

HIP- _____ 133 _____

**PERMITS,
RENEWALS, &
MODS**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



July 7, 2014

Ms. Allison Stockweather
Holly Energy Partners Operating LP
PO Box 1260
Artesia, New Mexico 88210

**Re: Hydrostatic Test Discharge Permit HIP-133
Holly Energy Partners Operating LP
North Artesia to Beeson Station Pipeline Project
Locations: Unit D of Section 3, Township 18 South, Range 30 East, NMPM,
Eddy County, New Mexico**

Dear Ms. Stockweather:

The Oil Conservation Division (OCD) has received Holly Energy Partners Operating LP's (HEP) notice of intent, dated May 12, 2014 and received May 13, 2014, for authorization to discharge approximately 164,305 gallons of wastewater generated from a hydrostatic test of approximately 11.5 miles (60,720 feet) of a new crude oil gathering pipeline system, located approximately 2.8 miles southeast of the Village of Loco Hills, New Mexico. The proposed discharge/retention/collection location is within HEP's Beeson Crude Oil Pump Station easement in Unit D of Section 3, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. OCD acknowledges the receipt of the filing fee (\$100.00) and the permit fee (\$600.00) for the permit from a submittal dated May 12, 2014.

Based on the information provided in the request, the hydrostatic test water discharge is hereby approved with the following understandings and conditions:

1. HEP will be testing approximately 11.5 miles (60,720 feet) of a new crude oil gathering pipeline system, located approximately 2.8 miles southeast of the Village of Loco Hills, New Mexico;
2. HEP will acquire the hydrostatic test water from a private source, the Maljamar Water System(aka Yates Petroleum) in Loco Hills, New Mexico;
3. HEP will generate approximately 164,305 gallons of hydrostatic test wastewater from the test event. The hydrostatic wastewater will remain in the pipeline while being sampled and awaiting test results from a certified laboratory;

4. HEP shall analyze all samples of wastewater generated from the hydrostatic test to demonstrate the results do not exceed the standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC;
5. HEP shall submit the test results via email or fax to the OCD for review and subsequent approval or disapproval for the test wastewater to be discharged;
6. If the final discharge of the wastewater is approved by the OCD, HEP will discharge the wastewater into a dewatering structure, constructed of non-woven geotextile and hay bales, to control erosion and contain the discharge within the southeast end of HEP's Beeson Crude Oil Pump Station easement in Unit D of Section 3, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico;
7. If final discharge of the wastewater is approved, no hydrostatic wastewater generated will be discharged to groundwater or be allowed to exit the easement right-of-way;
8. If final discharge of the wastewater is approved, no discharge shall occur:
 - a. where ground water is less than 10 feet below ground surface.
 - b. within 200 feet of a watercourse, lakebed, sinkhole or playa lake;
 - c. within an existing wellhead protection area;
 - d. within, or within 500 feet of a wetland; or
 - e. within 500 feet from the nearest permanent residence, school, hospital, institution or church;
9. If the final discharge of the wastewater is not approved by the OCD, HEP will transfer the wastewater, via a system of flexible hoses and pump, from the pipeline into water trucks and hauled by an OCD approved C-133 water hauler to Basic Energy Services, LP's Class II injection well, Shugart State #2 SWD (API 30-015-32438/Order SWD 1340-0), for injection and disposal;
10. HEP 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;
11. HEP will not be analyzing the hydrostatic test wastewater prior to disposal because of the following: the wastewater has been demonstrated to be RCRA exempt waste and the proposal is to transfer the wastewater to Basic Energy Services, LP's Class II injection well for injection and disposal;
12. HEP will ensure the transfer the hydrostatic test wastewater via an OCD approved C-133 water hauler to Basic Energy Services, LP's Class II injection well, Shugart State #2 SWD (API 30-015-32438/Order SWD 1340-0), for injection and disposal;
13. HEP shall remove all hydrostatic test wastewater from the collection/retention location within ten (10) calendar days of the completion of the hydrostatic test;
14. HEP shall restore any surface area impacted or disturb from the approved activities;

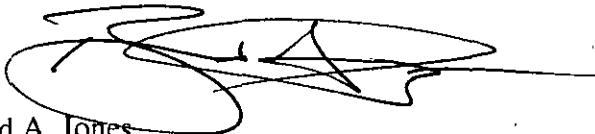
15. HEP shall implement best management practices to prevent unauthorized releases during the transfer/collection activities;
16. HEP shall ensure that the discharge/transfer/collection activities do not cause any fresh water supplies to be degraded or to exceed standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC (the New Mexico Water Quality Control Commission Regulations);
17. HEP must properly notify the landowner(s) of the proposed discharge/collection location of the approved activities prior to the hydrostatic test event; and
18. HEP 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 discharge will begin approximately June 16, 2014. This permit will expire within 120 calendar days of its issue date. This permit may be revoked or suspended for violation of any applicable provisions and/or conditions.

Please be advised that approval of this request does not relieve HEP of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve HEP 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
Mr. Clem Vasquez, Holly Energy Partners Operating LP, Artesia, NM 88210
Ms. Adrienne Boer, TRC Environmental Corp., Austin, TX 78752