

## UNITED STATES ENVIRONMENTAL PROTECTION AGENCY REGION 8

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Ref: 8ARD-PM

Mr. Danny Powers Air Quality Program Manager Southern Ute Indian Tribe P.O. Box 737 Ignacio, Colorado 81137

Dear Mr. Powers:

On April 22, 2019, you transmitted a letter on behalf of the Southern Ute Indian Tribe's (the Tribe) Air Quality Program (AQP) to the U.S. Environmental Protection Agency (EPA) requesting the EPA's position on the AQP's preliminary determination that equipment at the Jaques Compressor Station owned by Red Cedar Gathering Company (Red Cedar) and Red Willow Production Company (Red Willow) should be considered to be under common control. This request concerns whether these two entities should be considered part of the same "major source" for the operating permit program under Title V of the Clean Air Act (CAA). The EPA commonly refers to these types of questions as "source determinations." As the AQP recognized in its April 22, 2019 letter, given that the Tribe's Title V program has been approved by the EPA, the AQP has the primary responsibility to make this determination based on its EPA-approved rules. This letter does not constitute a source determination by the EPA regarding Red Cedar or Red Willow. The EPA appreciates the AQP's thoughtful analysis to date and hopes the following information is helpful as the AQP makes its final permitting decision.

### **BACKGROUND**

The Jaques Compressor Station, located within the Southern Ute Indian Reservation, processes coal-bed methane gas from several wells to transmission pipeline specifications. The Jaques Compressor Station includes six compressor engines, two dehydrators, and multiple produced water storage tanks, tank heaters, and pump engines, all co-located at the Jaques Compressor Station site. Although this equipment was originally owned by a single company, following recent changes in ownership, equipment at the Jaques Compressor Station is currently owned and operated by two entities: Red Cedar owns and operates the gas compression and dehydration equipment, and Red Willow owns and operates the tanks, heaters and pump engines. Notably, 51% of Red Cedar is owned by the Tribe, while Red Willow is wholly-owned by the Tribe.

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<sup>&</sup>lt;sup>1</sup> Under the federal, state, and tribal rules governing the Title V permitting program, entities must be considered part of the same "major source" if they (1) belong to the same major industrial grouping (2-digit Standard Industrial Classification [SIC] code); (2) are located on one or more contiguous or adjacent properties; and (3) are under the control of the same person (or persons under common control). See 42 U.S.C. § 7661(2) (Title V statutory definition); 40 CFR §§ 70.2 and 71.2 (Title V regulations). The Tribe's Title V regulations mirror the EPA's regulations in relevant part. See Southern Ute Reservation Air Code § 1-103(38). Although the Tribe's request only solicits feedback in the context of a current Title V permit, similar principles would guide the EPA's analysis in the context of New Source Review (NSR) preconstruction permits issued under Title I of the CAA in determining whether these entities must be considered part of the same "stationary source." See 40 C.F.R. § §§ 52.21(b)(5) and (6), 51.165(a)(1)(i) and (ii), and 51.166(b)(5) and (6) (NSR regulations).

The AQP has historically treated all of the activities at the Jaques Compressor Station as a single major source for Title V purposes (the current permit is issued to Red Cedar). However, on August 23, 2018, Red Cedar applied for a permit revision to remove the emission units owned and operated by Red Willow from the Red Cedar Title V permit on the basis that they are not part of same major source. It is uncontested that all of the equipment at Jaques Compressor Station continues to be located on one or more contiguous or adjacent properties and shares the same 2-digit SIC code. Thus, determining whether these emission-generating activities should continue to be considered part of the same major source for Title V purposes depends on whether these activities are under the control of the same person (or persons under common control) in light of the recent changes in ownership described above.

After evaluating the relevant statutory and regulatory provisions, EPA guidance, and information submitted by Red Cedar, the AQP preliminarily determined that Red Cedar and Red Willow are "persons under common control" by virtue of the common ownership of the Tribe over both entities. In order to evaluate this, the AQP examined the ownership and management structures of Red Cedar and Red Willow, the details of which are outlined in the AQP's April 22, 2019 letter. In sum, the AQP determined that the Tribe, through its majority ownership interest in Red Cedar, could direct its representatives on the Red Cedar Management Committee (which constitute a majority of the committee) to vote on matters that could affect Red Cedar's compliance with its air quality permits. Similarly, the Tribe, through its ownership of Red Willow, could direct Red Willow's management to take actions relative to Red Willow's compliance with air quality permits. Based on the AQP's understanding of recent EPA guidance regarding common control, the AQP determined that this was sufficient to establish that Red Cedar and Red Willow are under the common control of the Tribe. The AQP explained that it understood that Red Cedar's and Red Willow's respective managers have been delegated authority over day-to-day decision-making but did not consider day-to-day operational control necessary to establish "common control" where there is common ownership.

Notwithstanding the Tribe's common ownership of both Red Cedar and Red Willow, Red Cedar claims that Red Cedar and Red Willow are not "persons under common control" because no true operational control exists between the facilities, different individuals control day-to-day operations and major decision-making, and the entities do not share the same officers or management committees. Red Cedar contends that "the highest level of control over air pollution-emitting activities that trigger permitting requirements and affect compliance with those requirements for Red Cedar and Red Willow occurs at the President and COO level of each company." Red Cedar argues that the management committees through which the Tribe has a more direct presence can only influence (but not control) the relevant activities at Red Cedar and Red Willow. Red Cedar acknowledges that the Tribe, through its management committees, could direct Red Cedar or Red Willow to take certain actions that could affect air permit compliance, but nonetheless asserts that any exercise of this hypothetical power could "potentially" run afoul of other constraints on the Tribe's authority relative to the Red Willow operations.<sup>2</sup>

The AQP's April 22, 2019 letter seeks the EPA's input on whether the AQP's interpretation of the relevant regulations and its understanding of the EPA's guidance is consistent with the EPA's interpretation and understanding. Specifically, the letter seeks the EPA's input on whether "common

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<sup>&</sup>lt;sup>2</sup> These other constraints on the Tribe's authority were not fully explained or supported by Red Cedar. Red Cedar also argues that neither Red Cedar nor Red Willow can dictate the relevant activities of the other entity. However, given that the issue here depends on whether Red Cedar and Red Willow are "persons under common control" by virtue of a third entity's (the Tribe) control over *both* Red Cedar and Red Willow, this argument is not determinative of whether this criterion is met and thus this letter does not address this argument.

control" should be interpreted to require practical day-to-day operational control (as Red Cedar suggests), or whether the EPA continues to follow its historical interpretation equating common ownership with common control.

### **DISCUSSION**

In the EPA's April 30, 2018, *Meadowbrook* Letter,<sup>3</sup> the EPA reevaluated its historical "multi-factor" approach to common control, revised its regulatory interpretation and articulated a revised policy for assessing questions of "control" or "common control" in the context of source determinations. *See Meadowbrook* Letter at 4–7. The EPA explained its intention to focus on "the power or authority of one entity to dictate decisions of the other that could affect the applicability of, or compliance with, relevant air pollution regulatory requirements." *Meadowbrook* Letter at 6. Notably, the EPA explained its view that control "includes only the power to dictate a particular outcome and does not include the mere ability to influence." *Id.*<sup>4</sup> The EPA further explained its view that this inquiry should focus on "whether the control exerted by one entity would determine whether a permitting requirement applies or does not apply to the other entity, or whether the control exerted by one entity would determine whether the other entity complies or does not comply with an existing permitting requirement." *Id.* at 8.

In the October 16, 2018, *Ameresco* Letter,<sup>5</sup> the EPA further clarified its view of the relationship between "control" over a certain activity and whether multiple entities should be considered "persons under common control." The EPA explained:

In EPA's view, the phrase "persons under common control" suggests that the entities themselves are controlled from a central, unified position, such as through parent-subsidiary or other forms of corporate management relationships. Permitting authorities could also consider entities that are separate in the sense that they lack a formal organizational link of this type, but where one entity nevertheless exerts enough control over a substantial portion of the other's relevant operations, to be "persons under common control" in certain situations. However, where the overlap of control is limited to only a small portion of each entity's otherwise separate operations, EPA does not believe such entities should themselves be considered "persons under common control" simply by virtue of this limited nexus.

Ameresco Letter at 6.

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<sup>&</sup>lt;sup>3</sup> Letter from William L. Wehrum, Assistant Administrator, Office of Air and Radiation, EPA, to the Honorable Patrick McDonnell, Secretary, Pennsylvania Department of Environmental Protection (April 30, 2018), *available at* https://www.epa.gov/sites/production/files/2018-05/documents/meadowbrook 2018.pdf (*Meadowbrook* Letter).

<sup>&</sup>lt;sup>4</sup> See also id. at 7 ("While distinguishing control from the ability to merely influence will necessarily be a fact-specific inquiry, the key difference is that EPA interprets 'control' to exist at the point where one entity's influence over another entity effectively removes the autonomy of the controlled entity to decide whether or how to pursue a particular course of action.").

<sup>&</sup>lt;sup>5</sup> Letter from Anna Marie Wood, Director, Air Quality Policy Division, Office of Air Quality Planning and Standards, EPA, to Ms. Gail Good, Director, Bureau of Air Management, Wisconsin Department of Natural Resources (October 16, 2018), available at <a href="https://www.epa.gov/sites/production/files/2018-10/documents/ameresco\_jcl\_letter.pdf">https://www.epa.gov/sites/production/files/2018-10/documents/ameresco\_jcl\_letter.pdf</a> (Ameresco Letter).

<sup>&</sup>lt;sup>6</sup> As explained in the Ameresco Letter, determining whether two entities are "persons under common control" is important, because if so, all the pollutant-emitting activities controlled by either entity would be "under the control of . . . persons under common control" and (provided the other two source determination criteria are met) would therefore be considered part of the same source. *See id.* at 6.

