HITP - _27_

GENERAL CORRESPONDENCE

YEAR(S): _2012-2013_

Jones, Brad A., EMNRD

From: Findley, Matthew C [MCFindley@dcpmidstream.com]
Sent: Monday, March 26, 2012 4:45 PM
To: Jones, Brad A., EMNRD
Subject: revised NoI
Attachments: Cedar_Canyon_to_BL5__NOI_to_Perform_Hyrostatic_Test_March_2012_rev.pdf

Brad:

Here is a revised NoI. It has been modified to reflect our conversation from this afternoon. Highlights include:

- Per you request, we've changed "E&P exempt" to "RCRA exempt E&P waste" throughout.
- We've checked with the water supplier and he does not have any analytical data available for his water. The text in section f was revised to indicate no data was available.
- We've clarified in Section J that analytical data is not needed because we are taking it to a class II well that is authorized to accept RCRA exempt E&P waste.
- We've added a topographic map that shows terrain, drainage features, and relief at the dewatering site at a local level.

Let me know if you have other questions.

Thanks,

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, 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

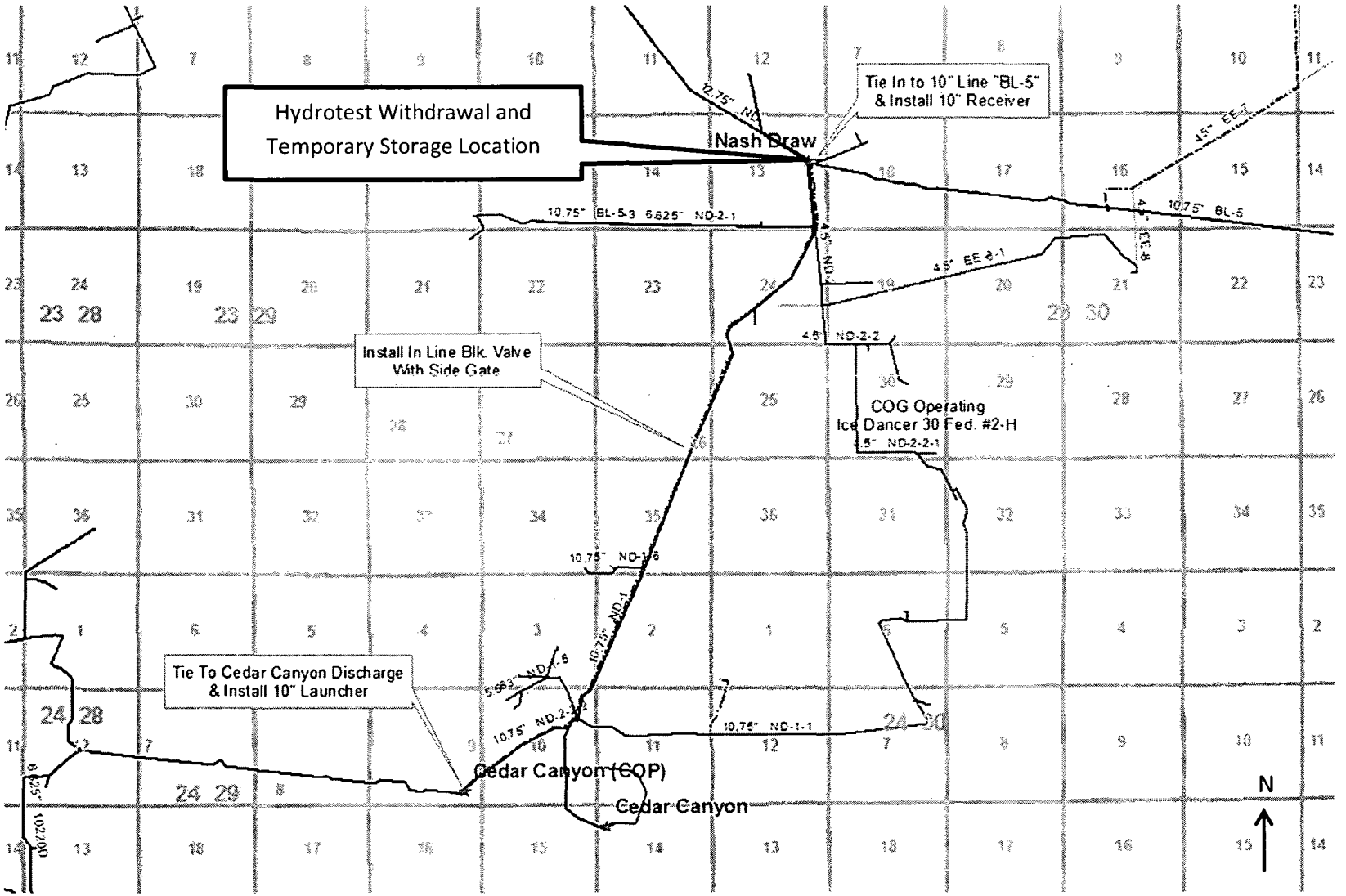
According to information available from the Pecos Valley Water Users Organization, depth to water in the vicinity of the dewatering site is expected to be less than 30 feet below ground surface and would be brackish water associated with the evaporative lakes.

