

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 6
DALLAS, TEXAS

IN THE MATTER OF:

Earthstone Operating, LLC
The Woodlands, Texas

RESPONDENT

DOCKET NO. CAA-06-2025-3307

CONSENT AGREEMENT

A. PRELIMINARY STATEMENT

1. This is an administrative penalty assessment proceeding brought under Section 113(d) of the Clean Air Act, (the “CAA” or the “Act”), 42 U.S.C. § 7413(d), and Sections 22.13, 22.18, and 22.34 of the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permit (“Consolidated Rules”), as codified at 40 C.F.R. Part 22.

2. Complainant is the United States Environmental Protection Agency, Region 6 (“EPA”). On EPA’s behalf, the Director of the Enforcement and Compliance Assurance Division, EPA Region 6, has been delegated the authority to settle civil administrative penalty and compliance proceedings under Section 113(d) of the Act, 42 U.S.C. § 7413(d).

3. Earthstone Operating, LLC (“Earthstone” or “Respondent”) is a company doing business in the State of New Mexico Respondent is a “person” as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e).

4. Complainant and Respondent, having agreed that settlement of this action is in the public interest, consent to the entry of this Consent Agreement along with the corresponding Final Order hereinafter known together as the “CAFO” without adjudication of any issues of law or fact herein, and Respondent agrees to comply with the terms of this CAFO.

B. JURISDICTION

5. This CAFO is entered into under Section 113(d) of the Act, as amended, 42 U.S.C. § 7413(d), and the Consolidated Rules, 40 C.F.R. Part 22. The alleged violations in this CAFO are pursuant to Section 113(a)(1)(B) of the Act, 42 U.S.C. § 7413(a)(1)(B).

6. EPA and the United States Department of Justice jointly determined that this matter, although it involves alleged violations that occurred more than a year before the initiation of this proceeding, is appropriate for an administrative penalty assessment. 42 U.S.C. § 7413(d); 40 C.F.R. § 19.4.

7. In satisfaction of the notice requirements of Section 113(a)(1) of the Act, 42 U.S.C. § 7413(a)(1), on April 24, 2023, EPA issued to Respondent a Notice of Violation and Opportunity to Confer (the “NOVOC”) and provided a copy of the NOVOC to the State of New Mexico. In the NOVOC, EPA provided notice to both Respondent and the State of New Mexico that EPA found Respondent committed the alleged violations of the New Mexico State Implementation Plan (“SIP”) described in Section E of this CAFO and provided Respondent an opportunity to confer with EPA.

8. The Regional Judicial Officer is authorized to ratify this CAFO which memorializes a settlement between Complainant and Respondent. 40 C.F.R. §§ 22.4(b) and 22.18(b).

9. The issuance of this CAFO simultaneously commences and concludes this proceeding. 40 C.F.R. § 22.13(b).

C. GOVERNING LAW

10. The Act is designed “to protect and enhance the quality of the Nation’s air resources so as to promote the public health and welfare and the productive capacity of its population.” 42 U.S.C. § 7401(b)(1).

11. EPA is authorized by Section 113 of the CAA, 42 U.S.C. § 7413, to take action to ensure that air pollution sources comply with all federally applicable air pollution control requirements. These include requirements promulgated by EPA and those contained in SIPs and federally-enforceable permits.

a. New Mexico State Implementation Plan

12. Section 109(a) of the CAA, 42 U.S.C. § 7409(a), requires the Administrator of EPA to publish national ambient air quality standards (“NAAQS”) for certain air pollutants. Section 109(b) of the CAA, 42 U.S.C. § 7409(b), provides that the NAAQS establish primary air quality standards to protect public health and secondary standards to protect public welfare.

13. To achieve the objectives of the NAAQS and the Act, Section 110(a) of the CAA, 42 U.S.C. § 7410(a), requires each State to adopt a SIP that provides for the implementation, maintenance, and enforcement of the NAAQS, and to submit it to the Administrator of EPA for approval.

14. The State of New Mexico has adopted a SIP that has been approved by EPA. See 40 C.F.R. Part 52, Subpart GG. The New Mexico SIP includes authorization for New Mexico to issue general construction permits to oil and gas facilities. See 40 C.F.R. § 52.1620(c); 20 N.M.A.C. 2.72.220.

15. Facilities “registered for coverage under a general permit shall be generally homogeneous in terms of operations, processes and emissions, subject to the same or substantially similar requirements, and not subject to case-by-case standards or requirements.” *Id.* “Any term or condition imposed by the department on a permit or permit revision is enforceable to the same extent as a regulation of the” New Mexico Environmental Improvement Board. 20 N.M.A.C. 2.72.210(D).

16. Pursuant to 20 N.M.A.C. 2.72.220, the State of New Mexico issued the New Mexico Air Quality Bureau General Construction Permit for Oil and Gas Facilities (“GCP-O&G”), which includes the following requirements relevant to this CAFO:

a. To ensure compliance with allowable emissions limitations, GCP-O&G Part A205(B) requires the permittee to either limit the hydrocarbon liquid throughput and average separator pressure to the amount and pressure listed in the relevant Registration Form or, otherwise, operate the permitted facility’s control device and/or vapor recovery units “as a closed vent system that captures and routes all emissions from tanks back to the process stream or to the control device, and does not vent to the atmosphere.”

b. GCP-O&G Part A100(F) requires the permittee to operate the facility as specified in the facility’s Registration Form.

c. GCP-O&G Part A207(B)(6) requires a flare to “combust gas at all times gas is sent to the flare.”

