

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

LLOX, L.L.C.

AI # 199640

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

* Settlement Tracking No.
* SA-WE-18-0012
*
* Enforcement Tracking No.
* WE-PP-17-00739
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SETTLEMENT

The following Settlement is hereby agreed to between LLOX, L.L.C. (“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 exploration and production facility located in Plaquemines Parish, Louisiana (“the Facility”).

II

On November 20, 2017, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. WE-PP-17-00739, attached as Exhibit A.

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 TWO THOUSAND FIVE HUNDRED SEVENTY-SEVEN AND 55/100 DOLLARS (\$2,577.55), of which Nine Hundred Seventy-Seven and 55/100 Dollars (\$977.55) 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 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 B).

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.

LLOX, L.L.C.

DAS BY: David G. McCann
(Signature)

David G. McCann
(Printed)

TITLE: President

THUS DONE AND SIGNED in duplicate original before me this 12th day of June, 20 18, at Covington, Louisiana.

Judy Reimel
NOTARY PUBLIC (ID # _____)

Judy Reimel
Notary Public - St. Tammany Parish
My Commission Issued for Life
Notary No. 60007

(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 29th day of Nov, 20 18, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: [Signature]
Lourdes Iturralde, Assistant Secretary

JOHN BEL EDWARDS
GOVERNOR



CHUCK CARR BROWN, PH.D.
SECRETARY

State of Louisiana
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF ENVIRONMENTAL COMPLIANCE

November 20, 2017

CERTIFIED MAIL (7016 3010 0000 9387 6740)
RETURN RECEIPT REQUESTED

LLOX, L.L.C.
c/o Kemberlia Ducote
Agent for Service of Process
1001 Ochsner Boulevard, Suite 200
Covington, Louisiana 70433

**RE: NOTICE OF POTENTIAL PENALTY
ENFORCEMENT TRACKING NO. WE-PP-17-00739
AGENCY INTEREST NO. 199640**

Dear Madam:

On or about June 9, 2017, an inspection of the **MAIN PASS 23 CF NO. 1, EAST BLACK BAY FIELD**, an oil and gas exploration and production facility, owned and/or operated by **LLOX, L.L.C. (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Water Quality Regulations. The facility is located approximately 20 miles east of Point a la Hache, Plaquemines Parish, Louisiana. The LAG330000 general permit was reissued on December 16, 2015, with an effective date of February 1, 2016, and an expiration date of January 31, 2021. The Respondent was authorized coverage under the LAG330000 general permit and assigned authorization number LAG33B191 on February 8, 2016. Under the terms and conditions of LAG33B191, the Respondent is permitted to discharge dewatering effluent from reserve pits which have not received drilling fluids and/or drill cuttings since December 15, 1996, deck drainage, formation test fluids, treated sanitary wastewater (oyster propagation subsegment), domestic wastewater, hydrostatic wastewater, and miscellaneous discharges by effluent pipe, thence to Breton Sound in subsegment 042202 of the Lake Pontchartrain Basin, 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:

- A. The Respondent caused and/or allowed the discharge of oil to waters of the state. Specifically, the inspection revealed a release of approximately 11 barrels of oil to waters of the state that was caused when an isolation valve was not in the correct position. Specifically, the inspection revealed that the three way isolation valve (normal-block-bleed) was left in the "block" position instead of the "normal" position which caused the pressure

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safety valve to open sending oil through the vent scrubber into the water. The unauthorized discharge is a violation of LAC 33:IX.1701.B, LAC 33:IX.708.C.1.a, and La. R.S. 30:2076(A)(3).