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.

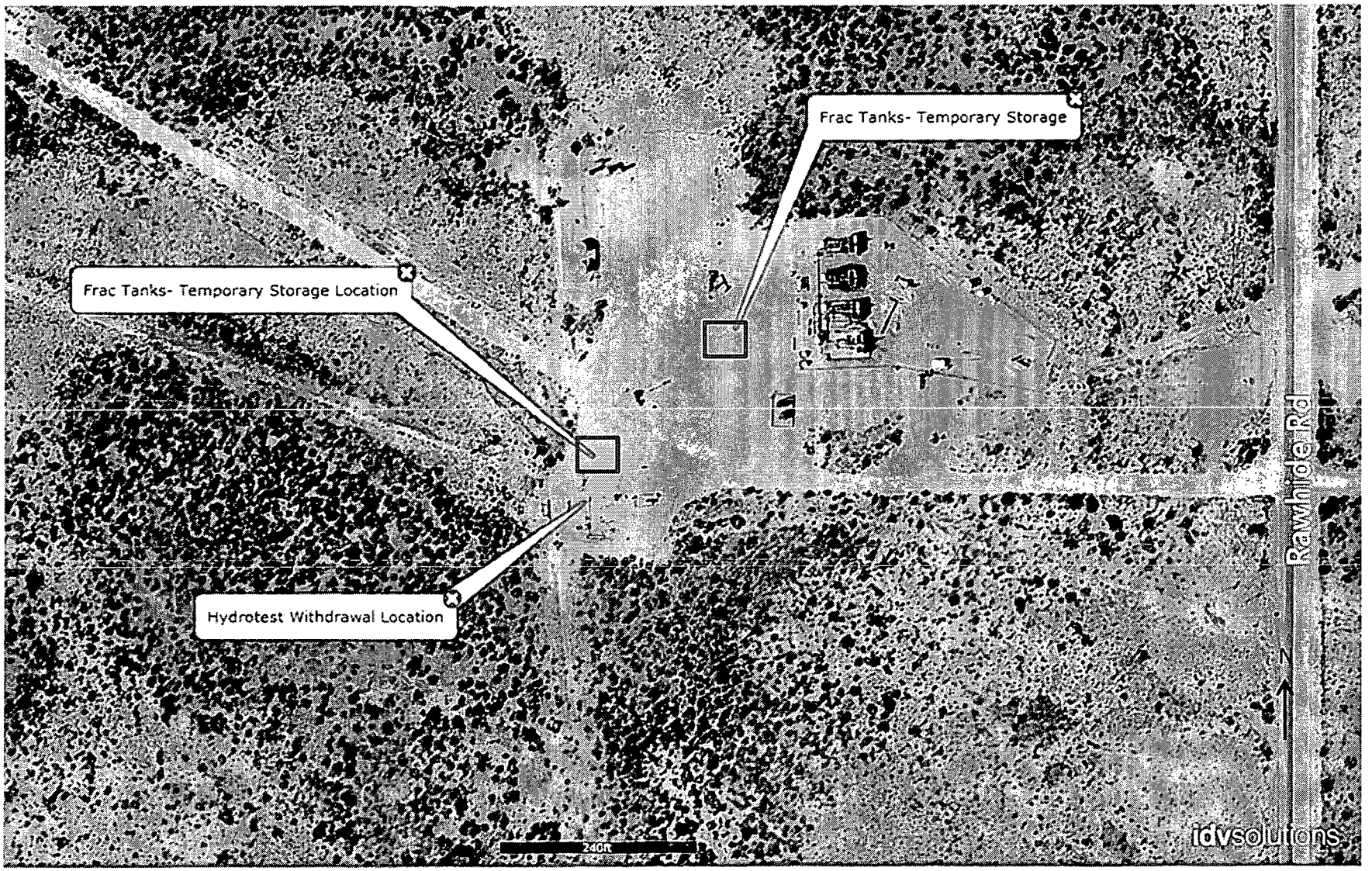
APPENDIX A
PLAT MAP OF PIPELINE SEGMENT TO BE TESTED

