



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 8

1595 WYNKOOP STREET

DENVER, CO 80202-1129

Phone 800-227-8917

http://www.epa.gov/region08

2011 SEP 30 AM 10:10

FILED
EPA REGION VIII
DENVER OFFICE

DOCKET NO.: CAA-08-2011-0032

IN THE MATTER OF:

CONOCO PHILLIPS COMPANY,

Respondent

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FINAL ORDER

Pursuant to 40 C.F.R. § 22.13(b) and 22.18, of EPA's Consolidated Rules of Practice, the Consent Agreement resolving this matter is hereby approved and incorporated by reference into this Final Order. The Respondent is hereby **ORDERED** to comply with all of the terms of the Consent Agreement, effective immediately upon receipt by Respondent of this Consent Agreement and Final Order.

The Parties are hereby **ORDERED** to comply with all of the terms of this Final Order.

SO ORDERED THIS 30th Day of September, 2011

Elyana R. Sutin
Regional Judicial Officer

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 8

2011 SEP 30 AM 10:10

Docket No.: CAA-08-2011-0032

FILED
EPA REGION VIII
HEARING CLERK

IN THE MATTER OF)
)
ConocoPhillips Company,)
)
Respondent.)
_____)

**COMPLAINT AND
SETTLEMENT AGREEMENT**

Complainant, United States Environmental Protection Agency, Region 8 (EPA or Complainant), and Respondent, ConocoPhillips Company (Respondent) (collectively hereafter the Parties), by their undersigned representatives, hereby consent and agree as follows:

A. PRELIMINARY MATTERS

1. This Complaint and Settlement Agreement (Agreement) is entered into by Respondent and EPA to settle alleged violations of the Clean Air Act (CAA), specifically of 40 C.F.R. Parts 63 and 71, at the Ute Compressor Station Facility owned and/or operated by Respondent.
2. This proceeding is governed by the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, and the Revocation, Termination or Suspension of Permits (Consolidated Rules) set forth at 40 C.F.R. Part 22. The U.S. Department of Justice has concurred with EPA Region 8's request for authorization to commence an administrative enforcement action in this matter.
3. This Agreement is entered into by the Parties for the purpose of simultaneously commencing and concluding this matter, as authorized by 40 C.F.R. Part 22 §13(b), and executed pursuant to 40 C.F.R. Part 22 §18(b)(2) and (3) of the Consolidated Rules.

4. EPA has jurisdiction over this matter pursuant to §113(d)(1)(B) of the CAA, 42 U.S.C. §7413(d)(1)(B), as amended on November 15, 1990.
5. Respondent admits the jurisdictional allegations in this Agreement, but does not admit the specific factual allegations or legal conclusions made by the Complainant herein.
6. Respondent waives its rights to a hearing before any tribunal and to contest any issue of law or fact set forth in this Agreement.
7. Complainant asserts that settlement of this matter is in the public interest, and Complainant and Respondent agree that entry of this Agreement and Final Order without further litigation and without adjudication of any issue of fact or law is the most appropriate means of resolving this matter.
8. This Agreement, upon incorporation into a Final Order, applies to and is binding upon EPA and upon Respondent, and Respondent's officers, directors, employees, agents, successors and assigns. Any change in ownership or corporate status of Respondent including, but not limited to, any transfer of assets or real or personal property shall not alter Respondent's responsibilities under this agreement.
9. This Agreement contains all terms of the settlement agreed to by the Parties.
10. The Facility to which this Agreement relates is on "Indian country" land as defined at 18 U.S.C. § 1151:

Township 32N, Range 11W, Sections 14-15 at latitude 37.01726666 longitude -108.0200833, within the exterior boundaries of the Southern Ute Indian Reservation in La Plata County, Colorado.
11. Respondent submitted a self-disclosure of certain violations of 40 C.F.R. Part 63 §760-778 (Subpart HH, National Emissions Standard for Hazardous Air Pollutants from Oil and

Natural Gas Production Facilities) and 40 C.F.R. Part 71 §1-13 (Subpart A, Federal Operating Permit Programs) to EPA on February 24, 2011. That disclosure meets the criteria in the EPA policy titled "Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations," issued April 11, 2000.

B. ALLEGED VIOLATIONS

1. Respondent is a Delaware corporation and therefore a "person" as defined in section 7602(e) of the CAA, 42 U.S.C. §7602. Respondent became the owner of the Ute Compressor Station Facility in 2006.
2. Respondent owns and/or operates the Facility described in paragraph A.10, above.
3. Complainant alleges that Respondent violated the CAA by violating 40 C.F.R. Part 71 (Federal Operating Permit Programs) by failing to obtain a Title V permit and is violating 40 C.F.R. Part 63 by failing to control emissions from its glycol dehydration unit.

