

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SUNDOWN ENERGY LP

AI # 32563

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT

LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-AE-17-0021
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* Enforcement Tracking No.
* AE-PP-13-00444
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SETTLEMENT

The following Settlement is hereby agreed to between Sundown Energy LP (“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 partnership that owns and/or operates an oil and gas production facility located in Plaquemines Parish, Louisiana (“the Facility”).

II

On February 17, 2014, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **AE-PP-13-00444**, which was based upon the following findings of fact:

“On or about July 19, 2012, an Air Quality inspection of the East Potash Field Facility (the facility), a natural gas, crude oil, and saltwater collection and separation facility, owned and/or operated by Sundown Energy LP (RESPONDENT), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. A subsequent file review was conducted on or about May 17, 2013. The facility is located 8.5 miles

southeast of Pointe a la Hache in Plaquemines Parish, Louisiana. The facility operates, or has operated under a Minor Source Air Permit, Standard Oil and Gas Air (SOGA) permit, or Minor Source Air General (MSOG) permit, as shown in Table A:

TABLE A

Permit No.	
Permit 971T	July 7,1978
Minor 2240-00041 -01	January 18,1994
Minor 2240-0004 1-02	April 9, 1996
SOGA 2240-00041-03	August 16,2005
Minor 2240-00041-04	June 6,2007
Minor 2240-00041-05	March 12,2010
MSOG 2240-00041-06	May 8,2013

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 file review:

- A. During the course of the inspection, the inspector noted that the facility was operating storage tanks which listed throughputs that were in excess of the limits in Minor Source Permit No. 2240-00041-05, as shown in Table B:

TABLE B

Emission Source	Permit	Actual Totals
Saltwater Storage Tank T1 (EQT 0023)	3,650 barrels (bbl) per year total throughput	42,576 bbl in 2010
Saltwater Storage Tank T2 (EQT 0024)		61,165 bbw in 2011

Each failure to restrict the volume of saltwater throughput to the permitted limit is a violation of LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and 30:2057(A)(2). Saltwater total throughput limits were increased to 1,533,000 bbl per year in MSOG Permit No. 2240-00041-06.

- B. During the course of the inspection, the inspector noted that the facility had installed one natural gas-fired engine as shown in Table C:

TABLE C

Emission Source	Installation
Compressor Engine 4 (EQT 0032)	Installed in 2008, no modification to Minor Source Permit No. 2240-00041-04

The failure to receive approval prior to installation of EQT 0032 is a violation of LAC 33:III.501 .C.1 and 30:2057(A)(2). The installation was incorporated in Minor Source Permit No. 2240-00041-05.

- C. During the course of the inspection, the inspector noted that the facility had installed Compressor Engine 4 (EQT 0032) in 2008. Compressor Engine 4 operated as an unpermitted source until it was incorporated in Minor Source Permit 2240-00041-05, issued on or about March 12, 2010. Operation, without a valid permit, of any emission source which will, or ultimately may, result in emission of Air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- D. During the course of the inspection, the inspector noted that Minor Source Permit No. 2240-00041-05 listed the facility's oil storage as five 1,600 bbl tanks. The actual storage was four 400 bbl tanks and one 1,500 bbl tank. The failure to ensure that the air permit is accurate and complete is a violation of LAC 33:III.517.D, and La. R.S. 30:2057(A)(2).

- E. During the course of the inspection, the inspector noted that Emission Source Compressor COMP4 (EQT 0032) was listed in Minor Source Permit No. 2240-00041-05 as a 380 horsepower (hp) engine, when it was actually a 420 hp engine. The description error was corrected in MSOG Permit No. 2240-00041-06 when the compressor, damaged during Hurricane Isaac, was repaired, returned to service, and renamed as EQT 0036. EQT 0032 was removed from MSOG Permit No. 2240-00041-06. The failure to ensure that the air permit is accurate and complete is a violation of LAC 33:III.517.D, and La RS. 30:2057(A)(2).