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



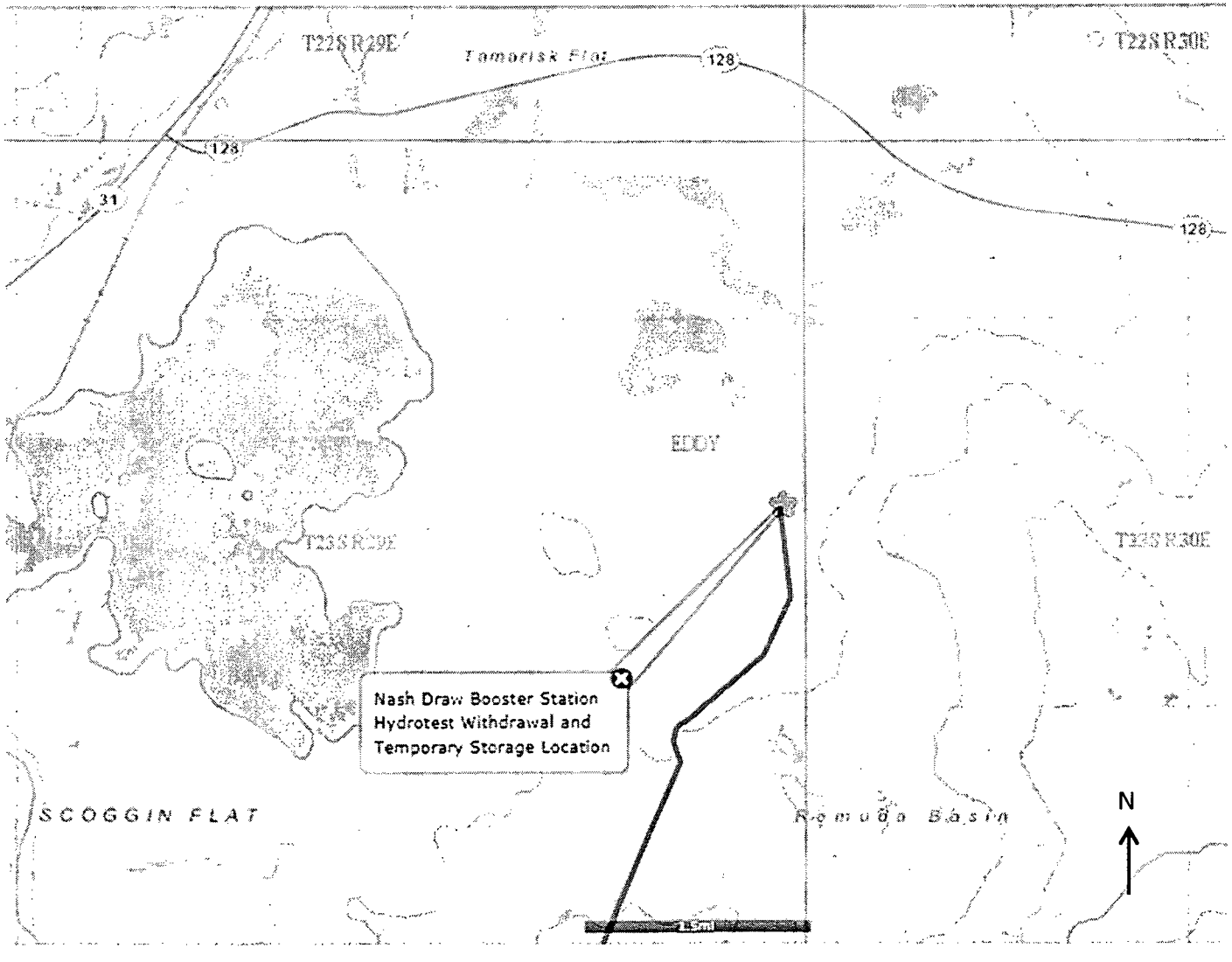
APPENDIX B
AERIAL PHOTOGRAPH