HITP - 027

TEMPORARY PERMISSION 2012-2013

April 2, 2012

UPS SECOND DAY DELIVERY

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

Subject: Temporary Permission Fee for HITP-027 – Cedar Canyon to BL-5 Pipeline Hydrostatic Test

Mr. Jones,

Here is a check to cover the $150 temporary permission fee for the Cedar Canyon to BL-5 Pipeline Hydrostatic Test (HITP-027). It is payable to the New Mexico Water Quality Management Fund.

Please contact me at (303) 605-2176 or mcfindley@dcpmidstream.com if you have questions regarding the hydrostatic test.

Sincerely,
DCP Midstream, LP

Matthew C. Findley
Senior Environmental Specialist

Enclosures

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 327546 dated 4/3/12

or cash received on _____ in the amount of $ 150 00

from DCP Midstream LP

for HFTP-27

Submitted by: Lhasenie Romero Date: 4/4/12

Submitted to ASD by: [signature] Date: 4/4/12

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other Temp Permission

Organization Code 521.07 Applicable FY 2012

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

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

March 27, 2012

Mr. Jim Allred
DCP Midstream, L.P.
1625 West Marland
Hobbs, New Mexico 88240

Re: Hydrostatic Test Individual Temporary Permission HITP-027
DCP Midstream, L.P.
Cedar Canyon to BL-5 Pipeline Project
Location: NE/4 of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico

Dear Mr. Allred:

The Oil Conservation Division (OCD) has received DCP Midstream, L.P.'s (DCP) notice of intent, dated March 27, 2012, for authorization to withdraw and collect approximately 165,900 gallons of wastewater generated from a hydrostatic test of approximately 37,000 feet of new 10-inch natural gas transmission pipeline, located between DCP's Cedar Canyon Booster Station and DCP's Nash Draw Booster Station; approximately 10 miles northeast of Loving, New Mexico. The proposed collection location is within DCP's Nash Draw Booster Station facility boundary in NE/4 of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, approximately 2.3 miles south on State Road 793 from the intersection of State Road 128 and State Road 793. 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 Texas Lobo Trucking, LLC's Lost Tank SWD #1 for injection and disposal into a Class II well. OCD acknowledges the receipt of the filing fee ($100.00) with the March 27, 2012 notice of intent. 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 37,000 feet of new 10-inch natural gas transmission pipeline, located between DCP's Cedar Canyon Booster Station and DCP's Nash Draw Booster Station; approximately 10 miles northeast of Loving, New Mexico;

2. DCP shall ensure no discharge will occur at the hydrostatic test wastewater collection location: within DCP's Nash Draw Booster Station facility boundary in NE/4 of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, approximately 2.3 miles south on State Road 793 from the intersection of State Road 128 and State Road 793;

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 165,900 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 eight (8) 21,000 gallon frac tanks for temporary storage, while awaiting testing, transfer and disposal into a Class II well owned and operated by Texas Lobo Trucking, LLC: Lost Tank SWD #1 (API # 30-025-31443);

5. the temporary storage tank 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 Nash Draw Booster Station facility boundary;

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 dispose of the wastewater into a Class II injection well;

9. DCP will ensure the transfer the hydrostatic test wastewater via an OCD approved C-133 water hauler to Texas Lobo Trucking, LLC's Class II well, Lost Tank SWD #1 (API # 30-025-31443), for injection and 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;

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 May 19, 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,

Brad A. Jones
Environmental Engineer

BAJ/baj

Cc: OCD District II Office, Artesia

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

March 27, 2012

UPS 2ND DAY AIR *(Tracking Number 1Z F46 915 02 9714 6008)*

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

Subject: Revised Notice of Intent to Perform a Hydrostatic Test
Cedar Canyon to BL-5 10-inch Pipeline Project
Eddy County, New Mexico

Mr. Jones,

Enclosed for your consideration is a revised Notice of Intent (NOI) prepared by DCP Midstream, LP (DCP) for the completion of a hydrostatic test and subsequent test water disposal associated with our recently installed Cedar Canyon to BL-5 pipeline. The NoI was revised based on comments received from you on March 26, 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

Matt Findley

Matthew C. Findley
Senior Environmental Specialist

Attachments

DCP Midstream, LP
Notice of Intent to Perform a Hydrostatic Test
Project Name: Cedar Canyon to BL-5 Hydrostatic Test

Project Background Information

DCP Midstream, LP (DCP) is currently planning to place into service a new 37,000 foot section of 10-inch 0.25 FBE steel pipeline in southeast Eddy County, New Mexico. Once placed into service, the pipeline segment will be used to transmit high pressure gas from Cedar Canyon booster to the high pressure "BL-5" Line. The gas will end up at DCP's Antelope Ridge Gas Plant for treating and processing. In order to place this section of new pipeline into service, DCP plans to complete a hydrostatic test of the pipeline. It is estimated that this hydrostatic test will generate approximately 3,950 barrels (or 165,900 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 via injection into a state approved Class II disposal well, 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. Jim Allred
DCP Midstream, LP
1625 West Marland
Hobbs, NM 88240
Office - (575) 397-5543
Cellular - (575) 802-5131

Operator
Mr. Johnny Lamb
DCP Midstream, LP
2010 East Orchard Lane
Carlsbad, NM 88220
Office - (575) 234-6400
Cellular - (575) 802-5150

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 at DCP's Nash Draw Booster Station, approximately 10 miles northeast of Loving, New Mexico. To access

the site from the intersection of SR-31 (Potash Mines Rd) and US-180 (Hobbs Highway) located 51 miles WSW of Hobbs, New Mexico, drive 15 miles south on SR-31 to SR-128 (Jal Highway), turn east and drive 4.3 miles on SR-128 to CR-793 (Rawhide Road), turn south and drive 2.3 miles on CR-793 to an Access Road on the right, turn west and drive 150 yards on the Access Road to the Compressor Station on the right. Booster Station,

DCP plans to dispose of the test water by injection into a state approved Class II disposal well. The well that will be used is owned by Texas Lobo Trucking (TLT), LLC (Lobo Trucking), and is designated as Lost Tank Salt Water Disposal Well No.1 (Lost Tank SWD #1). The well is located Lea County, in the NW ¼ of Section 31, Township 21 South, Range 32 East. The well is permitted by the State of New Mexico under Administrative Order SWD-332-A and the API number is 30-025-31443. 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:

NE ¼ of Section 13, Township 23 South, Range 29 East (DCP pipeline right-of-way).

