NEWS RELEASE

The Environment Department's mission is to protect and restore the environment and to foster a healthy and prosperous New Mexico for present and future generations.

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NMED fines natural gas firm $47.8 million for harmful emissions

Company directed to cease polluting and pay civil penalty

SANTA FE – Today, the New Mexico Environment Department (NMED) initiated an enforcement action against Targa Northern Delaware, LLC, a subsidiary of Houston, Texas-based natural gas firm Targa Resources Corp., for emission releases far greater than permitted limits at its Red Hills Gas Processing Plant near Jal in Lea County.

The enforcement action cites Targa for alleged violations of state rules including significant excess emissions of regulated air pollutants, late reporting, and an incomplete attempt at providing a root cause analysis to address the facility's ongoing excess emissions. NMED's enforcement action requires Targa to:

- Cease and desist all excess emissions at the Red Hills Gas Processing Plant effective immediately.
- Complete 16 projects, initiatives, and improvements to the Red Hills Gas Processing Plant to address its operations and excess emissions with an estimated cost of around **$140 million**, as proposed by Targa.
- Pay a civil penalty of **$47.8 million** to the state general fund.

"When the New Mexico Environment Department issues you a permit, it is a legally binding agreement to protect the health of New Mexicans," said **NMED General Counsel Zachary Ogaz**. "If you violate your permit by failing to effectively invest in compliance, we will hold you accountable."

In total, the excess emissions cited in the enforcement action address nearly 2 million pounds more than Targa's permitted air emission limits for five individual air pollutants: carbon monoxide, nitrogen oxides, sulfur dioxide, volatile organic compounds, and hydrogen sulfide.

NMED regulates the air pollutants subject to today's enforcement action through permit limits due to the danger that they pose to human health and the environment. For example, emissions of nitrogen oxides and volatile organic compounds react in the atmosphere to cause ozone, often referred to a smog.

When people are exposed to unsafe levels of ozone, it can damage their airways and lungs, making it difficult to breathe deeply and cause chest pain. Further, breathing unsafe levels of ozone can worsen chronic respiratory diseases like asthma, emphysema, and bronchitis.

During the timeframes of Targa's alleged violations, air quality monitors registered rising ozone concentrations exceeding 95% of the federal ozone standard. In counties where this occurs, NMED is required by state statute to take action to reduce ozone pollution.

Hydrogen sulfide, another of the subject pollutants, is often referred to as "swamp gas" and in moderate to high amounts can lead to vomiting, dizziness, loss of consciousness, seizures, coma, or even death.

Another benefit of NMED's enforcement action is that it curbs methane emissions. NMED estimates that the Red Hills Gas Processing Plant dumped an estimated 7 million pounds of methane into the air. Methane, the world's second-largest contributor to global warming, is 84 times more potent than carbon dioxide over two decades.

Targa is a Fortune 500 company with a market cap of over $42 billion describing itself as a leading independent provider of midstream services for the natural gas industry. They are one of the largest gatherers and processors of natural gas in the Permian Basin and across the country, according to their public-facing materials.

Targa's year-over-year adjusted earnings increased by over $229 million to over $1 billion from Q3 2023 to Q3 2024, according to a recent company release.

Regarding NMED's investigation, Targa said in a recent Securities and Exchanges Commission (SEC) filing that: "Although this matter is ongoing and management cannot predict its ultimate outcome, we do not expect that any expenditures related to this matter will be material to our consolidated financial Statements."

A portion of the excess emissions and late reporting violations stem from Lucid Energy Delaware, LLC, who previously owned the facility before Targa took over in 2022. However, as the excess emissions and late reporting continued under Targa, it is the entity responsible for the facility and its compliance with state law.

Targa must respond to NMED's enforcement action and pay the civil penalty within 30 days or request a hearing before a hearing officer for a decision by the NMED Cabinet Secretary. NMED's enforcement action is available here.

NMED has also referred this matter to federal and state regulatory agencies to investigate additional civil and potentially criminal violations.

This enforcement action against Targa is the latest in a string of high-profile and high-cost civil penalties that NMED levied against bad actors in the oil and gas industry. These include:

- October 2024 - Hilcorp Energy Company agreed to pay $9.4 million to settle alleged violations resulting from its failure to reduce emissions during well completion operations. Under the federal/state settlement, the U.S. Treasury received $4.7 million of the civil penalty and the state's general fund received $4.7 million.

- April 2024 - Ameredev II LLC agreed to pay $24.5 million to settle alleged violations of state air regulations. This is the largest civil penalty collected by the Department with an oil and gas company and the total civil penalty was deposited in the state's general fund.

- February 2024 - Apache Corporation agreed to pay $4 million in civil penalties and undertake projects expected to cost at least $5.5 million to ensure 422 of its oil and gas well pads in New Mexico and Texas comply with state and federal clean air regulations and offset past illegal emissions. Under the federal/state settlement, the U.S. Treasury received $2 million of the civil penalty and state's general fund received $2 million.

- August 2023 - Mewbourne Oil Company agreed to pay a $5.5 million penalty and to spend at least $4.6 million for projects to ensure 422 of its oil and gas battery pads in New Mexico and Texas comply with state and federal clean air regulations. Under the federal/state settlement, the U.S. Treasury received $2.75 million of the civil penalty and state's general fund received $2.75 million.

- March 2023 - Matador Production Company agreed to pay $1.15 million in civil penalties and undertake projects expected to cost at least $5.05 million to ensure compliance with both state and federal clean air regulations at all 239 of its New Mexico oil and gas well pads to resolve liability alleged in a civil complaint filed today under the Clean Air Act and state regulation Under the federal/state settlement, the U.S. Treasury received $650,000 of the civil penalty and state's general fund received $500,000.

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