COUNT #1: The Facility was and is operating as a major source (as defined by 40 C.F.R. Part 63) of hazardous air pollutants. As such, the Respondent was required to obtain a Part 71 operating permit. It has not yet obtained that permit.

COUNT #2: 40 C.F.R. Part 63 §760-778, requires that total hazardous air pollutants from the glycol dehydration unit process vent at a major source in the oil and natural gas production sector be reduced by 95%. Respondent has not met that requirement.

C. REQUIREMENTS UNDER THIS AGREEMENT

C.I. Compressor Engines

- (1) The Waukesha L7042 GL reciprocating internal combustion engine (RICE) at the Ute Compressor Station shall be equipped with oxidation catalyst control system capable of reducing uncontrolled emissions of carbon monoxide (CO) by at least 75% and formaldehyde emissions by at least 75% at maximum operating rate (90% to

110% of engine capacity at site elevation).¹ Any replacement engine shall also be equipped with an oxidation catalyst control system capable of meeting the same requirements of Section C.1 herein.

(2) The Respondent shall follow, for the RICE in C.1(1) and its respective catalyst, the manufacturer's recommended maintenance schedule and procedures to ensure optimum performance of each engine and catalyst.

(3) By no later than six months after the date of the final order, the Respondent shall install oxidation catalysts as specified in paragraph C.1.(1) and begin complying with requirements specified in paragraph C.1.(2)

C.2. Control of Glycol Dehydrator Emissions

(1) Respondent has installed the emission control system for hazardous air pollutants from the glycol dehydrator. The glycol dehydrator emission control system shall meet all the applicable requirements in 40 C.F.R. Part 63 §760-778 including but not limited to design and control requirements. The Respondent shall also meet the all other applicable requirements in 40 C.F.R. Part 63 §760-778 with respect to the glycol dehydrator including but not limited to monitoring, testing, record keeping, notification and reporting requirements.

C.3. Pneumatic Controllers

(1) Retrofit or Replacement. By no later than six months after the date of the Final Order, Respondent shall retrofit or replace all existing "high-bleed" pneumatic controllers with "low-bleed" or "no bleed" controllers at the Ute Compressor Station and at existing wells feeding into this Facility which are owned by Respondent. The relevant

¹ This requirement is not a numerical emission limitation. Rather, this is a requirement that the oxidation catalyst system to be installed is designed to meet these specifications at a minimum for the make and model of engine at each facility. The emission limits that the engine is subject to will be listed in the respective title V permit.

“high-bleed” pneumatic controllers and their well site or compressor station description are listed in Appendix “A”. For purposes of this Agreement, a “high-bleed” pneumatic controller is any pneumatic control device that has the capacity to bleed in excess of 6 standard cubic feet (scf) of natural gas per hour (i.e., 50,000 scf/year) in normal operation, and a “low-bleed controller” is a pneumatic control device that bleeds natural gas at a lesser rate than a “high-bleed” pneumatic controller. During the performance of the retrofit/replacement project, Respondent shall, to the extent practicable, repair or replace leaking gaskets, tubing fittings, and seals, and all work will be completed so as to minimize potential emissions associated with the retrofit/replacement project.

(2) Within 60 calendar days after the retrofit/replacement project is completed, Respondent shall provide a report to EPA that certifies completion of the retrofit/replacement project at the Ute Compressor Station and at existing wells for the facilities owned and/or operated by Respondent listed in Appendix “A”. It shall identify each unit retrofitted or replaced, its site location, its service, the date the retrofit or replacement was completed, the estimated bleed rate reductions and corresponding estimates of both annual VOC reductions and amount of natural gas conserved, and the approximate cost of each retrofit or replacement.

C.4. Leak Detection Program

(1) Respondent shall implement a directed inspection and maintenance program to detect and repair leaking equipment components at its Ute Compressor Station (the Program). At a minimum, the Program shall address detecting and repairing leaks at each pump, thief hatch, pressure release device, open-ended valve or line, flange, and

compressor. The program shall use a thermal infrared camera capable of detecting emissions of volatile organic compounds.

(2) By no later than three months after the date of the Final Order, Respondent shall submit a protocol outlining the specifics for the Program, including the technical procedures for monitoring with the infrared camera, a schedule for monitoring, defining when a "leak" is detected, repair schedule for leaking equipment (including delay of repair), and recordkeeping format.

(3) Respondent will begin implementing the Program upon approval of the protocol by EPA, with a start date specified in the approved schedule for conducting monitoring.

(4) By no later than thirty calendar days subsequent to any required monitoring, Respondent will submit reports of the monitoring results, repairs made, repairs delayed and the reason for the repair delay. At a minimum, the reports shall include the information specified in the approved protocol for the Program.