In sum, the *Meadowbrook* Letter explained the EPA's interpretation of the term "control" as reflecting something beyond influence and provided the EPA's policies regarding the considerations most relevant to a common control inquiry—focusing on compliance and applicability of permitting requirements. The *Ameresco* Letter further clarified the EPA's view of the interaction between an entity's "control" over an activity and determining whether multiple entities are themselves "persons under common control." Those two letters involved evaluation of case-specific factual circumstances different than those present here. Nonetheless, the principles the EPA articulated in these letters support the AQP's preliminary determination that Red Cedar and Red Willow are "persons under common control" by virtue of their common ownership by the Tribe.

The EPA has neither articulated nor intended to suggest that decision-making authority with respect to day-to-day operations is necessary to establish the requisite type or amount of "control." Rather, as explained in the *Meadowbrook* Letter, the ability to dictate any decision that could impact compliance with or the applicability of permitting requirements—including higher-level decisions removed from day-to-day operations—can be sufficient to establish the relevant type of "control."

As stated in the *Ameresco* Letter and consistent with longstanding EPA positions, the EPA considers common ownership by a parent company sufficient to establish that two wholly or majority-owned subsidiaries are "persons under common control" and thus meet that criterion for source determinations. Additionally, the EPA expects that common ownership inherently involves the parent company's ability to dictate, at a certain level, a substantial portion of the activities of its subsidiaries in a manner that could impact compliance with, or the applicability of, air permitting requirements. Thus, based on the principles outlined in the *Meadowbrook* and *Ameresco* letters, common ownership is a sufficient basis for determining that multiple entities are "persons under common control."

The EPA appreciates the AQP's efforts to explain the precise process by which the Tribe could, through its management committees, dictate (i.e., control) both Red Cedar's and Red Willow's actions in a way that could impact compliance or applicability of air permitting requirements. However, given that common ownership inherently involves a significant amount of control, the EPA thinks it would be reasonable for permitting authorities to rely on the existence of common ownership when determining entities are "persons under common control" rather than undertaking a more detailed analysis.<sup>7</sup>

Overall, the EPA considers the AQP's conclusions regarding Red Cedar and Red Willow, supported by its thoughtful analysis, to be reasonable and generally consistent with the EPA's current interpretations and policies concerning "common control." Given that all pollutant-emitting activities at the Jaques Compressor Station share the same 2-digit SIC code and are on one or more contiguous or adjacent properties, the EPA considers it reasonable for the AQP to continue treating all of Red Cedar's and Red Willow's operations as a single major source for Title V purposes.

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<sup>&</sup>lt;sup>7</sup> The EPA understands that the *Meadowbrook* letter said that "the focus is not on *how* control is established (through ownership, contract, or otherwise), but on *whether* control is established," *Meadowbrook* Letter at 7. However, it was not the EPA's intention in the *Meadowbrook* letter to suggest that permitting authorities should engage in this analysis even in cases of common ownership.

This response was coordinated with the EPA's Office of Regional Counsel, Office of General Counsel and Office of Air Quality Planning and Standards. If you have any additional questions please contact Patrick Wauters, of my staff, at 303-312-6114 or wauters.patrick@epa.gov.

Sincerely,

7/23/2019

X Carl Daly

Signed by: CARL DALY

Carl Daly Acting Director Air and Radiation Division



## SOUTHERN UTE INDIAN TRIBE

April 22, 2019

Delivered via email: morales.monica@epa.gov

Monica S. Morales
Director, Air Program (8P-AR)
U.S. Environmental Protection Agency – Region 8
1595 Wynkoop Street
Denver, Colorado 80202-1129

Re: Request for Review and Comment on Jaques Compressor Station "Common Control" Determination

Dear Ms. Morales:

On behalf of the Southern Ute Indian Tribe's Air Quality Program, which administers the Clean Air Act's Title V Operating Permit Program on the Southern Ute Indian Reservation ("Reservation"), I am writing to respectfully request your review and comment on our preliminary "common control" determination for the Jaques Compressor Station.

As further explained below, the Tribe's Air Quality Program (a program within the Tribe's Environment Programs Division, to which the Southern Ute Indian Tribal Council has delegated authority to administer the Title V Operating Permit Program on the Tribe's behalf), is considering whether it should continue to collectively permit as a single source certain produced water storage tanks, their associated heaters, and two small pump engines with other emission units at the Jaques Compressor Station. The permittee, Red Cedar Gathering Company ("Red Cedar"), has submitted an application for an administrative permit revision to remove the tanks, heaters, and two small pump engines from the facility's Title V permit because the tanks, heaters and two small pump engines are separately owned by another company (i.e., the Southern Ute Indian Tribe doing business as Red Willow Production Company ("Red Willow")).

We have researched and carefully considered EPA's "common control" letters and memoranda in an attempt to understand and correctly apply EPA's source determination principles, in particular EPA's "common control" determination principles. We have also requested and received detailed factual information from the permittee.

In making a preliminary source determination, we have evaluated the information received from the permittee and analyzed the complicated ownership structure and operational control structure of Red Cedar and Red Willow. Before finalizing our determination, we respectfully request your review and comment.

## I. Background

## A. Jaques Compressor Station location and process summary

The Jaques Compressor Station is located in the south-central part of the Reservation on non-Indian owned fee land. The facility includes six compressor engines and two dehydrators that compress and dehydrate coal-bed methane gas from several wells to transmission pipeline specifications. Among other insignificant emission units are ten produced water storage tanks (grouped as one insignificant emission unit ("IEU")), twelve tank heaters (grouped as one IEU), and two pump engines (classified as two separate IEUs) that are associated with and used in connection with certain production wells. These tanks, heaters, and pump engines are collocated with the other emission units at the Jaques Compressor Station and all of the emission units at the Jaques Compressor Station share the same two-digit SIC code. As explained in Red Cedar's response to our additional information request (see Attachment 3), Red Cedar's gas compression and dehydration equipment (i.e., gas gathering system) is interconnected with Red Willow's produced water system (i.e., tanks, heaters, and pump engines) at the Station. Under a contract between the parties, Red Cedar's inlet separators are connected to Red Willow's storage tanks so Red Cedar can dispose of water separated from its gas stream. Additionally, Red Cedar provides fuel gas to power Red Willow's produced water system. See Attachment 3, together with attached simplified process flow diagrams.

## B. Ownership and permitting history

On information or belief, Samson Resources Company ("Samson") built the Jaques Compressor Station in 2005. Samson commenced operation in 2006 and EPA issued an initial Title V operating permit for the facility in 2007. In 2011, Samson applied for and obtained a synthetic minor source permit for the facility from EPA. The Tribe replaced EPA's Part 71 permit with a tribal-issued Part 70 permit in 2015.<sup>1</sup>

In November 2016, after Samson filed for bankruptcy, the Southern Ute Indian Tribe, doing business as Red Willow Production Company, acquired Samson's assets located on or near the Reservation. Red Willow's bid for Samson's assets was authorized by the Southern Ute Indian Tribal Council. The acquisition included the Jaques Compressor Station. The U.S. Bankruptcy Court for the District of Delaware approved the transaction and authorized Red Willow to allocate the acquired assets among Red Willow's affiliates. Upon acquiring Samson's on-Reservation assets, Red Willow entered an agreement with Red Cedar under which Red Cedar would operate the gas gathering and processing facilities Red Willow had acquired from Samson, including the gas gathering system at the Jaques Compressor Station. On January 9, 2017, we approved an administrative permit revision reflecting the change of ownership from Samson to Red Willow and reflecting the designation of Red Cedar as the facility's operator.

<sup>&</sup>lt;sup>1</sup> In 2012, EPA delegated authority to the Southern Ute Indian Tribe to administer the Clean Air Act's Title V operating permit program on the Southern Ute Indian Reservation. 77 Fed Reg. 15267 (March 15, 2012). EPA has also delegated authority to the Tribe to implement and enforce certain federal National Emissions Standards for Hazardous Air Pollutants and New Source Performance Standards that apply to the oil and gas industry and are intended to reduce hazardous air pollutant emissions and criteria air pollutant emissions, respectively. 78 Fed. Reg. 40635 (July 8, 2013).

In October 2017, Red Willow sold the Jaques Compressor Station (and other gas gathering pipelines, compressor stations, and processing facilities Red Willow acquired from Samson) to Red Cedar. Upon recommendation by the Tribe's Growth Fund Management Committee, the Southern Ute Indian Tribal Council authorized Red Willow to sell the assets. Importantly, at the Jaques Compressor Station, Red Willow retained ownership of the equipment needed for Red Willow's gas production activities including ten produced water tanks with twelve associated heaters and two small pump engines (<50hp). In our Part 70 operating permit for the Jaques Compressor Station, the two small pump engines retained by Red Willow are subject to the 40 CFR Part 63, Subpart ZZZZ, National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines. The tanks and heaters are subject to no permit requirements.

## C. Red Cedar's 2019 application for an administrative permit revision

On August 23, 2018, Red Cedar submitted an application for an administrative permit revision, requesting removal of Red Willow's tanks, heaters, and pump engines from Red Cedar's Title V Permit for the Jaques Compressor Station. The basis for Red Cedar's request was that Red Cedar does not, and has not ever, owned or operated the tanks, heaters, and pump engines.

As an initial response, we sought and received confirmation that Red Cedar included the potential emissions from the tanks, heaters, and pump engines in its initial permit application for the Jaques Compressor Station. Suspecting the Jaques Compressor Station might satisfy the three-part test for a single source determination, we asked Red Cedar to explain why we should not continue to consider the station as one major source. On October 8, 2018, Red Cedar responded to our request. *See* Attachment 1. Red Cedar agreed the emission-emitting activities at the facility meet the collocation and same major industrial grouping criteria for single source determinations but asserted that Red Cedar and Red Willow are not under common control.

Subsequently, we requested additional information from Red Cedar. In mid-December 2018, we met with Red Cedar to discuss our additional information request, Red Cedar's assertion of a claim of confidentiality, and to preliminarily review some of the documents that Red Cedar felt were responsive to our request. We received more information and documents on February 11, 2019. *See* Attachment 2.

