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For Immediate Release
December 18, 2009

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**Environment Department Reaches \$5.1 Million Settlement with Marathon Oil
over Alleged Air Emission Violations**

Agreement Includes Environmental Projects in Carlsbad Area

(Santa Fe, NM) – The New Mexico Environment Department reached a proposed settlement agreement with Marathon Oil Corp. for \$5.1 million in environmental projects and penalties to resolve alleged air quality violations at the company’s Indian Basin Gas Plant near Carlsbad.

The consent decree with the Houston, Texas-based company includes supplemental environmental projects totaling \$4.5 million: \$750,000 for Algae to Biofuels project in Carlsbad and \$3.75 million for the construction and maintenance of new pollution controls at the plant, designed to reduce sulfur dioxide emissions. In addition, Marathon will pay the state a civil penalty of \$610,560.

“We worked out a fair settlement with Marathon that improves the operation of the plant and protects local air quality,” said New Mexico Environment Department Secretary Ron Curry. “We stood firm in our desire to provide environmental projects through the settlement that will benefit the environment and economy of the region near the plant.”

As part of the decree, Marathon will also install a new smokeless flare at the gas plant, and it will install a vapor recovery system to capture emissions of volatile organic compounds from its storage tanks. These measures are necessary to bring the plant into compliance with the permit and regulations, and are in addition to the new pollution controls mentioned above.

The settlement stems from a complaint the department filed in the First Judicial District Court in December 2008 in Santa Fe against Marathon alleging violations of the New Mexico Air Quality Act and Air Quality Regulations. The complaint, which included more than 4,000 air quality violations, included exceeding maximum allowable emission rates for sulfur dioxide, failing to monitor SO₂ emissions, failing to properly calibrate and adjust the SO₂ emission monitoring system, failure to comply with emission control requirements for tanks used to store volatile organic liquids, and failure to comply with various recordkeeping and reporting requirements.

The plant, which is 20 miles west of Carlsbad in Eddy County, is required by state law to adhere to strict air emission limits to protect air quality and the health of local citizens. The plant is also required to operate pollution control equipment including a Sulfur Recovery Unit, flares to burn off toxic gasses, and a Continuous Emission Monitoring System.

The suit alleged excess emission violations during at least 191 flaring events and more than 2,000 violations for failing to maintain proper calibration of required emission control equipment.

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