HITP - _29_

GENERAL CORRESPONDENCE

YEAR(S): _2012-2013_

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

July 13, 2012

UPS 2ND DAY AIR *(Tracking Number 1Z F46 915 02 9389 3440)*

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

Subject: Temporary Permission Fee for the Cimarex Cascade 12-inch Pipeline Hydrostatic Test Discharge Permit (HITP-027 29)

Mr. Jones,

Here is a $150 check to cover the temporary permission fee for HITP-027 29. I received the permit yesterday.

Sincerely,

DCP Midstream, LP

Matt Findley

Matthew C. Findley
Senior Environmental Specialist

Attachments

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 339148 dated 7/13/12

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

from DCP Midstream LP

for HITP-29

Submitted by: Laurence Romero Date: 7/18/12

Submitted to ASD by: [signature] Date: 7/18/12

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other Temp Permission

Organization Code 521.07 Applicable FY _____

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

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

July 9, 2012

UPS 2ND DAY AIR *(Tracking Number 1Z F46 915 01 9315 9601)*

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
Cimarex Cascade 29 12-inch Pipeline Project
Lea 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 Cimarex Cascade 29 pipeline. Approximately 19,000 feet of 12-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 Linam Ranch Gas Plant for processing.

Upon completion of the hydrostatic test, the test water will be withdrawn from the pipeline and temporarily placed into seven 500-barrel frac tanks prior to being hauled for disposal. The withdrawal point for the test water will be approximately 23 miles west of Jal, New Mexico. DCP expects that approximately 2,769 barrels of water will be required for the test. Shortly after completion of testing, the test water will be hauled by Texas Lobo Trucking to R360's evaporation basin near Halfway, NM for disposal. DCP plans on completing the hydrostatic test on or about August 11, 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 was mailed to you on June 6. 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.

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

DCP Midstream, LP
Notice of Intent to Perform a Hydrostatic Test
Project Name: Cimarex Cascade 29 Hydrostatic Test

RECEIVED OCD
2012 JUL 10 P 12:57

Project Background Information

DCP Midstream, LP (DCP) is currently planning to place into service a new 19,000 foot section of 12-inch 0.25 FBE steel pipeline in Lea County, New Mexico. Once placed into service, the pipeline segment will be used to transmit high pressure natural gas from the Cimarex Cascade 29 well site to DCP's Rattlesnake Pipeline (Line #11500). The gas will end up at DCP's Linam Ranch 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 2,769 barrels (or 116,298 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 in permitted evaporation basins, 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. Telesforo (Polo) Rendon
DCP Midstream, LP
139 W US Hwy 62-180
Hobbs, NM 88240
Office - (505) 391-5704
Cellular – (575) 802-5192

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 Cimarex Energy Corporation's Cascade 29 Federal #1-H well site (API#30-025-40346) approximately 23 miles west of Jal, New Mexico. To access the site from Jal, travel approximately 13 miles

west on NM 128 to Battle Ax Road, then south approximately 13.2 on Battle Ax Road, then turn right and travel for approximately 2.3 miles on El Paso right-of-way, then turn right on a lease road and travel approximately 4 miles to the Cimarex "Cascade 29" well. The well is in the Northwest Quarter of the Northwest Quarter of Section 29, Township 25 South, Range 33 East (New Mexico Meridian). The Cascade 29 well is located at nominal latitude 32° 6' 28" North and longitude 103° 36' 7" W

DCP plans to dispose of the test water at a state approved surface waste management facility (evaporation basins). Texas Lobo Trucking (TLT) will transport the water under a C-138 manifest from the discharge site to a disposal facility owned by R360 Environmental Services (aka R360 Permian Basin LLC), and operating under Order Number R-9166 and permit number NM1-006. The facility is near Halfway, New Mexico (approximately halfway between Hobbs and Carlsbad on US Highway 62. This disposal site is in Section 27, Township 20 South, Range 32 East (New Mexico Meridian). 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:

NW ¼ of the NW ¼ of Section 29, Township 25 South, Range 33 East

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested
Figure 1 shows the pipeline that will be hydrotested and the dewatering site overlayed on USGS 1:24,000 topographic maps and illustrates the landscape traversed by the new pipeline.
Figure 2 is an overview map showing the dewatering site overlayed on recent aerial imagery and shows land use surrounding the dewatering site.
Figure 3 is a topographic map of the dewatering site showing surface contours in the vicinity of the site.
Figure 4 is a detailed map showing planned locations of the tanks that will temporarily store hydrotest discharge water prior to hauling and disposal (overlayed on an aerial photo). These will be placed on the northeast corner of the Cimarex Cascade 29 Federal #1-H well pad.
Figure 5 is similar to Figure 4, except the information is overlayed on a USGS 1:24,000 map.

e. A demonstration of compliance to the following siting criteria or justification for any exceptions
Since disposal of the hydrostatic test water will take place at R360 Environmental Services in Halfway, NM, 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 19,000 foot section of new 12-inch steel piping. The pipeline segment to be tested is owned by DCP Midstream, and will be used for transmitting high pressure natural gas from the Cimarex Cascade 29 well site to DCP's Rattlesnake Pipeline (Pipeline Number 11500). The gas will end up at the Linam Ranch 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 Texas Lobo Trucking for immediate delivery to R360's evaporation basins near Halfway, New Mexico.

