

HITP - 029

**TEMPORARY
PERMISSION
2012-2013**

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



July 10, 2012

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

Re: Hydrostatic Test Individual Temporary Permission HITP-029
DCP Midstream, L.P.
Cimarex Cascade 29 12-inch Pipeline Project
Location: NW/4, NW/4 of Section 29, Township 25 South, Range 33 East, NMPM,
Lea County, New Mexico

Dear Mr. Allred:

The Oil Conservation Division (OCD) has received DCP Midstream, L.P.'s (DCP) notice of intent, dated July 9, 2012, for authorization to withdraw and collect approximately 116,298 gallons of wastewater generated from a hydrostatic test of approximately 19,000 feet of new 12-inch natural gas transmission pipeline, located between the Cimarex Cascade 29 well site and DCP's Rattlesnake Pipeline (Line #11500); approximately 23 miles west of Jal, New Mexico. The proposed collection location is within Cimarex Energy Corporation's Cascade 29 Federal #1-H (API#30-025-40346) well pad boundary within the NW/4, NW/4 of Section 29, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico. 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 R360 Permian Basin LLC for disposal. OCD acknowledges the receipt of the filing fee (\$100.00) from a supplemental submittal dated July 6, 2012. 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 19,000 feet of new 12-inch natural gas transmission pipeline, located between the Cimarex Cascade 29 well site and DCP's Rattlesnake Pipeline (Line #11500); approximately 23 miles west of Jal, New Mexico;

2. DCP shall ensure no discharge will occur at the hydrostatic test wastewater collection location: within Cimarex Energy Corporation's Cascade 29 Federal #1-H (API#30-025-40346) well pad boundary in NW/4, NW/4 of Section 29, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico;
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 116,298 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 seven (7) 21,000 gallon frac tanks for temporary storage, while awaiting being transferred to R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for disposal;
5. DCP shall ensure that the temporary storage tanks 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 Cimarex Energy Corporation's Cascade 29 Federal #1-H (API#30-025-40346) well pad 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 transfer the wastewater to R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for disposal;
9. DCP will ensure the transfer the hydrostatic test wastewater via an OCD approved C-133 water hauler to R360 Permian Basin LLC (Permit NM1-006/Order # 9166) for 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).

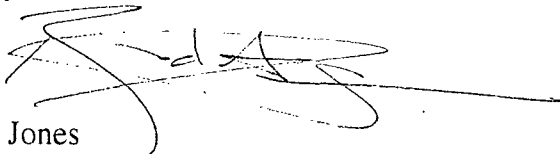
It is understood that the hydrostatic test will begin approximately August 1, 2012. This temporary permission will expire within 120 calendar days of its issue date. Temporary permission may be revoked or suspended for violation of any applicable provisions and/or conditions.

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 I Office, Hobbs
Matthew Findley, DCP Midstream, LP, 370 17th Street, Suite 2500, Denver, CO 80202