OF DEWATERING LOCATION

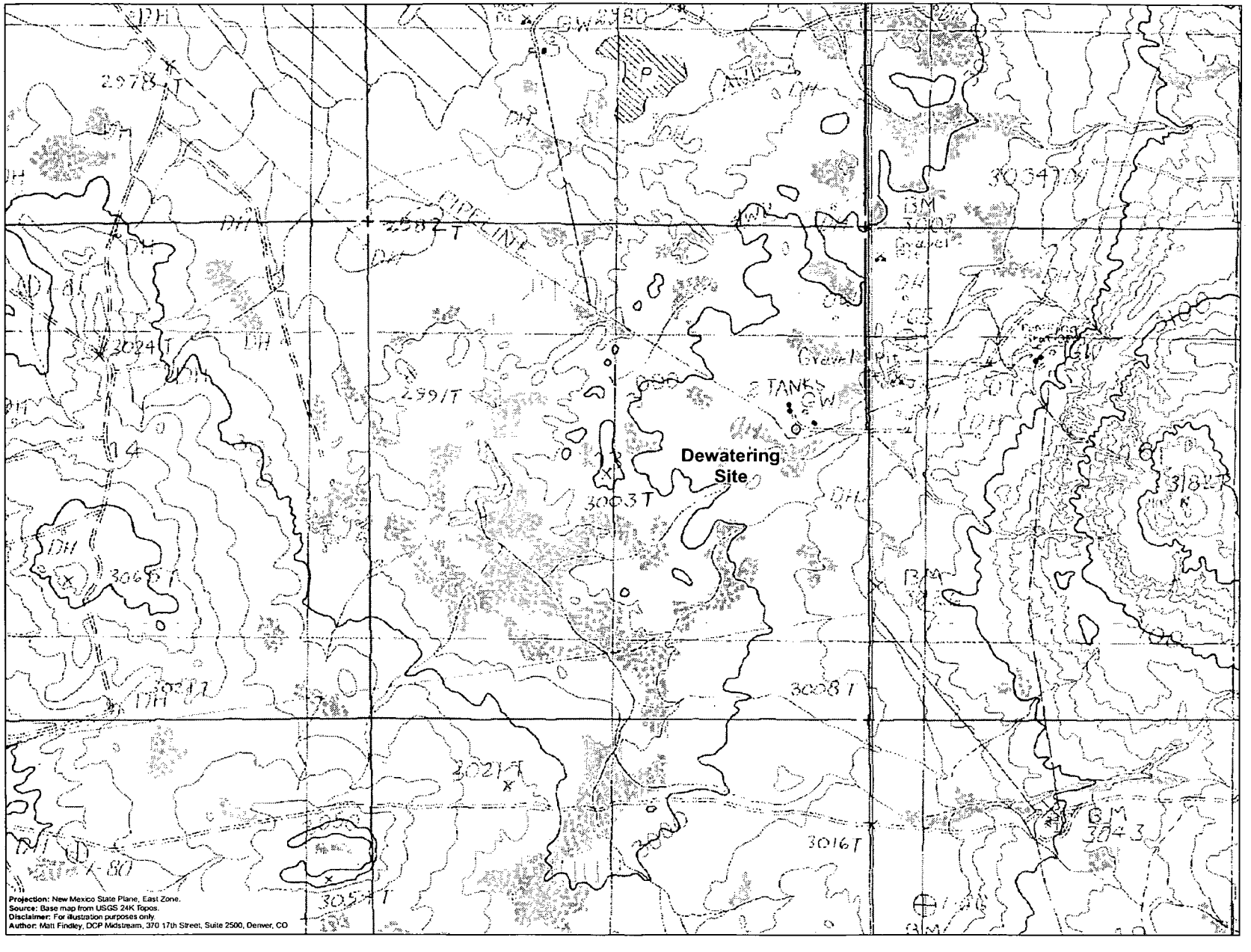
Cedar Canyon to BL-5 Hydrostatic Test
Aerial Photograph of Site