D. FINDINGS OF FACT AND CONCLUSIONS OF LAW

17. Respondent owns and/or operates the oil and natural gas production facilities listed in Appendix A, which are located in the New Mexico Permian Basin (the “Facilities”).

18. Respondent is the owner and/or operator of the Facilities within the meaning of the Act, Section 111(a)(5), 42 U.S.C. § 7411(a)(5), 40 C.F.R. § 60.2, and/or 40 C.F.R. § 51.100(f).

19. The Facilities in Appendix A (the “GCP Facilities”) are permitted under the State of New Mexico’s General Construction Permits program for oil and gas facilities, located at 20 N.M.A.C. 2.72.220.

20. NMED issued air permits to Respondent, listed in Appendix A, under the SIP-approved General Construction Permits program. The permits cover various emission units at the GCP Facilities, including process equipment, vapor recovery systems, tanks, and flares.

21. Respondent is required by the GCP Facilities’ permits listed in Appendix A to control the emission of waste gas streams from the GCP Facilities and to operate in compliance with certain provisions of the New Mexico SIP.

22. EPA contracted helicopter flyovers of the Permian Basin between July 12, 2022, and August 15, 2022, to assess energy extraction facility emissions using Optical Gas Imaging (“OGI”) technology.

23. Flyovers of the Facilities at issue in this CAFO were conducted on August 9, 2022. Appendix A identifies EPA’s observations at each Facility.

24. On November 23, 2022, EPA sent Respondent OGI video captures showing potentially unauthorized hydrocarbon emissions from process equipment and vapor recovery systems at the Facilities. EPA asked Respondent to verify ownership, provide current site-specific permit information and inspection records, and take any necessary corrective action to address unauthorized hydrocarbon emissions at each facility. EPA considered information provided by Respondent to determine whether violations occurred at the Facilities.

25. On December 9, 2022, Respondent provided information to EPA that corrective actions were completed at the Facilities listed in Appendix A to address some of the compliance issues observed during the flyovers.

26. More than thirty (30) days before the issuance of this CAFO, Respondent was notified of the violations alleged herein. On April 24, 2023 EPA sent Respondent the NOVOC and provided a copy to the State of New Mexico, in accordance with Section 113(a)(1) of the CAA, 42 U.S.C. § 7413(a)(1).

27. On May 24, 2023, and on various other occasions, EPA conferred with Respondent regarding the violations alleged herein and provided an opportunity for Respondent to submit additional information or materials.

E. ALLEGED VIOLATIONS

28. EPA has conducted a comprehensive review of the facility-specific information gathered based upon observations made from the OGI video captures, facility permitted operations, and information provided by Respondent. Based on this review, EPA alleges the following violations for the Facilities:

- a. Respondent violated 20 N.M.A.C. 2.72.210(D) by failing to comply with the GCP Facilities' permit conditions, as identified in subparagraphs 28.b – 28.d.
- b. Respondent violated Part A205(B) of the GCP Facilities' GCP-O&G permits by failing to either limit the hydrocarbon liquid throughput and average separator pressure to the amount and pressure listed in the relevant Registration Form or, otherwise, operate a control device and/or vapor recovery unit as a closed vent system that captures and routes tank emissions to the process stream or to the control device, and does not vent to atmosphere.
- c. Respondent violated Part A207(B)(6) of the GCP Facilities' GCP-O&G permits by failing to combust gas at all times gas was sent to the flares.
- d. Respondent violated Part A100(F) of the GCP Facilities' GCP-O&G permits by failing Respondent to operate the GCP Facilities as specified in the Facilities' Registration Forms.

F. CIVIL PENALTY AND CONDITIONS OF SETTLEMENT

a. General

29. For the purpose of this proceeding, as required by 40 C.F.R. § 22.18(b)(2), Respondent:
- a. admits that EPA has jurisdiction over the subject matter alleged in this CAFO;
 - b. neither admits nor denies the specific factual allegations contained in the CAFO;
 - c. consents to the assessment of a civil penalty, as stated below;

d. consents to the issuance of any specified compliance or corrective action order¹;

e. consents to the conditions specified in this CAFO;

f. consents to any stated Permit Action;

g. waives any right to contest the alleged violations set forth in Section E of this CAFO; and

h. waives its rights to appeal the Final Order included in this CAFO.

30. For the purpose of this proceeding, Respondent:

a. agrees that this CAFO states a claim upon which relief may be granted against Respondent;

b. acknowledges that this CAFO constitutes an enforcement action for purposes of considering Respondent's compliance history in any subsequent enforcement action;

c. waives any and all remedies, claims for relief and otherwise available rights to judicial or administrative review that Respondent may have with respect to any issue of fact or law set forth in this CAFO, including any right of judicial review under Section 307(b)(1) of the CAA, 42 U.S.C. § 7607(b)(1);

d. consents to personal jurisdiction in any action to enforce this CAFO in the United States District Court for the District of New Mexico;

¹ Although 40 C.F.R. § 22.18(b)(2) requires each item in this list to be stated in this CAFO, subparagraphs (d) and (f) are not applicable to this particular case.

e. waives any right it may possess at law or in equity to challenge the authority of EPA to bring a civil action in a United States District Court to compel compliance with this CAFO and to seek an additional penalty for such noncompliance, and agrees that federal law shall govern in any such civil action; and

f. agrees that in any subsequent administrative or judicial proceeding initiated by the Complainant or the United States for injunctive relief, civil penalties, or other relief relating to these Facilities, Respondent shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim splitting, or other defenses based on any contention that the claims raised by the Complainant or the United States were or should have been brought in the instant case, except with respect to claims that have been specifically resolved pursuant to this CAFO.

b. Penalty Assessment and Collection

31. Upon consideration of the entire record herein, including the Findings of Fact and Conclusions of Law, which are hereby adopted and made a part hereof, and upon consideration of the size of the business, the economic impact of the penalty on the business, Respondent's full compliance history and good faith efforts to comply, the duration of the violations, payment by the violator of any penalties previously assessed for the same violation, the economic benefit of noncompliance, the seriousness of the violations, and other factors as justice may require, EPA has assessed a civil penalty in the amount of \$445,362 (the "EPA Penalty"). The EPA Penalty has been determined in accordance with Section 113 of the CAA, 42, U.S.C. § 7413, and at no time exceeded EPA's statutory authority.

