STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-MM-15-0018**
BLACKHORSE ENERGY, LLC OF TEXAS	*	
	*	**Enforcement Tracking No.**
AI # 32465, 183032	*	**AE-PP-12-00319**
	*	**WE-PP-12-01203**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Blackhorse Energy, LLC of Texas ("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 facilities located in Livingston, Livingston Parish, Louisiana ("the Facilities").

II

On September 24, 2012, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-12-00319, which was based upon the following findings of fact:

"On or about April 5, 2012, a file review of **LVG WX1 RA SU LB FACILITY (Facility)**, an oil and natural gas production facility owned and/or operated by **BLACKHORSE ENERGY, LLC OF TEXAS (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 at 1-12 Exit 22 Louisiana Highway 63 in Livingston, Livingston Parish, Louisiana. The

Respondent currently operates the facility under Standard Oil and Gas Air Permit No. 1740-00026-03 transferred to the Respondent on March 9, 2012, and expires April 28, 2015.

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 file review:

A. The Respondent acquired and began operation of the facility on November 1, 2011. The Respondent submitted a complete Name/Ownership/Operator Change Form (NOC-1) dated February 22, 2012. The failure to provide the Department with a NOC-1 within forty-five (45) days after the change of ownership or operational control is a violation of LAC 33:I.1907.B, LAC 33:III.517.G, and La. R.S. 30:2057(A)(2).

B. The Respondent acquired and began operation of the facility on November 1, 2011. The Department transferred Air Permit No. 1740-00026-03 to the Respondent on March 9, 2012. The unauthorized operation of the facility from November 1, 2011, to March 8, 2012, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

III

On December 7, 2012, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. WE-PP-12-01203, which was based upon the following findings of fact:

"On or about July 17, 2012, an inspection of the **LIVINGSTON FIELD (6120) FLOWLINE**, owned and/or operated by **BLACKHORSE ENERGY, LLC OF TEXAS (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Water Quality Regulations. The Livingston Field is located on the south side of Grantham one (1) mile west of Charley Watts Road in Livingston, Livingston 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 violation were noted during the course of the inspection and a subsequent file review conducted on or about October 22, 2012:

> An inspection conducted by the Department on or about July 17, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge to waters of the state. Specifically, the Respondent reported that approximately thirty-five (35) to forty (40) barrels of crude oil and produced water were released to an unnamed drainage ditch, thence into Little Colyell Creek on July 13, 2012, due to a rupture in a fiberglass flowline. The unauthorized discharge of crude oil and produced water to waters of the state is a violation of La. R. S. 30:2075 and LAC 33:IX.708.C.2.a.ii."

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 SEVEN THOUSAND AND NO/100 DOLLARS ($7,000.00), of which Four Hundred Forty-Two and 90/100 Dollars ($442.90) 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), NOPPs 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.

XI

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 Livingston Parish, Louisiana. The advertisement, in form, wording, and size 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.

XIII

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.

BLACKHORSE ENERGY, LLC OF TEXAS

BY: _____
(Signature)

_____
(Printed)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20 _____, at _____.

_____
NOTARY PUBLIC (ID #_____)

_____
(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch Secretary

BY: _____
D. Chance McNeely, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20_____, at Baton Rouge, Louisiana.

_____
NOTARY PUBLIC (ID # _____)

_____
(stamped or printed)

Approved: _____
D. Chance McNeely, Assistant Secretary