

**STATE OF NEW MEXICO
SECRETARY OF ENVIRONMENT**

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

NO. AQB BAK-10558-1301-SD (NOV)

**BAKER HUGHES OILFIELD OPERATIONS, INC.,
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, Baker Hughes Oilfield Operations, Inc. (“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”), 20.2.72.200.A and E NMAC and 20.2.72.402 NMAC (“Regulations”).

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. The Respondent is an oilfield service company doing business in New Mexico at the Hobbs Blend Plant (“Facility”), located in Lea County, New Mexico. The Facility is a specialty batch chemical plant.

B. HISTORY AND ALLEGED VIOLATIONS

3. 20.2.72.200 NMAC states in relevant part, "Application for Construction, Modification, NSPS, and NESHAP - Permits and Revisions: A. Permits must be obtained from the Department by: ... (4) For toxic air pollutants, see 20.2.72.400 NMAC - 20.2.72.499 NMAC; ... E. 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. ..." .

4. 20.2.72.402 NMAC, states in relevant part, "Applicability: A. All the requirements of 20.2.72.400 NMAC - 20.2.72.499 NMAC for toxic air pollutants shall supplement other provisions of this Part (20.2.72 NMAC). B. A permit must be obtained from the Department by any person prior to the construction or modification of a new source which has total potential emissions of a toxic air pollutant into the ambient air that exceed the emission level in pounds per hour specified in 20.2.72.502 NMAC... .”

5. On August 16, 2013 the Bureau received a letter from the Respondent stating that emission calculations indicated that an air permit was needed for the Facility. The Facility emits fugitive gases (organic compounds) from chemical blending, tank loading and unloading, and other activities. These emissions calculations resulted in a determination that the Facility was

subject to 20.2.72.200 NMAC, 20.2.72.400 NMAC – 20.2.72.499 NMAC, and above the screening levels listed in 20.2.72.502 NMAC, Toxic Air Pollutants and Emissions.

6. On June 24, 2014, the Bureau issued to the Respondent Notice of Violation BAK-10558-1301-SD (“NOV”), alleging violations of the AQCA, and the AQCR. The alleged violation consisted of: 1) the failure of the Respondent to obtain a permit before construction of the Facility, which is a violation of 20.2.72.200.A and E NMAC and 20.2.72.402 NMAC.

7. 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.

8. On July 21, 2014, the Bureau received the CAV from the Respondent. The CAV was determined to be satisfactory by the Bureau on October 21, 2014.

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

II. COMPROMISE AND SETTLEMENT

A. GENERAL

10. 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 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 the Respondent shall pay a civil penalty of \$24,756.00 to the State of New Mexico within 30 calendar days after the effective date of this Final Order.

13. 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

14. 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

15. 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

16. 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

17. 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

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

19. 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 15 and 16 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

20. 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

21. 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

22. The persons executing this Final Order on behalf of the Respondent and the Complainant, respectively, represent that he or she has the authority to execute this Final Order on behalf of the Respondent and the Complainant.

H. SIGNATURE AND COUNTERPARTS

23. 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: *Stephen Henece for Michael* Date: 3-27-15
MICHAEL VONDERHEIDE
DIRECTOR

BAKER HUGHES OILFIELD OPERATIONS, INC.

By: *P. K.* Date: Mar 27, 2015
Print Name: Paul Kamprath
Print Title: Director of Manufacturing

STIPULATED FINAL COMPLIANCE ORDER

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

for *Butch Longate*
RYAN FLYNN
SECRETARY
ENVIRONMENT DEPARTMENT

Date: *3/30/15*