

**DCP MIDSTREAM**

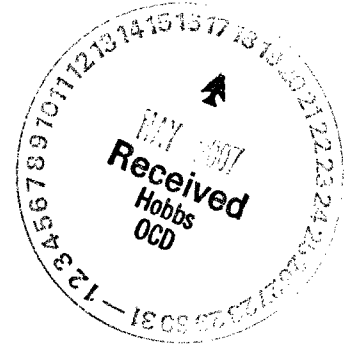
10 Desta Drive, Ste. 400 West
Midland, TX 79705

432 620 4000

May 15, 2007

Mr. Larry Johnson
Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

RE: MM-7 Line
Eunice, New Mexico
Date of Incident: May 4, 2007



Dear Mr. Johnson;

Attached to this letter is a C-141 which is proposed to serve as both the initial and final C-141 for a release of hydrostatic test water (fresh water which was in contact with old pipe) which occurred on May 4, 2007. DCP Midstream also requests a letter for "no further action" for the event.

BACKGROUND

On May 4, 2007, the MM-7 pipeline was being hydrostatic pressure tested in order to confirm integrity prior to tying in a producer high pressure well by DCP Midstream, LP (DCP). Fresh water was used to conduct the test, however would be considered "oily" due to contact with the oily surface of the used pipeline. During the test, at approximately 8:30 am on May 4, 2007, the pressure suddenly declined indicating a failure of the pipe. Following notification of failure to the during the hydrostatic test, DCP Midstream contacted the Oil Conservation Division, District 1 Office in Hobbs, NM at 12:00 noon MST on May 4, 2007 to submit immediate verbal notification. At the time of the verbal notification, the volume of the release was unknown as was the location of the release.

DESCRIPTION OF AFFECTED AREA AND CLEANUP ACTION TAKEN

The MM-7 Line was anticipated to operate at high pressure. In preparation of the hydrostatic water test, DCP had run a pipeline cleaner through the pipe to remove the majority of liquids, debris, and sediments as a precautionary measure. This precautionary measure prevented the release of significant oil from the hydrostatic test failure.

When the failure occurred, DCP field personnel immediately began to drive the pipeline in order to identify the point of release. When the point of release was found, the impacted area was estimated as 30' x 50' however recent severe thunderstorms made a conclusive determination difficult since most soils in the area of the point of release were already damp.

Once the point of release was identified, DCP immediately initiated a OneCall in order to allow excavation activities. When the OneCall cleared, DCP excavated soils from the point of release and loaded all soils which were suspected of being contaminated into dump trucks for disposal. The final excavated area was a 20' x 5' x 3' deep area on top of the pipeline and an adjacent 20' x 20' x 2' area where the liquids had run to down a rut in the pipeline right-of-way dirt road.

facility - PHCC 714239849
incident - PHCC 714239944
application - PHCC 714240018

AP# 1349

Following excavation, Environmental Plus, Inc. from Eunice, NM was contacted to sample the remaining soils for contamination. Samples were collected from the north and south sidewalls adjacent to the point of release (SW1 and SW2), from below the point of release (BH2) and from the adjacent area (BH1). Sidewall samples from the adjacent area were not collected because the depth of the excavation was less than 1 foot. Samples from the east and west sidewalls from the point of release were not collected due to sloping for entry.

The analytical results from the excavations are presented in the following table

Table 1
MM-7
Analytical Results of Excavation
Sample Date: May 7, 2007

Identification	TPH (mg/Kg)	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Xylenes (mg/Kg)	Total BTEX (mg/Kg)	Sulfates (mg/Kg)	Chlorides (mg/Kg)
SW-1 @ 1.5'	<10.0	<0.002	<0.002	<0.002	<0.002	<0.002	9.4	32
SW-2 @ 1.5'	<10.0	<0.002	<0.002	<0.002	<0.002	<0.002	21	32
BH-1 @ 0.5'	<10.0	<0.002	<0.002	<0.002	<0.002	<0.002	17.3	16
BH-2 @ 3'	<10.0	<0.002	<0.002	<0.002	<0.002	<0.002	<1	<16

SW – sidewall

BH – bottom hole

ND – not detected (below laboratory detection limit)

The site of the failed pipe was replaced. DCP has also re-hydrostatic tested the pipe following replacement. The re-hydrostatic test was performed at 900 psi for a duration of 21 hours. The test was successful.

