

**STATE OF NEW MEXICO
SECRETARY OF ENVIRONMENT**

**ENVIRONMENTAL PROTECTION DIVISION
OF THE NEW MEXICO ENVIRONMENT DEPARTMENT,
Complainant,**

v.

NO. AQB TAR-0610-1701 (NOV)

**TARGA MIDSTREAM SERVICES LLC,
Respondent.**

SETTLEMENT AGREEMENT AND STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order (“SASFCO”) is entered into between the Environmental Protection Division (“Division”) of the New Mexico Environment Department (the “Department”) and Targa Midstream Services LLC, (“Targa”) (collectively, the “Parties”) to resolve alleged statutory, regulatory, and permit violations by Targa at its Monument Gas Plant (“Facility”), located in Lea County, New Mexico. The Division alleges violations of the New Mexico Air Quality Control Act (“AQCA”), NMSA 1978, Sections 74-2-1 to 74-2-17; the Air Quality Control Regulations, 20.2. NMAC (“Regulations”), and Air Quality Permit Number 110-M8 (“Permit”).

I. BACKGROUND

A. PARTIES

1. The Department is an agency of the executive branch of the State of New Mexico, created pursuant to NMSA 1978, § 9-7A-4 (1991). The Division is an organizational unit of the Department. The Secretary of the Department (“Department Secretary”) has delegated to the Director of the Division the authority to seek administrative enforcement of the AQCA and the

Regulations, including assessing civil penalties for violations thereof. NMSA 1978, § 74-2-12.

The Air Quality Bureau (“Bureau”) is an organizational unit of the Division.

2. Targa is a limited liability company doing business in New Mexico. Targa owns and operates the Facility. The Facility is a natural gas processing facility.

B. HISTORY AND ALLEGED VIOLATIONS FOR TAR-0610-1701

3. Permit Condition Facility Specific Requirement A106.A, Table 106.A provides for allowable pound per hour and tons per year emission limits.

4. On March 17, 2017, the Bureau received one (1) final excess emission report from Targa pertaining to Facility allowable emission limits. As a result of its review of the one (1) final excess emission report, the Bureau identified potential violations of the Act, Regulations, and/or Permits.

5. On April 24, 2017, Targa submitted an affirmative defense demonstration (“ADD”) form for the excess emissions, pursuant to 20.2.7 NMAC. The ADD asserted that the excess emissions resulted from an emergency and submitted supporting information in accordance with 20.2.7.113 NMAC.¹

6. On July 7, 2017, the Bureau issued Notice of Violation TAR-0610-1701 alleging that Targa violated the AQCA, the AQCR, and the Permit by failing to restrict emissions to permitted allowable emission limits, which is a violation of NSR Permit Facility Specific Requirements A106.A of the Permit. The NOV included a Corrective Action Verification (“CAV”) requiring Targa to submit to the Bureau measures taken to ensure future compliance with the permit conditions.

¹ In later submittals, Targa asserted that the event that caused the excess emissions could also qualified as a malfunction, as defined by 20.2.7.7.E NMAC, and met the criteria set forth in 20.2.7.111 NMAC.

7. On August 3, 2017, Targa submitted the CAV and supporting documentation to the Bureau. On August 31, 2018, the Bureau determined that Targa corrected the alleged violations and that the CAV measures to prevent the recurrence of this violation were satisfactory.

8. On October 31, 2017 and March 29, 2018, Targa submitted additional information to support the ADD. The March 29, 2018 submittal included an evaluation of the Monument AGI well failure conducted by Geostock Sandia, LLC, an independent reviewer hired by Targa after discussions with the Bureau.

9. Following review of the information and analysis submitted by Targa on the ADD, the Bureau concluded that further information would be required, as well as retention of its own independent expert to review the information submitted by Targa, in order to make a determination on the ADD.

10. The Parties have engaged in settlement discussions to resolve the NOV and the ADD without further proceedings or expenditure of resources.

II. COMPROMISE AND SETTLEMENT

A. GENERAL

11. Following good faith settlement negotiations to resolve this matter without further costly litigation, the Parties agreed to a complete settlement of all of the violations alleged in the NOV, including Targa's ADD, and have consented to the terms of this SASFCO. Targa does not admit any of the allegations in the NOVs, and the Bureau has not made a final determination on the ADD, and therefore, the Division does not concede that Targa met its burden on the ADD.

12. The Parties admit jurisdiction and consent to the relief specified herein.

B. CIVIL PENALTY AND SUPPLEMENTAL ENVIRONMENTAL PROJECTS

13. In compromise and settlement of the alleged violations in the NOV and Targa's ADD, and upon consideration of the seriousness of the alleged violations and Targa's good faith efforts to comply, the Parties agree that Targa shall: (1) pay a civil penalty of \$150,000 in a cash payment to the State of New Mexico, and (2) perform the Supplemental Environmental Projects ("SEPs"), described in Exhibit 1 attached hereto. For purposes of this settlement, the SEPs represent an expenditure of at least \$6,234,375 (the "Total SEP Cost").