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested
Appendix A contains a plat map showing the section of pipeline to be installed, including all of the other pipelines in the area of this new section. Appendix B contains an aerial photograph of the pipeline dewatering location and Appendix C contains a generalized map of the dewatering and temporary storage location and topographic map showing terrain in the vicinity of the dewatering location. The dewatering location is clearly identified on the maps and aerial photograph.

e. A demonstration of compliance to the following siting criteria or justification for any exceptions
Since disposal of the hydrostatic test water will be via injection into Lobo Trucking's Class II disposal well identified above, 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 37,000 foot section of new 10-inch steel piping. The pipeline segment to be tested is owned by DCP Midstream, and will be used for transmitting high pressure gas from Cedar Canyon booster to the high pressure "BL-5" Line. The gas will end up at the Antelope Ridge 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 Lobo Trucking for immediate delivery to Lost Tank SWD #1 for disposal.

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 eight 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 Class II disposal well 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 eight 500-barrel frac tanks for temporary storage at the Nash Draw Booster Statin following completion of the test and prior to disposal. An earthen containment structure with an impervious plastic liner will be constructed for the frac tanks at the dewatering location to prevent an inadvertent release of test water to the surrounding environment. 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

Lobo Trucking has agreed to accept and dispose of the hydrostatic test water using its Class II disposal well 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 class II disposal well operator is authorized to accept this type of waste and has not requested analytical data.

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 Lobo Trucking's Class II disposal well. 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 3,950 barrels (165,900 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 site is located within the Pecos River Basin., but, locally the site is approximately 0.5 miles southeast of a series of closed-basin salt lakes that are east of Loving, NM.

Site Geology

The proposed discharge site is located along the eastern flank of the Pecos River valley. The site geology is comprised of Quatenary Eolian and piedmont deposits (Holocene to middle Pleistocene). The area is characterized by interlayed eolian sands and piedmont-slope deposits that are typically capped by thin eolian deposits.

Regional Hydrology

The proposed discharge site is located approximately 7 miles east of the Pecos River. The site sits in a closed basin, and the Pecos River has no tributaries on the east side river where the site is located. Groundwater in this area (east of the Pecos River) is generally of poor quality, as it is too high in chlorides and sulfate for domestic and livestock use. Average annual precipitation in this area of Eddy 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 groundwater beneath the proposed discharge site is estimated to be less than 30 feet below ground surface and is expected to be brackish water hydraulically connected to the evaporative lakes that lie to the northwest.

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

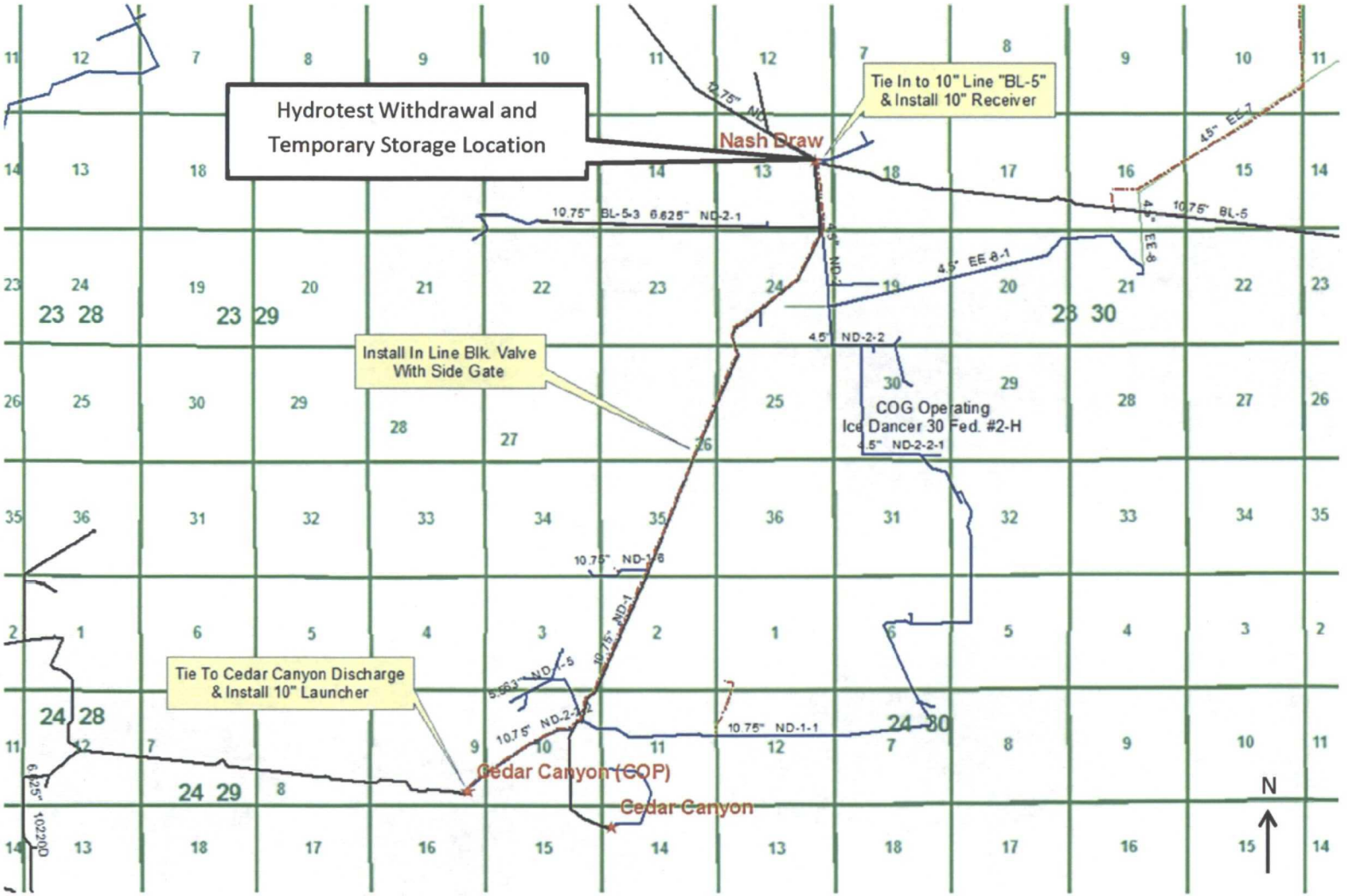
According to information available from the Pecos Valley Water Users Organization, depth to water in the vicinity of the dewatering site is expected to be less than 30 feet below ground surface and would be brackish water associated with the evaporative lakes.

