

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CHESAPEAKE ENERGY LOUISIANA  
CORPORATION and  
CHESAPEAKE OPERATING, L.L.C.

AI #: 175035 and 52001

PROCEEDINGS UNDER THE LOUISIANA  
ENVIRONMENTAL QUALITY ACT  
LA. R.S. 30:2001, ET SEQ.

\* Settlement Tracking No.  
\* SA-WE-15-0058  
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\* Enforcement Tracking No.  
\* WE-PP-13-00190  
\* WE-CN-14-00165  
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SETTLEMENT

The following Settlement is hereby agreed to between Chesapeake Energy Louisiana Corporation (an Oklahoma Corporation) and Chesapeake Operating, L.L.C. (an Oklahoma Limited Liability Corporation) (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent owns and/or operates oil and gas exploration and production facilities located in Sabine and Bossier Parishes, Louisiana (“the Facilities”).

II

On August 14, 2013 the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **WE-PP-13-00190**, which was based upon the following findings of fact:

“On or about January 17, 2013, an inspection of the CHKLA 35-10, 13 Facility, owned and/or operated by Chesapeake Energy Louisiana Corporation (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and

the Water Quality Regulations. The CHKLA 35-10, 13 Facility is located off Buckhalter Road in Converse, Sabine Parish, Louisiana. The Respondent does not have a Louisiana Pollutant Discharge Elimination System (LPDES) permit authorization or other authority to discharge wastes and/or other substances to the waters of the state.

While the investigation by the Louisiana Department of Environmental Quality (the Department) is not yet complete, the following violations were noted during the course of the inspection and a subsequent file review conducted on or about June 26, 2013:

- A. An inspection conducted by the Department on or about January 17, 2013, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about January 13, 2013, an unauthorized discharge over the reportable quantity for produced water due to a leak at the bottom of the northern most tank. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:IX.1701.B.
- B. A file review conducted by the Department on or about June 26, 2013, revealed that the Respondent failed to submit written notification to the Department of an unauthorized discharge that exceeds a reportable quantity. Specifically, the Respondent failed to submit a written report within seven (7) calendar days of the release of produced water on January 13, 2013. The failure to submit written notification to the Department is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:I.3925.A.
- C. An inspection conducted by the Department on or about January 17, 2013, revealed that the Respondent failed to implement a component of a Spill Prevention and Control (SPC) Plan. Specifically, the Respondent failed to implement secondary containment for two

(2) 400 barrel tanks. The failure to fully implement an adequate SPC Plan is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:IX.905.”

On September 17, 2014 the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **WE-CN-14-00165**, which was based upon the following findings of fact:

“The Respondent owns and/or operates an oil & gas exploration and production site located off Goathill Road in Haughton, Bossier Parish, Louisiana.

The Respondent caused and/or allowed the discharge of produced water from activities associated with oil and gas exploration and production to waters of the state (La. R.S. 30:2076(A)(3) and LAC 33:IX.708.C.2.a.iii).

The Respondent failed to develop an adequate Spill Prevention and Control (SPC) Plan. Specifically, the Respondent failed to include documentation for the approved alternate method for annual monitoring of flow line integrity by visual pressure inspections, visual volume monitoring, and suction monitoring conducted daily at the facility. The Repondent also failed to have documentation of the daily inspections being conducted (La. R.S. 30:2076 (A)(3) and LAC 33:IX.907.A and J).”

### III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

### IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of EIGHTEEN THOUSAND AND NO/100 (\$18,000.00) DOLLARS of which Two

Thousand Eighty-Seven and 93/100 (\$2,087.93) Dollars represents the Department's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to the Department as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s)/permit record(s), the Notice of Potential Penalty, the Consolidated Compliance Order & Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the Secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R. S. 30:2025(E) of the Act.

## VIII

As required by law, the Department has submitted this Settlement Agreement to the Louisiana Attorney General for approval or rejection. The Attorney General's concurrence is appended to this Settlement Agreement.

## IX

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Sabine Parish and Bossier Parish, Louisiana. The advertisement, in form and wording approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted an original proof-of-publication affidavit and an original public notice to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

## X

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

## XI

In consideration of the above, any claims for penalties associated with the above referenced Settlement are hereby compromised and settled in accordance with the terms of this

Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

CHESAPEAKE ENERGY LOUISIANA CORPORATION  
CHESAPEAKE OPERATING, L.L.C.

BY: Timothy L Beard  
(Signature)

Timothy L Beard  
(Printed)

TITLE: VP - Central TX & Gulf Coast

THUS DONE AND SIGNED in duplicate original before me this 19<sup>th</sup> day of May, 20 16, at Chesapeake operating, LLC.

Kim McAuliffe  
NOTARY PUBLIC (ID # 09007274)



Kim McAuliffe  
(stamped or printed)

LOUISIANA DEPARTMENT OF  
ENVIRONMENTAL QUALITY  
Chuck Carr Brown, Ph.D, Secretary

BY: [Signature]  
Lourdes Iturralde, Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 7<sup>th</sup> day of Sept, 20 16, at Baton Rouge, Louisiana.

[Signature]  
NOTARY PUBLIC (ID # 19181)

Perry Theriot  
(stamped or printed)

Approved: [Signature]  
Lourdes Iturralde, Assistant Secretary