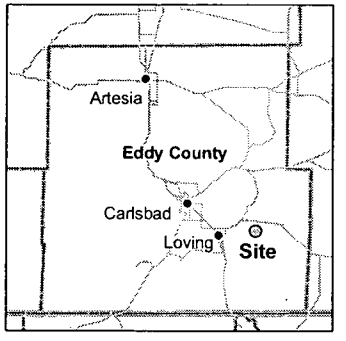


APPENDIX C
GENERALIZED AREA MAP
AND TOPOGRAPHIC MAP

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

March 20, 2012

UPS NEXT DAY AIR *(Tracking Number 1Z F46 915 01 9009 7264)*

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: 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 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 Magnum to Pecos Diamond pipeline. Approximately 37,000 feet of 10-inch steel pipeline will be hydrostatically tested in order to place this new natural gas gathering pipeline into service. The pipeline will be used to transmit field gas to DCP's Antelope Ridge Gas Plant for processing.

Upon completion of the hydrostatic test, the test water will be withdrawn from the pipeline and temporarily placed into eight 500-barrel frac tanks prior to being hauled for disposal. The withdrawal point for the test water will be approximately 10 miles northeast of Loving, New Mexico, on right-of-way purchased by DCP. DCP expects that approximately 3,950 barrels of water will be required for the test. Shortly after completion of testing, the test water will be hauled to Texas Lobo Trucking's Lost Tank Salt Water Disposal Well #1 for disposal. DCP plans on completing the hydrostatic test on or about May 19, 2012, and will dispose of the test water within 10 days of completion of the test.

This NOI was prepared following the information included in the New Mexico Oil Conservation Division (NMOCD) "*Guidelines for Hydrostatic Test Dewatering*", dated January 11, 2007, and following guidance provided by you during recent telephone conversations. A check for $100.00 to cover the filing fee is included with this notice. The temporary permission fee ($150.00) will be sent upon notification that the authorization to perform the hydrostatic test and to dispose of the test water has been approved.

Please contact me at (303) 605-1936 if you have questions regarding this Notice of Intent or any of the information provided herein.

Sincerely,
DCP Midstream, LP

Keith Warren, P.E.
Senior Environmental Engineer

Enclosures

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

Project Background Information
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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)

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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. The dewatering location is clearly identified on the maps and aerial photograph.

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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 E&P exempt based on the definition provided in 40 CFR 261.4(b)(5), and because the disposal well operator has not requested analytical data as a condition for their acceptance of the water.

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)

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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 E&P exempt per 40 CFR 261.4(b)(5).

