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DJR Operating, LLC
Docket No. CAA-06-2023-3337

REGIONAL HEARING CLERK
EPA REGION VI

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 6
DALLAS, TEXAS

IN THE MATTER OF:

DJR Operating, LLC
Aztec, New Mexico

DOCKET NO. CAA-06-2023-3337

RESPONDENT

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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. DJR Operating, LLC (“DJR” or “Respondent”) is a limited liability 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)(3)(A) of the Act, 42 U.S.C. § 7413 (a)(3)(A).

6. In 2022, EPA and the United States Department of Justice jointly determined that this matter, although it involves a penalty assessment above \$414,364 and 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. On July 11, 2022, EPA issued to Respondent a Notice of Potential Violation and Opportunity to Confer (the “NOPVOC”) and provided a copy of the NOPVOC to the State of New Mexico. In the NOPVOC, EPA provided notice to both Respondent and the State of New Mexico that EPA found Respondent committed the alleged violations of the federal New Source Performance Standards (“NSPS”) 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. Section 111 of the CAA, 42 U.S.C. § 7411, authorizes EPA to promulgate regulations establishing New Source Performance Standards (“NSPS”). Section 111(e) of the CAA, 42 U.S.C. § 7411(e), states that after the effective date of standards of performance promulgated under this Section, it shall be unlawful for any owner or operator of any new source to operate such source in violation of any standard of performance applicable to such source.

12. In 2012, pursuant to its authority under Section 111(b)(1)(B) of the Act, 42 U.S.C. § 7411(b)(1)(B), to review and, if appropriate, revise the NSPS, EPA published the final rule, “Standards of Performance for Crude Oil and Natural Gas Production, Transmission and Distribution,” found at 40 C.F.R. Part 60, Subpart OOOO (“Subpart OOOO”).

13. In 2016, EPA made amendments to the 2012 NSPS with respect to standards for storage vessels and other changes, which are found at 40 C.F.R. Part 60, Subpart OOOOa (“Subpart OOOOa”).

14. Affected facilities that commence construction, modification, or reconstruction after August 23, 2011, and on or before September 18, 2015, are subject to the standards of Subpart OOOO. 40 C.F.R. § 60.5360. Affected facilities that commence construction, modification, or reconstruction after September 18, 2015, are subject to the standards of Subpart OOOOa. 40 C.F.R. § 60.5360a.

15. Among the “affected facilities” subject to NSPS Subparts OOOO and OOOOa are “storage vessel affected facilities.” 40 C.F.R. §§ 60.5365(e), 60.5365a(e). NSPS Subparts OOOO and OOOOa specifies that a “storage vessel affected facility” is a single storage vessel with the potential for VOC emissions equal to or greater than six (6) tons per year (“tpy”). 40 C.F.R. §§ 60.5365(e), 60.5365a(e).

16. For storage vessels that commenced construction, reconstruction, or modification after August 23, 2011, and on or before September 18, 2015, NSPS Subpart OOOO requires that the potential for VOC emissions “be calculated using a generally accepted model or calculation methodology, based on the maximum average daily throughput determined for a 30-day period of production prior to the applicable emission determination deadline specified in” 40 C.F.R. § 60.5365(e). “The determination may take into account requirements under a legally and practically enforceable limit in an operating permit or other requirement established under a Federal, State, local, or tribal authority.” 40 C.F.R. § 60.5365(e).

17. For storage vessels that commenced construction, reconstruction, or modification after September 18, 2015, and on or before November 16, 2020, NSPS Subpart OOOOa requires that the potential for VOC emissions “be calculated using a generally accepted model or calculation methodology, based on the maximum average daily throughput (as defined in [40 C.F.R.] § 60.5430a) determined for a 30-day period prior to the applicable emission

determination deadline specified in” 40 C.F.R. § 60.5365a(e)(2)(i) and (ii). “The determination may take into account requirements under a legally and practicably enforceable limit in an operating permit or other requirement established under a Federal, state, local, or tribal authority.” 40 C.F.R. § 60.5365a(e)(1).

18. For storage vessels that commenced construction, reconstruction, or modification after November 16, 2020, NSPS Subpart OOOOa requires that the potential for VOC emissions be calculated for each individual storage vessel using a generally accepted model or calculation methodology, based on the maximum average daily throughput, as defined in 40 C.F.R. § 60.5430a, determined for a 30-day period of production, except as specified in 40 C.F.R. § 60.5365a(e)(3). “The determination may take into account requirements under a legally and practicably enforceable limit in an operating permit or other requirement established under a Federal, state, local, or tribal authority.” 40 C.F.R. § 60.5365a(e)(2).

19. NSPS Subparts OOOO and OOOOa requires owners and operators, at all times, to maintain and operate any affected facility, including associated air pollution control equipment, in a manner consistent with good air pollution control practice for minimizing emissions. 40 C.F.R. §§ 60.5370(b), 60.5370a(b).

20. NSPS Subparts OOOO and OOOOa requires each storage vessel affected facility, that uses a control device to reduce emissions from the facility, to connect the facility through a closed vent system and route emissions to a control device or to a process. 40 C.F.R. §§ 60.5395(e)(1), 60.5395a(b)(1).

21. NSPS Subpart OOOO requires that a closed vent system for a storage vessel affected facility using a control device or routing emissions to a process to meet the requirements of 40 C.F.R. § 60.5411(c). 40 C.F.R. § 60.5395(e)(1). 40 C.F.R. § 60.5411(c) requires that a

closed vent system for a storage vessel affected facility using a control device or routing emissions to a process, be designed, and operated with no detectable emissions, as determined using olfactory, visual, and auditory inspections. Each closed vent system that routes emissions to a process must be operational 95 percent of the year or greater.

22. NSPS Subpart OOOOa requires that a closed vent system for a storage vessel affected facility using a control device or routing emissions to a process to meet the requirements of 40 C.F.R. § 60.5411a(c) and (d). 40 C.F.R. § 60.5395a(b)(1). 40 C.F.R. § 60.5411a(c) requires that a closed vent system for a storage vessel affected facility using a control device or routing emissions to a process, be designed, and operated with no detectable emissions, as determined using olfactory, visual, and auditory inspections or optical gas imaging inspections as specified in 40 C.F.R. § 5416a(c).

D. FINDINGS OF FACT AND CONCLUSIONS OF LAW

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

24. 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), and 40 C.F.R. § 60.2.

25. At all times relevant to this proceeding, Respondent owned and/or operated units that emit Volatile Organic Compounds (“VOCs”) at the Facilities, which produce oil and gas.

26. The facilities in Appendix A (the “NOI Facilities”) are covered by the State of New Mexico’s Notice of Intent and Emissions Inventory Requirements program for oil and gas facilities, located at 20 N.M.A.C. 2.73.

27. The NOI Facilities contain single storage vessels in the oil and natural gas production segments with the potential for VOC emissions equal to or greater than six (6) tons per year (tpy) and certain Facilities were constructed after August 23, 2011, and on or before

September 18, 2015, while other Facilities were constructed after August 23, 2011. They are therefore subject to the requirements of NSPS Subpart OOOO and OOOOa, as listed in Appendix A.

28. EPA contracted helicopter flyovers of the Permian and San Juan Basins between August 25, 2020, and October 15, 2020, to assess energy extraction facility emissions using Optical Gas Imaging (“OGI”) technology.

29. Flyovers of the Facilities at issue in this CAFO were conducted on September 29 through October 1, 2020. Appendix A identifies EPA’s observations at each Facility.

30. On February 1, 2021, 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 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.

31. On February 22, 2021, 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.

32. On August 1, 2022, 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

33. 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. By allowing tanks at the NOI Facilities to directly release emissions to atmosphere, Respondent violated NSPS Subparts OOOO and OOOOa, 40 C.F.R. §§ 60.5370(b) and 60.5370a(b), which require the NOI Facilities to maintain and operate in a manner consistent with good air pollution control practice for minimizing emissions.

b. By allowing tanks at the NOI Facilities to directly release emissions to atmosphere, Respondent violated NSPS Subparts OOOO and OOOOa, 40 C.F.R. §§ 60.5395(e)(1) and 60.5395a(b)(1), which require the Facilities' control devices to reduce emissions from the NOI Facilities by connecting the NOI Facilities through a closed vent system and routing emissions to a control device or to a process.

c. Respondent violated NSPS Subpart OOOO, 40 C.F.R. §§ 60.5395(e)(1) and 60.5411(c), by failing to design and operate the closed vent systems of the NOI Facilities—which all use control devices or route emissions to process and operate as closed vent systems—with no detectable emissions, as determined using olfactory, visual, and auditory inspections, as required by 40 C.F.R. § 60.5411(c).

d. Respondent violated NSPS Subpart OOOOa, 40 C.F.R. §§ 60.5395a(b)(1) and 60.5411a(c), by failing to design and operate the closed vent systems of the NOI Facilities—which all use control devices or route emissions to process and operate as closed vent systems—with no detectable emissions, as determined using olfactory, visual and auditory inspections or optical gas imaging inspections as specified in 40 C.F.R. § 60.5416a(c), as required by 40 C.F.R. § 60.5411a(c).

F. CIVIL PENALTY AND CONDITIONS OF SETTLEMENT

a. General

34. 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 Action²;
- 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.

35. 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;

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.

² *Id.*

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;

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

36. 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 \$426,000 (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.

37. 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, U.S. Postal Service certified mail, or U.S. Postal Service express mail, payment should be remitted to:

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

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

U.S. Bank
Government Lockbox 979077
U.S. EPA Fines & Penalties
1005 Convention Plaza
SL-MO-C2-GL
St. Louis, MO 63101

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-06-2023-3337 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-06-2023-3337. 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:

Uma Lad
U.S. EPA Region 6
Lad.Uma@epa.gov

And

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

38. 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.

39. 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.

40. 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

41. Facility Review. Respondent shall perform the following facility review at each Facility identified in Appendix A:

a. Within sixty (60) 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 ninety (90) 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 41, Respondent shall complete an engineering assessment, in accordance with Section III of Appendix B.

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

a. Respondent shall conduct optical gas imaging (“OGI”) surveys at each Facility identified 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 year from the Effective Date of this CAFO. The initial OGI Survey shall be conducted within ninety (90) days of the Effective Date of this CAFO.

b. Within ninety (90) days of the Effective Date of this CAFO, Respondent shall install and operate equipment monitoring in accordance with Section II of Appendix C for a period of one year from the Effective Date of this CAFO.

43. 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:

Uma Lad

Lad.Uma@epa.gov

44. EPA reserves the right to pursue enforcement of any violations identified as a result of Paragraphs 41-43 (“Conditions of Settlement”).

d. Additional Terms of Settlement

45. Respondent agrees that the time period from the Effective Date of this CAFO until all the conditions specified in Paragraphs 41-43 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.

46. 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 45 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.

47. 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).

48. 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.

49. 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.

50. 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: RichSteinmetz.Lindsay@epa.gov

To Respondent: jaustin@djrlc.com
dbrown@djrlc.com

51. 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 39 of this CAFO, each party shall bear its own attorney's fees, costs, and disbursements incurred in this proceeding.

G. EFFECT OF CONSENT AGREEMENT AND FINAL ORDER

52. 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 above.

53. If Respondent fails to timely and satisfactorily complete every condition stated in Paragraphs 41 through 43 of this CAFO, then Complainant may compel Respondent to perform the conditions in Paragraphs 41 through 43, 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.

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

55. 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 41 through 43 of Section F is restitution, remediation, or required to come into compliance with the law.

56. 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.

57. 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.

58. Any violation of the included Final Order may result in a civil judicial action for an injunction or civil penalties of up to \$117,468 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.

59. 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.

60. 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

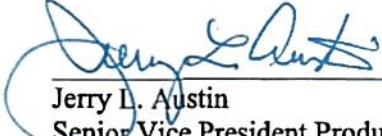
61. Respondent and Complainant agree to the issuance of the included Final Order.

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 DJR Operating, LLC, Docket No. CAA-06-2023-3337, is Hereby Stipulated, Agreed, and Approved for Entry.

FOR RESPONDENT:

Date: 8-23-23



Jerry L. Austin
Senior Vice President Production Operations
Aztec, New Mexico
DJR Operating, LLC

FOR COMPLAINANT:

Date: August 28, 2023



Digitally signed by
MARGARET OSBOURNE
Date: 2023.08.28 15:50:53
-05'00'

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

APPENDIX A: FACILITIES
DJR Operating, LLC
CAA-06-2023-3337

Site Identity	New Mexico AIRS Number	NOI Number	NSPS Applicability	Flyover Date	Flyover Video ID	EPA Team Observations of Flyover Video Capture
Gallo Canyon Unit 203H & 204H	35-043-0108	6150R2	OOOO	9/29/2020	1226	Pressure relief valve leak
Gallo Canyon Unit 207H & 208H	35-043-0107	6148R1	OOOO	9/29/2020	1227	Multiple pressure valve leaks
Lybrook M27-2306	35-043-8065	5336R5	OOOO	9/29/2020	1228	Multiple pressure valve leaks
Lybrook I32-2306	35-043-8058	5131R4	OOOO	9/29/2020	1229	Multiple pressure valve leaks
Lybrook M35-2308	30-045-1024	6033R2	OOOO	9/29/2020	1233	Multiple pressure valve leaks
Betonne Tsoisie Wash Unit A03-2208	35-045-1159	8519R1	OOOOa	9/29/2020	1234	Multiple pressure valve leaks
Escrito E26-2407	35-039-0203	5294R4	OOOOa	9/30/2020	1237	Pressure relief valve leak
Lybrook I02-2308	35-045-0546	5214R4	OOOO	9/30/2020	1240	Pressure relief valve leak
Betonne Tsoisie Wash Unit M11-2308	35-045-1153	8368R1	OOOO	9/30/2020	1242	Pressure relief valve leak
Crow Canyon Unit N19 2408	35-045-1155	8392R1	OOOO	9/30/2020	1249	Pressure relief valve leak
Nageezi Unit 219H, 220H, and 221H	35-045-1012	5932R4	OOOO	10/1/2020	1250	Pressure relief valve leak
Nageezi Unit 320H & 321H	35-045-1009	5920R1	OOOO	10/1/2020	1252	Pressure relief valve leak

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 identified in Appendix A, review current air 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, in order to evaluate and ascertain potential areas of noncompliance with applicable state and federal air quality regulations associated with equipment and process controls at the Facilities.