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

DCP owns the right-of-way where the dewatering and temporary storage will occur. Per the Eddy County Tax Assessor's Office, the land adjacent to the withdrawal point is owned by the State of New Mexico.

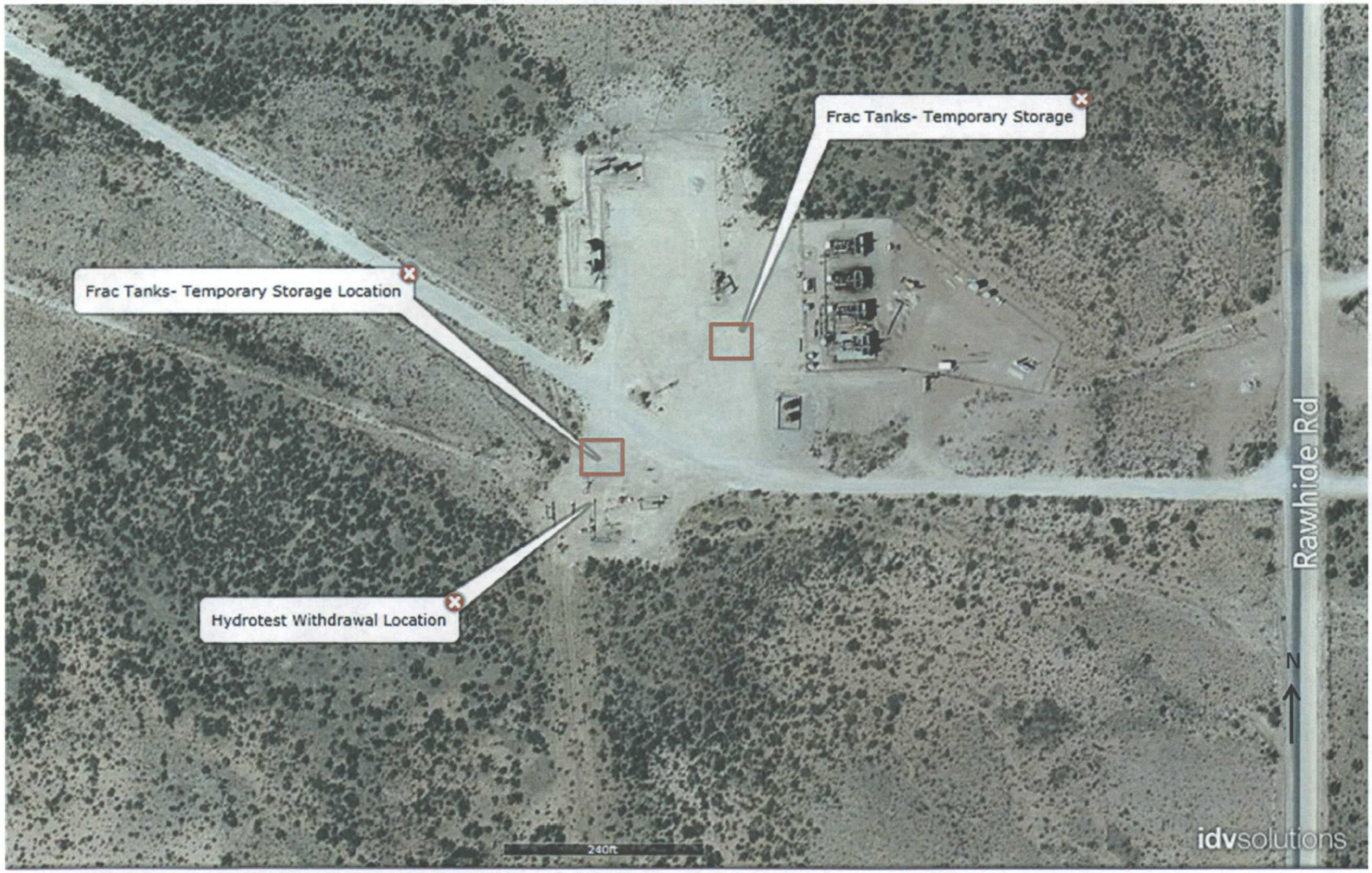
APPENDIX A
