

GW - 004

H2S CONTINGENCY PLAN

Chavez, Carl J, EMNRD

From: Wrangham, Calvin W. [CalvinWrangham@targaresources.com]
Sent: Thursday, March 31, 2011 12:32 PM
To: Chavez, Carl J, EMNRD; Hudson, Matt
Cc: VonGonten, Glenn, EMNRD; Lowe, Leonard, EMNRD; Griswold, Jim, EMNRD
Subject: RE: GW-003 and GW-004 H2S CPs

Carl,
Targa is the operator of the Targa Eunice Plant (GW-005), Eunice North Compressor Station (GW-345), and South Eunice Compressor Station (GW-344). As you stated below these facilities are covered in an already submitted H2S CP.

The original GW Discharge plans for North CS (GW-004) and South CS (GW-003) were retained by Chevron to cover the environmental projects occurring at those two sites. New DP numbers were issued to Targa for the current operations, North CS (GW-345) and for South CS (GW-344).

As stated above the current operations at these facilities concerning H2S CP are covered by Targa's Plan referring to GW-005, GW-344 and 345.

Targa is in the process of adding a acid gas injection well at the Monument Plant (GW-025) and are in the process of renewing the H2S CP for that facility to cover the existing and new processes. The Buckeye Compressor Station (GW-029) is part of the Monument Plant gathering system so that facility will be included in the Monument H2S CP.

Targa also operates The Saunders Plant (GW-026) and are in the process of renewing the H2S CP for that facility. The Vada Compressor Station (GW-027) is part of the Saunders Plant gathering system so that facility will be included in the Saunders H2S CP.

Hope this helps clarify the plans and facilities covered.

Thanks, Cal.

From: Chavez, Carl J, EMNRD [<mailto:CarlJ.Chavez@state.nm.us>]
Sent: Thursday, March 31, 2011 12:08 PM
To: Hudson, Matt
Cc: Wrangham, Calvin W.; VonGonten, Glenn, EMNRD; Lowe, Leonard, EMNRD; Griswold, Jim, EMNRD
Subject: GW-003 and GW-004 H2S CPs

Matt:

Good morning. Subsequent to our meeting with Chevron USA, Inc. (Chevron) this morning regarding the above subject facilities, please find attached the letters that were mailed to you, but as you indicated, Chevron deals with just the environmental aspects of the facilities and Targa is the operator who would be responsible for any H2S CP. In addition, as we discussed, Targa has already submitted an H2S CP for the GW-005 Middle GP, which will cover all of the above subject facilities including possibly GWs-29 344 of Targa.

Please respond to this e-mail with any clarifications of Chevron's involvement with the H2S CP aspects at the facilities mentioned above. Please contact me if you have questions. Thank you.

Xc: OCD Online "GWs 3, 4, 29 and 344" at "H2S Contingency Plan" Thumbnail

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
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<http://www.emnrd.state.nm.us/ocd/environmental.htm#environmental>)

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Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, March 31, 2011 11:08 AM
To: 'Hudson, Matt'
Cc: 'Wrangham, Calvin W.'; VonGonten, Glenn, EMNRD; Lowe, Leonard, EMNRD; Griswold, Jim, EMNRD
Subject: GW-003 and GW-004 H2S CPs
Attachments: Chevron USA Final Mailed Letters 3-1-2011CJC.pdf

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OCD - ~~SP~~

Chevron USA, Inc. Mtg. 3/31/2011

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GLEN VON GONTEN	OCD		
Leonard Lowe	OCD		
Jim Griswold	"		



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph.D.
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



March 1, 2011

Mr. Matt Hudson
Project Manager
Chevron U.S.A. Inc.
11111 South Wilcrest
Houston, TX 77099

Dear Mr. Hudson:

Re: Eunice North Gas Plant (GW-004) Oil and Gas Facilities/Operations that may Vent and/or Flare H₂S Gas

The New Mexico Oil Conservation Division (OCD) is writing to operators of the above-referenced types of facilities or operations that may have New Mexico Environmental Department (NMED) - Air Quality Bureau (AQB) Oil and Gas type Permits. The purpose of this communication is to inform operators of such facilities regarding OCD Rules that may be applicable to gas plant operators and/or oil and gas facilities/operations in the hope that it provides some clarification regarding the applicability of these rules, and to ultimately increase overall compliance.

In New Mexico, the OCD Rules that pertain to Hydrogen Sulfide (H₂S) Gas are provided at § 19.15.11 et seq. NMAC (Hydrogen Sulfide Gas). The OCD Oil and Gas Rules that address "No-Flare" and the OCD Form C-129 process are provided at § 19.15.7.37 et seq. NMAC (Application for Exception to No-Flare). Gas plants have gas gathering pipelines with meters connected to operators who then either sell or vent casinghead gas into the gas gathering pipelines that feed into the plants. The OCD Rules that pertain to "Casinghead Gas" are provided at § 19.15.18.12 et seq. NMAC (Production Operating Practices).

This letter was precipitated by a recent event where a gas plant operator shut-in a "gas gathering pipeline." This "shutting-in" of the pipeline impacted approximately thirty individually-metered operators who may have continued operating instead of "shutting-in" their well(s). In spite of the fact that approximately thirty operators were impacted, the OCD observed that only one of those thirty operators contacted the OCD via Form C-129 as required under the OCD Rules to obtain approval of their application for an "exception to no-flare." (The operator initially had contacted the OCD to request approval to vent H₂S gas into the air rather than shut-in the well.) The OCD has serious public safety concerns when operators do not properly shut-in their wells when gas gathering pipelines and/or meters are shut-in, especially where the wells are near populated and/or agricultural areas due to the potential for loss of life from toxic gas.

In subsequent communications with gas plant operators who flare gas, the OCD discovered that the operators were under the impression that if their facility has an NMED- AQB Construction Permit which includes a provision to flare/emit gas, then this is all that is needed to operate in New Mexico. This is actually only partially

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Mr. Hudson
Chevron U.S.A. Inc.
March 1, 2011
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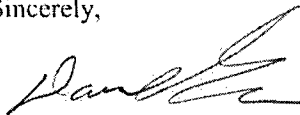
correct because operators are also required to comply with the requirements set out in the OCD Rules regarding flaring and venting. For example, in the situation where a gas plant operator has notified connected well operators of a gas-gathering pipeline shut-down, each of those well operators is required to shut-in its well(s) or to obtain OCD District Supervisor approval to flare via an OCD C-129 Form. Operators who do not comply are illegally venting and/or flaring gas under OCD Rules.

In addition, gas plants and/or oil and gas operators may be required to satisfy OCD § 19.15.11 *et seq.* NMAC (Hydrogen Sulfide Gas) Contingency Plan requirements for facilities and wells in cases where 100 ppm or greater H₂S concentrations may impact public areas. OCD records indicate that Chevron U.S.A. Inc. does not currently have an H₂S Contingency Plan (CP) on file with the OCD. If you do not have an approved CP under § 19.15.11 *et seq.* NMAC (Hydrogen Sulfide Gas) for your gas plant yet, please submit your CP to the OCD Environmental Bureau in Santa Fe on or before August 11, 2011. *(The OCD notes that it is aware of some operators who have recently submitted CPs to the OCD that are currently under review. Please advise if this is the case for Chevron U.S.A. Inc.)*

The OCD recognizes that when multiple sets of Rules, Regulations and Statutes apply, it can sometimes be tricky to definitively determine which requirements apply, to whom and in what circumstances. Operators must, however, take all care to ensure that they are at all times operating in compliance with all applicable state, federal and/or local rules and regulations. In this instance, this means that operators are subject not only to the requirements imposed by the NMED-AQB permitting structure, but also to those set forth in the OCD Rules.

We hope that this communication has helped to clarify the issue regarding the applicability of the OCD Rules in these situations, regardless of the existence of a valid NMED-AQB permit. Please contact Carl Chavez of my staff at (505) 476-3490 if you have questions or need assistance with the CP. The OCD looks forward to bringing your facility into compliance with OCD Rules if it is not currently already in compliance. Thank you for your cooperation in this matter.

Sincerely,



Daniel Sanchez,
Compliance & Enforcement Manager

xc: Richard Goodyear, NMED- AQB
OCD Environmental Bureau
OCD District Offices



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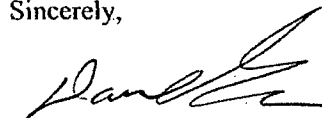
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