# II. Summary of Red Cedar's position – no common control because, notwithstanding common ownership by the Tribe, Red Cedar and Red Willow are separately managed

Red Cedar contends that collocated at the Jaques Compressor Station are two separate facilities – one owned and operated by Red Cedar (for gas dehydration and compression purposes) and one owned and operated by Red Willow (for gas production purposes, including producing and disposing of water coming from wells served by the Jaques Compressor Station). Even though the entities are related, with the Southern Ute Indian Tribe owning 51% of Red Cedar and Red Willow being a wholly owned division of the Tribe, no true operational control exists between the two facilities because the entities have separate management structures. According to Red Cedar, different individuals control day-to-day operations, the entities do not

share the same officers or management committees, and major decision-making for the facilities is by different individuals.

## III. The three-part test for source determinations

The Southern Ute Indian Tribe/State of Colorado Environmental Commission's ("Environmental Commission") Reservation Air Code ("RAC"), in the establishment of the Title V program for the Reservation, incorporates EPA's definition of "major source" found at 40 C.F.R. § 70.2. The Environmental Commission restates this definition in § 1-103(38), RAC, defining "major source," in relevant part, as any stationary source or any group of stationary sources that is:

located on one or more contiguous or adjacent properties, and is under control of the same person (or persons under common control) belonging to a single, major industrial grouping. . . . For purposes of this definition, a stationary source or group of stationary sources shall be considered part of a single industrial grouping if all of the pollutant emitting activities at such source or group of sources on contiguous or adjacent properties belong to the same Major Group (i.e., all have the same two-digit code) as described in the Standard Industrial Classification Manual, 1987.

Under the three-part test established in federal and Environmental Commission regulations, to be considered a single stationary source on the Reservation, the pollutant-emitting activities in question must be:

- 1. located on one or more contiguous or adjacent properties;
- 2. under the control of the same person (or persons under common control); and
- 3. in the same industrial grouping as described by their two-digit SIC code.

All three of these conditions must be met for otherwise separate emission units to be considered part of the same stationary source for Title V purposes under both EPA and Environmental Commission regulations. *Compare* 40 C.F.R. §§ 70.2, 71.2 *with* § 1-103(38), RAC (definitions of major source for Title V purposes). Correspondingly, if any one of the three conditions of the test is not met, the emission units are, by definition, not part of the same stationary source.

In addition to the three source determination criteria in the federal regulations, EPA has adopted the limits placed upon its ability to aggregate pollutant-emitting activities established by the court in *Alabama Power v. Costle*, 636 F.2d 323 (D.C. Cir. 1979), including that the source must approximate a "common sense notion of a plant." Letter from William L. Wehrum, Asst. Administrator U.S. EPA, to Patrick McDonnell, Secretary, Penn. Dept. of Env. Protection, Attachment p. 3, (April 30, 2018) (referencing EPA's intention for *Alabama Power's* "common sense notion of a plant requirement" to apply to Title V permitting).

## IV. The common control element of the three-part test

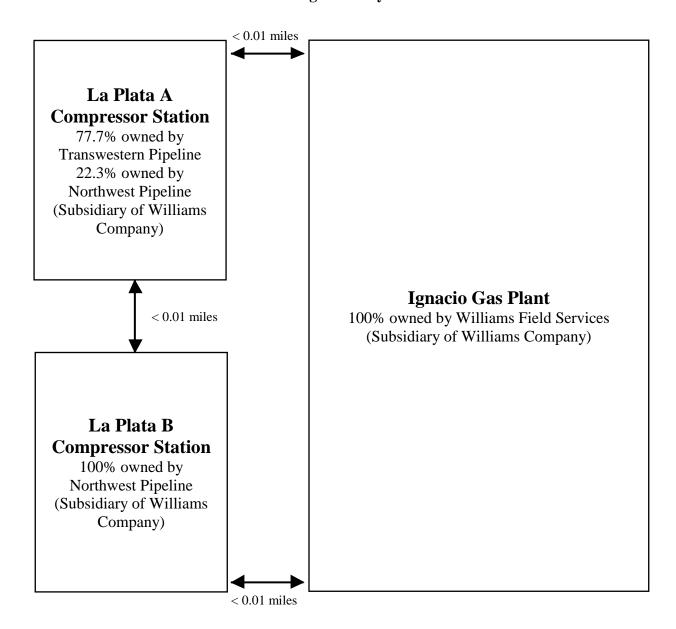
## A. Under EPA's historic common control guidance letters and memoranda, common ownership has always constituted common control

Over the years, EPA has issued letters and memoranda in order to provide regional EPA administrators and state permitting authorities with guidance in applying source determination criteria to designate stationary sources. Regarding the "common control" criteria, EPA has long recognized that common ownership equals common control. See e.g., Memorandum from Edward Reich, Director, Division of Stationary Source Enforcement, U.S. EPA, to Diana Dutton, Director, Enforcement Division, U.S. EPA Region 6 (March 16, 1979) (found at https://www.epa.gov/sites/production/files/2015-07/documents/def\_srce.pdf) (determining a company owning as much as 50% voting interest in an entity should be considered to control the entity); Memorandum from Edward Reich, Director, Division of Stationary Source Enforcement, U.S. EPA, to Allyn M. Davis, Director, Air & Hazardous Materials Division, U.S. EPA Region 6 (July 17, 1980) (found at https://www.epa.gov/sites/production/files/2015-07/documents/texuss.pdf) (discussing control common in a partnership and concluding a partner's co-management and veto power gives it control). The concept that common ownership equals common control continued as the most obvious example of common control when EPA broadened the definition of common control to include indirect control (e.g., other evidence of control such as common workforces, equipment sharing, contractual arrangements, and interdependency). See e.g., Letter from William A. Spratlin, Director, Air, RCRA, and Toxics Division, U.S. EPA Region 7, to Peter R. Hamlin, Chief, Air Quality Bureau, Iowa Department of Natural Resources (Sept. 18, 1995) (found at https://www.epa.gov/sites/production/files/2015-07/documents/control.pdf) (stating "[o]bviously, common ownership constitutes common control"); see also Letter from Judith M. Katz, Director, Air Protection Division, U.S. EPA Region 3 to Gary E. Graham, Environmental Engineer, Virginia Department of Environmental Quality (May 1, 2002) (separate source determination, in part, because there was no indication of common ownership).

## B. Region 8 determinations for sources on the Reservation equate common ownership with common control

The principle that common ownership equals common control has been cited by EPA – Region 8 in Reservation source determinations. In August 1999, EPA Region 8 evaluated whether Transwestern Pipeline Company's La Plata A compressor station should be considered under common control with and a part of Northwest Pipeline Corporation's La Plata B compressor station and Williams Field Services' Ignacio gas processing plant, all of which are co-located (i.e., adjacent). Region 8 found that (1) Northwest Pipeline Corporation (the owner of La Plata B compressor station) and Williams Field Services (owner of the Ignacio gas plant) were both owned by the same parent company, Williams Company. Because Northwest Pipeline Corporation was part owner (22.3%) in the La Plata A station, Region 8 concluded that the three facilities were under common control of the same person (or persons under common control). Below is a figure illustrating the ownership structure considered by Region 8 in 1999 as establishing common control:

## Permitting authority: EPA



EPA Region 8 again considered the term "common control" in August 2000 when determining whether Red Cedar Gathering Company's Diamondback and Sidewinder Compressor Stations should be aggregated together as a single source. Red Cedar asserted the facilities were not under common control, despite Red Cedar's ownership of both facilities, "because the flow of natural gas to each source is controlled by separate entities [i.e., separate wells that are operated by different companies], neither of which is the owner." Dennis Myers (who, on information and belief, was an EPA Region 8 employee at the time) concluded "[c]ommon ownership equates to common control, and since the same company owns both sources they are under common control [and should be viewed as a single source]." *See* Email from Dennis Myers, EPA Region 8, to Callie Videtich, EPA Region 8 (Aug. 31, 2000).

## C. Under EPA's reinterpretation of "common control," it appears common ownership still equals common control

## (1) The Meadowbrook Letter

On April 30, 2018, EPA published a letter reevaluating and revising its interpretation of the meaning of the "common control" criteria for source determinations. Letter from William L. Wehrum, Asst. Administrator U.S. EPA, to Patrick McDonnell, Secretary, Penn. Dept. of Env. Protection (April 30, 2018) ("Meadowbrook Letter"). The Meadowbrook Letter was in response to a request by the Pennsylvania Department of Environmental Protection for assistance in determining whether a biogas facility owned by Meadowbrook Energy, LLC (Meadowbrook) should be aggregated with an existing landfill owned by Keystone Sanitary Landfill Inc. (KSL) for air quality permitting purposes. The Meadowbrook Letter notes EPA's historical practice of making common control determinations on a case-by-case basis. Further, EPA stated its previous interpretation of "common control," equating a support or dependency relationship with common control, might support the permitting authority viewing Meadowbrook and KSL facilities as a single source. According to EPA, however, because the two sources would be owned by separate entities, and each entity would lack direct control of the other, there was no "common control" of the sources. EPA emphasized that its "narrower interpretation" of common control, focusing on "the power or authority of one entity to dictate decisions of the other that could affect the applicability of, or compliance with, relevant air pollution regulatory requirements," will promote clarity, consistency and more practical outcomes in source determinations.