(5) The approved protocol for the Program can be modified at any time as deemed necessary by EPA. Respondent can also submit a modified protocol for approval to EPA at any time. The existing approved protocol shall remain effective until such time a modified protocol is approved by EPA.

C.5. Permitting Requirements

Respondent submitted an application for a Title V Permit for Ute Compressor Station to EPA in May 2011. The permit will incorporate all installation, operation, testing, monitoring, recordkeeping, and reporting requirements set forth in Sections C.1, C.2 and

C.4 of this Agreement. These conditions shall remain in the Title V permit as “applicable requirements” (as defined in part 70 and part 71) under this Agreement, until such time they are incorporated into a federally enforceable non-Title V permit, where they shall then become “applicable requirements” under the non-Title V permit.

C.6. Submission Address

Unless otherwise specified herein, all reports, submissions or other notifications required by this agreement to be sent to EPA shall be addressed to:

Air & Toxics Technical Enforcement Program Director
U.S. EPA Region 8 (Mail Code 8ENF-AT)
1595 Wynkoop St.
Denver, CO 80202-1129

D. CIVIL PENALTY

1. Pursuant to an analysis of the facts and circumstances of this case with the statutory factors described in section 113(d)(1)(B) of the CAA, 42 U.S.C. §7413(d)(1)(B), EPA has determined that an appropriate civil penalty to settle this action is the amount of one-hundred and nine-eight thousand dollars (\$198,000).
2. Respondent consents to the issuance of a Final Order and consents for the purposes of settlement to the payment of the civil penalty in the amount of one-hundred and ninety-eight thousand dollars (\$198,000) in the manner described below in this paragraph:
 - a. **Payment is due within 30 calendar days from the date written on the Final Order, to be** issued by the Regional Judicial Officer, that adopts this Complaint and Settlement Agreement. If the due date falls on a weekend or legal federal holiday, then the due date becomes the next business day. The date the payment is made is considered to be the date processed by the Bank described below.

Payments received by 11:00 AM EST are processed on the same day, those received after 11:00 AM are processed on the next business day.

- b. The payment shall be made by remitting a cashier's or certified check, including the name and docket number of this case, for the amount, **payable to "Treasurer, United States of America," to:**

CHECK PAYMENT:

US Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
PO Box 979077
St. Louis, MO 63197-9000

OVERNIGHT MAIL:

U.S. Bank
1005 Convention Plaza
Mail Station SL-MO-C2GL
St. Louis, MO 63101

Contact: Natalie Pearson
314-418-4087

WIRE TRANSFER:

Wire transfers should be directed to the Federal Reserve Bank of New York

Federal Reserve Bank of New York
ABA = 021030004
Account = 68010727
SWIFT address = FRNYUS33
33 Liberty Street
New York, NY 10045

Field Tag 4200 of the Fedwire message should read AD 68010727
Environmental Protection Agency"

ACH (also known as REX or remittance express)

Automated Clearinghouse (ACH) for receiving US currency
PNC Bank
808 17th Street, NW
Washington, DC 20074
Contact B Jesse White 301-887-6548
ABA = 051036706
Transaction Code 22 – checking
Environmental Protection Agency
Account 310006
CTX Format

ON LINE PAYMENT:

There is now an On Line Payment Option, available through the Dept. of Treasury. This payment option can be accessed from the information below:

WWW.PAY.GOV

Enter sfo 1.1 in the search field. Open form and complete required fields.

A copy of the check, or wire transfer, shall be sent simultaneously to:

Alejandro Siemel (8ENF-AT)	and	Tina Artemis
U.S. EPA Region 8		Regional Hearing Clerk (8RC)
Technical Enforcement Program		U.S. EPA Region 8
1595 Wynkoop St.		1595 Wynkoop St.
Denver, CO 80202-1129		Denver, CO 80202-1129

- c. Payment of the penalty in this manner does not relieve Respondent of its obligations to comply with the requirements of the CAA statute and regulations.

E. TERMS AND CONDITIONS

1. Failure by Respondent to comply with any of the terms of this Agreement shall constitute

a

breach of the Agreement and may result in referral of the matter to the Department of Justice for enforcement of this Agreement and for such other relief as may be appropriate.