Following discovery of the point of release, DCP Midstream estimated the volume of the release was less than the 5 barrel reporting requirement. However, while the release volume was less than the reportable quantity, DCP performed all remediation activities in accordance with the OGD Guidelines for the Remediation of Leaks, Spills and Releases” (August 13, 1993) and has prepared the attached C-141 (initial and final), a site sketch, and the analytical data confirming completion of the remedial activities.

All excavated soils were disposed properly at Control Recovery, Inc.

REMEDIATION GOALS

The release site is located in Unit O, Section 31, Township 19 South, Range 36E, latitude 32.61108, longitude -103.39106 (site location map attached). The depth to groundwater at the location based on the

Office of the State Engineers web database is less than 50 feet below ground surface. There are no surface waters within 1,000 horizontal feet and no wells within 200 feet of the release location. Based on the Recommended Remedial Action Levels from the New Mexico Oil Conservation Division (NMOCD) publication, "Guidelines for the Remediation of Leaks, Spills and Releases (August 13, 1993), DCP determined a site ranking of '20' for the location.

1. Groundwater	2. Wellhead Protection Area	3. Distance to Surface Water
Depth to GW < 50 feet: 20 points	If < 1,000 feet from water source, or < 200 feet from private domestic water source: 20 points	< 200 horizontal feet: 0 points
Depth to GW 50 – 99 feet: 10 points		200 – 1,000 horizontal feet: 10 points
Depth to GW > 100 feet: 0 points	If > 1,000 feet from water source, or > 200 feet from private domestic water source: 0 points	> 1,000 horizontal feet: 0 points
Site Rank (1 + 2 + 3) = 20 points		
Remedial Goals Based on Site Ranking		
> 20 Points	10 points	0 points
Benzene < 10 ppm	Benzene < 10 ppm	Benzene < 10 ppm
Total BTEX < 50 ppm	Total BTEX < 50 ppm	Total BTEX < 50 ppm
TPH < 100 ppm	TPH < 1,000 ppm	TPH < 5,000 ppm

CONCLUSIONS AND RECOMMENDATIONS

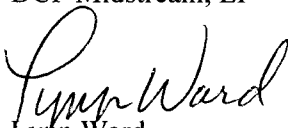
1. Impacted soils from the MM-7 Line hydrostatic test failure have been removed and disposed at a State of New Mexico permitted facility: Control Recovery, Inc.
2. Remaining soil levels of the contaminants of concern (TPH, Benzene, Total BTEX, Chlorides Sulfates) are below the Recommended Remedial Action Levels for the site specific goals.

DCP therefore requests the NMOCD require no further action and issue DCP a Site Closure Letter.

DCP has attached a C-141 which is proposed to satisfy both the initial and final submittal requirements a site sketch, and laboratory analytical results for the release.

If there are any questions, comments, or concerns about the described activities, please contact me at 432/620-4207 or email lcward@duke-energy.com.

Sincerely,
DCP Midstream, LP


Lynn Ward
Sr. Environmental Specialist

Cc: Ronnie Gilchrest, Field Supervisor
Liz Klein, Corporate File 2.1.1.1
Regional File 2.1.1.1

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☒ Final Report

Name of Company: DCP Midstream, LP	Contact: Ronnie Gilchrest, Lynn Ward
Address: 10 Desta Dr., Suite 400-W, Midland, TX 79705	Telephone No. 432/620-4207
Facility Name: MM-7 Line	Facility Type: High Pressure Gathering Line

Surface Owner: Kyle Johnston Ownership: State of New Mexico	Mineral Owner	Lease No.
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LOCATION OF RELEASE

Unit Letter 0	Section 31	Township 19S	Range 36E	Feet from the 629 ft	North/South Line South Line	Feet from the 1929 ft	East/West Line East	County Lea County
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Latitude 32.61108 Longitude -103.39106

NATURE OF RELEASE

Type of Release: Hydrostatic Test Water	Volume of Release: 3 bbls	Volume Recovered: none
Source of Release: Under the hydrostatic pressure, the line blew a whole.	Date and Hour of Occurrence: 5/4/07 @ 8:30 am MST	Date and Hour of Discovery: 5/4/07 @ 8:30 am MST
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Larry Johnson, OCD Hobbs District Office, NM	
By Whom? Lynn Ward	Date and Hour 5/4/07 @ 12:00 pm noon	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. Not applicable	

