

**STATE OF NEW MEXICO  
SECRETARY OF ENVIRONMENT**

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

**NO. AQB ENT-26896-1501 (NOV)**

**ENTERPRISE PRODUCTS OPERATING LLC,  
Respondent.**

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**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, Enterprise Products Operating 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 NSR Permit Numbers 3662-M2, M3, M4 and M5 (“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 company doing business in New Mexico at the Chaparral Gas Plant Facility ("Facility"), located in Eddy County, New Mexico. The Facility is a natural gas processing plant.

#### **B. HISTORY AND ALLEGED VIOLATIONS**

3. NSR Permits 3662-M2, M3, M4, and M5, Condition A106 "Facility Allowable Emissions" Table 106.A: Allowable Emissions states the following flare emission limits: (M2) effective April 10, 2012 NO<sub>x</sub> (<1.0 pph), CO (1.0 pph), and VOC (<1.0 pph); (M3) effective September 4, 2014 NO<sub>x</sub> (0.5 pph), CO (1.0 pph), and VOC (0.5 pph); (M4) effective February 12, 2015 for NO<sub>x</sub> (0.98 pph), CO (2.0 pph), and VOC (1.0 pph); and (M5) effective July 27, 2016 for NO<sub>x</sub> (6.2 pph), CO (12.5 pph), and VOC (29.6 pph).

4. On July 6, 2015 the Bureau received a letter of self-disclosure that identified violations of the terms of its NSR and Title V permits. Emissions from the Plant flare exceeded NO<sub>x</sub>, CO, and VOC for the permitted emission limits. According to the excess emission report ("EER") submitted by Enterprise August 26, 2016, the flare's emissions began to exceed the permitted limits April 2014. The exceedances resulted from an increasingly wet, rich gas stream entering the Plant. A total of one hundred thirty-one thousand four hundred and nine ("131,409") pounds of excess emissions were reported in the EER.

5. On September 21, 2016, the Bureau issued to Respondent Notice of Violation ENT-26896-1501 ("NOV"), alleging that Respondent failed to maintain NO<sub>x</sub>, CO and VOC emissions from the Plant flare within allowable limits on seventeen thousand five hundred and ninety-eight

("17,598") occasions in violation the AQCA, the AQCR, and Condition A106 of NSR Permit 3662-M2, M3, M4 and M5.

6. 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.

7. On February 28, 2017, Respondent and the Bureau participated in a meeting in which Respondent requested a recalculation of the initial data that was submitted with the submittal of new data.

8. On November 1, 2017, the Bureau sent Respondent an offer of settlement that included a recalculation of the initial settlement offer and a Supplemental Environmental Project ("SEP") proposed by Respondent. The offer of settlement, which included a SEP, was accepted by the Respondent on November 15, 2017.

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

## **II. COMPROMISE AND SETTLEMENT**

### **A. GENERAL**

10. 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.

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

### **B. CIVIL PENALTY**

12. In compromise and settlement of the alleged violations set forth in the NOV and upon consideration of the seriousness of the alleged violations and Respondent's good faith efforts to comply, the Parties agree that Respondent shall pay a civil penalty equal to \$75,215, which

represents twenty-five percent (25%) of \$300,860.00 to the State of New Mexico. The Respondent shall also perform the SEP, approved by the Department Secretary on January 4, 2018, and as described in Exhibit 1 attached hereto. For purposes of this settlement, the SEP represents an expenditure of at least \$4,310,000.00. Pursuant to the Civil Penalty Policy, AQB must recover at least 25% of the Civil Penalty, resulting in 75% being off-set by SEP costs. Thus, the resulting civil penalty to be paid to the State of New Mexico General Fund will be \$75,215.00 with the remainder of the assessed penalties off-set by the SEP.

13. Respondent shall pay the civil penalty of \$75,215.00 to the State of New Mexico within 30 calendar days after the effective date of the 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.

16. The SEP shall be completed within three hundred sixty five (365) days of the effective date of this Final Order. Respondent shall submit a statement certifying the completion of the SEP and providing an interim estimate of the costs incurred in completing the SEP within thirty (30)

days of the SEP completion date. Respondent shall submit a final statement of SEP costs within six (6) months of the SEP completion date.

17. If Respondent fails to complete the SEP within 365 days of the effective date of this order, and unless the Parties agree to extend the time for performance of the SEP, Respondent stipulates to pay a civil penalty of \$500.00 for each day thereafter until the date the SEP is completed.

18. If Respondent 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, Respondent 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.

19. Within 30 days following its receipt of a written demand by the Department, Respondent shall make payment of any stipulated penalty that is due and payable under this Final Order. Respondent 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 14.