32. Respondent agrees to:

- a. pay the EPA Penalty within 30 calendar days of the Effective Date of this CAFO; and
- b. pay the EPA Penalty by cashier's check, certified check, or wire transfer made payable to "Treasurer, United States of America, EPA – Region 6." Payment shall be remitted in one of five (5) ways: (1) regular U.S. Postal Service mail including certified mail; (2) overnight mail; (3) wire transfer; (4) Automated Clearinghouse for receiving U.S. currency; or (5) Online Payment.

For regular U.S. Postal Service mail, payment should be remitted to:

U.S. Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
PO Box 979078
St. Louis, MO 63197-9000

For overnight mail (non-U.S. Postal Service, *e.g.* FedEx, certified mail), payment should be remitted to:

U.S. Bank
U.S. Environmental Protection Agency
Government Lockbox 979078
3180 Rider Trail S.
Earth City, MO 63045

Contact: Natalie Pearson
(314) 418-4087

For wire transfer, payment should be remitted to:

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

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

For Automated Clearinghouse (also known as "remittance express" or "REX"):

U.S. Treasury REX / Cashlink ACH Receiver
ABA: 051036706
Account Number: 310006, Environmental Protection Agency
CTX Format Transaction Code 22 – checking
Physical location of U.S. Treasury facility:
5700 Rivertech Court
Riverdale, MD 20737

Contact: Jesse White
(301) 887-6548

For Online Payment:

<https://www.pay.gov/paygov/>
Enter sfo 1.1 in search field
Open form and complete required fields.

PLEASE NOTE: The docket number CAA-06-2025-3307 should be clearly typed on the check to ensure proper credit. The payment shall also be accompanied by a transmittal letter that shall reference Respondent's name and address, the case name, and docket number CAA-06-2025-3307. Respondent's adherence to this request will ensure proper credit is given when penalties are received for Region 6. Respondent shall also email a simultaneous notice of such payment, including a copy of the money order, or check, and the transmittal letter to the following email addresses:

Kenneth McPherson
U.S. EPA Region 6
McPherson.Kenneth@epa.gov

And

Region 6 Hearing Clerk
U.S. EPA Region 6
Vaughn.Lorena@epa.gov

33. Respondent agrees to pay the following on any overdue EPA Penalty:

a. Interest. Pursuant to Section 113(d)(5) of the CAA, 42 U.S.C. § 7413(d)(5), any unpaid portion of a civil penalty must bear interest at the rates established pursuant to 26 U.S.C. § 6621(a)(2).

b. Nonpayment Penalty. On any portion of a civil penalty more than ninety (90) calendar days delinquent, Respondent must pay a nonpayment penalty, pursuant to Section 113(d)(5) of the CAA, 42 U.S.C. § 7413(d)(5), which shall accrue from the date the penalty payment became delinquent, and which shall be in addition to the interest which accrues under subparagraph (a) of this Paragraph.

34. Respondent shall pay a charge to cover the cost of processing and handling any delinquent penalty claim, pursuant to 42 U.S.C. § 7413(d)(5), including, but not limited to, attorney's fees incurred by the United States for collection proceedings.

35. If Respondent fails to timely pay any portion of the penalty assessed under this CAFO, EPA may:

a. refer the debt to a credit reporting agency, a collection agency, or to the Department of Justice for filing of a collection action in the appropriate United States District Court (in which the validity, amount, and appropriateness of the assessed penalty and of this CAFO shall not be subject to review) to secure payment of the debt, which may include the original penalty, enforcement and collection expenses,

nonpayment penalty and interest, 42 U.S.C. § 7413(d)(5) and 40 C.F.R. §§ 13.13, 13.14, and 13.33;

b. collect the above-referenced debt by administrative offset (*i.e.*, the withholding of money payable by the United States to, or held by the United States for, a person to satisfy the debt the person owes the Government), which includes, but is not limited to, referral to the Internal Revenue Service for offset against income tax refunds, 40 C.F.R. Part 13, Subparts C and H; and

c. suspend or revoke Respondent's licenses or other privileges or suspend or disqualify Respondent from doing business with EPA or engaging in programs EPA sponsors or funds, 40 C.F.R. § 13.17.

c. Conditions of Settlement

36. Facility Review. Respondent shall perform the following facility review at each

Facility:

a. Within thirty (30) days of the Effective Date of this CAFO, Respondent shall conduct a permitting and operations review in accordance with Section I of Appendix B.

b. Within sixty (60) days of the Effective Date of this CAFO, Respondent shall complete a site inspection in accordance with Section II of Appendix B.

c. Within ninety (90) days of Respondent completing the permitting and operations review and site inspections described in subparagraphs (a) and (b) of Paragraph 36, Respondent shall complete an engineering assessment, in accordance with Section III of Appendix B.

