STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

NO. AQB CON-0884-1201 (NOV)

CONOCOPHILLIPS COMPANY,
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, ConocoPhillips Company ("Respondent") (collectively, the "Parties") to resolve an alleged statutory, regulatory, and permit violation by the Respondent. The Department alleges a violation of the New Mexico Air Quality Control Act ("AQCA"), NMSA 1978, § 74-2-1 to 74-2-17; the Air Quality Control Regulations ("AQCR"), 20.2. NMAC ("Regulations"), and Air Quality Permit Number 1313-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. The Respondent is a corporation doing business in New Mexico at the Wingate Fractionating Plant Facility ("Facility"). The Facility is a natural gas liquids fractionating plant, and is located in McKinley County, New Mexico.

B. HISTORY AND ALLEGED VIOLATION

3. Permit Condition A106.A. states in relevant part: "The following table(s) list the emission units and their allowable emission limits…." Excerpt from Table 106.A, Allowable Emissions:

Unit No.	VOC pph*
12	5.6

*Volatile organic compounds pounds per hour

4. 20.2.7.7. E. NMAC states: "'Malfunction' means any sudden and unavoidable failure of air pollution control equipment or process equipment beyond the control of the owner or operator, including malfunction during startup or shutdown. A failure that is caused entirely or in part by poor maintenance, careless operation, or any other preventable equipment breakdown shall not be considered a malfunction."

5. On October 22, 2012, the Bureau received a Final Excess Emissions Report ("EER") from Respondent for the Facility. According to the EER, Unit 12 emitted 15,109 pounds of VOC for 4 minutes. The permitted VOC limit for Unit 12 is 5.6 pounds per hour. Therefore, Respondent exceeded the pounds per hour emission limit for VOC for Unit 12. An Affirmative Defense Demonstration Form ("ADDF") for a malfunction during a startup was submitted for the event on November 21, 2012. According to the ADDF, startup procedures were not performed as written during the

event. As a result, the event did not meet the definition of a malfunction, in accordance with 20.2.7.7. E. NMAC, since the excess emission event was partially within the control of the operator. Therefore, the ADDF claim was rejected.

6. On March 12, 2013, the Bureau issued to Respondent Notice of Violation CON-0884-1201 ("NOV"), alleging a violation of the AQCA, the AQCR, and the Permit. The alleged violation was: 1) exceedance of the VOC emission limit.

7. On March 12, 2013, the Bureau issued to Respondent a proposal of a civil penalty for the alleged violation at the Facility.

8. 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.

9. On April 2, 2013, the Bureau received the CAV from Respondent. The CAV was determined to be satisfactory by the Bureau on April 3, 2013.

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

II. COMPROMISE AND SETTLEMENT OF NOTICE OF VIOLATION

A. GENERAL

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

12. 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 violation and good faith efforts to comply, the Parties agree that Respondent shall pay a civil penalty of $6,000.00 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 Respondent fails to make timely and complete payment of the civil penalty, Respondent shall pay interest on the outstanding balance at the rate established for judgments and decrees under NMSA 1978, § 56-8-4.

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 Respondent to comply with any applicable state or federal requirement. 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.

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. 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.

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 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 not terminate, and shall remain in 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 Respondent and Complainant, respectively, represent that he or she has the authority to execute this Final Order on behalf of Respondent and Complainant.

ENVIRONMENTAL PROTECTION DIVISION
NEW MEXICO ENVIRONMENT DEPARTMENT

By: Mary E Rose **Date:** 5/21/13
MARY ROSE
ACTING DIRECTOR

CONOCOPHILLIPS COMPANY

By: Lane Ayers **Date:** 5/7/2013
LANE AYERS
MANAGER, SAN JUAN GAS PLANTS

STIPULATED FINAL COMPLIANCE ORDER

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

RYAN FLYNN
SECRETARY DESIGNATE OF ENVIRONMENT DEPARTMENT

Date: 5/29/13