## (2) The Wisconsin Letter

In its first post-Meadowbrook Letter interpretive letter, EPA further clarified the scope of "common control." Importantly, in this letter, EPA affirmed that two otherwise separate entities that are controlled from a central, unified position, such as through a parent-subsidiary relationship, are "under common control." Letter from Anna Marie Wood, Director, Air Quality Policy Division, Office of Air Quality Planning and Standards, EPA, to Gail Good, Director, Bureau of Air Management, Wisconsin Department of Natural Resources (October 16, 2018) ("Wisconsin Letter"). In its Wisconsin Letter, EPA considered a source determination for a landfill (owned by "JCL") and a collocated electrical generating station (owned by "Ameresco"). In this letter, EPA explained the difference between two separate aspects of the "common control" regulatory language – "under the control of the same person" and "persons under common control." The second part of the regulatory test for common control, EPA explains, is "whether multiple persons [i.e., entities] are *themselves* "under common control." Wisconsin Letter p. 5. "In EPA's view, the phrase 'persons under common control' suggests that the entities themselves are controlled from a central, unified position, such as through parent-subsidiary or other forms of corporate management relationships." Wisconsin Letter p. 6.

EPA concluded that JCL and Ameresco were not entities under common control. Rather, EPA found that one emission-emitting activity (i.e., landfill gas treatment) was arguably controlled by both otherwise separate entities. When an activity is controlled by otherwise separate entities, EPA advised that, rather than considering the activity part of multiple stationary sources, it is probably more appropriate for permitting authorities to determine that only one entity "controls" the shared activity. Furthermore, the permitting authority could reasonably

allocate the activity for source determination purposes, to the entity with regulatory responsibility for the activity.

## (3) Region 8's North Dakota Letter

In a November 14, 2018 letter, EPA – Region 8 advised the North Dakota Department of Health ("NDDH") on whether a coal-fired power plant and a lignite coal mine should be considered under "common control." Letter from Monica Mathews-Morales, Director, Air Program, Office of Partnerships and Regulatory Assistance, U.S. EPA Region 8, to Terry O'Clair, Director, Division of Air Quality, North Dakota Department of Health (Nov. 14, 2018). In this letter, EPA recommended NDDH carefully consider if a lignite sales agreement between the parties (under which the power plant owner has authority to disapprove and modify the mine owner's mining plans and capital expenditures) could impact the applicability of air pollution control regulations to the mine or cause the mine not to comply with existing permitting obligations.

# V. Our preliminary analysis – determining whether the emission-emitting activities at the Jaques Compressor Station are owned or controlled by entities under common control.

Our determination depends in large part on the breadth of "common control" under EPA's reinterpretation. We understand that, in its recent reinterpretation, EPA narrowed the approach permitting authorities should follow in making source determinations. As we read and synthesize EPA's historical precedents and recent reinterpretation, we understand that:

- Our focus should be on whether one entity has the power or authority to dictate a specific outcome to the other entity, not just the ability to influence. The question is not how control is established (e.g., it could be by ownership, organizational structure, or contractually), but whether control exists.
- Our focus should be restricted to matters concerning air pollution and the ability to comply with permitting or compliance requirements.
- Interdependency does not always equate to common control.
- To constitute a single source, the facility must approximate a common-sense notion of a plant.

Accordingly, our foremost consideration has been whether either Red Cedar and Red Willow has the power or authority to dictate actions to the other entity related to air quality permitting or compliance requirements. Our analysis has focused on the identity of the owners of each entity and their ownership and management structures.

What we have found is that Red Cedar and Red Willow are separately managed business entities that are under the common ownership control of the Southern Ute Indian Tribe:

## **Red Cedar findings:**

(1) Ownership structure: Red Cedar is a joint venture between the Southern Ute Indian Tribe (51%) and Kinder Morgan Operating L.P. "A" ("Kinder Morgan")

(49%). The Tribe accounts for and treats its ownership interest in Red Cedar as a component of the Southern Ute Indian Tribe Growth Fund, the Tribe's business diversification division.

- Agreement, Red Cedar is managed by a seven-member Red Cedar Management Committee, four members of which are appointed by the Tribe, and three members of which are appointed by Kinder Morgan. Under the Joint Venture Agreement, "[a]ll determinations, decisions, approvals, and actions affecting Red Cedar and its business and affairs shall be determined, made, approved, or authorized by the Management Committee." Decisions are made by a majority vote of the Management Committee. The Red Cedar Management Committee, in turn, has hired a company president who serves as the chief operating officer of Red Cedar and who, subject to the Management Committee's control, is responsible for the management of the day-to-day business of Red Cedar.
- (3) <u>Primary business operations</u>: Red Cedar is engaged in the business of gathering and treating natural gas within the boundaries of the Reservation and transporting the treated gas to interstate pipelines on or near the Reservation.
- Authority for establishing air pollution control compliance policies and day-to-day decisions regarding compliance with permitting and regulatory requirements: The Red Cedar Management Committee is empowered, under the Red Cedar Joint Venture Agreement, to establish policies including environmental compliance policies. The President and COO has the delegated authority (from the Red Cedar Management Committee) to make day-to-day decisions about Red Cedar's compliance with air pollution control permitting and compliance requirements.
- (5) <u>Budget</u>. The Southern Ute Indian Tribe Growth Fund provides input into Red Cedar's budget (including Red Cedar's capital budget) through the Tribe's appointed representatives on the Red Cedar Management Committee. The Tribe's Growth Fund Management Committee approves the Red Cedar budget on behalf of the Tribe, and Kinder Morgan approves the Red Cedar budget on behalf of Kinder Morgan.

## **Red Willow findings:**

- (1) <u>Ownership structure</u>: Red Willow Production Company is owned entirely by the Tribe and is a division of the Tribe.
- (2) <u>Management structure</u>: The Southern Ute Indian Tribal Council retains ultimate decision-making authority over Red Willow but has delegated certain decision-making authority over Red Willow to the Growth Fund Operating Director Energy and to the president and COO of Red Willow, subject to review by the Tribe's Growth Fund Management Committee. All of the members of the Growth Fund Management Committee are appointed by the Southern Ute Indian Tribal Council.
- (3) <u>Primary business operations</u>: Red Willow is engaged in the business of oil and gas exploration and development operations, including drilling, producing

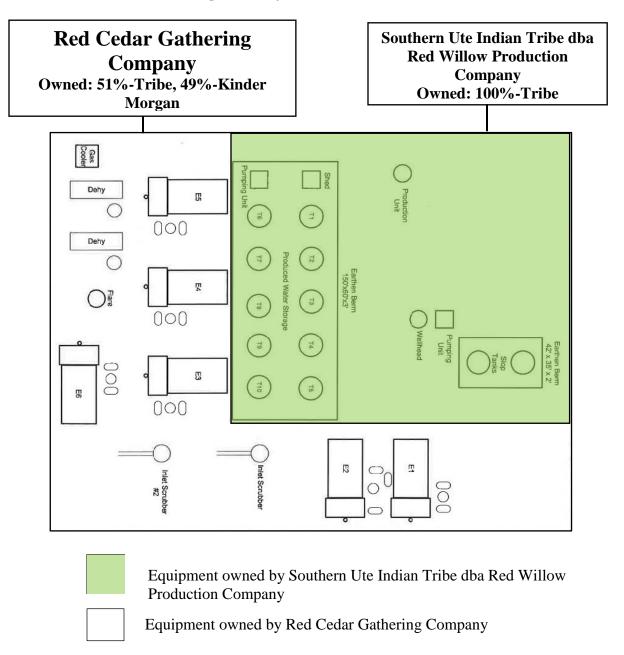
and disposing of associated water, and producing and selling natural gas from lands within the Southern Ute Indian Reservation.

- (4) <u>Authority for establishing air pollution control compliance policies and day-to-day decisions regarding compliance with permitting and regulatory requirements</u>: On information and belief, the Growth Fund Management Committee is empowered by the Southern Ute Indian Tribal Council to establish policies including environmental compliance policies. Red Willow's President and COO has the delegated authority to make day-to-day decisions about Red Willow's compliance with air pollution control permitting and compliance requirements.
- (5) <u>Budget</u>. On information and belief, Red Willow's President and COO prepares Red Willow's annual budget which is subject to approval by the Growth Fund Management Committee.

## Jaques Compressor Station illustration:

Based on information obtained from Red Cedar and information we obtained independently, below is an illustration of the Jaques Compressor Station:

## **Permitting authority: Southern Ute Indian Tribe**



Unless separate management structures within commonly-owned entities is sufficient to avoid a common control designation between two emission-emitting activities, we have preliminarily determined that the Jacques Compressor Station is a single source. We do not read EPA's interpretive letters, including its recent reinterpretation of "common control," as endorsing owners subdividing entity management structures to show separation between two operations that are under common ownership control. In its Wisconsin Letter discussion of "entities under common control," EPA makes that point.

Applying EPA's guidance from the Wisconsin Letter, we believe Red Cedar has focused its analysis on the first aspect of the common control regulatory text (i.e., whether the pollutant-

emitting activities are under the control of the same person) and neglected the second aspect (i.e., whether entities that are under common control, control an activity). It is undisputed that the Southern Ute Indian Tribe is the 100% owner of Red Willow and the 51% owner of Red Cedar. As the majority owner of the venture, the Tribe holds voting control over Red Cedar's operations. For example, as conceded by Red Cedar, notwithstanding its delegation of authority for day-to-day decision-making, the Tribal Council could order Red Willow's management to take actions relative to Red Willow's compliance with air quality permits. Likewise, the Tribal Council could direct its representatives on the Red Cedar Management Committee to vote on matters that could affect Red Cedar's compliance with its air quality permits. In our view, the Tribe's majority ownership rights in Red Cedar, that can be exercised through its appointees to the Red Cedar Management Committee, give it a measure of control over Red Cedar that we can reasonably characterize as common control for Title V permitting purposes. The entities, therefore, are under the common control of the Southern Ute Indian Tribe and together they control the pollutant-emitting activities at the Jaques Compressor Station.

We are mindful of the Meadowbrook Letter's direction that we should focus on whether one entity can expressly or effectively force another entity to take a specific air quality action, which the other entity cannot avoid through its own independent decision-making. Importantly, however, the owner of the landfill and the owner of the biogas facility discussed in the Meadowbrook letter are unaffiliated. The landfill and the biogas facility are owned by separate entities. We construe EPA's Wisconsin Letter as affirming the continued applicability of EPA's historic interpretation equating common ownership with common control. If we are misconstruing EPA's interpretation in that regard, please let us know.