37. Compliance Monitoring. Respondent shall perform the following compliance monitoring:

a. Respondent shall conduct optical gas imaging (“OGI”) surveys at each Facility, indicated in Appendix A, in accordance with Section I of Appendix C (hereinafter “OGI Survey”) on a monthly basis, with at least fourteen (14) days between consecutive OGI Surveys, for a period of one (1) year from the Effective Date of this CAFO. The initial OGI Survey shall be conducted within sixty (60) days of the Effective Date of this CAFO.

b. Within sixty (60) days of the Effective Date of this CAFO, Respondent shall install and operate monitoring equipment in accordance with Sections II–IV of Appendix C for a period of one (1) year from the Effective Date of this CAFO.

38. Letter Report. Within one (1) year of the Effective Date of this CAFO, and no earlier than eleven (11) months after the Effective Date of this CAFO, Respondent shall send a letter report to EPA (“Letter Report”) containing all information identified in Section I of Appendix D. The Letter Report shall be emailed to:

McPherson.Kenneth@epa.gov

39. EPA reserves the right to pursue enforcement of any violations identified as a result of Paragraphs 36 through 38 (“Conditions of Settlement”).

d. Additional Terms of Settlement

40. Respondent agrees that the time period from the Effective Date of this CAFO until all the conditions specified in Paragraphs 36 through 38 of this CAFO are completed (the “Tolling Period”) shall not be included in computing the running of any statute of limitations potentially applicable to any action brought by Complainant on any claims set forth in Section E

of this CAFO (the "Tolled Claims"). Respondent shall not assert, plead, or raise in any fashion, whether by answer, motion or otherwise, any defense of laches, estoppel, or waiver, or other similar equitable defense based on the running of any statute of limitations or the passage of time during the Tolling Period in any action brought on the Tolled Claims.

41. The provisions of this CAFO shall apply to and be binding upon Respondent and its officers, directors, employees, agents, trustees, servants, authorized representatives, successors and assigns. From the Effective Date of this Agreement until the end of the Tolling Period, as set out in Paragraph 40 of this CAFO, Respondent must give written notice and a copy of this CAFO to any successors in interest prior to transfer of ownership or control of any portion or interest in the Facilities. Simultaneously with such notice, Respondent shall provide written notice of such transfer, assignment, or delegation to EPA. In the event of any such transfer, assignment or delegation, Respondent shall continue to be bound by the obligations or liabilities of this CAFO until EPA has provided written approval.

42. By signing this CAFO, Respondent acknowledges that this CAFO will be available to the public and agrees that this CAFO does not contain any confidential business information. See 40 C.F.R. Part 2, Subpart B (Confidentiality of Business Information).

43. By signing this CAFO, the undersigned representative of Complainant and the undersigned representative of Respondent each certify that he or she is fully authorized to execute and enter into the terms and conditions of this CAFO and has legal capacity to bind the party he or she represents to this CAFO.

44. By signing this CAFO, Respondent certifies that the information it has supplied concerning this matter was at the time of submission, and is, truthful, accurate, and complete

for each submission, response, and statement. Respondent acknowledges that there are significant penalties for submitting false or misleading information, including the possibility of fines and imprisonment for knowing submission of such information, under 18 U.S.C. § 1001.

45. EPA and Respondent agree to the use of electronic signatures for this matter.

EPA and Respondent further agree to electronic service of this CAFO by email to the following addresses:

To EPA: Ezra.Feven@epa.gov

To Respondent: rob.montgomery@permianres.com

46. Respondent specifically waives its right to seek reimbursement of its costs and attorney's fees under 5 U.S.C. § 504 and 40 C.F.R. Part 17. Except as qualified by Paragraph 34 of this CAFO, each party shall bear its own attorney's fees, costs, and disbursements incurred in this proceeding.

47. Pursuant to 26 U.S.C. § 6050X and 26 C.F.R. § 1.6050X-1, EPA is required to send to the Internal Revenue Service ("IRS") annually, a completed IRS Form 1098-F ("Fines, Penalties, and Other Amounts") with respect to any court order or settlement agreement (including administrative settlements), that require a payor to pay an aggregate amount that EPA reasonably believes will be equal to, or in excess of, \$50,000 for the payor's violation of any law or the investigation or inquiry into the payor's potential violation of any law, including amounts paid for "restitution or remediation of property" or to come "into compliance with a law." EPA is further required to furnish a written statement, which provides the same information provided to the IRS, to each payor (i.e., a copy of IRS Form 1098-F). Failure to

comply with providing IRS Form W-9 or Tax Identification Number ("TIN"), as described below, may subject Respondent to a penalty, per 26 U.S.C. § 6723, 26 U.S.C. § 6724(d)(3), and 26 C.F.R. § 301.6723-1. In order to provide EPA with sufficient information to enable it to fulfill these obligations, EPA herein requires, and Respondent herein agrees, that:

- a. Respondent shall complete an IRS Form W-9 ("Request for Taxpayer Identification Number and Certification"), which is available at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>;
- b. Respondent shall therein certify that its completed IRS Form W-9 includes Respondent's correct TIN or that Respondent has applied and is waiting for issuance of a TIN;
- c. Respondent shall email its completed Form W-9 to EPA's Cincinnati Finance Center at Chalifoux.Jessica@epa.gov, within 30 days after the Final Order ratifying this Agreement is filed, and EPA recommends encrypting IRS Form W-9 email correspondence; and
- d. In the event that Respondent has certified in its completed IRS Form W-9 that it has applied for a TIN and that TIN has not been issued to Respondent within 30 days after the Effective Date, then Respondent, using the same email address identified in the preceding subparagraph, shall further:
 - i. notify EPA's Cincinnati Finance Center of this fact, via email, within 30 days after the 30 days after the Effective Date of this Order per Section H of this CAFO; and

ii. provide EPA's Cincinnati Finance Center with Respondent's TIN, via email, within five (5) days of Respondent's issuance and receipt of the TIN.