PLAT MAP OF PIPELINE SEGMENT TO BE TESTED

Cedar Canyon to BL-5 Hydrostatic Test
Plat Map of Pipeline Segment to be Tested



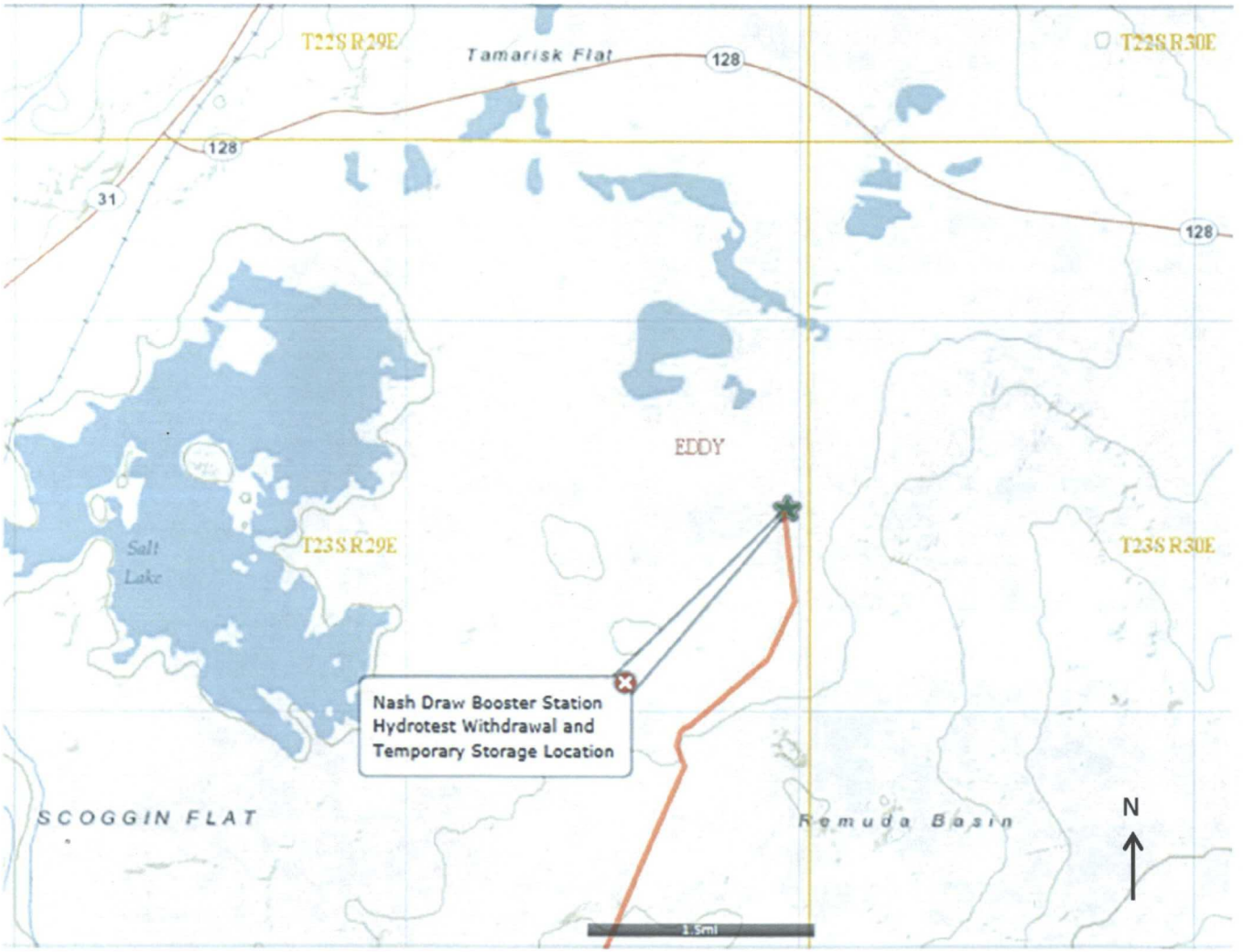
APPENDIX B
AERIAL PHOTOGRAPH OF DEWATERING LOCATION

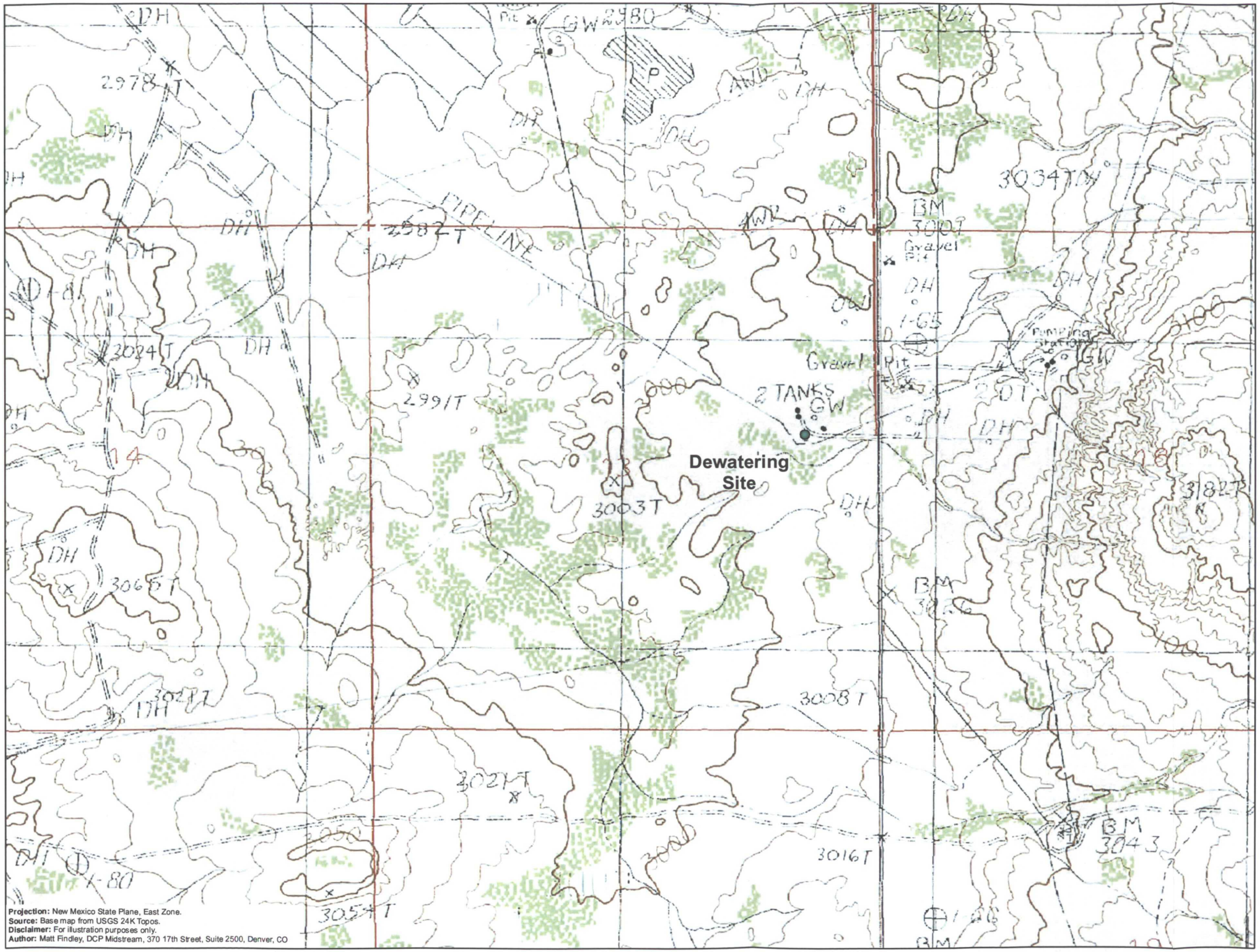
Cedar Canyon to BL-5 Hydrostatic Test
Aerial Photograph of Site

