HITP - _30_

GENERAL CORRESPONDENCE

YEAR(S): _2012-2013_

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 78217 dated 8/17/12

or cash received on _____ in the amount of $ 100.00

from DCP Midstream LP

for HITP-30

Submitted by: Lawrence Romero Date: 8/23/12

Submitted to ASD by: [signature] Date: 8/23/12

Received in ASD by: _____ Date: _____

Filing Fee ✓ New Facility _____ Renewal _____

Modification _____ Other _____

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

August 20, 2012

UPS 2nd Day Air (Tracking Number 1Z F46 915 02 9458 7743)

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

Re: Notice of Intent to Perform a Hydrostatic Test
Cimarex Hallertau 5 Federal CTB
Lea County, New Mexico

Mr. Jones:

Here is a notice of intent (NoI) prepared by DCP Midstream, LP (DCP) for completing a hydrostatic test and subsequent test water disposal associated with a recently installed pipeline and lateral. A check for $100 to cover the filing fee is also attached. We will provide another check to cover the temporary permission fee after DCP has been authorized to perform the hydrostatic test.

This NoI was prepared according to the New Mexico Oil Conservation Division *Guidelines for Hydrostatic Test Dewatering*, dated January 11, 2007, and by following guidance provided by you during recent telephone conversations.

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: Cimarex Hallertau 5 Federal CTB

Project Background Information

DCP Midstream, LP (DCP) is currently planning to place into service a new 17,500 foot section of 12-inch steel pipeline and a smaller new 970 foot lateral of 8-inch pipe in Lea County, New Mexico. Once placed into service, the pipeline segments will be used to transmit high pressure natural gas from a well site to DCP's existing Rattlesnake Pipeline (Line #11500). The field 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. It is estimated that the test will generate approximately 2,615 barrels (or 109,800 gallons) of wastewater. The wastewater generated will be RCRA exempt E&P waste based on the definition in 40 CFR 261.4(b)(5)[1] 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. Mike Gerwick
DCP Midstream, LP
1625 West Marland Street
Hobbs, NM 88240
Cell phone: (575) 802-5136

Operator
Mr. Charlie Joslin
DCP Midstream, LP
1625 West Marland Street
Hobbs, NM 88240
Office phone: (575) 391-5705
Cell phone: (575) 802-5101

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 just west of the Cimarex Energy Corporation's Hallertau 5 Federal No. 4H well site (API#30-025-40254) approximately 30 miles west of Jal, New Mexico. To access the site from Jal, travel

approximately 29 miles west on NM 128 to Orla Road, then south approximately 10.5 on Orla Road, then turn right on Ross Lane and travel west for approximately 1.8 miles, then turn right (north) onto the lease road. The dewater site for the hydrostatic test is on the west (left) side of the lease road. This is at nominal latitude 32° 3' 58" North and longitude 103° 42' 24" West.

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:

SE ¼ of the SE ¼ of Section 6, Township 26 South, Range 32 East, New Mexico Meridian.

d. Maps (site-specific and regional) indicating the location of the pipelines to be tested
Figure 1 shows the pipeline that will be hydrostatic tested 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 hydrostatic test discharge water prior to hauling and disposal (overlayed on an aerial photo). These will be placed on the pipeline right of way.
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 17,500 foot section of new 12-inch steel piping and the 970-foot 8-inch lateral. The pipeline segments to be tested are owned by DCP Midstream and will be used for transmitting high pressure natural gas from the Cimarex Hallertau 5 Federal #4H 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 six 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 2,615 barrels (109,800 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 on the Mescalaro Piedmont within the Pecos River Basin. The site sits on a relatively flat plateau and is approximately 5 miles west of the Paduca Breaks and the Red Hills.

Site Geology

The site geology is comprised of Quatenary eolian, piedmont, and alluvial 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. These deposits unconformably overlie Triassic aged sedimentary rocks of the Dockum Group.

Regional Hydrology

The site is located in the Pecos River Basin but has no connecting drainage to the Pecos 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 shallowest Carlsbad UWB aquifer beneath the site is in the Santa Rosa Sandstone (part of the Dockum Group), which is approximately 200 feet thick in this area. Carlsbad UWB ground-water flow in this part of Lea County generally to the southwest, towards Eddy County.

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 300 ft. Total dissolved solids in groundwater from 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

The discharge site and the lands surrounding the discharge site are owned by the federal government and managed by the Bureau of Land Management. DCP was granted a 50 foot wide right-of-way along the proposed pipeline route for construction (including testing) of the pipeline.

FIGURES

103°44'0"W 103°43'0"W 103°42'0"W 103°41'0"W 103°40'0"W

32°6'0"N 32°5'0"N 32°4'0"N

Existing Pipe

Pipeline Segment
To Be Tested

12" pipeline

8" Lateral

Hallertau 5 Federal No. 4H well

Dewater and
Temp. Storage Site

Gravel Pit

Oil Well

Drill Hole

Ross Place

Sweetwater Windmill

Ross Lane

Orla Road

JEEP TRAIL

OIL FIELD

PADUCA

EDDY
LEA

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 Map
Cimarex
Hallertau 5 Fed CBT
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

103°44'0"W 103°43'30"W 103°43'0"W 103°42'30"W 103°42'0"W 103°41'30"W 103°41'0"W

32°4'30"N
32°4'0"N
32°3'30"N
32°3'0"N

T25S R31E 36 | T25S R32E 31 | T25S R32E 32 | T25S R32E 33

T26S R31E 1 | T26S R32E 6 | T26S R32E 5 | T26S R32E 4

T26S R31E 12 | T26S R32E 7 | T26S R32E 8 | T26S R32E 9

T26S R32E 18 | T26S R32E 17 | T26S R32E 16

Pipeline Segment
To Be Tested

Hallertau 5 Federal No. 4H well

Dewater and
Temp. Storage Site

Projection: New Mexico State Plane, East Zone, NAD83.
Source: Base map 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 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 2
Ground Cover
Around Dewater Site
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

