

**STATE OF NEW MEXICO
SECRETARY OF ENVIRONMENT**

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

NO. AQB LUC-29537-1801 (NOV)

**Lucid Energy Delaware, LLC,
Respondent.**

SETTLEMENT AGREEMENT AND STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order (“Final Order”) is entered into between the Environmental Protection Division (“Division”) of the New Mexico Environment Department (the “Department”) and Respondent, Lucid Energy Delaware, LLC, (“Respondent”) (collectively, the “Parties”) to resolve alleged statutory, regulatory, and permit violations by Respondent. The Department alleges violations of the New Mexico Air Quality Control Act (“AQCA”), NMSA 1978, Sections 74-2-1 to -17; the Air Quality Control Regulations (“AQCR”), 20.2. NMAC (“Regulations”), and Air Quality Permit Number 4243-M1-R2 (“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. The Division is an organizational unit of the Department. The Secretary of the Department has delegated to the Director of the Division the authority to seek administrative enforcement of the AQCA and the AQCR, 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. Respondent is a limited liability corporation doing business in New Mexico at the Coyote Compressor Station Facility ("Facility"), located in Eddy County, New Mexico. The Facility compresses natural gas for commercial end users.

B. HISTORY AND ALLEGED VIOLATIONS

3. Permit Condition A201 Engines, Section D. provides in relevant part, "Monitoring: The permittee shall monitor the performance of the catalyst by: (2) Monitoring the differential pressure across the catalyst monthly. . . . Recordkeeping: (3) The permittee shall record the differential pressure across the catalyst monthly. The permittee shall maintain records in accordance with Section B109, B110, and B111."

4. On October 3, 2017, during a Full Compliance Evaluation of the Coyote Compressor Station, a formal records request was made by the Bureau. On October 10, 2017, Respondent stated in a cover letter response to the request, "It was determined during this records audit that there is a deficiency in the documentation of the differential pressure across the catalyst for all four units. The deficiency stems from the transition of operations of the engines themselves to a third party. In January 2017, Respondent entered into an agreement with Kodiak Gas Services (Kodiak), in which Kodiak purchased all engine-compressor packages then owned by Respondent. The differential pressure was not recorded by Kodiak." After reviewing records provided by Respondent in response to the records request on October 10, 2017, it was found that no monthly records exist for differential pressure across the catalyst for Units 250, 252, 254, and 256 for the period of records requested from August 31, 2015 through August 31, 2017.

5. A203.A Tank Throughput and Separator Pressure (Units T-1 and T-2), provides in relevant part: "Requirement: To demonstrate compliance with the allowable limit, total condensate throughput to the unit(s) shall not exceed 383,250 gallons per year (9,125 barrels/year) and the 12 month average separator pressure shall not exceed 75 psia."

6. On October 3, 2017, during a Full Compliance Evaluation of the Coyote Compressor Station, a formal request was made by the Bureau for average separator pressure records, including 12-monthly rolling totals for Units T-1 and T-2, per Permit 4243-M1-R2, Equipment Specific Requirements, A203. Records were provided by Respondent on October 6, 2017 and November 2, 2017, for the period including August 31, 2015 to August 31, 2017. Based on these records, the 12-month rolling average separator pressure exceeded the 12-month rolling average separator pressure permit limit of 75 psia for 18 months.

7. On April 3, 2018, the Bureau issued to Respondent Notice of Violation LUC-29537-1801 ("NOV"), alleging violations of the AQCA, the AQCR, and the Permit. The alleged violations consisted of: 1) Failure to monitor and record differential pressure for engine catalyts, which is a violation of Permit Condition A201.D, Parametric Monitoring of the Oxidation Catalyst (Units 250, 252, 254, 256); and 2) Failure to demonstrate compliance with operational limits, which is a violation of Permit Condition A203.A, Tanks.

8. The NOV included a Corrective Action Verification ("CAV") requiring Respondent to submit to the Bureau measures taken to ensure future compliance with the permit conditions.

9. On May 3, 2018, the Bureau received the CAV from Respondent. The CAV was determined to be satisfactory by the Bureau on June 3, 2018.

10. The Parties have engaged in settlement discussions to resolve the NOV without further proceedings.

II. COMPROMISE AND SETTLEMENT

A. GENERAL

11. Respondent does not admit any of the allegations in the NOV. To avoid further legal proceedings, the Division and Respondent agree to the terms and conditions in this Final Order to resolve the alleged violations in the NOV.

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

B. CIVIL PENALTY

13. In compromise and settlement of the alleged violations set forth in the NOV and upon consideration of the corrective actions that have occurred, the seriousness of the alleged violations and Respondent's good faith efforts to comply, the Parties agree that Respondent shall pay a civil penalty of \$15,232.00 to the State of New Mexico within 30 calendar days after the effective date of this Final Order.

14. 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

15. If Respondent fails to make timely and complete payment of the civil penalty, Respondent shall pay a stipulated penalty of \$250.00 per day for each day a payment is not timely or complete. Respondent 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 Respondent for the failure to make timely or complete payment.

III. OTHER TERMS AND CONDITIONS

A. RESERVATION OF RIGHTS AND DEFENSES

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

B. MUTUAL RELEASE

17. 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.

C. WAIVER OF STATE LIABILITY

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

D. EFFECTIVE DATE AND TERMINATION DATES

19. This Final Order shall become effective on the date it has been signed by the Department Secretary.

20. Except as otherwise provided in this Paragraph, the terms of this Final Order shall terminate when Respondent has fulfilled the requirements of this Final Order. The reservations of

rights and defenses and the mutual release in Paragraphs 16 and 17 shall survive the execution and performance of this Final Order and shall remain in full force and effect as an agreement between the Parties.

E. INTEGRATION

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

F. BINDING EFFECT

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

G. AUTHORITY OF SIGNATORIES

23. The persons executing this Final Order on behalf of Respondent and the Division, respectively, represent that they have the authority to execute this Final Order on behalf of Respondent and the Division.

H. SIGNATURE AND COUNTERPARTS

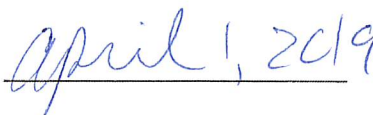
24. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

**ENVIRONMENTAL PROTECTION DIVISION
NEW MEXICO ENVIRONMENT DEPARTMENT**

By:


SANDRA ELY
DIRECTOR

Date:

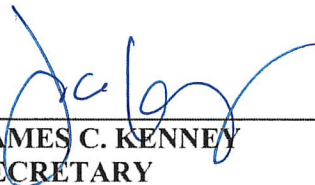

April 1, 2019

LUCID ENERGY DELAWARE, LLC,

By: Brian J. Raber Date: 3/20/19
Print Name: BRIAN T. RABER
Print Title: SR. Vice President & Chief Operations Officer

STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order, agreed to by the Division and the Respondent Lucid Energy Delaware, LLC, is hereby incorporated herein and **APPROVED AS A FINAL COMPLIANCE ORDER** issued pursuant to NMSA 1978, §74-2-12.



JAMES C. KENNEY
SECRETARY
ENVIRONMENT DEPARTMENT

Date: 1-11-2019