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RETURN RECEIPT REQUESTED

March 25, 2024

Montgomery Floyd, Environmental Manager
Permian Resources Operating, LLC
300 N. Marienfeld St, Suite 1000
Midland TX 79701
Sent by electronic mail to: Montgomery.floyd@permianres.com

Notice of Violation for Permian Resources Operating, LLC and Earthstone Energy, Inc,
AQB Case No. CHI-Multi-2201

Dear Montgomery Floyd,

The New Mexico Environment Department (“NMED”) has identified Permian Resources Operating, LLC (“Permian Resources”) and Earthstone Energy, Inc (“Earthstone”) as having violated state and federal regulations for air quality. This Notice of Violation (NOV) is regarding five (5) oil and gas facilities (“Facilities”) owned and operated by Permian Resource’s affiliate Earthstone. The Facilities, located in Lea County, New Mexico are listed in Attachment A - Facility Information.

This NOV is issued pursuant to NMSA 1978, Section 74-2-5.1(A), which states that NMED’s “investigations shall be reduced to writing if any enforcement action is contemplated, and a copy shall be furnished to the owner or occupants of the premises before the action is filed.” In accordance with Section 74-2-5.1(C), the purpose of this NOV is to “encourage and make every reasonable effort to obtain voluntary cooperation by the owner or occupants to preserve, restore or improve air quality.”

Alleged Violations

The evidence to support this NOV was collected by an NMED Compliance Inspector in records received on February 16, 2022, from the owner and operator of the facilities at the time the violations occurred, Chisum Energy Operating, LLC. NMED requested records, including the initial construction dates of the Facilities in response to two complaints received in December 2021 and January 2022.

The investigation found evidence of the following violation of an air quality regulation.

1. Failure to apply for and obtain air quality construction permits before construction and operation of five Facilities in violation of 20.2.72.200.E New Mexico Administrative Code (NMAC) which states, “For all sources subject to this part, applications for permits shall be filed prior to the commencement of the construction, modification or installation. Regardless of the anticipated commencement date, no construction, modification or installation shall begin prior to issuance of the permit.” See Attachment A – Facility Information, that lists the reported construction dates and

subsequent General Construction Permit-Oil and Gas (GCP-O&G) Registration receipt dates and approval dates.

Please note that the Facilities will appear on NMED's Enforcement Watch as a result of this NOV (see: <https://www.env.nm.gov/enforcement-watch/>). Further, NMED may issue a press release to local media highlighting your facility as appearing on this webpage. Your facility will remain on the Enforcement Watch website as an active matter until this matter is fully resolved, including the payment of the assessed civil penalty.

You may obtain a copy of the AQB's Civil Penalty Policy located on the Compliance and Enforcement website at: <https://www.env.nm.gov/air-quality/compliance-and-enforcement/>.

Requested Information

In the response to this NOV please provide this information for each violation:

1. a description of the causes of these violations,
2. documentation of the steps taken to correct the violation to date, and
3. documentation of steps taken or to be taken to prevent the recurrence of the violation.

With the documentation, please include specific, measurable, and time-bound changes made or to be made addressing any problems causing the violations.

Attachment B has been included at the end of the NOV and can be used as a checklist for organizing the response.

Use these instructions to submit the response:

1. All correspondence pertaining to this NOV must be submitted under cover of a properly completed Reporting Submittal Form, emailed to the Enforcement Specialist (contact information below). A copy of the form can be found online at: <https://www.env.nm.gov/air-quality/compliance-and-enforcement/#>.
2. Submit requested information no later than thirty (30) days after the date of this NOV.
3. Any documents claimed as Confidential Business Information (CBI) pursuant to 20.2.1.115 NMAC must be submitted in separate electronic files from non-CBI documents and identified as CBI.
4. If files cannot be submitted by electronic mail, contact the Enforcement Specialist to request a link to a file transfer platform, or submit records on a thumb drive mailed to the Air Quality Bureau, 525 Camino de los Marquez, Suite 1, Santa Fe, NM 87505 to the attention of Cember Hardison.
5. Please include any facts, information, or documentation to refute the alleged violations, with the requested information.

After receiving the response to this NOV, NMED will send a settlement offer or compliance order outlining the penalties and corrective actions associated with each of the violations. As NMED's review of the alleged violations is ongoing, NMED reserves the right to assert additional violations at the Facilities if new information becomes available.

Permian Resources Operating, LLC

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If you have questions or believe any statement in this notice is erroneous, please contact Cember Hardison, Enforcement Specialist, at (505) 629-6688 or cember.hardison@env.nm.gov or Teresa McDill, Enforcement Manager, at (505) 629-8732 or teresa.mcdill@env.nm.gov. If you are represented by counsel, please contact Chris Vigil, Assistant General Counsel, at (505) 469-4696 or ChristopherJ.Vigil@env.nm.gov.

Thank you for your prompt attention to this matter.

Sincerely,

Liz Bisbey-Kuehn
Bureau Chief
Air Quality Bureau

cc: Chris Vigil, OGC NMED
Cindy Hollenberg, C&E Section Chief AQB
Teresa McDill, Enforcement Manager AQB
Cember Hardison, Enforcement Specialist AQB

Attachments

Attachment A - Facility Information - CHI-Multi-2201									
Agency Interest Number	Permit Number	Facility Name	Facility Constructed	Approximate Start of Operations	Permit Registration Received	Permit Issued	Latitude	Longitude	County
40013	GCP-Oil and Gas-9231	Minis 1 Fed Com East Battery	August 2018	01/10/2019	5/17/2021	6/2/2021	32.52174	-103.62463	Lea
40024	GCP-Oil and Gas-9230	Aztec 14-23 Fed Com Battery	September 2019	01/07/2020	5/17/2021	6/2/2021	32.48682	-103.64931	Lea
40040	GCP-Oil and Gas-9263	Minis 1 Fed Com West Battery	August 2020	01/10/2019	6/7/2021	7/2/2021	32.52194	-103.63264	Lea
40294	GCP-Oil and Gas-9483	Laguna 23 Fed Com Battery	August 2013	10/31/2013	12/27/2021	1/26/2022	32.55252	-103.53333	Lea
40301	GCP-Oil and Gas-9497	Grama Ridge East 34 State Com North Battery	April 2018	07/30/2018	1/4/2022	1/14/2022	32.44191	-103.46349	Lea

Attachment B

This form must be completed and signed by the facility's Responsible Official (Title V) or other designee and returned no later than thirty (30) days after the date of this Notice of Violation. Documentation for additional information (in addition to this form) must be submitted electronically to Enforcement Specialist Cember Hardison at ember.hardison@env.nm.gov or Enforcement Manager Teresa McDill at teresa.mcdill@env.nm.gov.

All submittals must be submitted using the Reporting Submittal Form. The Reporting Submittal Form and instructions can be located at: <https://www.env.nm.gov/air-quality/compliance-and-enforcement/#>.

I hereby verify that Permian Resources Operating, LLC and Earthstone Energy, Inc has initiated the required additional information response outlined in this Notice of Violation. The following information has been submitted or will be submitted by the dates indicated below for each violation. All required documentation will be submitted electronically no later than thirty (30) days after the date of this Notice of Violation.

Date NOV received: _____

Alleged Violation 1

_____ *A description of the cause of the violation*

_____ *Documentation of the steps taken to correct the violation to date*

_____ *Documentation of steps taken (or to be taken) to prevent recurrence of this violation (include date if not yet completed)*

Signature

Date

Printed Name:

Title: