

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SARATOGA RESOURCES, INC.

AI # 91752, 91751, 17240

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

\* Settlement Tracking No.  
\* SA-WE-16-0024  
\*  
\* Enforcement Tracking No.  
\* WE-PP-14-00062  
\* WE-PP-14-00059  
\* WE-PP-14-00060  
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SETTLEMENT

The following Settlement is hereby agreed to between Lobo Operating, Inc. f/k/a Saratoga Resources, Inc. (“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 corporation that owns and/or operates facilities located in Plaquemines Parish, Louisiana (“the Facilities”).

II

On September 25, 2014, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. WE-PP-14-00062, which was based upon the following findings of fact:

“The Respondent owns and/or operates an oil & gas exploration and production site located 8 miles northeast of Venice, Plaquemines Parish, Louisiana.”

On or about October 22, 2013 and October 24, 2013, inspections were conducted, along with

a subsequent file review conducted by the Department on or about May 20, 2014. The inspections and file review revealed the following violation(s):

“The Respondent caused and/or allowed the discharge of oily fluid without a permit and/or other authority from the Department. Specifically,

- 1.5 barrels of crude oil was released to surrounding wetlands on or about March 20, 2009
- 20 gallons of crude oil was released to the marsh on or about October 2, 2012
- 1 barrel of produced water to an unnamed canal on or about November 21, 2012
- 10 barrels of crude oil to an adjacent waterway on or about October 12-24, 2013
- 2-4 barrels of crude oil was released to an adjacent canal on or about October 22, 2013 (La. R.S. 30:2076 (A)(3) and LAC 33:IX.1701.B)

The Respondent caused and/or allowed the discharge of wastewater without a permit and/or other authority from the Department. Specifically, the Respondent discharged deck drainage and wastewater from work over operations without an LPDES permit. (La. R.S. 30:2075) LPDES Permit LAG33B143 was issued on January 22, 2014.

The Respondent failed to submit a complete application to discharge to waters of the state. Specifically, the Respondent failed to obtain appropriate permit coverage for the discharge of deck drainage and wastewater from work over operations. (La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, and LAC 33:IX.2501.A)

The Respondent failed to develop and/or implement an adequate Spill Prevention and Control (SPC) Plan. Specifically, the Respondent failed to establish written procedures for the visual inspection of the test separator equipment and did not maintain equipment to prevent discharges of oil. (La. R.S. 30:2076 (A)(3) and LAC33:IX.905.A)

The Respondent failed to submit a complete written notification within 7 days of a spill. Specifically, the Respondent failed to include disposition of recovered materials in the written report submitted on October 28, 2013. (La. R.S. 30:2076 (A)(3) and LAC33:I.3925.B)”

On January 26, 2015, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. WE-PP-14-00059, which was based upon the following findings of fact:

“The Respondent owns and/or operates an oil & gas exploration and production site located 6 miles northeast of Venice, Plaquemines Parish, Louisiana.”

On or about October 17, 2013, an inspection was conducted at the site. The inspection revealed the following violation(s):

“The Respondent caused and/or allowed the discharge of glycol without a permit and/or other authority from the Department to waters of the state. (La. R.S. 30:2075)

The Respondent failed to submit a complete application to discharge to waters of the state. Specifically, the Respondent failed to obtain appropriate permit coverage for the discharge of deck drainage and discharges associated with work-over operations on wells. (La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, and LAC 33:IX.2501.A)

The Respondent failed to develop and/or implement an adequate Spill Prevention and Control (SPC) Plan. Specifically, the Respondent failed to maintain a system of curbs, gutters, and/or sumps capable of retaining spills. (La. R.S. 30:2076 (A)(3) and LAC33:IX.708.C.1.b.ii)”

On or about September 24, 2014, a file review was conducted. The file review revealed the following violation(s):

“The Respondent caused and/or allowed the discharge of wastewater without a permit and/or other authority from the Department. Specifically, the Respondent discharged deck drainage and wastewater from work over operations without an LPDES permit. (La. R.S. 30:2075) LPDES Permit LAG33B132 was issued on December 6, 2013. The Respondent has been in operation since September 1, 2005.”

On April 17, 2015, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. WE-PP-14-00060, which was based upon the following findings of fact:

“The Respondent owns and/or operates an oil & gas exploration and production site located 8 miles northeast of Venice, Plaquemines Parish, Louisiana.”

On or about July 17, 2013, an inspection was conducted at the site. The inspection revealed the following violation(s):

“The Respondent caused and/or allowed the discharge of oily fluid without a permit and/or other authority from the Department. Specifically, the Respondent released 3 gallons of crude oil to waters of the state. (La. R.S. 30:2076 (A)(3) and LAC 33:IX.1701.B)

The Respondent failed to submit a complete application to discharge to waters of the state. Specifically, the Respondent failed to obtain appropriate permit coverage for the discharge of deck drainage and discharges associated with work-over operations on wells. (La. R.S. 30:2076 (A)(3) and LAC 33:IX.501.A)”

On or about September 24, 2014, a file review was conducted. The file review revealed the following violation(s):

“The Respondent caused and/or allowed the discharge of wastewater without a permit and/or other authority from the Department. Specifically, the Respondent discharged deck drainage and wastewater from work over operations without an LPDES permit. (La. R.S. 30:2075) LPDES Permit LAG33B133 was issued on December 6, 2013. The Respondent has been in operation since September 1, 2005.”

### 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 TWENTY THOUSAND AND NO/DOLLARS (\$20,000.00), of which One Thousand Six Hundred Forty-Seven and 01/100 Dollars (\$1,647.01) 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 Notices 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 Plaquemines 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.

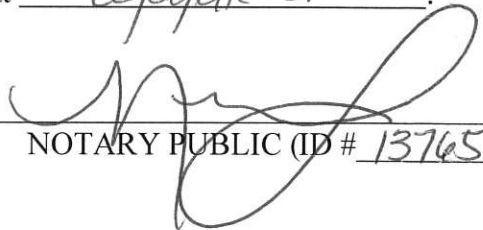
**LOBO OPERATING, INC. F/K/A  
SARATOGA RESOURCES, INC.**

BY:   
(Signature)

Howard W. Wilson  
(Printed)


TITLE: President & CEO

THUS DONE AND SIGNED in duplicate original before me this 14 day of April, 20 17, at Lafayette LA.

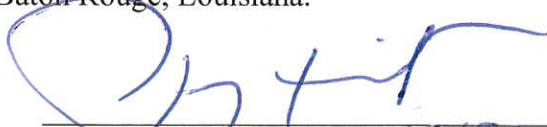
  
NOTARY PUBLIC (ID # 13765)

(stamped or printed)

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

BY:   
Lourdes Iturralde, Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 27<sup>th</sup> day of June, 20 17, at Baton Rouge, Louisiana.

  
NOTARY PUBLIC (ID # 19181)

Perry Theriot  
(stamped or printed)

Approved:   
Lourdes Iturralde, Assistant Secretary