### **III. OTHER TERMS AND CONDITIONS**

#### **A. FORCE MAJEURE AND DELAY**

20. Force Majeure. For the purposes of this Final Order, the term "Force Majeure" shall mean any event arising from a cause beyond the reasonable control of Respondent or its agents, contractors, or employees, that delays, prevents, or that can be reasonably anticipated to delay or prevent performance of the SEP and that could not be overcome with due diligence; provided,

however, that Force Majeure shall not include Respondent's unanticipated or increased costs or changed financial circumstances.

21. If an event occurs that causes or may cause a delay by Respondent in performance of the SEP, regardless whether attributable to Force Majeure, Respondent shall give prompt notice to the Department. After notice, and upon the Department's request, Respondent 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) the 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 17 and 18 shall not accrue.

#### **B. RESERVATION OF RIGHTS AND DEFENSES**

23. This Final Order shall not be construed to prohibit or limit in any way the Department 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 in any way the Department 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 in any way Respondent 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. 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.

**E. EFFECTIVE DATE AND TERMINATION DATES**

26. This Final Order 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 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 24 and 25 shall survive the execution and performance of this Final Order, and shall remain in full force and effect as an agreement between the Parties.

**F. INTEGRATION**

28. 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.

**G. BINDING EFFECT**

29. This Final Order 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 Final Order on behalf of Respondent and the Division, respectively, represent that he or she has the authority to execute this Final Order on behalf of Respondent 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**



**Richard L. Goodyear, PE  
Interim Director**

Date: 13 March '18

**ENTERPRISE PRODUCTS OPERATING LLC  
By its sole manager, Enterprise Products OLPGP, Inc.**

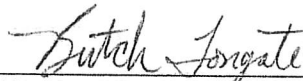
By:   
Print Name: Graham Bacon  
Print Title: Executive Vice President

Date: 2/28/2018



**STIPULATED FINAL COMPLIANCE ORDER**

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

  
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**BUTCH TONGATE**  
**SECRETARY**  
**ENVIRONMENT DEPARTMENT**

**Date:** 3/15/18

**EXHIBIT 1**

**Enterprise Products Operating LLC Supplemental Environmental  
Project Proposal**

**Confidential Settlement Communication per N.M.R.A 11-408 and F.R.E. 408**

ENTERPRISE PRODUCTS OPERATING LLC  
CHAPARRAL GAS PLANT  
PROPOSAL FOR SUPPLEMENTAL ENVIRONMENTAL PROJECT (SEP)  
SETTLEMENT OFFER FOR NOTICE OF VIOLATION ENT-26896-1501-SD

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Enterprise Products Operating LLC (“Enterprise”) proposes to complete a Supplemental Environmental Project (“Proposed SEP”) in lieu of payment of a portion of the civil penalty assessed in connection with Notice of Violation ENT-26896-1501-SD issued for the Chaparral Gas Plant (“Plant”). The Proposed SEP meets the qualifying criteria enumerated in the NMED AQB Civil Penalty Policy, Revision Date: 10-14-2016. The proposed SEP is an environmentally beneficial project that Enterprise voluntarily agrees to undertake in settlement of the NOV. Enterprise is not otherwise required to undertake the Proposed SEP under federal, state or local law or regulations. Enterprise did not initiate the Proposed SEP before AQB commenced this enforcement action.

**Proposed SEP: Liquids Handling Project**

Enterprise proposes to install a produced liquids recovery unit at the Plant that would achieve a significant reduction in the volume of process unit gas that would otherwise be flared. The Proposed SEP would result in a significant reduction in the overall amount of NO<sub>x</sub>, CO and VOC emitted from the Plant flare (Unit ID: FLARE). As the Plant is currently configured, produced hydrocarbon liquids and water are collected in a number of separator vessels on the inlet side of the plant. These liquids end up in the flare knockout drum where the vapors are routed to the flare system and the liquids are routed to storage and truck loading.

The Proposed SEP is a liquids handling project that will take the liquids from the inlet separator, inlet filter separator and dew point filter separator currently routed to the flare knock out vessel with flash vapors going to a flare (See Attachment #1) and send them through a new stabilization unit where the water, gas and liquids will be processed and the hydrocarbon components sent to sales pipelines (See Attachment #2). Other than a small amount of flash gas that comes out of the water fraction, this new processing unit will eliminate all other flash related emissions (during normal operations) associated with this liquid stream. This will be accomplished by:

1. Sending the liquids through a low-pressure, 3-phase separation vessel, which will separate and route the water/condensate/gas to different downstream processes.
2. The water from the 3-phase separator will be routed to the existing flare knockout vessel, the small amount of flash vapors that come out of the water will be routed to the plant flare (as those emissions are currently routed today), and the water will be pumped to an atmospheric tank for eventual offsite disposal via trucks.