G. EFFECT OF CONSENT AGREEMENT AND FINAL ORDER

48. In accordance with 40 C.F.R. § 22.18(c), completion of the terms of this CAFO resolves only Respondent's liability for federal civil penalties for the violations and facts specifically alleged in Sections D and E above.

49. If Respondent fails to timely and satisfactorily complete every condition stated in Paragraphs 36 through 38 of this CAFO (including payment of any stipulated penalties owed), then Complainant may compel Respondent to perform the conditions in Paragraphs 36 through 38, seek civil penalties that accrue from the Effective Date of this CAFO until compliance is achieved, and seek other relief in a civil judicial action pursuant to the Clean Air Act, pursuant to contract law, or both.

50. Penalties paid pursuant to this CAFO shall not be deductible for purposes of federal taxes.

51. For purposes of the identification requirement in Section 162(f)(2)(A)(ii) of the Internal Revenue Code, 26 U.S.C. § 162(f)(2)(A)(ii), and 26 C.F.R. § 1.162-21(b)(2), performance of paragraphs 36 through 38 is restitution, remediation, or required to come into compliance with the law.

52. This CAFO constitutes the entire agreement and understanding of the parties and supersedes any prior agreements or understandings, whether written or oral, among the parties with respect to the subject matter hereof.

53. The terms, conditions, and compliance requirements of this CAFO may not be modified or amended except upon the written agreement of both parties, and approval of the Regional Judicial Officer.

54. Any violation of the included Final Order may result in a civil judicial action for an injunction or civil penalties of up to \$121,275 per day of violation, or both, as provided in Section 113(b)(2) of the Act, 42 U.S.C. § 7413(b)(2), as well as criminal sanctions as provided in Section 113(c) of the Act, 42 U.S.C. § 7413(c). EPA may use any information submitted under this CAFO in an administrative, civil judicial, or criminal action.

55. Nothing in this CAFO shall relieve Respondent of the duty to comply with all applicable provisions of the Act and other federal, state, or local laws or statutes, nor shall it restrict EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or a determination of, any issue related to any federal, state, or local permit. EPA does not, by its consent to the entry of this CAFO, warrant or aver in any manner that Respondent's compliance with any aspect of this CAFO will result in compliance with provisions of the Clean Air Act, 42 U.S.C. § 7401, et seq., or with any other provisions of federal, state, or local laws, regulations, or permits.

56. Nothing herein shall be construed to limit the power of EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment to the public health, welfare, or the environment.

H. EFFECTIVE DATE

57. Respondent and Complainant agree to the issuance of the included Final Order.

Upon filing, EPA will transmit a copy of the filed CAFO to Respondent. This CAFO shall become effective after execution of the Final Order by the Regional Judicial Officer on the date of filing with the Hearing Clerk.

The foregoing Consent Agreement In the Matter of Earthstone Operating, LLC, Docket No. CAA-06-2025-3307, is Hereby Stipulated, Agreed, and Approved for Entry.

FOR RESPONDENT:

Date: 12/5/2024



Casey McCain
SVP of Production Operations
Earthstone Operating, LLC

FOR COMPLAINANT:

Date: _____



Digitally signed by
MARGARET OSBOURNE
Date: 2024.12.11
10:32:58 -06'00'

Cheryl T. Seager
Director
Enforcement and
Compliance Assurance Division
U.S. EPA, Region 6

APPENDIX A: FACILITIES

Table 1. New Mexico Facilities

Site Identity	New Mexico AIRS Number	Permit Number	Application Type	Flyover Date	Flyover Video ID	EPA Team Observations of Flyover Video Capture	Corresponding Sections of Appendix C, Sections II–V
Salt Draw 10 State COM WCB #2H, 4H, 5H, 6H	350152233	8551	GCP-O&G	8/9/2022	EPA 773 Video.mp4	Pressure relief valve emissions	Section II & IV
Cottonwood 28 33 Federal 2BS #1H and 2H	350152100	8238	GCP-O&G	8/9/2022	EPA 775 Video.mp4	Multiple tank hatch emissions and an unlit flare	Section II, III
Cottonwood 28- 33 Federal COM 2BS 6H	350152210	8500	GCP-O&G	8/9/2022	EPA 776 Video.mp4	Pressure relief valve emissions, multiple tank hatch emissions and an unlit flare	Section II, III
Asteroid 20-29 FED COM WCA	350152490	9190	GCP-O&G	8/9/2022	EPA 778 Video.mp4	Unlit flare	Section III & IV
McCord Enterprises 23 WCA 3H	350152101	8241	GCP-O&G	8/9/2022	EPA 779 Video.mp4	Multiple pressure relief valve emissions and tank hatch emissions	Section II
Bodacious 5-32 Battery	350150980	5540M1	GCP-O&G	8/9/2022	EPA 782 Video.mp4	Pressure relief valve emissions, multiple tank hatch emissions and an unlit flare	Section II, III, & IV
Black River 3 10 Federal COM WCA 004H	350152206	8494	GCP-O&G	8/9/2022	EPA 783 Video.mp4	Tank hatch emissions	Section II
Cottonwood 29 32 FED COM Battery	350152209	8499	GCP-O&G	8/9/2022	EPA 784 Video.mp4	Tank hatch emissions	Section II & IV
Grama Ridge East 34 2BS State COM #009H	350251740	8549M1	GCP-O&G	8/9/2022	EPA 785 Video.mp4	Tank hatch emissions	Section II
Outland State Unit 11-2	350251720	8495M1	GCP-O&G	8/9/2022	EPA 786 Video.mp4	Tank hatch emissions and an unlit flare	Section II, III, & IV

APPENDIX B: FACILITY REVIEW

I. Permitting and Operations Review

Respondent shall conduct a permitting and operations review, which shall consist, at a minimum, of the following:

1. For all the Facilities, review current permit representations (*i.e.*, applications), current equipment inventories, current reported production and emissions data (for all operating scenarios), and all maintenance and operating logs and repair/replacement work orders generated within the eighteen (18) months preceding the Effective Date (including those available from past owners), in order to evaluate and ascertain current or possible recurring non-compliance issues associated with equipment and process controls at the Facilities.