103°44'0"W 103°43'30"W 103°43'0"W 103°42'30"W 103°42'0"W 103°41'30"W 103°41'0"W

32°4'30"N
32°4'0"N
32°3'30"N
32°3'0"N

Drill Hole
Drill Hole
Pipeline Segment To Be Tested
Ross Place
Sweetwater Windmill
Dewater and Temp. Storage Site
Hallertau 5 Federal No. 4H well
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Gravel Pit
Gravel Pits

1 6 5 4 12 7 8 9

3300 3319 3296 3283 3267 3261 3250 3245 3254 3249 3232 3250 3200 3214 3200

BM 3254 BM 3266 BM 3249

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

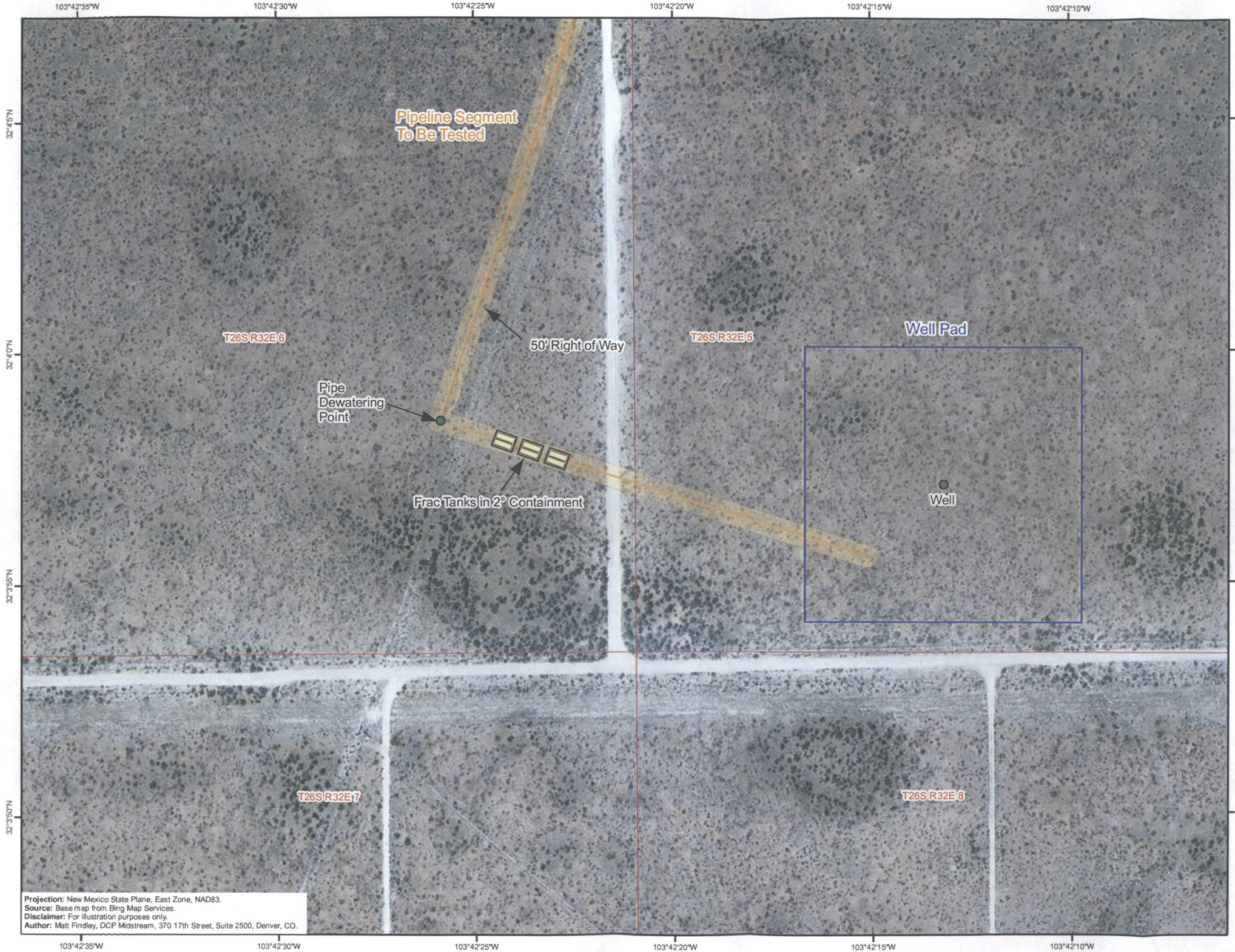
0 0.5 Miles

1 in = 0.25 miles

1:15,840

Figure 3
Topography
Around Dewater Site
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream



Locator Map

N

0 200 400 Feet

1 in = 200 feet

1:2,400

Figure 4
Dewater Site Detail on Aerial
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream

103°42'35"W 103°42'30"W 103°42'25"W 103°42'20"W 103°42'15"W 103°42'10"W

32°4'5"N

32°4'0"N

32°3'55"N

32°3'50"N

Pipeline Segment
To Be Tested

50' Right of Way

T26S R32E 6

T26S R32E 5

Well Pad

Pipe
Dewatering
Point

Frac Tanks in 2° Containment

Well

3263

T26S R32E 7

T26S R32E 8

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

0 200 400 Feet

1 in = 200 feet

1:2,400

Figure 5
Dewater Site
Detail on Topo
Cimarex
Hallertau 5 Fed CTB
Proposed Hydrotest
Lea County, New Mexico
August 2012

dcp Midstream