We understand Red Cedar's perspective and its concern about compliance liability for the Red Willow-owned tanks, heaters, and pump engines at the Jaques Compressor Station. The lack of operational control along with potential liability for Red Willow's operations creates a very tenuous situation for Red Cedar. In recognition of Red Cedar's concern about the air Quality Program potentially holding Red Cedar responsible for violations associated with the Red Willow-owned tanks, the Air Quality Program is inclined to offer to issue two permits for the one facility.

After analyzing Red Cedar's application in light of EPA's "common control" reinterpretation, we have preliminarily determined that it is appropriate to deny Red Cedar's administrative permit revision based on our determination that the pollutant-emitted activities at the Jaques Compressor Station meet the three single-source criteria, including that the activities are owned by entities under common control. If you advise that EPA's "common control" reinterpretation means practical operational control and EPA has done away with the overt ownership concept referenced in many previous interpretive letters, then our determination probably would be different.

### VI. Conclusion

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<sup>&</sup>lt;sup>2</sup> Red Cedar asserts "[t]he Red Cedar Management Committee controls the business decisions of Red Cedar, subject to the influence of the Tribe through its designated representatives on the committee." We reject that characterization. Under EPA's interpretative letters and memoranda, including EPA's recent Wisconsin Letter, an entity's ownership interest in another entity (in at least one case, even less than a majority interest) has been viewed as a power sufficient to constitute "common control."

We have carefully analyzed Red Cedar's application in relation to EPA's recent "common control" reinterpretation and the interpretive letters EPA has issued over the years. We understand our responsibility and authority for making source determinations given that the Reservation's Title V program (adopted by the Southern Ute Indian Tribe/State of Colorado Environmental Commission and administered by the Tribe) has been approved by EPA. Based on our analysis, we have preliminarily determined that Red Cedar and Red Willow are entities under common control. Therefore, we have determined the Jaques Compressor Station should be considered a single stationary source. However, in an effort to avoid one of the inequities that led to EPA's reinterpretation of "common control" (i.e., exposing one entity (in this case, Red Cedar) to possible liability for an operation over which the entity, in practice, has little or no day-to-day control), we are inclined to determine the Jaques Compressor Station is a single source for emission aggregation purposes but issue two separate Title V permits – one to Red Cedar and one to Red Willow.

We respectfully request your review and comment on our source determination. We understand it is our responsibility to ensure that source determinations are made consistently with minimum Title V program requirements. It is our hope that by requesting your review and comment, we might better ensure we are applying the correct source determination principles and our analysis is well-reasoned and supportable.

We look forward to hearing from you.

Sincerely,

Danny Powers, Air Quality Program Manager

Southern Ute Indian Tribe

Attachments: 1

Letter from Ethan Hinkley, Air Quality Compliance Manager, Red Cedar Gathering Company to Matt Wampler, Air Quality Scientist, Southern Ute Indian Tribe (Oct. 8, 2018)

- 2 Letter from Kyle Hunderman, Environmental Compliance II Air Quality, Red Cedar Gathering Company to Matt Wampler, Air Quality Scientist, Southern Ute Indian Tribe (Feb. 8, 2019)
- Email from Ethan Hinkley, Air Quality Compliance Manager, Red Cedar Gathering Company to Matt Wampler, Air Quality Scientist, Southern Ute Indian Tribe (April 12, 2019)

## Attachment 1

to

Letter from Danny Powers, Air Quality Program Manager, Southern Ute Indian Tribe, to Monica S. Morales, Director, Air Program (8P-AR), U.S. Environmental Protection Agency – Region 8 (April 22, 2019) October 8, 2018

Matt Wampler, Air Quality Scientist Environmental Programs Division Southern Ute Indian Tribe P.O. Box 737 Ignacio, CO 81137

> Re: Jaques Compressor Station, #V-SUIT-0043-2015.02 Source Determination – Part 70 Operating Permit

Dear Mr. Wampler:

On August 23, 2018, Red Cedar Gathering Company submitted to the Air Quality Program ("AQP") an administrative permit revision application to remove several insignificant emission units ("IEUs") that have inadvertently remained listed on Jaques Compressor Station permit #V-SUIT-0043-2015.02. As part of your review of Red Cedar's application, on September 14, 2018, you requested that Red Cedar explain why the compressor station should not continue to be considered as one major source for purposes of the Clean Air Act's Part 70 air program. This letter responds to that request.

## Background

The Jaques Compressor Station was previously owned by Samson Resources Corporation ("Samson"). In mid-November of 2016, the Southern Ute Indian Tribe ("Tribe"), doing business as Red Willow Production Company ("Red Willow"), acquired the assets of Samson located on or near the Southern Ute Indian Reservation. Because Samson was a debtor in bankruptcy proceedings pending in the U.S. Bankruptcy Court for the District of Delaware, the acquisition by Red Willow required Court approval. The Court Order approving the sale to Red Willow, entered on October 28, 2016, specifically authorized Red Willow to allocate the Assets among its affiliates and to assign, transfer or otherwise dispose of the Assets to its affiliates, designees, assignees or successors in its sole discretion. ECF Doc. 1614, Order ¶ 10, Case 15-11934-CSS (Bankr. D. Del., Oct. 28, 2016). The Samson-to-Red Willow acquisition was a large transaction involving hundreds of properties and wells, including many interests involving tribal trust lands and allotted properties.

Commencing in the spring of 2017, Red Willow entered into discussions with Red Cedar, an affiliated company, to sell certain of its Samson-acquired assets to Red Cedar. Red Willow is owned entirely by the Tribe and is a division of the Tribe; however, Red Cedar's ownership is divided: 51% - Tribe; 49% - Kinder Morgan Operating L.P. "A". Red Willow is engaged in the business of oil and gas exploration and development operations, including drilling, producing and disposing of associated water, and producing and selling natural gas. Red Cedar's business relates to gathering and treating natural gas within the boundaries of the Southern Ute Indian Reservation

and transporting the treated gas to interstate pipelines on or near the Rescrvation. Some of the Samson-acquired assets, such as gas pipelines and compressor stations or portions of them, relate directly to Red Cedar's business. Accordingly, in compliance with the authorization included in the Bankruptcy Court's order mentioned above, on October 31, 2017, Red Willow and Red Cedar closed a sales transaction transferring certain of the Samson-acquired assets from Red Willow to Red Cedar, subject to post-closing governmental approvals, some of which are still pending.

With respect to the Jaques Compressor Station, Red Willow has sold certain permitted equipment to Red Cedar while retaining other equipment at the station needed for production operations. You have indicated that the Jaques Compressor Station, including both the Red Willow retained and Red Cedar purchased equipment, should be treated as a single major source because: 1) the sources are located within ¼ mile of each other on contiguous or adjacent properties, 2) the sources belong to the same "major industrial grouping," and 3) the sources are "under common control of the same person (or persons under common control." We agree that the first two elements of the single source determination are met, but contend that, in light of the specific circumstances, the AQP should treat the purchased equipment and the rest of the Jaques Compressor Station as separate sources.

#### Recent EPA Guidance

In recently reviewing the relationship of a landfill operator and the operator of a neighboring biogas processing facility, the Environmental Protection Agency ("EPA") confirmed that application of the three-part test for determining whether activities should be considered as a single source or separate sources should be undertaken "on a case-by-case basis." See Attachment to Letter from William L. Wehrum, Asst. Administrator U.S. EPA, to Patrick McDonnell, Sccretary, Penn. Dept. of Env. Protection, 3 (April 30, 2018) ("Wehrum Letter"). As to the third element, neither the Clean Air Act nor EPA's regulations define "common control," however, in approaching the "common control" concept, EPA historically has reviewed the relative power and influence between parties in making such determinations. Id. (citing Memorandum from John S. Seitz, Director, OAQPS, to EPA Regional Offices, Major Source Determinations for Military Installations under the Air Toxics, New Source Review, and Title V Operating Permit Programs of the Clean Air Act, 9-10 (Aug. 2, 1996)). Factors that EPA has looked to have included, "shared workforces, shared management, shared administrative functions, shared equipment, shared intermediates or byproducts, shared pollution control responsibilities, and support/dependency relationships," in what has been characterized "the multi-factor approach."

After outlining these historical approaches, the Wehrum Letter announced new guidance to be employed in making "common control" determinations "in order to better reflect a 'common sense notion of a plant,' and to minimize the potential for entities to be held responsible for decisions of other entities over which they have no power or authority." Id. at 6 (emphasis added). Under the new guidance, "common control" should focus on "the power or authority of one entity to dictate decisions of the other that could affect the applicability of, or compliance with, relevant air pollution regulatory requirements." Id. (emphasis in original). "Power" means the authority to "dictate a particular outcome," not "the mere ability to influence." Id. "Ultimately, the focus is not on how control is established (through ownership, contract, or otherwise), but on whether control is established—that is, whether one entity can expressly or effectively force another entity to take

a specific course of action which the other entity cannot avoid through its own independent decision-making." *Id.* at 7. The type of "control" that is relevant is the "control over air pollution-emitting activities that trigger permitting requirements and affect compliance with those requirements." *Id.* at 8. If "each entity has autonomy with respect to its own permitting obligations . . . such entities should be treated as separate sources," rather than be treated as one source. *Id.* 

## The Tribe, Red Willow, and Red Cedar

The Tribe is organized under the Indian Reorganization Act of 1934 ("IRA"), and it conducts its activities as a constitutional government under Section 16 of the IRA. 25 U.S.C. § 5123 (formerly codified as 25 U.S.C. § 476). While certain members of the Tribe own individual Indian allotments, like many tribes, the principal assets of the Tribe are held communally and have historically centered around tribal trust lands restored to the Tribe in 1938 following the Tribe's adoption of an IRA constitution in 1936. Unlike the Federal government or State and local governments, where individual land ownership and business activity serve as a tax base that can sustain governmental activities and services, the Tribe has always been in the position of having to exploit its communally owned assets for commercial purposes while also maintaining a regulatory role in exercise of its inherent power to protect the health and welfare of its members. In recent decades, Congress has also delegated Federal regulatory powers to the Tribe, including, for example, under the Clean Air Act.