14. Targa shall pay the civil penalty of \$150,000 to the State of New Mexico within 30 calendar days after the effective date of this SASFCO.

15. Payment shall be made to the *State of New Mexico General Fund* by certified or corporate check and sent to the following address:

New Mexico Environment Department
Air Quality Bureau
c/o Compliance and Enforcement Manager
525 Camino de los Marquez, Suite 1
Santa Fe, New Mexico 87505

16. If Targa fails to make timely and complete payment of the civil penalty cash payment, Targa shall pay a stipulated penalty of \$250.00 per day for each day a payment is not timely or complete. Targa shall not contest or dispute in any way the stipulated penalty of \$250.00 per day in the event that the Department brings an action against the Targa for the failure to make timely or complete payment.

17. The SEPs shall be completed within 24 months of the effective date of this SASFCO. Targa shall submit a statement certifying the completion of the SEPs and final SEP cost ("Certified SEP Cost") within 30 days of the SEP completion date.

18. If Targa fails to complete the SEPs within 24 months of the effective date of this order, and unless the Parties agree to extend the time for performance of the SEP, Targa stipulates to pay a stipulated penalty of \$500.00 for each day thereafter until the date the SEP is completed.

19. If Targa fails to submit a certified statement of the costs associated with the SEP within 30 days of the SEP completion date, and unless the Parties agree to extend the time for submittal of the certified statement, Targa stipulates to pay a civil penalty of \$250.00 for each day thereafter until the certified statement of all costs associated with the SEP is submitted.

20. Within 30 days following its receipt of a written demand by the Department, Targa shall make payment of any stipulated penalty that is due and payable under this SASFCO. Targa shall make a cash payment, by certified or corporate check, of any stipulated penalty to the State of New Mexico General Fund, and sent to the address specified in Paragraph 15.

III. OTHER TERMS AND CONDITIONS

A. FORCE MAJEURE AND DELAY

21. Force Majeure. For the purposes of this SASFCO, the term "Force Majeure" shall mean any event arising from a cause beyond the reasonable control of Targa or its agents, contractors, or employees, that delays, prevents, or that can be reasonably anticipated to delay or prevent performance of the SEPs and that could not be overcome with due diligence; provided, however, that Force Majeure shall not include Targa's unanticipated or increased costs or changed financial circumstances.

21. If an event occurs that causes or may cause a delay by Targa in performance of the SEPs, regardless whether attributable to Force Majeure, Targa shall give prompt notice to the Department. After notice, and upon the Department's request, Targa shall submit a report to the Department providing (a) the reasons for the delay, (b) the anticipated length of the delay, (c) a

description of actions taken or to be taken to prevent or minimize the delay, (d) a revised schedule for performing the SEP, and (e) that rationale and supporting documentation for a claim that the delay was or would be attributable to Force Majeure, if applicable.

22. If the Department agrees that Force Majeure or delay is applicable, then the Parties may stipulate in writing to an extension of the time for performance of the SEP. If the Department disputes that Force Majeure is applicable, then the parties shall schedule a meeting to discuss and resolve the dispute. During the pendency of dispute resolution, the stipulated penalties of Paragraphs 15, 18, and 19 shall not accrue.

B. RESERVATION OF RIGHTS AND DEFENSES

23. This SASFCO shall not be construed to prohibit or limit in any way the Department from requiring Targa to comply with any applicable state or federal requirement not resolved herein. This SASFCO shall not be construed to prohibit or limit in any way the Department from seeking any relief authorized by the AQCA for violation of any state or federal requirement applicable to Targa not resolved herein. This SASFCO shall not be construed to prohibit or limit in any way Targa from raising any defense to a Department action seeking such relief.

C. MUTUAL RELEASE

24. The Parties mutually release each other from all claims that each party raised or could have raised against the other regarding the facts and violations alleged in the NOV. Such release applies only to civil liability.

D. WAIVER OF STATE LIABILITY

25. Targa shall assume all costs and liabilities incurred in performing all obligations under this SASFCO. The Department, on its own behalf and on behalf of the State of New Mexico, does not assume any liability for Targa's performance of any obligation under this SASFCO.

E. EFFECTIVE DATE AND TERMINATION DATES

26. This SASFCO shall become effective on the date it has been signed by the Department Secretary.

27. Except as otherwise provided in this Paragraph, the terms of this SASFCO shall terminate when Targa has fulfilled the requirements of this SASFCO. The reservations of rights and defenses in Paragraph 23 and the mutual release in Paragraph 24 shall survive the execution and performance of this SASFCO, and shall remain in full force and effect as an agreement between the Parties.

F. INTEGRATION

28. This SASFCO merges all prior written and oral communications between the Parties concerning the subject matter of this SASFCO, contains the entire agreement between the Parties, and shall not be modified without the express written agreement of the Parties.

G. BINDING EFFECT

29. This SASFCO shall be binding on the Parties and their officers, directors, employees, agents, subsidiaries, successors, assigns, trustees, or receivers.


