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June 12, 2002
For Immediate Release

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**Settlement Reached between State Environment Department and
Natural Gas Production Company over Air Quality Violations**

(Santa Fe, NM) – The New Mexico Environment Department and Duke Energy Field Services, LP (DEFS) have entered an agreement to settle a number of air quality violations at various natural gas compressor stations and natural gas processing plants that DEFS owns in southeastern New Mexico.

The settlement, developed in cooperation with DEFS, identifies actions the company must take at the facilities in order to reduce emissions, assure compliance with state ambient air quality standards, and ensure optimal operations in the future. More than 7,000 tons of air pollutants each year are expected to be eliminated because of these changes.

The settlement agreement resolves two compliance orders involving eleven compressor stations and two natural gas processing facilities in Eddy and Lea counties. The carbon monoxide and nitrogen oxide emissions exceedances at the eleven compressor stations occurred in 1997, 1998, and 1999. DEFS was cited at the Dagger Draw gas plant for multiple exceedances of sulfur dioxide emission limits between June 1997 and March 2001. In addition, the settlement addresses excess emissions from two gas turbines at the Eunice gas plant, and possible violations of major new source review regulations in 1986, 1988 and 1990. DEFS brought the violations at the Eunice plant to the Department's attention under the State's Voluntary Self Evaluation Policy. The natural gas compressor stations addressed in the settlement include the Buffalo Valley, Dagger Draw, Golf Course, Grayburg, Kemnitz, Lusk, Monument, Penroc, Sand Dunes, Shugart and Winchester compressor stations. The natural gas processing plants addressed involve the Dagger Draw and Eunice plants.

According to the settlement agreement, the company will make significant emissions reductions at the two natural gas plants and five compressor stations. The emission reductions that DEFS will accomplish under the terms of the settlement will be substantial and ensure both ambient air quality improvement in southeast New Mexico and future compliance with the state's ambient air quality standards. The company will replace 31 old engines with nine new ones and add emission controls to those. The overall emission reductions are approximately 5,700 tons per year of nitrogen oxides and 1,500 tons per year of carbon monoxide.

"The actions Duke is taking are phenomenally good for New Mexico," said Environment Secretary Peter Maggiore. "Thousands of tons of pollutants will be kept out of the air. We applaud the company for committing to such significant upgrades at its facilities."

Under state law, the New Mexico Environment Department is responsible for administering the state's air quality program by issuing air quality permits for new and modified sources of air emissions to ensure compliance with air quality requirements and standards, and for enforcing these requirements and standards.

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