If a Watercourse was Impacted, Describe Fully.*
Not applicable

Describe Cause of Problem and Remedial Action Taken.* DCP Midstream, LP was conducting a hydrostatic test of the MM-7 high pressure pipeline in preparation for tying in a new well. During the course of the test, the pipe blew out causing a release of 3 bbls (estimated). The release primarily consisted of fresh water which included oily residual from the internal piping. Prior to conducting the test, a pipeline cleaner had been run through the pipe to remove remaining significant oil deposits and liquids. Therefore, the released water consisted primarily of fresh water with residual oil. The field crew immediately began driving the pipeline right-of-way to discover the point of release. When the point of release was located, a OneCall was submitted in order to obtain clearance prior to excavation. Once the clearance was obtained, construction crews excavated the line and replaced a 30 foot section which was severely corroded (approx. 30 feet of steel pipe, 7.65"). The line was then re-hydroed to 900 psi for 21 hours on May 10, 2007 without incident.

Describe Area Affected and Cleanup Action Taken.* When DCP personnel identified the point of release, the impacted area was estimated as 30' x 50', however recent heavy localized thunderstorms obscured certainty of the impacted area. DCP removed all soils which may have been impacted, and disposed at Control Recovery Inc.. The final excavated area was a 20' x 5' x 3' deep area at the point of release (see attached) with a second adjacent area of 20' x 20' x 2' deep area where the liquids had run down a road "rut" and pooled. Environmental Plus, Inc. collected confirmatory samples from the sidewalls (SW1 and SW2) at the point of release and a bottom sample from below the point of release (BH-2). The second area (20' x 20' x 2') did not have sidewalls sufficient for sampling. Environmental Plus, Inc. therefore collected a bottom sample (BH-1). All four samples were analyzed for Total Petroleum Hydrocarbons by EPA Method 8015, BTEX by EPA Method 8021B, and Chlorides by Method 4500. Results of the Total Petroleum Hydrocarbon sampling revealed all levels below laboratory detection limits of 10 mg/Kg. Results of BTEX analysis revealed all levels below laboratory detection limits. Results of Chloride analysis were less than 33 mg/Kg. Results of Sulfate analysis were less than 22 mg/Kg. DCP Midstream believes all impacted soils above the Recommended Remedial Action Levels for ground water less than 50 feet below surface were removed. All excavated materials (54 cubic yards) were disposed of as Exempt Soils at Control Recovery Inc. DCP Midstream believes following the backfilling of the location, no further activities are necessary. A site sketch and the analytical analysis is attached for your review.