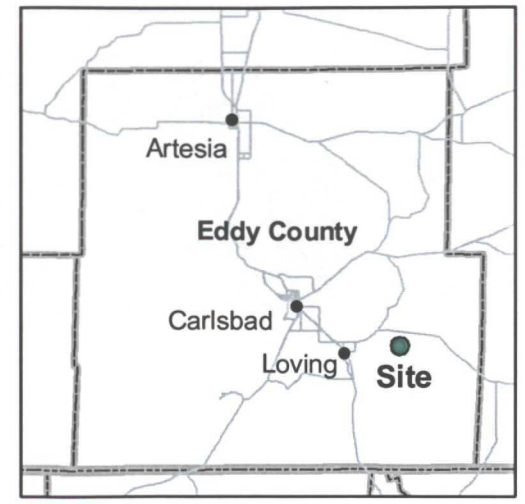


APPENDIX C
GENERALIZED AREA MAP
AND TOPOGRAPHIC MAP

Cedar Canyon to BL-5 Hydrostatic Test
Regional Map of Area







Locator Map

N

0 500 1,000 2,000 Feet

1 in = 1,000 feet

1:12,000

Topographic Map
Cedar Canyon to BL-5
Hydrostatic TEst

DCP Midstream

Jones, Brad A., EMNRD

From: Findley, Matthew C [MCFindley@dcpmidstream.com]
Sent: Tuesday, March 27, 2012 9:55 AM
To: Jones, Brad A., EMNRD
Subject: Canyon -> BL-5 Hydrotest: Revised NoI Transmittal
Attachments: Revised NoI Package.pdf

Brad:

Here is an electronic copy of the revised notice of intent (NoI) package for our Cedar Canyon to BL-5 pipeline hydrotest. The letter of transmittal has today's date and a hardcopy is going out to you in today's UPS.

Thanks for your timely review of this NoI.

Regards,

Matt

Matthew C. Findley, CPSS
Sr. Environmental Specialist
DCP Midstream
370 17th Street, Suite 2500
Denver, CO 80202

direct dial: 303-605-2176
cell: 720-202-6401

ehs
Key to Success

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

March 27, 2012

UPS 2ND DAY AIR *(Tracking Number 1Z F46 915 02 9714 6008)*

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

Subject: Revised Notice of Intent to Perform a Hydrostatic Test
Cedar Canyon to BL-5 10-inch Pipeline Project
Eddy County, New Mexico

Mr. Jones,

Enclosed for your consideration is a revised Notice of Intent (NOI) prepared by DCP Midstream, LP (DCP) for the completion of a hydrostatic test and subsequent test water disposal associated with our recently installed Cedar Canyon to BL-5 pipeline. The NoI was revised based on comments received from you on March 26, 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

Matt Findley

Matthew C. Findley
Senior Environmental Specialist

Attachments

DCP Midstream, LP
Notice of Intent to Perform a Hydrostatic Test
Project Name: Cedar Canyon to BL-5 Hydrostatic Test

Project Background Information

DCP Midstream, LP (DCP) is currently planning to place into service a new 37,000 foot section of 10-inch 0.25 FBE steel pipeline in southeast Eddy County, New Mexico. Once placed into service, the pipeline segment will be used to transmit high pressure gas from Cedar Canyon booster to the high pressure "BL-5" Line. The gas will end up at DCP's Antelope Ridge Gas Plant for treating and processing. In order to place this section of new pipeline into service, DCP plans to complete a hydrostatic test of the pipeline. It is estimated that this hydrostatic test will generate approximately 3,950 barrels (or 165,900 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 via injection into a state approved Class II disposal well, 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. Jim Allred
DCP Midstream, LP
1625 West Marland
Hobbs, NM 88240
Office - (575) 397-5543
Cellular - (575) 802-5131

Operator
Mr. Johnny Lamb
DCP Midstream, LP
2010 East Orchard Lane
Carlsbad, NM 88220
Office - (575) 234-6400
Cellular - (575) 802-5150

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 at DCP's Nash Draw Booster Station, approximately 10 miles northeast of Loving, New Mexico. To access

the site from the intersection of SR-31 (Potash Mines Rd) and US-180 (Hobbs Highway) located 51 miles WSW of Hobbs, New Mexico, drive 15 miles south on SR-31 to SR-128 (Jal Highway), turn east and drive 4.3 miles on SR-128 to CR-793 (Rawhide Road), turn south and drive 2.3 miles on CR-793 to an Access Road on the right, turn west and drive 150 yards on the Access Road to the Compressor Station on the right. Booster Station,

DCP plans to dispose of the test water by injection into a state approved Class II disposal well. The well that will be used is owned by Texas Lobo Trucking (TLT), LLC (Lobo Trucking), and is designated as Lost Tank Salt Water Disposal Well No.1 (Lost Tank SWD #1). The well is located Lea County, in the NW ¼ of Section 31, Township 21 South, Range 32 East. The well is permitted by the State of New Mexico under Administrative Order SWD-332-A and the API number is 30-025-31443. 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:

NE ¼ of Section 13, Township 23 South, Range 29 East (DCP pipeline right-of-way).

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested
Appendix A contains a plat map showing the section of pipeline to be installed, including all of the other pipelines in the area of this new section. Appendix B contains an aerial photograph of the pipeline dewatering location and Appendix C contains a generalized map of the dewatering and temporary storage location and topographic map showing terrain in the vicinity of the dewatering location. The dewatering location is clearly identified on the maps and aerial photograph.

e. A demonstration of compliance to the following siting criteria or justification for any exceptions
Since disposal of the hydrostatic test water will be via injection into Lobo Trucking's Class II disposal well identified above, 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 37,000 foot section of new 10-inch steel piping. The pipeline segment to be tested is owned by DCP Midstream, and will be used for transmitting high pressure gas from Cedar Canyon booster to the high pressure "BL-5" Line. The gas will end up at the Antelope Ridge 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 Lobo Trucking for immediate delivery to Lost Tank SWD #1 for disposal.