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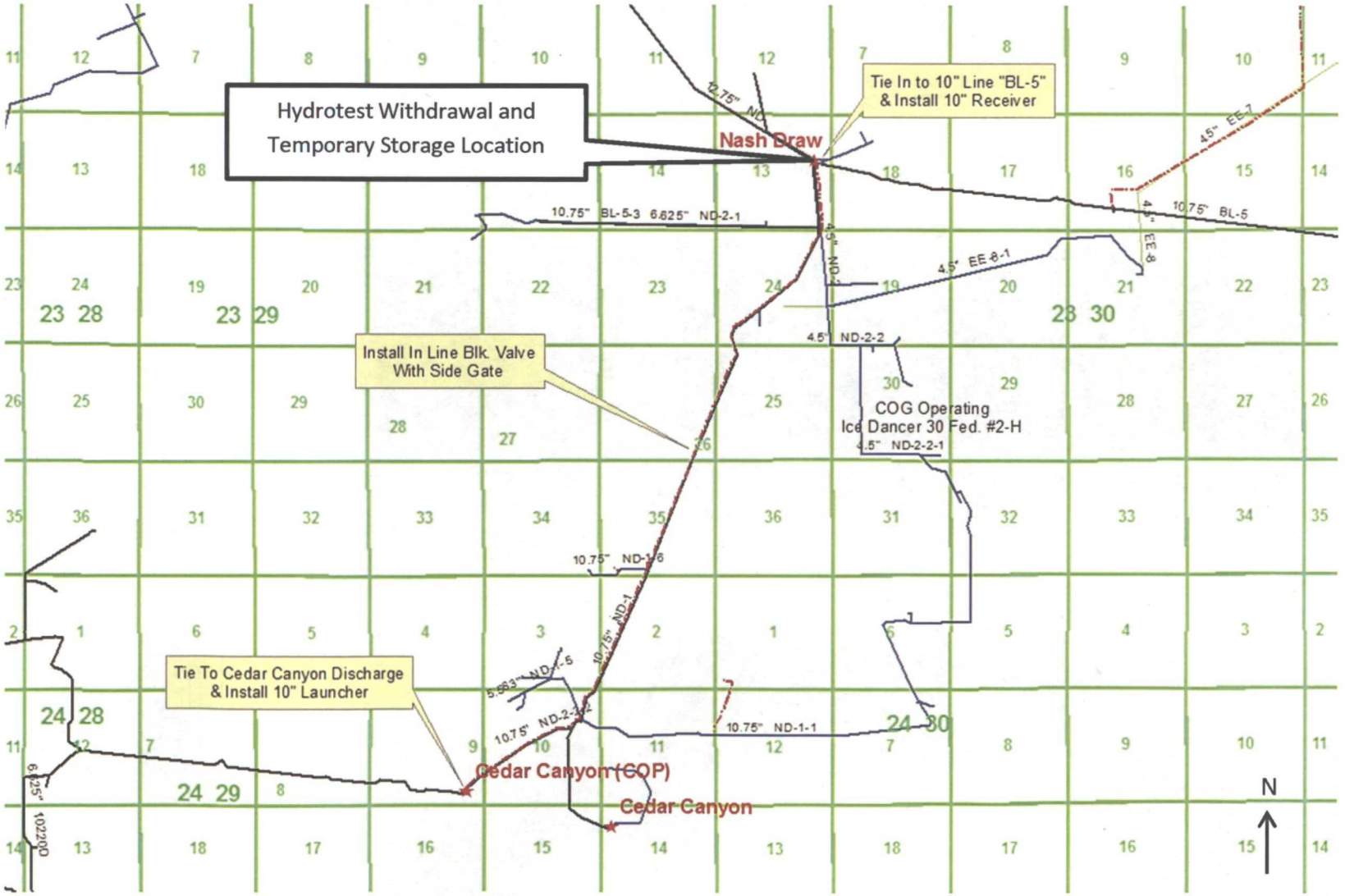
o. Identification of landowners at and adjacent to the discharge and collection/retention site
DCP owns the right-of-way where the dewatering and temporary storage will occur. Per the Eddy County Tax Assessor's Office, the land adjacent to the withdrawal point is owned by the State of New Mexico.

