

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

ENERGYQUEST II, LLC

AI # 96545

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

* Settlement Tracking No.
* SA-AE-16-0025
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* Enforcement Tracking No.
* AE-PP-08-0222
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SETTLEMENT

The following Settlement is hereby agreed to between EnergyQuest II, LLC (“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 is a limited liability company that owns and/or operates an oil and gas production facility located in Cameron Parish, Louisiana (“the Facility”).

II

On August 21, 2009, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-08-0222, which was based upon the following findings of fact:

“On or about August 21, 2008, an inspection of West Cameron Block No. 1 Production Facility, owned and/or operated by EnergyQuest II, LLC (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located approximately two (2) miles southeast of Oak Grove in Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00182-02, issued on June 16, 2009.

While the investigation of the Louisiana Department of Environmental Quality (the Department) is not yet complete, the following violations were noted during the course of the inspection and subsequent file review conducted by the Department on or about July 1, 2009:

- A. Specific Condition No. 34 of SOGA Permit No. 0560-00182-01, which incorporates LAC 33:III.2116.F.3, states the facility shall maintain a record of the condenser final exhaust temperature and time observed recorded twice a week on different days during daylight hours. During the course of the inspection, the inspector noted the facility failed to maintain these records. The Respondent's failure to maintain these records is a violation of Specific Requirement No. 34 of SOGA Permit No. 0560-00182-01, LAC 33:III.501.C.4, LAC 33:III.2116.F.3, and La. R.S. 30:2057(A)(2).

- B. During the course of the inspection, the inspector noted discrepancies between the actual emission points and the emission points listed in the facility's air permit application. The application lists four (4) 300 barrel (bbl) oil storage tanks, one (1) 300 bbl flare tank, and one (1) 300 bbl water storage tank. According to the inspector, the facility actually has four (4) 400 bbl oil storage tanks, one (1) 500 bbl saltwater tank, and one (1) 400 bbl saltwater storage tank. According to an email from the Respondent's representative dated March 3, 2009, the two (2) water storage tanks are actually located at a saltwater disposal facility also operated by the Respondent. The four (4) 400 bbl oil storage tanks are located at the facility. The email states, "The tanks were recently changed out and these tanks were added to replace the 4 - 300 BBL oil tanks, a 300 BBL flare tank, and a 300 BBL water tank that are currently permitted." Each incident of the Respondent's failure to receive approval from the permitting authority prior to construction, modification, or operation of a source which may result in an

initiation or increase in air contaminants is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2). Each incident of the Respondent's failure to submit a permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- C. During the course of the inspection, the inspector noted the Glycol Reboiler Still Column (Emission Point No. 5-01-GR-SCC) is equipped with a condenser with the non-condensables being vented to the atmosphere. According to the facility's air permit application, vapors from this source are routed to the firebox of the burner with any relief gas piped to a heating coil within the burner stack. The failure to route the vapors from the Glycol Reboiler Still Column to the firebox of the burner is a violation of LAC 33:III.905, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).
- D. During the course of the inspection, the inspector noted that the facility's glycol dehydrator is subject to 40 CFR 63 Subpart HH - National Emission Standards for Hazardous Air Pollutants From Oil and Natural Gas Production Facilities. Facilities subject to any federal requirements contained in 40 CFR Part 63 are excluded from coverage under SOGA permits. According to LAC 33:III.513.A.4, any source which is issued the general permit shall, notwithstanding a permit shield, be subject to enforcement action for operation without a permit if the source is later determined not to qualify for the general permit; therefore, the facility was operating without a permit since the applicability date of January 3, 2007, which is a violation of LAC 33:III.501.C.2, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

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 THREE THOUSAND ONE HUNDRED AND NO/100 DOLLARS (\$3,100.00) of which Nine Hundred Twenty-Five and 58/100 Dollars (\$925.58) 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 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 Cameron 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 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.

ENERGYQUEST II, LLC

BY: [Signature]
(Signature)

PHIL HUDGONS
(Printed)

TITLE: VP OF PRODUCTION

THUS DONE AND SIGNED in duplicate original before me this 3RD day of February, 20 17, at 9:45 am.



[Signature]
NOTARY PUBLIC (ID # 12577095-0)

MICHELLE D. MORROW
(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 25th day of May, 20 17, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: [Signature]
Lourdes Iturralde, Assistant Secretary