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 seven 500-barrel 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 permitted evaporation basins 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 seven 500-barrel frac tanks for temporary storage at the Cascade 29 well site following completion of the test and prior to disposal. To prevent an inadvertent release of test water to the surrounding environment, frac tanks at the dewatering location will be surrounded by secondary containment sized to be 1.33 times the size of the largest tank or largest interconnected volume (whichever is larger). 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

Texas Lobo Trucking has agreed to accept and dispose of the hydrostatic test water using the evaporation basin 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 material will be disposed of in a permitted surface waste management facility.

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 R360 Environmental Services evaporation basins. 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 2,769 barrels (116,298 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 area is located south of the Mescalaro Ridge within the Pecos River Basin. The site sits in a relatively flat area and is approximately 1.5 miles north of the Paduca Breaks and the Red Hills.

Site Geology

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 site is located in the Pecos River Basin but has no connecting drainage to the Peco's River. Average annual precipitation in this area of Lea 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 principal aquifer in the Carlsbad UWB is in the Santa Rosa Sandstone, which is approximately 200 feet thick in this area. General ground-water flow in the Carlsbad UWB is in a southerly direction.

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 Lea County New Mexico Water Plan, depth to groundwater is approximately 275 ft. Total dissolved solids in groundwater from the Santa Rosa Sandstone ranges from 635 to 1,950 mg/L.

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

Cimarex Energy Corporation leases the right-of-way where the dewatering and temporary storage will occur from the Bureau of Land Management (BLM) and has agreed to let DCP Midstream use the land. The land adjacent to the withdrawal point is also owned by the BLM.

FIGURES

103°38'0"W

103°36'0"W

32°40'0"N

Dewater & Temp. Storage Site

Pipeline Segment to Be Tested

Existing Pipe

Drill Hole

Gravel Pit

Gas Well

BM 3257

BM 3262

BM 3312

BM 3279

BM 3332

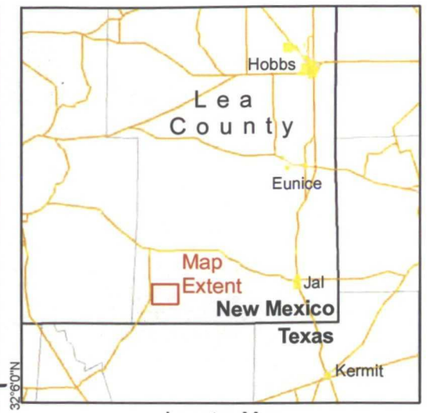
Red Hills Draw

PADUCA BREAKS

RED HILLS

PIPELINES

Projection: New Mexico State Plane, East Zone. NAD83
Source: Base map from USGS 24K topos.
Disclaimer: For illustration purposes only.
Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO



Locator Map

N

0 1,000 2,000 4,000 Feet

1 in = 2,000 feet

1:24,000

Figure 1
Overview
Cimarex Energy
Cascade 29
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream℠

103°37'30"W 103°37'0"W 103°36'30"W 103°36'0"W 103°35'30"W 103°35'0"W 103°34'30"W

32°7'30"N 32°7'0"N 32°6'30"N 32°6'0"N 32°5'30"N

T25S R32E 24 T25S R33E 19 T25S R33E 20

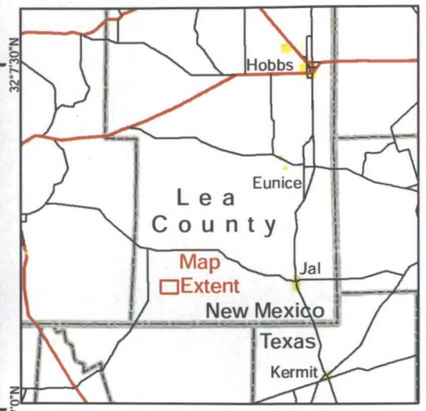
T25S R32E 25 T25S R33E 30 T25S R33E 29

T25S R33E 31 T25S R33E 32

Dewater and Frac Tank Site

New Pipe To Be Hydrotested

Projection: New Mexico State Plane, East Zone. NAD83
Source: Base image from Mircosoft Bing Map Services
Disclaimer: For illustration purposes only.
Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO



Locator Map

N

0 0.1 0.2 0.3 0.4 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 2
Ground Cover around
Dewater Site
Cimarex Energy
Cascade 29
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