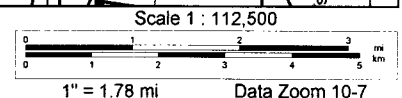
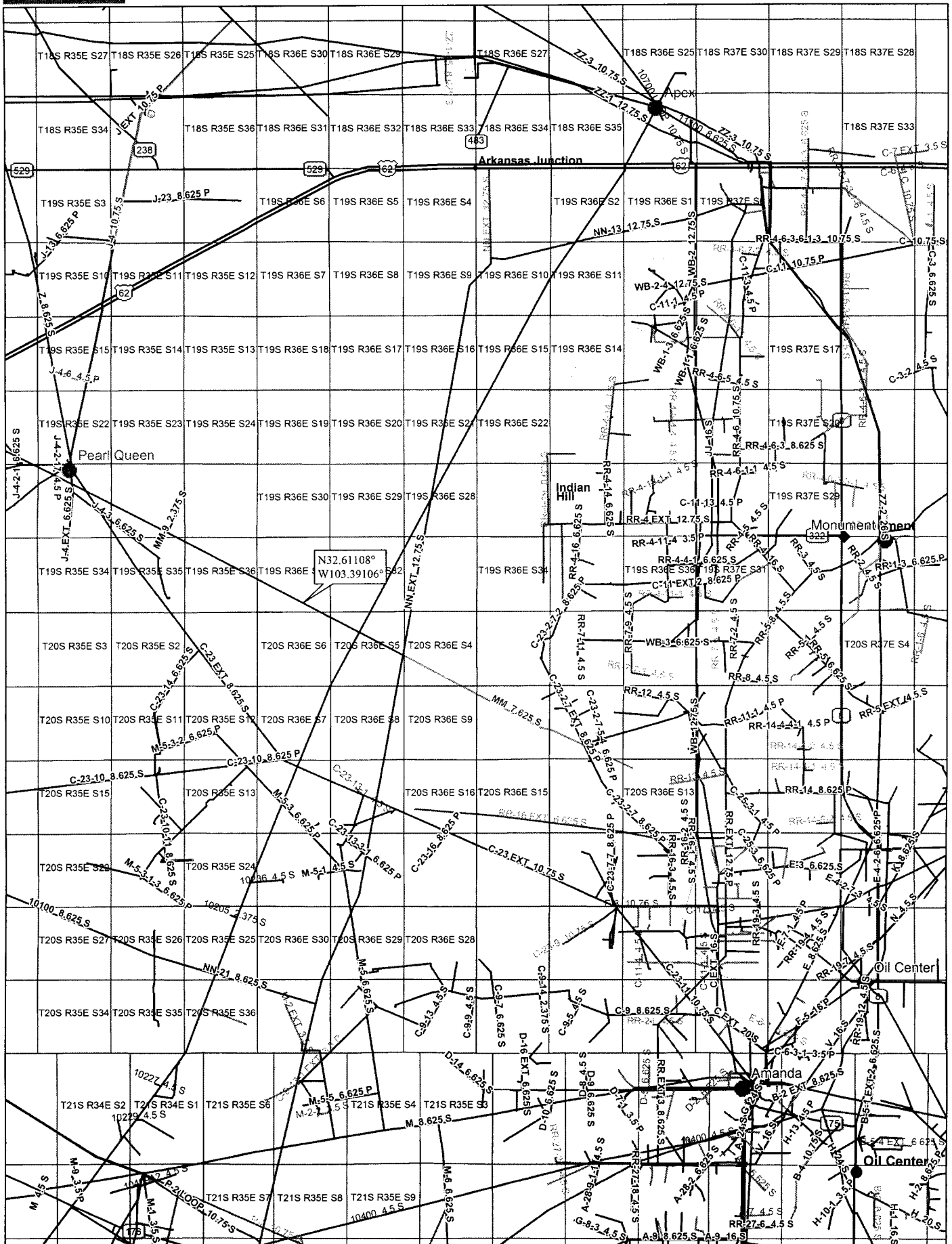
Note: The Office of the State Engineer database depth to water at this location is estimated as 30 - 40 feet below surface indicating the RRALs for the location to be 100 ppm TPH, 50 ppm Total BTEX, and 10 ppm Benzene.

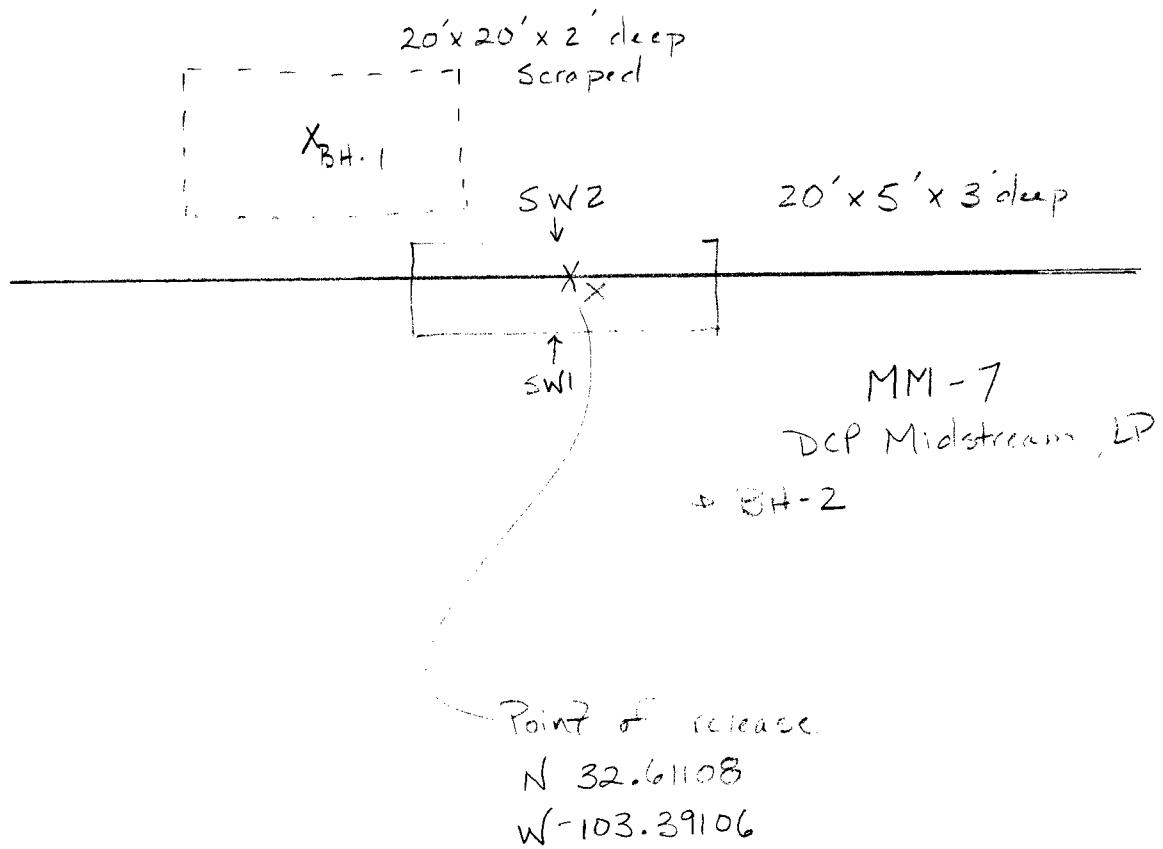
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