3. The flash vapors off the new 3-phase separator will be routed to an existing vapor recovery compressor which will send the gas through the existing cryogenic plant for processing/sales (no emissions)
  
4. The condensate from the 3-phase separator will be pumped through a carbon bed to remove trace components that cause the stream to not meet industry product specifications. After the carbon bed, the condensate flows into a stabilizer that will use an electric reboiler to separate the lighter components (methane to roughly pentane) from the heavier components (roughly hexane plus). The lighter components will be routed to an existing vapor recovery compressor that will send the gas through the existing cryogenic plant for processing/sales (no emissions). The heavier components (liquids) will be pumped to the product pipeline for sales (no emissions).

Based on process models, Enterprise estimates the proposed SEP will result in approximately 74% recovery of liquids produced that are currently routed to the flare knockout vessel. The Proposed SEP includes new piping and process vessels that will have associated fugitive emissions. As part of the SEP approval schedule and implementation timeline, Enterprise requests that NMED include sufficient time to allow for the amendment of affected air permits as necessary.

#### **Proposed SEP Schedule**

Enterprise is requesting 12-months from NMED's approval to install the liquids recovery system described in the Proposed SEP.

#### **SEP Category**

The Proposed SEP will be categorized as a pollution reduction project. The project will result in the recovery of gaseous and liquid hydrocarbons and remove them from the flare system. This will result in an overall reduction in potential and actual emissions (NO<sub>x</sub>, CO, VOC) from the Plant flare.

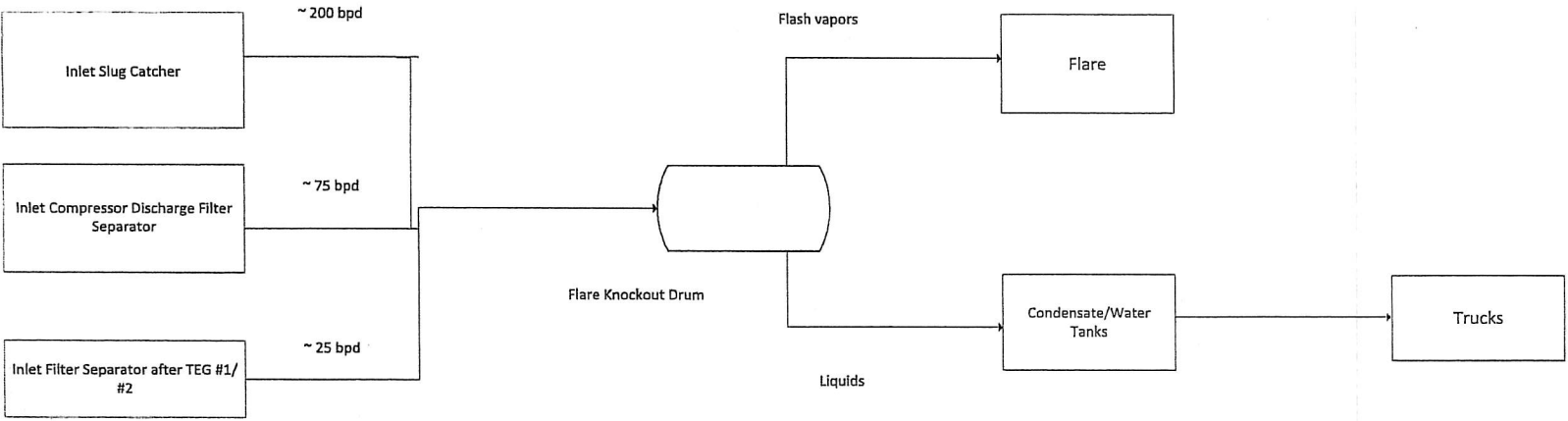
#### **SEP Costs**

Enterprise estimates the SEP costs as follows:

<b>Cost Category</b>	<b>Total Cost (\$)</b>	<b>Category Description</b>
Capital Costs	\$4,260,000.00	New equipment or modifications, air pollution control equipment, buildings, etc.
One-Time Non-Depreciable Costs	\$0.00	Remediation activities, land acquisition, software, etc.
Annual Operation and Maintenance	\$50,000	Labor, Power, Water, Chemicals, etc. This cost figure is an estimate only.
	<b>\$4,310,000</b>	

ATTACHMENT #1

Existing Waste Water System - Chaparral



Current Process Flow Diagram

ATTACHMENT #2

Chaparral Liquids Handling Project

