas pipeline in Lea County, New Mexico. The purpose of the Project is to expand the capacity on Pinnacle's existing 10-inch Hobbs lateral. Please refer to the attached 7.5-minute USGS topographic quadrangle map excerpt (Monument North, NM) depicting the proposed project location. The proposed 12-inch Hobbs Lateral Expansion runs through Section 25, Township 18 South, Range 36 East, and Sections 30 and 31, Township 18 South, Range 37 East.

In order to ensure new construction integrity, Pinnacle plans to hydrostatically test the Project from M.P. 0.00 to 2.4. It has been suggested by the New Mexico Oil Conservation Division that an individual permit will not be required for this project as set forth in the Guidelines For Hydrostatic Test Water Dewatering. The required information for hydrostatic testing of new pipelines as it relates to the Project is provided below.

Pinnacle is planning to hydrostatically test the line from M.P. 0.0 to 2.4, and dewater the approximately 80,000 gallons required for testing at the end of the pipeline (M.P. 2.4). Hydrostatic test water will come from a municipal source and the test water will be discharged into a silt-fence and hay bale structure that will drain into undisturbed vegetated areas within an upland setting. No surface waters are in the immediate vicinity of the discharge location. The nearest surface waters include a man-made water canal connecting the Maddox Power Plant to Maddox Lake. This canal is elevated from the surrounding landscape and is bordered by a berm approximately 2-feet high. The canal runs parallel to the proposed Project between M.P. 1.6 and 1.7. Maddox Lake is located approximately 1,600 feet east northeast of the proposed discharge location. An additional un-named lake is located approximately 1,000 feet northwest of the proposed discharge location.

To ensure protection of fresh water supplies and avoid impacts to adjacent properties all test water will be discharged at a controlled rate into a silt-fence and hay bale structure and against a splash plate to minimize soil erosion and restore dissolved oxygen to the test water.

Ms. Martyne Kieling

Page 2

January 14, 2004

According to information obtained from the New Mexico Oil Conservation Division, a monitoring well located in Section 31, north of the Hobbs gas plant, records the groundwater table at approximately 58 feet deep. Additional conversations with the New Mexico Office of the State Engineer indicated that typical well depths in the area range from 40 to 75 feet in depth to groundwater. Hydrostatic test water will be sampled prior to discharge to ensure that the test water does not degrade or exceed the standards as set forth in Section 3103A, B, and C of the New Mexico Water Quality Control Commission Regulations. A monthly report summarizing the test of the new pipe will be submitted to the New Mexico Oil Conservation Division summarizing the following information:

1. Location of test-Section, Township and Range;
2. Date of Test;
3. Volume of Discharge; and
4. Source and Quality of Test Water.

Currently Pinnacle intends to conduct hydrostatic testing on February 2, 2004. Please find enclosed check number 4602583 for the application fee of \$150.00 and check number 4602584 for the temporary permit fee of \$100.00, for issuance of a Hydrostatic Test Water Discharge Permit. If you require any additional information, please contact me at (281) 493-5100.

Sincerely,

PBS&J



Brandy Lim
Project Manager

BL:sal

Enclosures

c: Bill Janacek – Pinnacle Pipeline Company
Renu Gupta – Baker Botts, L.L.P.
Joey Mahmoud – PBS&J