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 eight 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 Class II disposal well 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 eight 500-barrel frac tanks for temporary storage at the Nash Draw Booster Statin following completion of the test and prior to disposal. An earthen containment structure with an impervious plastic liner will be constructed for the frac tanks at the dewatering location to prevent an inadvertent release of test water to the surrounding environment. 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

Lobo Trucking has agreed to accept and dispose of the hydrostatic test water using its Class II disposal well 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 class II disposal well operator is authorized to accept this type of waste and has not requested analytical data.

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 Lobo Trucking's Class II disposal well. 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 3,950 barrels (165,900 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 site is located within the Pecos River Basin., but, locally the site is approximately 0.5 miles southeast of a series of closed-basin salt lakes that are east of Loving, NM.

Site Geology

The proposed discharge site is located along the eastern flank of the Pecos River valley. The site geology is comprised of Quatenary Eolian and piedmont deposits (Holocene to middle Pleistocene). The area is characterized by interlayed eolian sands and piedmont-slope deposits that are typically capped by thin eolian deposits.

Regional Hydrology

The proposed discharge site is located approximately 7 miles east of the Pecos River. The site sits in a closed basin, and the Pecos River has no tributaries on the east side river where the site is located. Groundwater in this area (east of the Pecos River) is generally of poor quality, as it is too high in chlorides and sulfate for domestic and livestock use. Average annual precipitation in this area of Eddy 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 groundwater beneath the proposed discharge site is estimated to be less than 30 feet below ground surface and is expected to be brackish water hydraulically connected to the evaporative lakes that lie to the northwest.

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

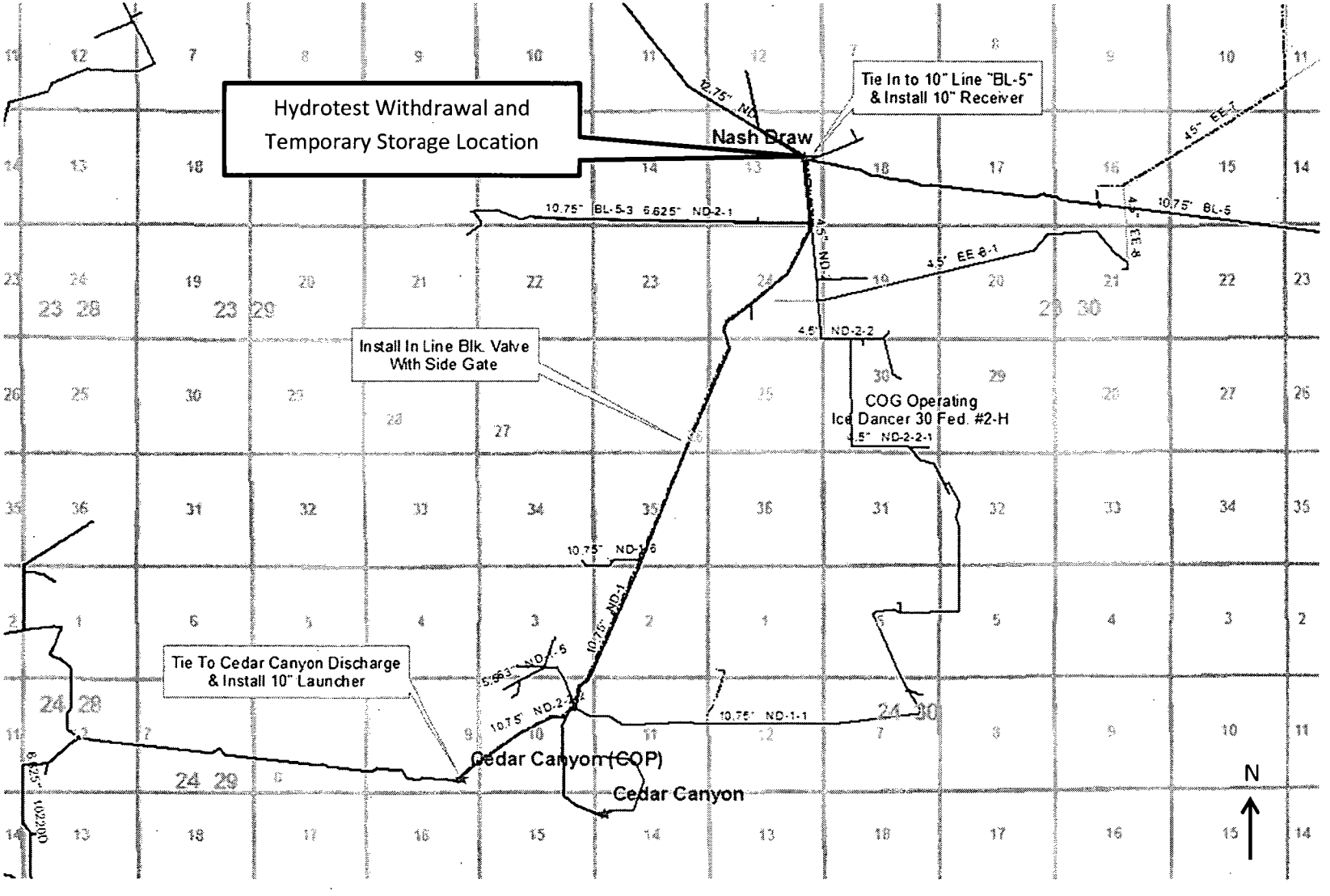
According to information available from the Pecos Valley Water Users Organization, depth to water in the vicinity of the dewatering site is expected to be less than 30 feet below ground surface and would be brackish water associated with the evaporative lakes.

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

DCP owns the right-of-way where the dewatering and temporary storage will occur. Per the Eddy County Tax Assessor's Office, the land adjacent to the withdrawal point is owned by the State of New Mexico.