Oil and gas development on the Reservation began in the late 1940s and early 1950s, and the Tribe received revenue from that development through mineral lease bonus compensation and lease royalties. In 1992, the Tribe used eight million dollars held by the Secretary of the Interior from water claims settlements for the Tribe's economic development to form its wholly-owned oil and gas company, Red Willow, and to purchase mineral leasehold interests that had been created on its lands under federally approved leases. The establishment of Red Willow was a major initial step in the Tribe's efforts to diversify economically on the Reservation.

In the summer of 1994, the Tribe joined with a financial investment company, Stephens, Inc., to purchase all of the stock of a subsidiary corporation of Public Service Company of Colorado, WestGas, Inc., which owned and operated a gas gathering and treating company on the Reservation. Following the acquisition, the ownership interests of the company, renamed Red Cedar Gathering Company, were divided and distributed 75% to a Stephens affiliate, and 25% to the Tribe. Management of Red Cedar was and remains vested in a board, known as Red Cedar Management Committee. Over time, as the Tribe's interests in Red Cedar have grown to a 51% interest, four of the seven members of the Management Committee may be designated by the Tribe. The Red Cedar Management Committee controls the business decisions of Red Cedar, subject to the influence of the Tribe through its designated representatives on the committee. Red Cedar is the employer of its personnel, including company executive officers.

In 1999-2000, the Southern Ute Indian Tribal Council, the governing body of the Tribe, adopted a Financial Plan and a Growth Fund Implementation Plan. The purposes of the plans were to move day-to-day control of Red Willow, and future businesses, to a separate group of business managers with technical expertise and to embark on off-Reservation business diversification.

The Tribes' ownership interest in Red Cedar is accounted for and treated as a component of the Growth Fund; however, management of Red Cedar remains with the Red Cedar Management Committee. While the Tribal Council retains ultimate decision-making authority over Red Willow, substantial decision-making authority is delegated to the Growth Fund Operating Director-Energy and to the President and COO of Red Willow, subject to review by the Growth Fund Management Committee.

While business decisions for each company are directed by the respective management committees, with ultimate authority retained by the Tribal Council, it is the President and COO of each company that has the concurrent and immediate power to direct actions to the extent they affect the applicability of, and compliance with, permitting requirements (e.g., the power to direct the construction or modification of air pollution-emitting equipment, the manner in which such emission units operate, the installation or operation of pollution control equipment, and monitoring, testing, recordkeeping, and reporting obligations). Red Cedar contends that, as described above, the highest level of control over air pollution-emitting activities that trigger permitting requirements and affect compliance with those requirements for Red Cedar and Red Willow occurs at the President and COO level of each company, with influence by the Red Cedar Management Committee and Growth Fund Management Committee, respectively.

Just as the Tribal Council has the ultimate power to order the Environmental Programs Division to take particular actions, it could also order Red Willow's management to take actions relative to Red Willow's compliance with air quality permits. The Tribal Council could also direct its representatives on the Red Cedar Management Committee to vote on matters that could affect Red Cedar's compliance with its air quality permits. However, these hypothetical examples of Tribal Council control also potentially involve the Tribe ignoring the constraints inherent in EPA's delegation of air quality programs to the Tribe, the established protocols of the Growth Fund Implementation Plan, and covenants related to major credit agreements preserving the fundamental operational parameters of Red Willow and the Growth Fund. As most pertinent to the "common control" determination between Red Cedar and Red Willow, neither company has the power to direct the actions of the other to the extent that they affect the applicability of and compliance with permitting requirements. Red Cedar cannot dictate how Red Willow conducts its activities and Red Willow cannot exercise controlling authority over Red Cedar. This is further enforced by the fact that the responsible official, as defined in the Reservation Air Code, is completely separate for the two companies.

## The Jacques Compressor Station

Because Red Willow and Red Cedar do not control the respective air quality compliance activities of each other, their respective activities and facilities should not be considered as the same source with respect to the Jaques Compressor Station. See Wehrum Letter. It should be noted that the pieces of equipment to be retained by Red Willow and removed from the Red Cedar permit, 10 produced water tanks with associated heaters and two small (<50hp) pump engines, are all IEUs, and removing them from the Title V permit would have no effect on the applicability of the Title V program or other regulations with regard to the facility or the removed equipment. The equipment in question is part of Red Willow's produced water system and is separately operated from Red Cedar's gas gathering system. It should also be noted that the gas that flows through the

Jaques Compressor Station comes from multiple sources, including, but not limited to wells operated by Red Willow.

A determination that Red Willow and Red Cedar are ultimately under common control by the Tribe would indicate that the Title V permit should be issued to the Tribe. Having a permit issued by and issued to the Tribe has the potential to raise other significant questions about conflicting interests that are suitably unnecessary if the separate lines of control established by and maintained by the Tribal Council are honored. The relationships involved in this case are unique to the Tribe and should be considered as part of the cases-by-case review contemplated by EPA. It is in the best interests of the Environmental Commission's Part 70 Operating Permits Program and the Tribe to continue to recognize the current autonomy of Red Cedar and Red Willow to make independent decisions that affect the applicability of and compliance with relevant air pollution regulatory requirements.

Should you have any questions or need additional information, please do not hesitate to contact me at (970) 764-6495 or, Kyle Hunderman at (970) 764-6921.

Sincerely,

**Red Cedar Gathering Company** 

Eth W. Hinkly

Ethan Hinkley

Air Quality Compliance Manager

## Attachment 2

to

Letter from Danny Powers, Air Quality Program Manager, Southern Ute Indian Tribe, to Monica S. Morales, Director, Air Program (8P-AR), U.S. Environmental Protection Agency – Region 8 (April 22, 2019) February 8, 2019

Matt Wampler Air Quality Scientist Environmental Programs Division Southern Ute Indian Tribe P.O. Box 737 Ignacio, CO 81137

Via email: <u>mwampler@southernute-nsn.gov</u>

Re: Jaques Compressor Station, #V-SUIT-0043-2015.02, Source Determination — Part 70 Operating Permit — Response to Request for Additional Information

Dear Mr. Wampler:

This letter responds to your written request of October 31, 2018 to Red Cedar Gathering Company for additional information to be used in your consideration of Red Cedar's request to remove several insignificant emissions units ("IEUs") from the scope of Red Cedar's Title V operating permit for the Jaques Compressor Station. The IEUs acquired by Red Willow Production Company from Samson Resources Corporation ("Samson") are owned and operated by Red Willow, a wholly owned division of the Southern Ute Indian Tribe ("Tribe"). Samson, the former permittee and operator of the Jaques Compressor Station, was involved in both initial gathering activities and production activities, including producing and disposing of water coming from wells served by the Jaques Compressor Station. Shortly after acquiring the Samson assets, Red Willow transferred those Samson assets related to gathering activities to Red Cedar, but Red Willow retained the assets related to production activities, including the produced water storage tanks and heaters and pump engines used in water production and disposal over which Red Cedar has no operational control. Because Red Cedar has no operational control over the water production and disposal undertaken by Red Willow, Red Cedar submitted its request on August 23, 2018, to remove the IEUs from the scope of its Part 70 operating permit for the Jaques Compressor Station.

## **Summary of Status**

To quickly summarize the status of this pending matter, after receiving Red Cedar's request for removal on August 23, 2018, you made several requests for additional information. On September 4, 2018, you requested that Red Cedar explain in more detail why the IEUs should not continue to be considered as part of one major source. By letter of October 8, 2018, Red Cedar provided the requested justification, which, in addition to outlining the different histories and governance structures of Red Cedar and Red Willow, also addressed the critical element at issue in case-by-case source determinations of this nature, i.e. "common control."

By letter dated October 31, 2018, you asked Red Cedar to supply a broad compilation of additional information identified in 11 separate categories. At the outset, we appreciate your

acknowledgment that the scope of additional information requested is sizeable as well as your extension of the due date for its production until February 15, 2019. As you know, in the course of assembling the information, Red Cedar has become increasingly concerned about the serious business injury it could suffer from the disclosure of the information it is producing that we feel should be protected from subsequent disclosure by the Tribe's Air Quality Program ("AQP") under the standards established under 5 U.S.C. § 552(b)(4), 18 U.S.C. § 1905, and 40 C.F.R. Chapter I, Subchapter A, Part 2, Subparts A and B, all of which are incorporated directly or indirectly in the confidentiality provisions of Section 2-124 of the Tribe's Reservation Air Code. If AQP submits this information to EPA for guidance, we respectfully request that you provide us prior notice so that we may prepare a formal confidentiality claim to EPA.

At our meeting of December 19, 2018, representatives of Red Cedar and the AOP had a preliminary opportunity to examine documents assembled by Red Cedar and to discuss the sensitive nature of information contained in those documents, at least some of which also include express confidentiality provisions. Of particular sensitivity, Red Cedar expressed concern about potential disclosure of gathering agreements and provisions describing volume amounts and treatment commitments, pricing information, and maps or descriptions of its gathering and treatment system. Information of this nature, if disclosed to competitors or potential competitors, could undermine Red Cedar's business. Importantly, that same information is of no direct relevance to the common control analysis currently being undertaken by AQP. As an interim way for proceeding, and without waiving AQP's right to request additional information, you agreed that Red Cedar could redact sensitive, non-related information from the materials submitted to the AQP, but would make available for your inspection the unredacted materials. If AQP subsequently requests delivery of redacted information, however, Red Cedar reserves the right to submit such information under a formal claim of confidentiality. We greatly appreciate your efforts in working with Red Cedar on the confidentiality issues. To be clear, the documents transmitted with this response that are marked as confidential are being submitted under a formal claim of confidentiality.