H. AUTHORITY OF SIGNATORIES

30. The persons executing this SASFCO on behalf of Targa and the Division, respectively, represent that he or she has the authority to execute this SASFCO on behalf of Targa and the Division.

I. SIGNATURE AND COUNTERPARTS

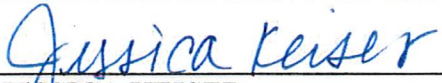
31. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

ENVIRONMENTAL PROTECTION DIVISION
NEW MEXICO ENVIRONMENT DEPARTMENT

By: 
ELIZABETH BISBEY-KUEHN
BUREAU CHIEF
AIR QUALITY BUREAU

Date: 12/27/18

TARGA MIDSTREAM SERVICES LLC

By: 
JESSICA KEISER
SENIOR VP, ES&H
TARGA MIDSTREAM SERVICES LLC

Date: 12-27-18

STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order, agreed to by the Division and **TARGA MIDSTREAM SERVICES, LLC** is hereby incorporated herein and **APPROVED AS A FINAL COMPLIANCE ORDER** issued pursuant to NMSA 1978, §74-2-12 (2006).

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BUTCH TONGATE
SECRETARY
ENVIRONMENT DEPARTMENT

Date: 12/28/18

APPROVED:

Lara Katz

LARA KATZ
Assistant General Counsel
New Mexico Environment Department

Louis W. Rose

for _____
LOUIS W. ROSE
Attorney for Targa Midstream Services, LLC

TARGA MIDSTREAM SERVICES, LLC
 MONUMENT GAS PLANT
 PROPOSAL FOR SUPPLEMENTAL ENVIRONMENTAL PROJECT
SETTLEMENT OFFER FOR NOTICE OF VIOLATION TAR-0610-1701

Targa Midstream Services, LLC (“Targa”) proposes to complete two supplemental environmental projects (“SEP”) in lieu of payment of a portion of the civil penalty proposed for NOV TAR-0610-1701, for the Monument Gas Plant, issued July 7, 2017. The proposed SEPs meet the criteria specified in the New Mexico Environment Department’s, Air Quality Bureau, Civil Penalty Policy (October 14, 2016). The proposed SEPs are environmentally beneficial projects that Targa voluntarily agrees to undertake in settlement of the NOV. Targa is not otherwise required to undertake the proposed SEPs under federal, state, or local law or regulations. Targa did not initiate the proposed SEPs before the Air Quality Bureau commenced this enforcement action.

Proposed SEPs: Additional Acid Gas Injection Well Compression at the Eunice and Monument Gas Plants

Targa proposes to install additional acid gas injection well compression at its Monument Gas Plant and Eunice Gas Plant. The proposed SEPs will provide redundant, backup compression, for the acid gas injection wells at Eunice and Monument and will result in a significant reduction in the overall amount of NOx, VOC, CO, PM, H₂S, and SO₂ emitted from the plants’ flares when the existing compression is not available. Currently, if compression for the AGI wells is not available, Targa is required to flare the acid gases. The redundant compression will allow Targa to continue to inject acid gases if the existing compression is unavailable during maintenance, emergencies, or malfunctions.

Proposed SEP Schedule

The proposed schedule for designing and installing the acid gas compressors at Monument and Eunice Gas Plants is as follows:

Description	Timeline	Completion
Project Development and Engineering Design	120 days	May 1, 2019
Receive Bid Proposals from Vendors	60 days	July 1, 2019
Award Bids for Equipment and Place Equipment Orders	60 days	September 1, 2019
MONUMENT SCHEDULE		
Delivery of Equipment	40 weeks	June 1, 2020
Install and Startup	90 days	September 1, 2020
EUNICE SCHEDULE		
Delivery of Equipment	53 weeks	October 1, 2020
Install and Startup	90 days	December 31, 2020

SEP Category

The proposed SEPs are categorized as pollution reduction projects. The projects will result in estimated acid gases flaring reductions as a result of available compression during times the primary compressor is unavailable. Currently, when the AGI compression is unavailable, the plants are required to flare acid gases and attempt to limit inlet volumes, which may result in flaring at production sites.

Targa estimates total flaring emission reductions of approximately 350-450 tpy SO₂ from the addition of redundant compression at Eunice and Monument Plants. In addition, small emission reductions (less than 10 tpy) for the other pollutants associated with acid gas flaring, NO_x, CO, VOC, and H₂S. This estimate is based on past actual flaring events over the past 3 years.

SEP Costs

Targa estimates that the SEPs will cost as follows:

Cost Category	Total Costs(s)	Category Description
Purchased Equipment Costs	\$3,937,500	2 AGI Compressors, Sales Tax, and Freight
Direct Installation Costs	\$2,100,000	Foundations, Piping, Instrumentation, Setting units, Electrical tie-ins and Expanding PDC
Indirect Costs	\$196,875	Engineering and Contingencies
Total Cost	\$6,234,375	