2. For all the Facilities, review operation and maintenance procedures for inspecting process equipment at each of the Facilities, and update the procedures, as necessary, to ensure that problems are timely identified and addressed to minimize emissions from process equipment. If Respondent does not have such procedures, Respondent shall create such procedures. Respondent shall ensure these procedures include, at a minimum, the following:

a. the use of a standard site inspection checklist during regular inspections that requires evaluation of the following: well pad, flares, separators, heater treaters, tank batteries, compressors, fuel skid, well heads, spill containment, solid waste and chemical storage, and miscellaneous Facility-wide operations;

b. a quality control program that ensures the quality, efficiency, and performance of Facility maintenance activities; and

c. appropriate and regular training for personnel implementing the operation and maintenance procedures.

II. Site Inspections

Respondent shall conduct a site inspection that consists, at a minimum, of the following at each Facility:

1. For all tanks

a. Inspect and evaluate oil and water storage tanks and associated hatches, valves, gaskets, and pressure relief devices.

b. Evaluate whether the materials used are compatible with the gas compositions and whether they will deteriorate at unexpected rates.

- c. Evaluate whether emergency pressure relief devices are set at the proper pressure set points.
2. For all flares and vapor combustion units ("VCUs")
 - a. Evaluate whether flares and VCUs are operating with a continuous pilot flame and that flame arrestors are properly installed.
 - b. Evaluate whether technology upgrades should be made to the flares and VCUs.
 - c. Evaluate whether reconfiguration of flare tips and installation of thermocouples with Supervisory Control and Data Acquisition capability, auto ignitors with pilots, air assist packages, and pressure gauges for flame arrestors would be appropriate.
3. Evaluate the operation of tanks, separators, compressors, vapor recovery units/towers, and other operational equipment.
 - a. Inspect and address liquid leaks and staining at the well and production pad site, particularly near well heads, flares, VCUs, storage tanks, and separators.
 - b. Evaluate whether equipment inventories and process operational descriptions for each site are current.
 - c. Evaluate whether there are unauthorized emissions during normal operations by conducting an OGI survey in accordance with Section I of Appendix C.

III. Engineering Assessment

Respondent shall conduct an engineering assessment that consists, at a minimum, of the following at each Facility:

1. Performed by a Professional Engineer with experience conducting an engineering and design assessment of oil and gas production facilities.
2. Use condensate and gas samples, equipment inventories, and production rates to perform process flow modeling (e.g., ProMax modeling) and evaluate whether site equipment and design sufficiently address vapor emissions and meet regulatory requirements.
3. Evaluate whether all emissions sources, including process equipment fire tubes, pneumatic pumps, and pneumatically actuated control valves, have been identified and accounted for in determining total emissions.
4. Based on the preliminary compliance review and site inspections, re-evaluate whether the Facilities are properly permitted and determine whether Respondent should prepare permit applications or revisions.

5. Evaluate whether flares are operated and maintained in conformance with their designs, including recommendations and specifications provided by the flare manufacturers, and in a manner consistent with good air pollution control practices for minimizing emissions.

6. Use engineering assessment results to revise the equipment specifications and process configuration to ensure vapor control systems, where required, adequately handle maximum instantaneous vapor emissions, including working, breathing, or flashing losses from the tank battery.

7. Based on the Facility Review, Site Inspection, and Engineering Assessment, evaluate the sufficiency of each Facility's spill containment adequacy and retention capacity.

APPENDIX C: COMPLIANCE MONITORING

I. OGI Survey

Respondent shall conduct an OGI camera survey ("OGI Survey") at each Facility, that includes, at a minimum, the following procedures:

1. The OGI Survey shall be conducted using an OGI camera designed for and capable of detecting hydrocarbon and VOC emissions, performed by trained personnel or third parties, who maintain proficiency through regular use of the OGI camera. The OGI Survey shall be conducted during normal operations to detect any visible emissions, including while and immediately after hydrocarbon liquids are being sent to the tanks from all associated well production operations.

2. The OGI Survey shall consist of an inspection of all equipment and components at the Facility, including tanks and associated hatches, valves, gaskets, and pressure relief devices; control devices; compressors; separators; vapor recovery units/towers, and vapor control piping.

Conducting the OGI Survey

3. At least once each monitoring day, each operator must record a verification video to demonstrate the OGI camera is capable of detecting hydrocarbon and VOC emissions.

4. For all OGI Surveys, maintain a survey log electronically in an Excel spreadsheet that includes, at a minimum, the following:

- a. Site name and GPS coordinates;
- b. OGI camera operator name;
- c. Weather conditions at the start and end of each survey, including ambient temperature, wind speed, relative humidity, and sky conditions;
- d. Identification of the OGI camera used to conduct the survey, including make and model;
- e. Date and approximate start and end times; and
- f. Description of emissions observed with the OGI camera.