## Information Produced

Attached to this letter you will find information responsive to each of your numbered requests. The information has been Bates-numbered, and a description of each document is set forth in each response.

Request 1) A copy of the Red Cedar joint venture agreement. This will assist us in evaluating the extent to which, from an ownership and organizational structure perspective, the Southern Ute Indian Tribe has the power or authority to dictate the decisions of Red Cedar, including but not limited to dictating the outcome of decisions regarding relevant air pollution control-related aspects of Red Cedar's operations.

## Response 1:

### **Documents produced:**

- **1.a.** Joint Venture Agreement Red Cedar Gathering Company KN Gas Gathering, Inc. and The Southern Ute Indian Tribe dated March 30, 1998.

  Bates Nos. 001-025.
- **1.b.** Agreement with Attachment "A" Amendment No. 1 to Joint Venture Agreement dated August 20, 2003. Bates Nos. 026-033.
- 1.c. Amendment [Second Amendment] to Joint Venture Agreement of Red Cedar Gathering Company dated August 2, 2016. Bates Nos. 034-035.

Comments: As set forth in Section 7.1 of the Joint Venture Agreement, "[a]ll determinations, decisions, approvals, and actions affecting Red Cedar and its business and affairs shall be determined, made, approved, authorized by the Management Committee." The Management Committee is a seven-member Management Committee. Four of the committee members are to be appointed by the Tribe, and three committee members are to be appointed by Kinder Morgan Operating, L.P "A," the successor to KN Gas Gathering, Inc.

Request 2) Information pertaining to the processes for approval and management of Red Cedar's capital budget, capital costs, and capital expenditures (e.g., what is the process for approval of Red Cedar's capital budget, capital costs, and capital expenditures). Specifically, who approves Red Cedar's purchases and budgets? What roles do the Southern Ute Indian Tribal Council, the Red Cedar Management Committee, the President of Red Cedar, and other persons or entities play in those processes?

## Response 2:

## **Documents produced:**

**2.a.** Delegation of Authority Tables, Red Cedar Gathering, 2018. Bates Nos. 036-037.

Comments: Annual budget preparation is conducted by the President of Red Cedar, with input from Red Cedar staff and each of the partners. Kinder Morgan Operating, L.P., is a subsidiary of the parent Kinder Morgan organization, which provides direction through its Management Committee representatives. On the Tribe's side, interests in Red Cedar fall under the control of the Southern Ute Indian Tribe Growth Fund ("Growth Fund"), a division of the Tribe established in 2000 to oversee commercial diversification for the Tribe. The Growth Fund provides input to Red Cedar's budget through the Tribe's appointed representatives on the Red Cedar Management Committee. The Growth Fund has its own Management Committee, appointed by the Southern Ute Indian Tribal Council. The Growth Fund Management Committee is authorized to develop and approve annual budgets, inclusive of capital expenditures, for its divisions, subsidiaries and affiliates, without the requirement of approval of the Southern Ute Indian Tribal Council. The Growth Fund Management Committee ultimately approves the Red Cedar budget on behalf of the Tribe, and Kinder Morgan ultimately approves the Red Cedar

budget on behalf of Kinder Morgan Operating, L.P. "A." Any specific expenditures within the budget related to air quality and emission controls are approved according to Red Cedar's Delegation of Authority Matrix. Any capital expenditures, in excess of the maximum limits in the Delegation of Authority Matrix, require approval by the Red Cedar Management Committee. To reiterate, however, the Tribal Council does not approve either the Red Cedar or the Red Willow budget.

Request 3) The surface land ownership status (e.g., tribal trust, tribal fee, private, federal) of the land on which the Jaques Compressor Station is located.

**Response 3:** The property on which the Jaques Compressor Station and the IEUs are located is privately owned. To the best of our knowledge, neither the Tribe nor the United States has any ownership interest in the surface of the land on which the compressor station is located.

Request 4) A copy of any lease and rights-of-way between Red Cedar and the landowner for use of the landowner's property for the Jaques Compressor Station, including any attachments and stipulations, including any environmental compliance stipulations. This will assist us in evaluating the extent to which, from a lessor and lessee perspective, the Southern Ute Indian Tribe has the power or authority to dictate the decisions of Red Cedar.

## **Response 4:**

## **Documents produced:**

- **4.a.** Compressor Site Contract, Cordy M. Jaques, et. al. and SG Interests, April 1, 1997. Bates Nos. 038-041.
- **4.b.** Amendment to Compressor Site Agreement, Cordy M. Jaques, et. al. and SG Interests, October 11, 2002. Bates Nos. 042-043.
- **4.c.** Compressor Site Contract, Danny R. and Barbara L. Jaques and SG Interests, June 17, 2005. Bates Nos. 044-048.

Comments: In view of the fact that the Tribe does not own the land on which the Jaques Compressor Station is located, the Tribe has no role as a landowner in controlling the activities at that location. However, the Tribe is not just a landowner; it is also a governmental authority with significant legislative, regulatory, adjudicatory powers within the Southern Ute Indian Reservation ("Reservation"). The scope of the Tribe's regulatory authority within the Reservation is complex, as reflected in the law passed by Congress in 1984 defining the Reservation boundaries and allocating jurisdiction based on the ownership of land on which activities occur and on the Indian/non-Indian status of the actors. See Act of May 21, 1984, Pub. L. No. 98-290, 98 Stat. 201. In its governmental role, the Tribe arguably possesses extensive regulatory control over both Red Willow and Red Cedar on both Indian land and non-Indian land within the Reservation. In evaluating "common control" for purposes of source determinations,

however, we are not aware of any instance in which the governmental regulatory power to set standards for conduct has been equated with the proprietary control over the specific decisions on how and whether to comply with those governmental standards. We believe it is the power to dictate how and whether to comply with governmental standards—not just in a remote theoretical sense, but in the normal course of conduct of the regulated party—that is the relevant point of inquiry. See Attachment to Letter from William L. Wehrum, Asst. Administrator U.S. EPA, to Patrick McDonnell, Secretary, Penn. Dept of Env. Protection (April 30, 2018). To hold otherwise would elevate the Tribe to a "control" position over all actors subject to its governmental jurisdiction, and would also have significant federal policy implications related to the economic development of Indian tribes through commercial divisions and subsidiaries with subordinate day-to-day governance authority. Accordingly, even if the Tribe has the power to affect conduct through exercise of its regulatory powers, we do not believe that such regulatory power should factor into the "common control" analysis unless the Tribe has also demonstrated direct control over the compliance decisions of its commercial divisions, subsidiaries, and affiliates. In other words, we do not believe that the existence of the Tribe's Air Quality Program and its implementation of a Title V Program should be deemed as negating the actual control of Red Cedar over its compliance with "relevant air pollution regulatory requirements." Id. at 6.

Request 5) A copy of any lease and rights-of-way between Red Willow and the landowner for use of the landowner's property for the emission units for which Red Willow retained ownership.

Response 5: Red Cedar's right to own and operate its assets located at the Jaques Compressor Station is derived from the assignment of certain rights and interests under the documents produced in response to Request 4. It is our understanding that Red Willow's use of the land owners property for the emission units was reserved by Red Willow in the assignments to Red Cedar under the Purchase and Sale Agreement between the Southern Ute Indian Tribe, d/b/a/ Red Willow Production Company (Seller) and Red Cedar Gathering Company (Buyer) dated as of October 31, 2017 (Bates Nos. 154-308) produced in response to Request 7.

Request 6) A copy of any current contracts or agreements, formal or informal, between Red Cedar and Red Willow, including but not limited to agreements pertaining to the removal or storage of produced water and maintenance of engines and equipment related to but not limited to ownership or operation of all or parts of the Jaques Compressor Station. This will assist us in evaluating the extent to which, from a contractual perspective, the Southern Ute Indian Tribe has the power or authority to dictate the decisions of Red Cedar.

## Response 6:

### Documents produced:

**6.a.** Firm Gas Gathering, Compression and Treating Agreement, Red Cedar Gathering and SG Interests, May 1, 2009. Bates Nos. 049-078 (Confidential).

- **6.b.** Amendment to Firm Gas Gathering, Compression and Treating Agreement, Red Cedar Gathering and Samson Resources, October 1, 2011. Bates Nos. 079-079 (Confidential).
- **6.c.** Amendment to Firm Gas Gathering, Compression and Treating Agreement, Red Cedar Gathering and Samson Resources, January 1, 2012. Bates Nos. 080-081 (Confidential).
- **6.d.** Miscellaneous Work or Service Agreement, Red Cedar Gathering and Red Willow Production, October 11, 2016. Bates Nos. 082-095 (Confidential).
- **6.e.** Midway Valve High Pressure CDP Interconnect Agreement, Red Cedar Gathering and Samson Resources, July 1, 2008. Bates Nos. 096-100 (Confidential).
- **6.f.** Midway Valve High Pressure CDP Interconnect Agreement, Red Cedar Gathering and Samson Resources, June 6, 2011. Bates Nos. 101-101 (Confidential).
- **6.g.** Trail Canyon CDP Interconnect Agreement, Red Cedar Gathering and Samson Resources, October 6, 2011. Bates Nos. 102-105 (Confidential).
- **6.h.** Consent to Assign, Red Cedar Gathering and Samson Resources, October 24, 2016. Bates Nos. 106-107 (Confidential).
- **6.i.** South Ignacio Gathering System Operating Agreement, Red Cedar Gathering and Red Willow Production, November 15, 2016. Bates Nos. 108-123 (Confidential).
- **6.j.** First Amendment to South Ignacio Gathering System Operating Agreement, Red Cedar Gathering and Red Willow Production, March 9, 2017. Bates Nos. 124-124 (Confidential).
- **6.k.** Second Amendment to South Ignacio Gathering System Operating Agreement, Red Cedar Gathering and Red Willow Production, September 27, 2017. Bates Nos. 125-126 (Confidential).
- **6.1.** Third Amendment to South Ignacio Gathering System Operating Agreement, Red Cedar Gathering and Red Willow Production, November 20, 2017. Bates Nos. 127-148 (Confidential).
- **6.m.** Letter Agreement (addition of Maralex Resources, Red Cedar Gathering and Red Willow Production, May 1, 2009. Bates Nos. 149-149 (Confidential).
- **6.n.** Midstream Term Sheet, Red Cedar Gathering and Red Willow Production, June 13, 2017. Bates Nos. 150-153 (Confidential).