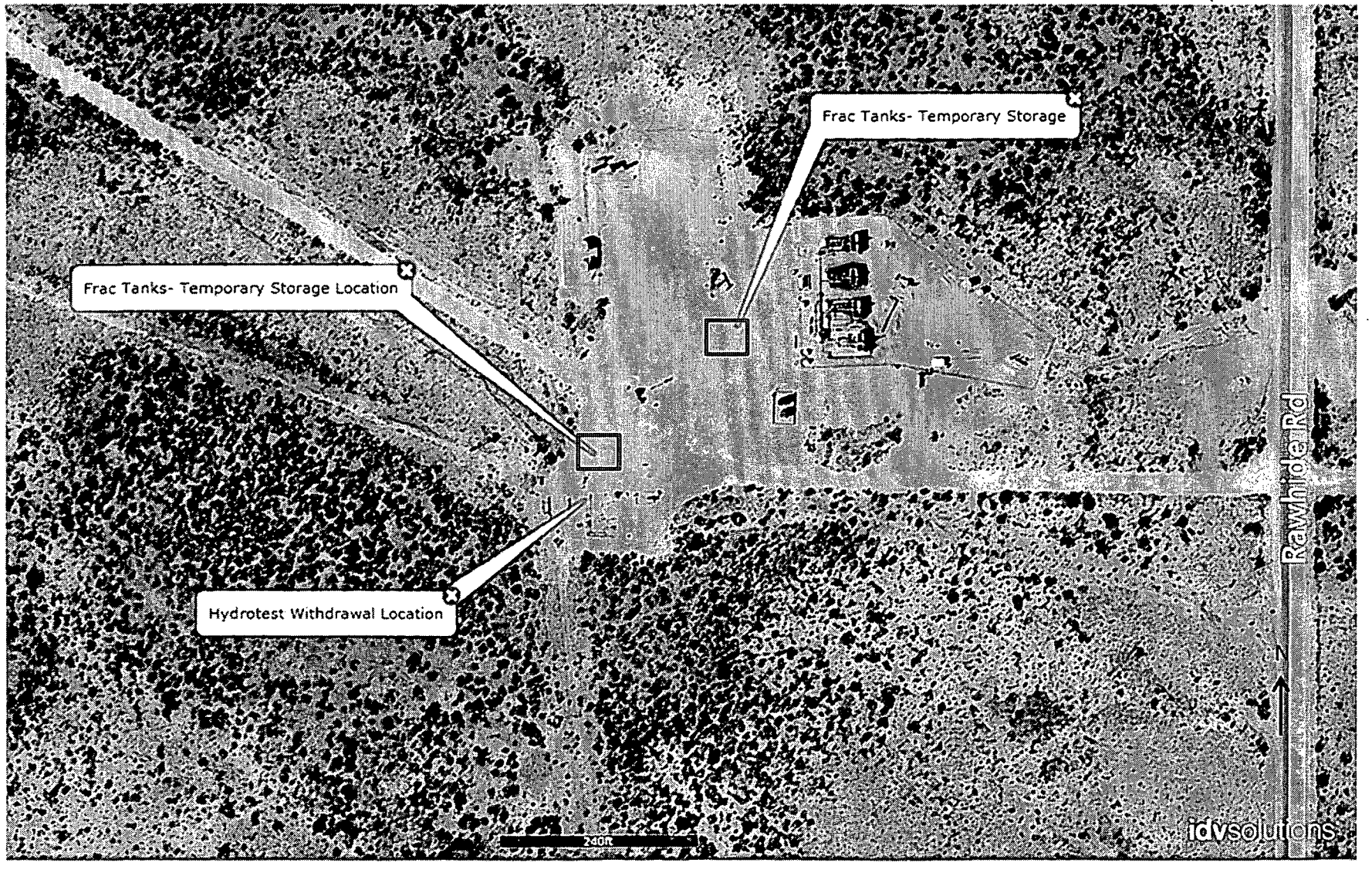
APPENDIX A
PLAT MAP OF PIPELINE SEGMENT TO BE TESTED

Cedar Canyon to BL-5 Hydrostatic Test
Plat Map of Pipeline Segment to be Tested



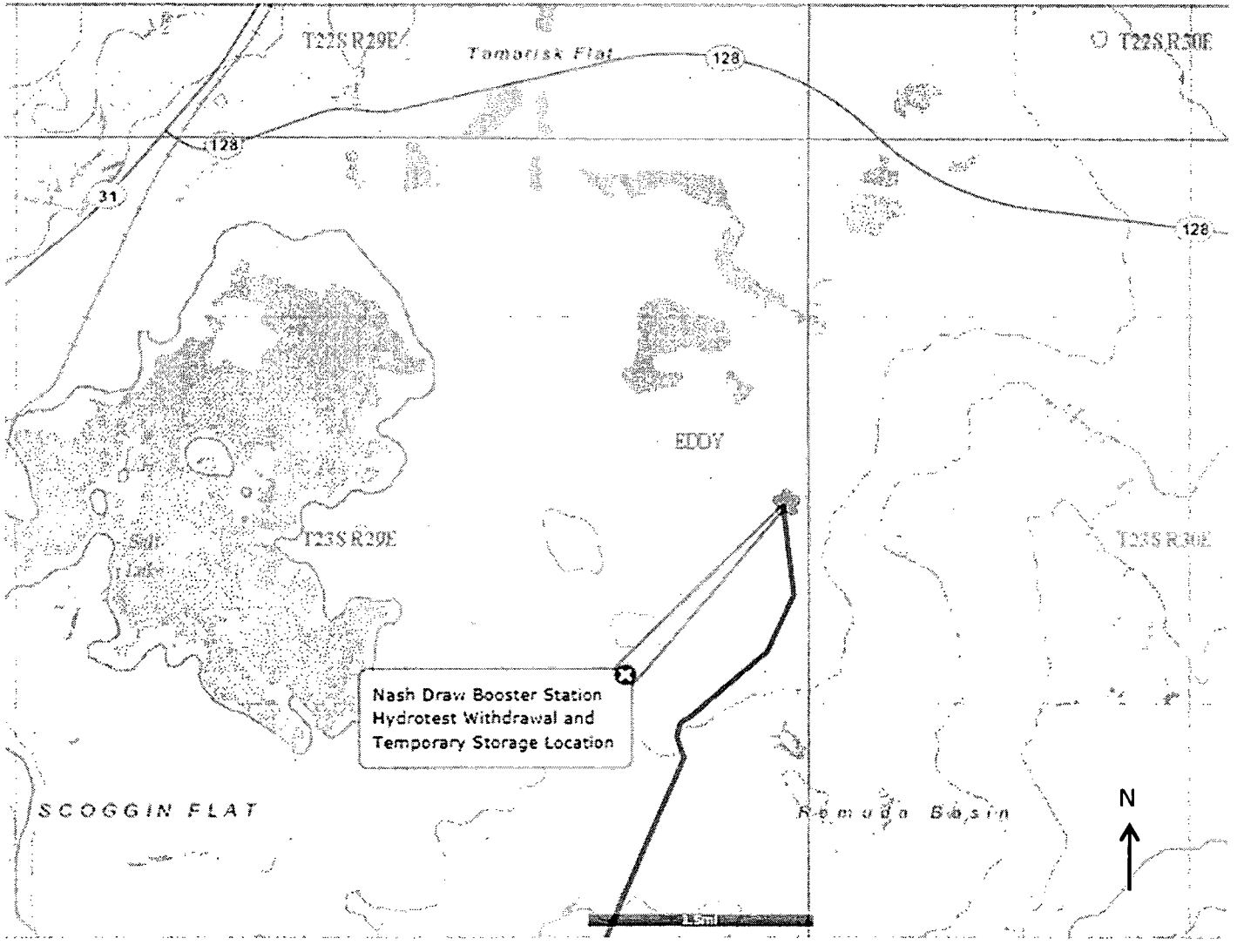
APPENDIX B
AERIAL PHOTOGRAPH OF DEWATERING LOCATION

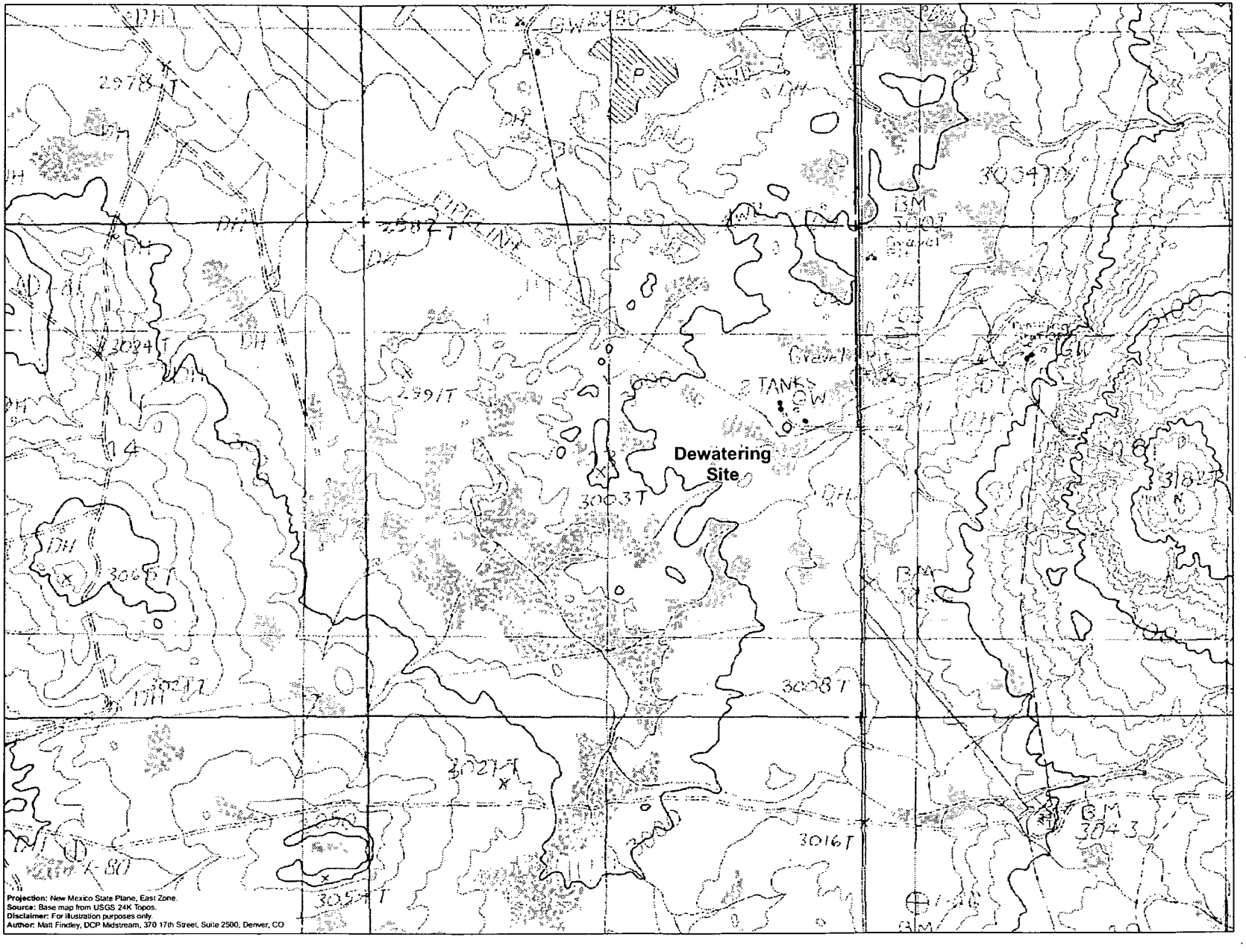
Cedar Canyon to BL-5 Hydrostatic Test
Aerial Photograph of Site

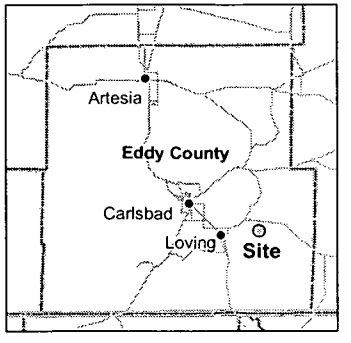


APPENDIX C
GENERALIZED AREA MAP
AND TOPOGRAPHIC MAP

Cedar Canyon to BL-5 Hydrostatic Test
Regional Map of Area







Locator Map

N

0 500 1,000 2,000 Feet

1 in = 1,000 feet

1:12,000

Topographic Map
Cedar Canyon to BL-5
Hydrostatic TEst

dcp Midstream