5. If hydrocarbon emissions (including VOCs) are observed, at a minimum capture a 10-second video clip of the emissions, including the emitting component, and keep the video clip with the rest of the OGI Survey documentation. The emitting component must be identified for repair, and the date, time, and location of the observed emissions must be recorded in the

survey log referenced in Paragraph 4 of this Section.

6. An emitting component shall be repaired as soon as practicable, but no later than fifteen (15) days after initial observation. Any absence of pilot flame at a control device, or other indication of improper operation, shall be corrected and the control device returned to proper operation as soon as practicable. No later than fifteen (15) days after an emitting component is repaired, Respondent shall verify all corrective actions by capturing, at a minimum, a 10-second video clip using an OGI camera to demonstrate the component is not emitting. The video clip must be kept with the rest of the OGI Survey documentation. The date and description of the corrective action, as well as the date of corrective action verification using an OGI Survey, must be recorded in the survey log referenced in Paragraph 4 of this Section.

Quality Assurance and Quality Control

7. The Facility must have or establish a written process which ensures the validity of the monitoring data. Examples may include routine review and sign-off of the monitoring data by the camera operator's supervisor, periodic comparative monitoring using a different camera operator as part of a continuing training verification plan, or other due-diligence procedures.

Reporting

8. The Facility must submit the following records to EPA on a monthly basis pursuant to the requirements in Paragraph 9 of this Section, but no later than thirty (30) days after conducting each OGI Survey:

- a. Survey logs for all OGI Surveys;
- b. All video footage for each OGI Survey, including, but not limited to, all video clips recorded or captured pursuant to Paragraphs 3, 5, and 6 of Section I of Appendix C; and
- c. Record of corrective actions.

9. Upload all required records in Paragraph 8 of this Section to an electronic folder provided by EPA. Respondent shall contact the enforcement officer identified in Paragraph 38 of Section F (Conditions of Settlement) to make arrangements to upload the required records.

II. Tank Pressure Monitoring

Respondent shall conduct tank pressure monitoring at the Facilities indicated in Appendix A in accordance with the following requirements:

1. Use manufacturer's recommendation to install, calibrate, maintain, and operate an electronic pressure monitor(s) at each tank system (collectively, "Tank Pressure Monitors").
2. Tank Pressure Monitors shall record data at least once every minute with a data transmission at least every hour to a central monitoring station.
3. Tank Pressure Monitors must be operated and function continuously except during instances of planned or unplanned maintenance or malfunction of the Tank Pressure Monitors. If a Tank Pressure Monitor is identified as malfunctioning, Respondent shall complete the repair within five (5) days. Respondent shall record all dates, locations, durations, and causes of Tank Pressure Monitor malfunctions.
4. After the Tank Pressure Monitors are installed pursuant to Paragraph 1 of this Section, Respondent shall evaluate calibration and optimize the Tank Pressure Monitors to ensure that the data produced by the Tank Pressure Monitors are accurate.
5. After the Tank Pressure Monitors are calibrated and optimized pursuant to Paragraph 4 of this Section, Respondent shall:
 - a. conduct an OGI Survey during a pressure test to determine the leak point of each tank system. During the pressure test, Respondent shall pressurize the tank system up to the highest point at which the pressure relief devices are not emitting ("leak point"). The leak point shall be no greater than the lowest set point of any pressure relief device; and
 - b. determine the trigger point, which must be at least two ounces per square inch below the lowest set point of any pressure relief device in the tank system and less than the leak point (e.g., if a tank is equipped with a thief hatch with a set point of 16 oz/in² and a pressure relief valve ("PRV") with a set point of 14 oz/in², the trigger point can be no greater than 12 oz/in²).
6. Respondent shall record all dates, locations, durations, and causes of each instance when a Tank Pressure Monitor records a measurement that exceeds the trigger point.
7. At any time after the completion of Paragraph 5 of this Section, if (a) any Tank Pressure Monitor records two (2) or more measurements in a 24-hour period that exceed the trigger point, or (b) a measurement exceeds the trigger point continuously for a duration of five (5) minutes or longer, such record shall require a site investigation using an OGI camera. Respondent shall complete, within seven (7) days of such record, the site investigation and all necessary corrective action. Each site investigation shall be documented with a record that includes the results of the site investigation, any observation of VOC emissions observed, and any corrective actions taken to address observations of VOC emissions or any instances of malfunction of the Tank Pressure Monitors.

8. The Facility must submit all records made pursuant to Paragraphs 3, 6, and 7 of this Section to EPA on a monthly basis within twenty-one (21) days of the end of each month. The Facility must upload the records to an electronic folder provided by EPA. Respondent shall contact the enforcement officer identified in Paragraph 38 of Section F (Conditions of Settlement) to make arrangements to upload the required records.

III. Combustion Control Device Monitoring

Respondent shall conduct combustion control device monitoring at the Facilities indicated in Appendix A, in accordance with the following requirements:

1. Use manufacturer's recommendations to install, calibrate, maintain, and operate, a thermocouple or equivalent device to detect the presence of a flame for each combustion control device at each Facility (collectively, "Pilot Monitors").
2. Pilot Monitors shall record data at least once every five (5) minutes and, whenever the monitor fails to detect the presence of a flame, the monitors shall transmit data reporting such event to a central monitoring station within one (1) hour.
3. Pilot Monitors must be operated and function continuously except during instances of planned or unplanned maintenance or malfunction of the Pilot Monitors. If a Pilot Monitor malfunctions, Respondent shall complete the repair or maintenance of the Pilot Monitor within five (5) days. Respondent shall record all dates, locations, durations, and causes of Pilot Monitor malfunctions.
4. Respondent shall record all dates, locations, durations and causes of each instance when the Pilot Monitor failed to detect the presence of a flame.
5. The Facility must submit all records made pursuant to Paragraphs 3 and 4 of this Section to EPA on a monthly basis within twenty-one (21) days of the end of each month. The Facility must upload the records to an electronic folder provided by EPA. Respondent shall contact the enforcement officer identified in Paragraph 38 of Section F (Conditions of Settlement) to make arrangements to upload the required records.