2. For all the Facilities identified in Appendix A, review operation and maintenance procedures for inspecting process equipment at each of the Facilities, and update the procedures, as necessary, to ensure that potential areas of noncompliance 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 or combustors, thief hatches, separators, heater treaters, tank batteries, compressors, well heads, 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 identified in Appendix A:

1. For all tanks
 - a. Inspect and evaluate oil and water storage tanks and associated hatches, valves, gaskets, and pressure relief devices to ensure there are no unauthorized emissions.
 - 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 combustion devices
 - a. Evaluate whether flares and combustion devices 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 combustion devices.
 - 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 for, and address, liquid leaks and staining at the well and production pad site, particularly near well heads, flares, combustion devices, 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 of air emissions that consists, at a minimum, of the following at each Facility identified in Appendix A:

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 applicable state and federal air quality regulatory requirements.
3. Evaluate whether all emissions sources, including process equipment fire tubes, gas aspirated generators, 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 for air emissions and determine whether Respondent should prepare air permit applications or revisions.
5. Evaluate whether flares and combustion devices 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 batteries.

APPENDIX C: COMPLIANCE MONITORING

I. OGI Survey

Respondent shall conduct an OGI camera survey (“OGI Survey”) at each Facility identified in Appendix A, 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/tower, 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. Confirm that the OGI camera produces a live IR image using a known emissions source, such as a butane lighter or a propane cylinder.

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 any visible emissions observed.

5. If a leak or defect is found, at a minimum capture a 10-second video clip of the leaking or defective component and keep the video clip with the rest of the OGI Survey documentation. The leaking or defective component must be tagged for repair, and the date, time, and location of the leak, and identification of the component associated with the leak or defect must be recorded in the survey log referenced in Paragraph 4 of this Section.

6. A leak or defect 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. All corrective actions must be verified using an OGI Survey. 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 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 of 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;
- c. Verification video for each monitoring day; and
- d. 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 43 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 identified in Appendix A in accordance with the following requirements:

1. Based on tank manufacturer's recommendation or good engineering practices, operate the automation transducer tied to Respondent's SCADA system to capture tank pressure at each tank system identified in Appendix A (collectively, "Tank Pressure Monitoring System").
2. Tank Pressure Monitoring System shall record data at least once every 60 seconds with a data transmission at least every hour to a central monitoring station.
3. Tank Pressure Monitoring System must be operated and function continuously except during instances of planned or unplanned maintenance or malfunction of the Tank Pressure Monitoring System. If a Tank Pressure Monitoring System 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. For the first 30 days after the Tank Pressure Monitors are operational, Respondent shall calibrate and optimize the Tank Pressure Monitors to assess and maximize their performance, reliability, and accuracy.

5. Within thirty (30) days after the Tank Pressure Monitors are operational, 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. At any time after thirty (30) days after the Tank Pressure Monitors are operational, Respondent shall conduct a site investigation using an OGI camera, if: (a) there are two 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. For the purposes of this Paragraph, "measurement" means a single data point that exceeds the trigger point, except that additional consecutive data points that exceed the trigger point will be considered a single measurement. Respondent shall record all dates, locations, durations, and causes of each instance when the Tank Pressure Monitor records a measurement that exceeds the trigger point. 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.

7. The Facility must submit all records made pursuant to Paragraph 6 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 43 of the 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:

1. Explain the scope of the Facility Review, provide a summary of the Facility Review process, and explain any obstacles encountered in completing the Facility Review.
2. State the period of time covered by the Facility Review and list the date(s) 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 written explanation of the instances of non-compliance with applicable state and federal air quality requirements 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.
6. A statement of whether Respondent is applying for, or will apply for, new or modified air permits, repairing or replacing any equipment in accordance with the Facility Review.
7. 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.
8. An estimation of the total emission reductions for specific actions taken or improvements made or planned to be made.

9. 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).

CERTIFICATE OF SERVICE

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

EMAIL - READ RECEIPT REQUESTED

jaustin@djrlc.com
dbrown@djrlc.com

LINDSAY RICH
STEINMETZ

Digitally signed by
LINDSAY RICH STEINMETZ
Date: 2023.09.01 12:31:19
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U.S. EPA, Region 6
Dallas, Texas