103°37'30"W 103°37'0"W 103°36'30"W 103°36'0"W 103°35'30"W 103°35'0"W 103°34'30"W

32°7'30"N 32°7'0"N 32°6'30"N 32°6'0"N 32°5'30"N

13 13 18 17 16

24 24 19 20 21

25 25 30 29 28

R32E R33E R3 R3

3476 3479 3470 3410 3400 3372 3379 3426 3450

Penn Tank

Drill Hole 3424

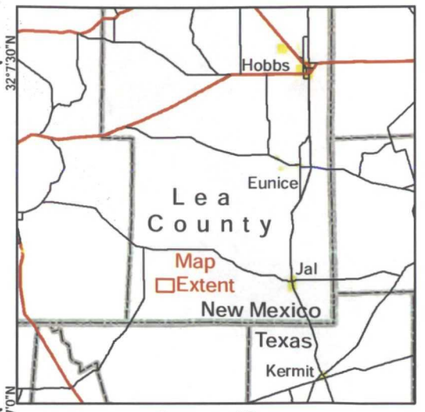
Drill Hole 3457

Drill Hole 3413

Frac Tank Staging Site

New Pipe To Be Hydrotested

Projection: New Mexico State Plane, East Zone. NAD83
Source: Base map from USGS 24k topos.
Disclaimer: For illustration purposes only.
Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO



Locator Map

N

0 0.1 0.2 0.3 0.4 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 3
Topography around Dewater Site
Cimarex Energy
Cascade 29
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream℠

103°36'20"W 103°36'15"W 103°36'10"W 103°36'5"W 103°36'0"W 103°35'55"W

32°6'35"N 32°6'30"N 32°6'25"N 32°6'20"N

S19 T25S-R33E

S20 T25S-R33E

S30 T25S-R33E

S29 T25S-R33E

Well Pad

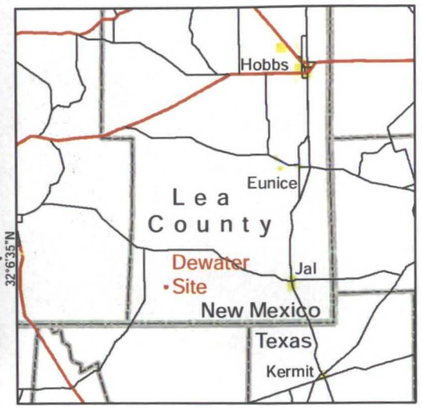
Frac tanks in 2° containment

Well

Lease Road

New Pipe To Be Hydrotested (30' wide easement)

Projection: New Mexico State Plane, East Zone. NAD83
Source: Base image from Microsoft Bing Map Services.
Disclaimer: For illustration purposes only.
Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO



Locator Map

N

0 100 200 400 Feet

1 in = 200 feet

1:2,400

Figure 4
Wellhead Detail on Aerial
Cimarex Energy
Cascade 29
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

103°36'20"W 103°36'15"W 103°36'10"W 103°36'5"W 103°36'0"W 103°35'55"W

32°6'35"N

32°6'30"N

32°6'25"N

32°6'20"N

S19 T25S-R33E

S20 T25S-R33E

Well Pad

Frac tanks in
2° containment

Wellhead

Lease Road

S30 T25S-R33E

S29 T25S-R33E

New Pipe To Be Hydrotested
(30' wide easement)

Projection: New Mexico State Plane, East Zone. NAD83
Source: Base map from USGS 24k topos.
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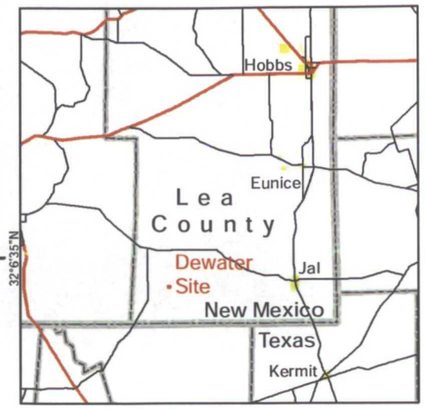
Author: Matt Findley, DCP Midstream, 370 17th Street, Suite 2500, Denver, CO



Locator Map

N

0 100 200 400
Feet

1 in = 200 feet

1:2,400

Figure 5
Wellhead Detail on Topo
Cimarex Energy
Cascade 29
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

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

July 6, 2012

UPS 2ND DAY AIR *(Tracking Number 1Z F46 915 02 9969 8838)*

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

Subject: Filing Fee for the Cimarex Cascade 12-inch Pipeline Hydrostatic Test Discharge Permit Application

Mr. Jones,

Here is a $100 check to cover the filing fee for DCP's Notice of Intent (NoI) to conduct a hydrostatic test discharge from 19,000 feet of 12-inch steel pipe. The draft NoI package has already received review by OCD after it was provided to you via email on Monday, July 2, 2012, so I wanted to provide you with the filing fee now. A final NoI package will be mailed to your office soon.

If you have any questions or would like additional information, contact me at 303.605.2176 or mcfindley@dcpmidstream.com.

Sincerely,

DCP Midstream, LP

Matt Findley

Matthew C. Findley
Senior Environmental Specialist

Attachments

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 338142 dated 7/5/12

or cash received on _____ in the amount of $ 100.00

from DCP Midstream LP

for HITP-29

Submitted by: Lawrence Rocuero Date: 7/11/12

Submitted to ASD by: [signature] Date: 7/11/12

Received in ASD by: _____ Date: _____

Filing Fee ✓ New Facility _____ Renewal _____

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2013

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____