AP# 1349

Signature: <i>Lynn Ward</i>		OIL CONSERVATION DIVISION	
Printed Name: Lynn Ward			
Title: Environmental Specialist		Approved by District Supervisor: <i>[Signature]</i>	
E-mail Address: lward@dcpmidstream.com		Approval Date: <i>5/22/07</i>	Expiration Date: <i>—</i>
Date: <i>3/22/07</i> <i>5/4/07</i> Phone: 432/620-4207		Conditions of Approval: <i>—</i>	Attached <input type="checkbox"/> <i>—</i>

* Attach Additional Sheets If Necessary







PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

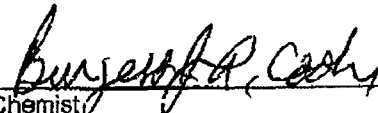
ANALYTICAL RESULTS FOR
ENVIRONMENTAL PLUS, INC.
ATTN: JASON STEGEMOLLER
P.O. BOX 1558
EUNICE, NM 88231
FAX TO: (505) 394-2601

Receiving Date: 05/07/07
Reporting Date: 05/09/07
Project Number: 130055
Project Name: MM 8-INCH
Project Location: NOT GIVEN

Sampling Date: 05/07/07
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AB
Analyzed By: AB

LAB NUMBER	SAMPLE ID	BENZENE (mg/Kg)	TOLUENE (mg/Kg)	ETHYL BENZENE (mg/Kg)	TOTAL XYLENES (mg/Kg)
ANALYSIS DATE		05/08/07	05/08/07	05/08/07	05/08/07
H12550-1	BH-1 (0.5')	<0.002	<0.002	<0.002	<0.006
H12550-2	BH-2 (3')	<0.002	<0.002	<0.002	<0.006
H12550-3	SW-1 (1.5')	<0.002	<0.002	<0.002	<0.006
H12550-4	SW-2 (1.5')	<0.002	<0.002	<0.002	<0.006
Quality Control		0.098	0.104	0.103	0.315
True Value QC		0.100	0.100	0.100	0.300
% Recovery		98.7	104	103	105
Relative Percent Difference		7.8	7.9	7.6	7.0

METHOD: EPA SW-846 8021B


Chemist

5/9/07
Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analysis. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



ARDINAL LABORATORIES

PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
ENVIRONMENTAL PLUS, INC.
ATTN: JASON STEGEMOLLER
P.O. BOX 1558
EUNICE, NM 88231
FAX TO: (505) 394-2601

Receiving Date: 05/07/07
Reporting Date: 05/09/07
Project Number: 130055
Project Name: MM 8-INCH
Project Location: NOT GIVEN

Sampling Date: 05/07/07
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AB
Analyzed By: BC