IV. Vapor Recovery Unit Monitoring.

Respondent shall conduct vapor recovery unit ("VRU") monitoring at the Facilities identified in Appendix A in accordance with the following requirements:

1. Use manufacturer's recommendations to install, calibrate, maintain, and operate a monitor that records the periods of time when the VRU is operating (collectively, "VRU Uptime Monitors") at each tank system that uses a VRU.
2. Each VRU Uptime Monitor shall continually monitor periods of VRU operation and record data at least once every fifteen (15) seconds and, every five (5) minutes, shall transmit records—one from each minute of the five minutes—to a central monitoring station.

The VRU Uptime Monitors must be operated and function continuously except during instances of planned or unplanned maintenance or malfunction of the VRU Uptime Monitors.

3. Within thirty (30) days of installing each VRU Uptime Monitor pursuant to Paragraph 1 above, Respondent shall record the date, time, location, and periods when the VRU is not operating.

4. The Facility must submit all records made pursuant to Paragraph 3 of this Section to EPA on a monthly basis within twenty-one (21) days of the end of each month. The Facility must upload the records to an electronic folder provided by EPA. Respondent shall contact the enforcement officer identified in Paragraph 38 of Section F (Conditions of Settlement) to make arrangements to upload the required records.

APPENDIX D

I. Letter Report Requirements

Respondent shall provide a Letter Report to EPA containing the following information for each Facility:

1. Explain the scope of the Facility Review, provide a summary of the Facility Review process, and explain any obstacles encountered.
2. State the period of time covered by the Facility Review and list the date(s) when any on-site portion of the Facility Review was conducted.
3. Identify the Facility Review team members, including names, titles, and summaries of qualifications.
4. Identify any representatives of EPA or Respondent who observed any portion of the Facility Review.
5. Include a copy of the results of the Engineering Assessment conducted pursuant to Section III of Appendix B. Include documentation of the condensate and gas samples used to perform process flow modeling, as well as the results of the process flow modeling, pursuant to Paragraph 2 of Section III of Appendix B and the results of quality assurance and quality control analyses conducted for the condensate and gas samples.
6. Include a written explanation of the instances of non-compliance noted during the Facility Review, and the areas of concern identified during the course of the Facility Review, regardless of whether they require corrective action or merit further review or evaluation for potential environmental or regulatory impacts.
7. A statement of whether Respondent is applying for, or will apply for, new or modified permits, repairing or replacing any equipment in accordance with the Facility Review.
8. A description of the following steps that Respondent has taken or will take:
 - a. A schedule for promptly addressing deficiencies identified in the Facility Review and Compliance Monitoring.
 - b. A list of new equipment and piping to be procured, including flares, combustors, vapor recovery units/towers, tank hatches, pressure relief valves, piping, and gaskets.
 - c. The repair, replacement, upgrading, and/or installation of equipment, including vapor recovery units/towers, flares, combustors, tank pressure relief valves, tank hatches and gaskets, and compressors.

d. The replacement of any piping, valves, flame arrestors, or other equipment that is inadequately sized for the flow of condensate and volume of emissions.

e. The addition, upgrading, or replacement of spill containment capability.

9. An estimation of the total emission reductions for specific actions taken or improvements made or planned to be made.

10. Confirmation that there are no unauthorized emissions during normal operations for newly installed equipment (e.g., conduct OGI Camera Surveys to detect and correct any visible emissions).

FILED

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REGIONAL HEARING CLERK
EPA REGION 6

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 6
DALLAS, TEXAS

IN THE MATTER OF:

Earthstone Operating, LLC
The Woodlands, Texas

RESPONDENT

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DOCKET NO. CAA-06-2025-3307

FINAL ORDER

Pursuant to Section 113(d) of the Clean Air Act, 42 U.S.C. § 7413(d), and the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, 40 C.F.R. Part 22, the attached Consent Agreement resolving this matter is incorporated by reference into this Final Order and is hereby ratified.

Earthstone Operating, LLC is ORDERED to comply with all terms of the Consent Agreement. In accordance with 40 C.F.R. §22.31(b), this Final Order shall become effective upon filing with the Regional Hearing Clerk.

Dated _____

Rucki,
Thomas

Thomas Rucki
Regional Judicial Officer
U.S. EPA, Region 6

Digitally signed by Rucki,
Thomas
Date: 2024.12.11
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Consent Agreement and Final Order was filed with the Regional Hearing Clerk, U.S. EPA - Region 6, 1201 Elm Street, Suite 500, Dallas, Texas 75270-2102, and that I sent a true and correct copy on this day in the following manner to the addressees:

Copy via Email to Complainant – Delivery Receipt Requested

Ezra.Feven@epa.gov

Copy via Email to Respondent – Delivery Receipt Requested

rob.montgomery@permianres.com
Rob Montgomery
300 N. Marienfeld St., Ste. 1000
Midland, TX 79701

Vaughn,
Lorena

Digitally signed by
Vaughn, Lorena
Date: 2024.12.11
11:02:27 -06'00'

Office of Regional Counsel
U.S. EPA, Region 6
Dallas, Texas