- B. The Respondent caused and/or allowed the discharge of oil and other wastes to waters of the state. Specifically, the inspection revealed that facility personnel were using X-Chem WC-15 degreaser to clean oil sprayed on the platform from a vent, with oil and cleaner being discharged to waters of the state. The unauthorized discharge is a violation of LAC 33:IX.1701.B, LAC 33:IX.708.C.1.a, and La. R.S. 30:2076(A)(3).
- C. The Respondent failed to properly operate the facilities. Specifically, the inspection revealed that a three way isolation valve (normal-block-bleed) was left in the "block" position instead of the "normal" position which caused the pressure safety valve to open sending oil through the vent scrubber into the water. The failure to properly operate all facilities is a violation of LPDES permit LAG33B191 (Part III, Sections A.2 and B.3.a), LAC 33:IX.2701.E, and La. R.S. 30:2076(A)(3).
- D. The Respondent failed to comply with permit effluent limitations. Specifically, the Respondent reported on its Discharge Monitoring Report (DMR) for the monitoring period of January 2016 through June 2016, an exceedance of the fecal coliform permit effluent limitation (Outfall 04B) of 43 colonies/100 ml (daily maximum) in May 2016. The reported value was 140 colonies/100 ml. The exceedance of the permit limitation is a violation of LPDES permit LAG33B191 (Part I, Section B, page 18 of 29 and Part III, Section A.2), La. R.S. 30:2076(A)(3), and LAC 33:IX.501.A.

Pursuant to La. R.S. 30:2050.3(B), you are hereby notified that the issuance of a penalty assessment is being considered for the violation(s) described herein. Written comments may be filed regarding the violation(s) and the contemplated penalty. If you elect to submit comments, it is requested that they be submitted within ten (10) days of receipt of this notice.

Prior to the issuance of any additional appropriate enforcement action, you may request a meeting with the Department to present any mitigating circumstances concerning the violation(s). If you would like to have such a meeting, please contact Richard Ober, Jr. at (225) 219-3135 within ten (10) days of receipt of this **NOTICE OF POTENTIAL PENALTY**.

The Department is required by La. R.S. 30:2025(E)(3)(a) to consider the gross revenues of the Respondent and the monetary benefits of noncompliance in order to determine whether a penalty will be assessed and the amount of such penalty. Please forward the Respondent's most current annual gross revenue statement along with a statement of the monetary benefits of noncompliance for the cited violations to the above named contact person within ten (10) days of receipt of this **NOTICE OF POTENTIAL PENALTY**. Include with your statement of monetary benefits the method(s) you utilized to arrive at the sum. If you assert that no monetary benefits have been gained, you are to fully justify this statement. If the Respondent chooses not to submit the requested most current annual gross revenues statement within ten (10) days, it will be viewed by the Department as an admission that the Respondent has the ability to pay the statutory maximum penalty as outlined in La. R.S. 30:2025.

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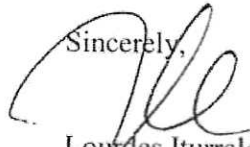
revenues statement within ten (10) days, it will be viewed by the Department as an admission that the Respondent has the ability to pay the statutory maximum penalty as outlined in La. R.S. 30:2025.

For each violation described herein, the Department reserves the right to seek civil penalties and the right to seek compliance with its rules and regulations in any manner allowed by law, and nothing herein shall be construed to preclude the right to seek such penalties and compliance.

The Department assesses civil penalties based on LAC 33:I.Subpart1.Chapter7. To expedite closure of this **NOTICE OF POTENTIAL PENALTY**, the Respondent may offer a settlement amount to resolve any claim for civil penalties for the violation(s) described herein. The Respondent may offer a settlement amount, but the Department is under no obligation to enter into settlement negotiations. The decision to proceed with a settlement is at the discretion of the Department. The settlement offer amount may be entered on the attached "**NOTICE OF POTENTIAL PENALTY REQUEST TO SETTLE**" form. The Respondent must include a justification of the offer. **DO NOT** submit payment of the offer amount with the form. The Department will review the settlement offer and notify the Respondent as to whether the offer is or is not accepted.

To reduce document handling, please refer to the Enforcement Tracking Number and Agency Interest Number on the front of this document on all correspondence in response to this action.

Sincerely,



Lourdes Iturralde
Assistant Secretary
Office of Environmental Compliance

LI/RO/ro
Alt ID No. LAG33B191

c: Mr. Ron Harvey, Operations Manager
LLOX, L.L.C.
1001 Ochsner Boulevard, Suite A
Covington, LA 70433