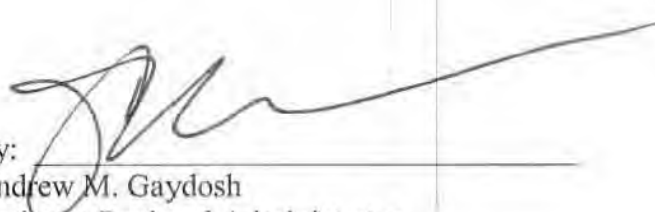
2. Nothing in this Agreement shall be construed as a waiver by the EPA or any other federal entity of its authority to seek costs or any appropriate penalty associated with any collection action instituted as a result of Respondent's failure to perform pursuant to the terms of this Agreement.
3. Each undersigned representative of the Parties to this Agreement certifies that he or she is fully authorized by the party represented to bind the party to the terms and conditions of this Agreement and to execute and legally bind that party to this Agreement.
4. The Parties agree to submit this Agreement to the Regional Judicial Officer, with a request that it be incorporated into a Final Order.
5. This Agreement, upon incorporation into a Final Order by the Regional Judicial Officer and full satisfaction by the Parties, shall be a complete, full and final settlement of the violations alleged in this Agreement.
6. The terms, conditions, and compliance requirements of this Agreement may not be modified or amended except upon the written agreement of the Parties, and approval of a Regional Judicial Officer.
7. Each party shall bear its own costs and attorneys fees in connection with all issues associated with this Agreement.

Signature Page

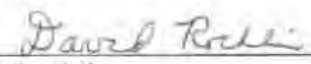
COMPLAINT AND SETTLEMENT AGREEMENT

**UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY REGION 8,
Complainant.**

Date: September 30, 2011


By: 
Andrew M. Gaydosh
Assistant Regional Administrator
Office of Enforcement, Compliance and
Environmental Justice

Date: September 26, 2011

By: 
David Rochlin
Senior Enforcement Attorney
U.S. EPA, Region 8

**CONOCOPHILLIPS COMPANY,
Respondent.**

Date: September 19, 2011

By: 
Roy Lyons, General Manager
San Juan Business Unit

CERTIFICATE OF SERVICE

The undersigned certifies that the original of the attached **COMPLAINT, SETTLEMENT AGREEMENT AND FINAL ORDER** in the matter of **CONOCO PHILLIPS COMPANY; DOCKET NO.: CAA-08-2011-0032**, was filed with the Regional Hearing Clerk on September 30, 2011.

Further, the undersigned certifies that a true and correct copy of the document was delivered to David Rochlin, Senior Enforcement Attorney, U. S. EPA – Region 8, 1595 Wynkoop Street, Denver, CO 80202-1129. True and correct copies of the aforementioned documents were placed in the United States mail on September 30, 2011, to:

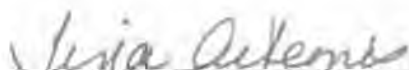
Roy Lyons, General Manager
SanJuan Business Unit
Conoco Phillips Co.
P. O. Box 4289
Farmington, NM

Steve Ellison, Senior Counsel
Conoco Phillips Company
2084 McLean/P. O. Box 4783
Houston, TX 77210-4783

And emailed to:

Elizabeth Whitsel
U. S. Environmental Protection Agency
Cincinnati Finance Center
26 W. Martin Luther King Drive (MS-0002)
Cincinnati, Ohio 45268

September 30, 2011



Tina Artemis
Paralegal/Regional Hearing Clerk

Appendix A
ConocoPhillips Ute Compressor Stations Well Pneumatic Device Retrofit/Replacements Inventory

Schedule:
 NOTE: All pneumatic devices in the Ute Compressor Station run off compressed air.
 By no later than 6 months after the effective date of the Final Order, replace "high-bleed" pneumatic controllers with "low-bleed" or "no bleed" pneumatic or electric-pneumatic controllers at the well sites.
 Within 60 days of project completion Submit report to EPA certifying project completion within 60 days of project completion - use format below

PNEUMATIC DEVICE RETROFITS/REPLACEMENTS - UTE WELLS

Make/Model	Type	Location		Number of Devices	Bleed Rate		
		Lease/Well Name	Equipment Piece		Volume per Device (cfh)	Total Device Volume (cfh)	Intermittent (I) or Continuous (C)
Ute CS Wells							
		UTE 7A					
		UTE 7B					
		UTE 80 1					
		UTE 80 11					
		UTE 80 13					
		UTE 80 14					
		UTE 80 15					
		UTE 80 16					
		UTE 80 1AR					
		UTE 80 2					
		UTE 80 23					
		UTE 80 2A					
		UTE 80 2B					
		UTE 80 3					
		UTE 80 30					
		UTE 80 35					
		UTE 80 4A					
		UTE 80 4B					
		UTE 80 7A					
		UTE 8A					
		UTE B 2					
		VIRBETH 1A					
		VIRBETH 1R					
		VIRBETH 2					
		VIRBETH 80 1A					
		VIRBETH 80 1R					
Totals:				TBD		TBD	

Low/No-Bleed Retrofit or Replace Device					Bleed Rate Reduction (Mcf/yr)
Install Date	Make/Model	Approximate cost (\$)	Bleed Rate (cfh)		
			Volume per Device (cfh)	Total Device Volume (cfh)	
Ute CS Wells					
TBD				TBD	

TOTAL GAS CONSERVED (Mcf/yr)	TBD
VOC Emissions Reduced (lb/yr)	TBD