#### Comments:

- a. Confidentiality Concerns As set forth above in the Summary of Status, Red Cedar reiterates its concern for maintaining the confidentiality of its business agreements with any producer for whom it conducts services. The natural gas treating and gathering business is extremely competitive, and the information available in the agreements between Red Cedar and Red Willow, as one the producers for whom Red Cedar provides services, is extremely sensitive. For that reason, the interim process for protecting information, including but not limited to rates, fees, volumes, dedicated areas, and durational terms has been redacted, subject to the conditions and access described above. As previously indicated in this letter, in those cases in which a contract contains an express confidentiality provision, we are submitting that contract under a formal claim of confidentiality as identified after the Bates number.
- **b.** Purpose Red Cedar reiterates its comments in Response 4, above. We do not believe that these contracts are probative of the "Southern Ute Indian Tribe['s]... power or authority to dictate the decisions of Red Cedar" related to applicability or compliance with the relevant air pollution regulatory requirements.

Request 7) A copy of the purchase and sale agreement between Red Willow and Red Cedar under which Red Cedar purchased the Jaques Compressor Station from Red Willow and Red Willow retained ownership of certain emission units.

## Response 7:

## **Documents produced:**

**7.a.** Purchase and Sale Agreement between the Southern Ute Indian Tribe, d/b/a/Red Willow Production Company (Seller) and Red Cedar Gathering Company (Buyer) dated as of October 31, 2017. Bates Nos. 154-308 (Confidential).

Request 8) A copy of any and all Southern Ute Indian Tribal Council resolutions, Red Cedar Management Committee resolutions, and Southern Ute Indian Tribe Growth Fund Management Committee resolutions related to Red Cedar's acquisition of the Jaques Compressor Station and the retention of ownership of certain emission units by Red Willow.

## Response 8:

## Documents produced:

**8.a.** Southern Ute Indian Tribal Council Resolution No. 2017-121 (June 27, 2017) including as attachments the Red Cedar Management Committee Resolution with Term Sheet (Aug. 3, 2012) and the Growth Fund Management

Committee Memo recommending Tribal Council approval of Red Willow asset sale to Red Cedar (June 27, 2017). Bates Nos. 309-324 (Confidential).

Comments: The Tribe's Financial Plan and Growth Fund Implementation Plan, while delegating substantial day-to-day responsibility over operations and activities to the Growth Fund Directors, the Growth Fund Management Committee, and affiliated companies, still requires Tribal Council approval of sales of assets within the Growth Fund that exceed specific materiality thresholds. Accordingly, the Growth Fund Management Committee's recommendation to proceed with this transaction on behalf of Red Willow was subject to the Tribal Council's approval as set forth in Tribal Council Resolution No. 2017-121.

Request 9) Information pertaining to the extent to which Red Cedar shares work forces, shares management, shares administrative functions, shares equipment, shares intermediates or byproducts, shares or collaborates on pollution control responsibilities, and the extent to which Red Cedar and Red Willow depend on and support each other.

Response 9: Red Cedar and Red Willow do not directly share services or functions; however, they each obtain similar services from other divisions of the Tribe. For example, they both obtain information technology support from Southern Ute Shared Services. They also rely upon the Growth Fund's Human Resources Department in administering each of their separate human resources policies and compliance with applicable laws and regulations. Additionally, the Southern Ute Indian Tribe's Payroll Department provides payroll services to each. Management of each company is separate from the president level down, with oversight from the Growth Fund Management Committee. There are no shared work forces, shared equipment, shared intermediate products or byproducts, or shared pollution control equipment or responsibilities.

Request 10) Information pertaining to the extent to which Red Cedar is supported by and works with the Southern Ute Indian Tribe Growth Fund's Safety and Environmental Compliance Management Group.

Response 10: Red Cedar utilizes the services provided by the Safety and Environmental Compliance Management Group ("SECMG"), a department within the Growth Fund. These services include:

- Periodic compliance audits of facilities
- Assistance with compliance activities as requested (completing draft reports, gathering data, developing draft compliance plans, etc.)
- Development of draft policies, guidelines, and standard operating procedures for consideration and use by Red Cedar as requested
- Providing regulatory and compliance updates

Request 11) Information pertaining to the extent to which Red Cedar is economically or operationally interconnected or mutually dependent on Red Willow through contracts or other business arrangements.

Response 11: Other than through established contractual relationships (see Response 6) Red Cedar is not economically or operationally interconnected or mutually dependent on Red Willow.

We hope that the information provided in conjunction with this letter is helpful in granting Red Cedar's request. Should you have any questions or need additional information, please do not hesitate to contact me at (970) 764-6921.

Sincerely,

Red Cenar Gathering Company

Kyle Hunderman

/ Environmental Compliance II – Air Quality

## Attachment 3

to

Letter from Danny Powers, Air Quality Program Manager, Southern Ute Indian Tribe, to Monica S. Morales, Director, Air Program (8P-AR), U.S. Environmental Protection Agency – Region 8 (April 22, 2019)

## Sam W Maynes

From:

Hinkley, Ethan < Ehinkley@redcedargathering.com>

Sent:

Friday, April 12, 2019 3:52 PM

To:

Wampler, Matt

Cc:

Hunderman, Kyle; Powers, Daniel; Sam W Maynes

Subject:

FW: Request for Additional Information - Red Cedar Gathering Company - Jagues

Compressor Station

**Attachments:** 

JAQ\_PFD\_water.pdf; JAQ\_PFD\_GAS.pdf

Matt,

Below are responses to your questions, along with simplified process flow diagrams. We are still working on verifying some of this information, as there were no detailed process flow or P&ID diagrams from Samson. If we find any additional or updated information we will send it to you as soon as possible.

If you have any questions, please do not hesitate to give us a call.

Thanks,

## Ethan Hinkley

Air Quality Compliance Manager



Office: (970) 764-6495 Cell: (970) 759-9891

Email: ehinkley@redcedargathering.com

- Please provide information explaining any physical and operational connectivity between Red Cedar's separation, compression, and dehydration equipment at the Jaques Compressor Station with any of Red Willow's equipment, including the produced water collection system.
  - Physical or operational connectivity between Red Cedar's Jaques Compressor Station and Red Willow's colocated water transfer facility is limited to the direction of fuel gas, for tank heaters, and produced water, from the inlet separators, to the water transfer facility (needs confirmation). The use of Red Willow's produced water tanks for disposal of Red Cedar's water at this facility is part of the contractual agreement between the two companies.
    - a. If available, please provide a detailed process flow diagram to support this request

      Red Cedar does not have a detailed process flow diagram for Jaques Compressor Station but is providing the attached simplified water and gas process flow diagrams.
- 2) Please affirm if Red Cedar uses Red Willow's produced water storage tanks for disposal of water from Red Cedar's operations at Jaques Compressor Station.

Yes, the water from the inlet separators is stored in the water transfer facility tanks.

a. If not, please explain how Red Cedar disposes of produced water at Jaques Compressor Station.

Thanks,

~Kyle

From: Wampler, Matt < mwampler@southernute-nsn.gov>

Sent: Friday, March 29, 2019 12:15 PM

To: Hinkley, Ethan < <a href="mailto:Ehinkley@redcedargathering.com">Ehinkley@redcedargathering.com</a>>

Cc: Hayes, Oakley < ohayes@southernute-nsn.gov >; Hunderman, Kyle < khunderman@redcedargathering.com > Subject: Request for Additional Information - Red Cedar Gathering Company - Jaques Compressor Station

Mr. Hinkley,

On August 23, 2018, the AQP requested additional information from Red Cedar following an administrative permit revision request from Red Cedar to remove insignificant emission units from the Title V Operating Permit for Jaques Compressor Station. On October 31, 2018, the AQP sent a letter to Red Cedar requesting additional information in order to make a source aggregation determination. Red Cedar completed that request on February 8, 2019. The AQP is currently reviewing the information to make a source aggregation determination. The AQP plans to request EPA review and comment of the determination prior to taking final action.

The AQP is requesting additional information to support Red Cedar's response to item #11 of the AQP's October 31, 2018 letter. Item #11 of the letter requested Red Cedar provide: "Information pertaining to the extent to which Red Cedar is economically or operationally interconnected or mutually dependent on Red Willow through contracts or other business arrangement." Red Cedar stated in their response: "Other than through established contractual relationships (see Response 6) Red Cedar is not economically or operationally interconnected or mutually dependent on Red Willow."

Please provide information explaining any physical and operational connectivity between Red Cedar's separation, compression, and dehydration equipment at the Jaques Compressor Station with any of Red Willow's equipment, including the produced water collection system. If available, please provide a detailed process flow diagram to support this request. Secondly, please affirm if Red Cedar uses Red Willow's produced water storage tanks for disposal of water from Red Cedar's operations at Jaques Compressor Station. If not, please explain how Red Cedar disposes of produced water at Jaques Compressor Station.

Please supply the requested information by **April 12, 2019**. If you have any questions or if this is not a reasonable amount of time, feel free to contact me.

Thank you,

## Matt Wampler

Air Quality Scientist Environmental Programs Division Southern Ute Indian Tribe Phone: (970) 563-2202

Fax: (970) 563-0384



## Red Cedar Gathering Company: Jaques Compressor Station Simplified Process Flow Diagram, Produced Water