- F. During the course of the inspection, the inspector noted that uncontrolled emissions from the Glycol Reboiler Still Vent, EQT 0011, were vented to the atmosphere and not routed to the glycol reboiler heater firebox as stated in the application for Minor Source Permit No. 2240-00041-05. The failure to route the glycol reboiler still vent emissions of VOC to the glycol reboiler heater firebox is a violation of Minor source Permit No. 2240-00041-05, LAC 33:III.501C.4, LAC 33:III.905, La. R.S. 30:2057(A)(1) and 30:2057(A)(2). Venting of 5.52 tpy of Volatile Organic Compounds (VOC) to the atmosphere was incorporated in MSOG Permit No. 2240-00041-06.
- G. During the course of the inspection, the inspector noted that Oil Storage Tanks T3 (EQT 0024), T4 (EQT 0025), T5 (EQT 0026), T6 (EQT 0027), and T7 (EQT 0028) were not routed to a Vapor Recovery Unit (VRU) (EQT 0029), as listed in Minor Source Permit No. 2240-00041-05. Each failure to route each storage tank vent to a VRU is a violation of Minor Source Permit No. 2240-00041-05, LAC 33:III.501.C.4, LAC 33:III.905, La RS. 302057(A)(1) and 30:2057(A)(2). Venting of a total of 38.91 tpy of VOC from the five tanks, to the atmosphere, was incorporated in MSOG Permit No. 2240-00041-06.
- H. Pneumatic controllers, two compressors, nine gas-operated pumps and two gasoline storage tanks were added in MSOG Permit No. 2240-00041-06. In electronic correspondence dated May 24, 2013, and May 27, 2013, the Respondent reported the startup/in service dates of each emission source. The dates and emission rates of VOC in tons per year (tpy) in MSOG Permit No. 2240-00041-06, issued on or about May 8, 2013, are shown in Table D:

TABLE D

Emission Source	Startup Date	Unpermitted Period	VOC, tpy
Pneumatic controllers 26-13-PC (EQT 0035)	July 7, 1978	35 years	5.23
Gas operated compressor 28-13-ICE-ES (EQT 0036)	January 31, 2013	3 mos.	4.06
Diesel fired compressor 29-13-ICE-ES (EQT0037)	March 2013	Stand-by, not in service	2.25
Flare tank 26-13-FT-V (EQT0039)	March 2013	78 days	0.38
Gas operated pump 33-13-GOP (EQT 0041) Through Gas operated pump 35-13-GOP (EQT 0043)			3 pumps @ 0.23 1.15
Gas operated pump 36-13-GOP (EQT 0044)			2.23
Gas operated pump 37-13-GOP			0.93
Gas operated pump 38-13-GOP (EQT 0046)			
Gas operated pump 39-13-GOP (EQT 0047)			1.55
Gas operated pump 40-13-GOP (EQT 0048)			Stand-by, not in service
Gas operated pump 41-13-GOP (EQT 0049)	Stand-by, not in service	Stand-by, not in service	0.64
Gasoline Storage Tank Vent 48-13-GST-V (EQT 0050)	March 2013	78 days	0.75
Gasoline Storage Tank Vent 49-13-GST-V (EQT 0051)			0.46
Total VOC, tpy			17.67

Each failure to submit an application prior to beginning construction or operation of any emission source is a violation of Minor Source Permit No. 2240-00041-05, LAC :III.501. C.1 and La. R.S. 30:2057(A)(2).

- I. Prior to, and until the issuance of, MSOG Permit No. 2240-00041-06, the Respondent operated unpermitted emission sources for the periods shown in Table D. Operation of each unpermitted source prior to receiving approval from the Department is a violation of Minor

Source Permit No. 2240-00041-05, LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- J. During the course of the inspection, the inspector noted that the facility converted the product loading process from trucks to marine loading into barges. The conversion took place in August/September 2011 after the access road washed out. The Respondent failed to modify the permit to reflect that change in operation. The failure to modify the permit is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2). The Respondent submitted an application to modify the permit dated March 11, 2013; MSOG Permit No. 2240-00041-06 reflected the change.

III

In response to the Notice of Potential Penalty, Respondent made a timely request for a hearing.

IV

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

V

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 EIGHT THOUSAND SIX HUNDRED TWENTY-EIGHT and 01 DOLLARS (\$8,628.01) of which One Thousand Sixty-Three and 43/100 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).

VI

Respondent further agrees that the Department may consider the inspection report(s)/permit record(s), 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.

VII

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.

VIII

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.

IX

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.

X

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.

XI

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).

XII

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.

Sundown Energy LP

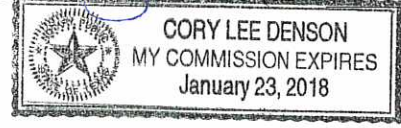
BY: *Robin D. McGuire*
(Signature)

Robin D. McGuire
(Printed)

TITLE: VP hands + General Counsel

THUS DONE AND SIGNED in duplicate original before me this 27th day of July, 20 17, at Dallas, TX.

Cory Denson
NOTARY PUBLIC (ID # _____)



(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 20th day of Oct, 20 17, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: *[Signature]*
Lourdes Iturralde, Assistant Secretary