LAB NUMBER	SAMPLE ID	GRO (C ₆ -C ₁₀) (mg/Kg)	DRO (>C ₁₀ -C ₂₈) (mg/Kg)
		05/08/07	05/08/07
H12550-1	BH-1 (0.5')	<10.0	<10.0
H12550-2	BH-2 (3')	<10.0	<10.0
H12550-3	SW-1 (1.5')	<10.0	<10.0
H12550-4	SW-2 (1.5')	<10.0	<10.0
Quality Control		779	791
True Value QC		800	800
% Recovery		97.4	98.8
Relative Percent Difference		0.9	1.8

METHOD: SW-846 8015 M

Chemist

Date

H12550A EPI

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PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2328 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
ENVIRONMENTAL PLUS, INC.
ATTN: JASON STEGEMOLLER
P.O. BOX 1558
EUNICE, NM 88231
FAX TO: (505) 394-2601

Receiving Date: 05/07/07
Reporting Date: 05/09/07
Project Owner: DCP MIDSTREAM (130055)
Project Name: MM 8-INCH
Project Location: NOT GIVEN

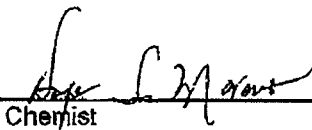
Sampling Date: 05/07/07
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AB
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl (mg/kg)	SO ₄ (mg/kg)
ANALYSIS DATE:		05/09/07	05/09/07
H12550-1	BH-1 (0.5')	16	17.3
H12550-2	BH-2 (3')	< 16	* < 1
H12550-3	SW-1 (1.5')	32	9.4
H12550-4	SW-2 (1.5')	32	21
Quality Control		490	27.2
True Value QC		500	25.0
% Recovery		98.0	109
Relative Percent Difference		2.1	3

METHODS: Cl: Std. Methods 4500-ClB; SO₄: EPA 600 375.4

NOTE: Analyses performed on 1:4 w:v aqueous extracts.

* Color matrix interference. Result should therefore be considered an approximation.


Chemist

05-09-07
Date

H12550

PLEASE NOTE: Liability and Damages: Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analysis. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client. Its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.


Environmental Plus, Inc.

2100 Avenue O, Eunice, NM 88231
 (505) 394-3481 FAX: (505) 394-2601

P.O. Box 1558, Eunice, NM 88231

Chain of Custody Form

Company Name		Environmental Plus, Inc.	
EPI Project Manager		Jason Stegemoller	
Mailing Address		P.O. BOX 1558	
City, State, Zip		Eunice New Mexico 88231	
EPI Phone#/Fax#		505-394-3481 / 505-394-2601	
Client Company		DCP Midstream	
Facility Name		MM 8-inch	
Location			
Project Reference		130055	
EPI Sampler Name		George Blackburn	



Attn: Lynn Ward
 10 Desta Drive, Suite 400-W
 Midland, Texas 79705

LAB I.D.	SAMPLE I.D.	MATRIX						PRESERV.			SAMPLING		ANALYSIS REQUEST								
		GROUND WATER	WASTEWATER	SOIL	CRUDE OIL	SLUDGE	OTHER:	ACID/BASE	ICE/COOL	OTHER	DATE	TIME	BTEX 8021B	TPH 8015M	CHLORIDES (Cl)	SULFATES (SO ₄)	pH	TCLP	OTHER >>>	PAH	
412550-1	BH-1 (0.5')	G	1	1									X	X	X	X					
2	BH-2 (3')	G	1	1									X	X	X	X					
3	SW-1 (1.5')	G	1	1									X	X	X	X					
4	SW-2 (1.5')	G	1	1									X	X	X	X					
5																					
6																					
7																					
8																					
9																					
10																					

Sampler Relinquished:		Received By:	
Signature: <i>[Signature]</i>	Date: 5-2-07	Signature: <i>[Signature]</i>	Date: 5-2-07
Redelivered by:		Received By: (lab staff)	
Delivered by:		Sampled Cool & Intact	
		Yes <input checked="" type="radio"/> No <input type="radio"/>	
		Checked By:	

E-mail results to: jstegemoller@envplus.net
 REMARKS: Analyze TPH first, if over 5,000 mg/Kg disregard quantification of remaining analytes. Please email results ASAP.