

**STATE OF NEW MEXICO
SECRETARY OF ENVIRONMENT**

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

NO. AQB TAR-0612-1401 (NOV)

**TARGA MIDSTREAM SERVICES 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 the Respondent, Targa Midstream Services LLC (“Respondent”) (collectively, the “Parties”) to resolve alleged statutory, regulatory, and permit violations by the Respondent. The Department 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 (“AQCR”), 20.2. NMAC (“Regulations”), and Air Quality Permit Number NSR 315-M3-R3 (“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, Section 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. The Respondent is a limited liability company doing business in New Mexico at the Saunders Gas Plant Facility ("Facility"), located in Lea County, New Mexico. The Facility is a natural gas processing plant.

B. HISTORY AND ALLEGED VIOLATIONS

3. Permit Specific Condition 1.g states in relevant part: "... unit I-01, a sulfur recovery unit with incinerator is subject to federal New Source Performance Standards (NSPS) found in 40 CFR 60, ... and Subpart LLL...SO2 Emissions...."

4. 40 CFR Section 60.642 states in relevant part: "Standards for Sulfur Dioxide. the owner or operator shall achieve at a minimum, an SO₂ emission reduction efficiency (Z_c) to be determined from Table 2 based on the sulfur feed rate (X) and the sulfur content of the acid gas (Y) of the affected facility."

5. On April 8, 2014, the Bureau received from the Respondent an e-mail notice for its Facility which stated that its Sulfur Recovery Unit ("SRU"), Unit I-01, was not meeting the required minimum SO₂ Emission Reduction Efficiency of 74.0%. In a meeting between Facility representatives and Bureau personnel on June 18, 2014, the Respondent provided evidence that there were nine (9) events between March 23, 2014 and April 7, 2014, a range of sixteen (16) days, where the Facility's SRU did not meet the SO₂ Reduction Efficiency Standard as required by 40 CFR Section 60.642 Subpart LLL. The nine (9) events and their respective measured efficiencies are listed in Attachment 1. The Respondent investigated the SRU performance and found low acid gas volumes, which in turn caused the reduced efficiencies.

6. Additional information provided to the Bureau on June 18, 2014 shows that on April 7, 2014, the Respondent shut down the SRU equipment for purging and modification. The modification was completed on April 19, 2014, and SO₂ was introduced back to the SRU. The Respondent has confirmed that it has been successful in meeting the 74.0% minimum SO₂ Emission Reduction Efficiency requirement since April 19, 2014.

7. On November 21, 2014, the Bureau issued to the Respondent Notice of Violation TAR-0612-1401 (“NOV”), alleging violations of the AQCA, the AQCR, and the Permit. The alleged violation consisted of the failure to achieve SO₂ emission reduction efficiency, which is a violation of Permit Specific Condition 1.g.

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

9. On December 22, 2014, the Bureau received the CAV from the Respondent. The CAV was determined to be satisfactory by the Bureau on December 22, 2014.

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

II. COMPROMISE AND SETTLEMENT

A. GENERAL

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

12. For the purposes of this proceeding only, the Parties admit jurisdiction and consent to the relief specified herein.

B. CIVIL PENALTY

13. In compromise and settlement of the alleged violation set forth in the NOV and upon consideration of the seriousness of the alleged violation and Respondent's good faith efforts to comply, the Parties agree that the Respondent shall pay a civil penalty of \$15,680.00 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 the Respondent fails to make timely and complete payment of the civil penalty, the Respondent shall pay a stipulated penalty of \$250.00 per day for each day a payment is not timely or complete. The 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 the 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 in any way the Department from requiring the 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 the Respondent not resolved herein. This Final Order

shall not be construed to prohibit or limit in any way the Respondent 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 violation alleged in the NOV. Such release applies only to civil liability.

C. WAIVER OF STATE LIABILITY

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

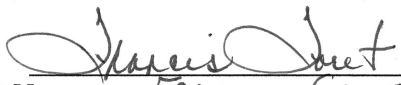
H. SIGNATURE AND COUNTERPARTS

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:  Date: 3/26/15
MICHAEL VONDERHEIDE
DIRECTOR

TARGA MIDSTREAM SERVICES LLC

JK
TSM
By:  Date: 3/19/2015
Print Name: FRANCIS FORET
Print Title: VICE PRESIDENT OPERATIONS

STIPULATED FINAL COMPLIANCE ORDER

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

per *Dutch Ingate*
RYAN FLYNN
SECRETARY
ENVIRONMENT DEPARTMENT

Date: *3/30/15*

Notice of Violation: TAR-0612-1401

Attachment 1: Saunders Gas Plant SO2 Emission Reduction Deficiencies

Date	Measured SO2 Emission Reduction Efficiency (%)
3/23/2014	57.83
3/24/2014	61.75
3/28/2014	63.25
3/29/2014	69.57
3/30/2014	67.05
3/31/2014	70.73
4/05/2014	61.68
4/06/2014	73.92
4/07/2014	70.79