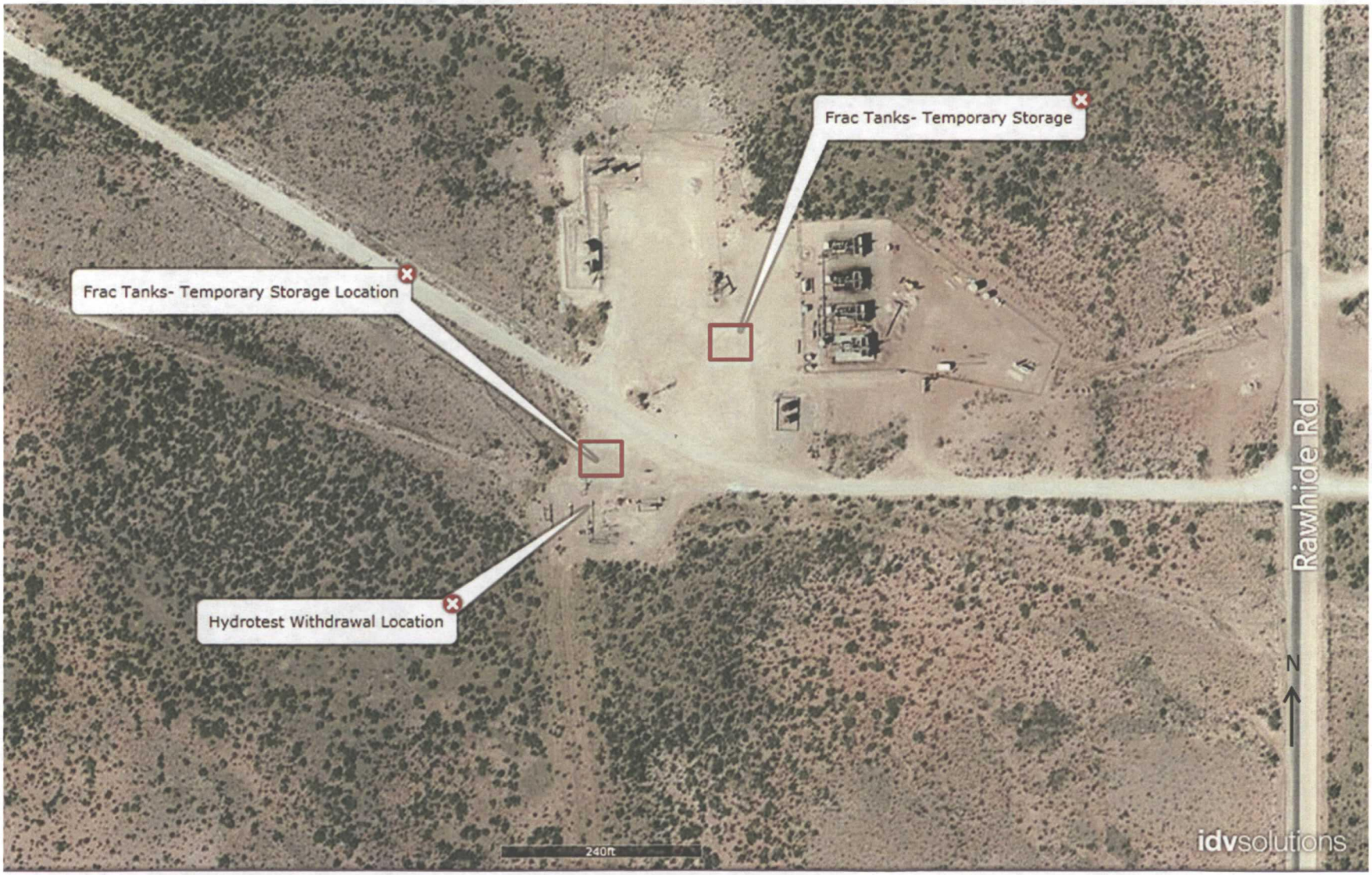
APPENDIX A
PLAT MAP OF PIPELINE SEGMENT TO BE TESTED

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

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