STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-14-0060**
CASTEX ENERGY, INC.	*	
	*	**Enforcement Tracking No.**
AI # 32322, 123274, 159382, 159631,	*	**AE-CN-11-00258**
160102 and 145381	*	**AE-CN-11-00258A**
PROCEEDINGS UNDER THE LOUISIANA	*	**AE-PP-12-01061**
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	**Docket No. 2013-4062-EQ**

SETTLEMENT

The following Settlement is hereby agreed to between Castex Energy, 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 several oil and gas production facilities located in Lafourche, St. Charles and Terrebonne Parishes, Louisiana ("the Facilities").

II

On December 21, 2011, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **AE-CN-11-00258**, which was based upon the following findings of fact:

"The Respondent owns and/or operates the following facilities:

AI No.	Name	Location	Permit No.
32322	Lake Enfermer Production Facility No. 1	Approximately 6 miles southeast of Golden Meadow, Lafourche Parish, LA	1560-00095

AI No.	Name	Location	Permit No.
123274	Lafourche Realty #1 Production Facility	Approximately 6 miles east of Golden Meadow, Lafourche Parish, LA	1560-00228
159382	Boutte Field Production Facility No. 1	Approximately 6 miles southeast of Boutte, St. Charles Parish, LA	2520-00154
159631	Joe McHugh Field Production Facility No. 1	Approximately 1.5 miles southwest of Des Allemands, Lafourche Parish, LA	1560-00267
160102	Bayou Raphael Field Production Facility No. 1	Approximately 4 miles northeast of Golden Meadow, Lafourche Parish, LA	1560-00269

On or about February 8, 2011, the Department conducted a file review for the aforementioned facilities.

While the Department's investigation is not yet complete, the following violations were discovered during the course of the file review:

A. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Lake Enfermer Production Facility No. 1, the Respondent indicated that pumps were operated at the facility prior to agency authorization. Specifically, pumps were installed at the facility prior to April 1, 2010, and a permit modification application to include the pumps was not submitted to the Department until on or about October 15, 2010. The Respondent's failure to submit a permit application and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

B. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Lake Enfermer Production Facility No. 1, the Respondent indicated that pumps were operated at the facility prior to agency

authorization. Specifically, the Respondent operated two (2) Wilden gas-operated pumps from transfer of the facility from the previous owner on or about April 1, 2010, until included in Minor Source Permit No. 1560-00095-02 on or about December 17, 2010. The operation of a facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

C. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Lafourche Realty #1 Production Facility, the Respondent indicated that natural gas was vented to the atmosphere from May 19, 2010, until May 23, 2010. Specifically, a compromised seal on the low-pressure separator caused a leak releasing natural gas to the atmosphere. This unauthorized emissions event is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas are not exceeded." This is also a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

D. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Lafourche Realty #1 Production Facility, the Respondent indicated that a pump was installed at the facility prior to agency authorization. Specifically, the Respondent installed a Wilden gas-operated pump at the facility on or about April 20, 2010. The Respondent's failure to submit a permit application and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may

have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

E. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Lafourche Realty #1 Production Facility, the Respondent indicated that a pump was operated at the facility prior to agency authorization. Specifically, the Respondent operated a Wilden gas-operated pump installed at the facility on or about April 20, 2010, without authorization until it was included in Minor Source Permit No. 1560-00228-01 on or about January 21, 2011. The operation of a facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

F. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Boutte Field Production Facility No. 1, the Respondent indicated that a pump was installed at the facility prior to agency authorization. Specifically, the Respondent installed a Wilden gas-operated pump at the facility on or about February 10, 2010, prior to agency authorization. The Respondent's failure to submit a permit application and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

G. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Boutte Field Production Facility No. 1, the Respondent indicated that a pump was operated at the facility prior to agency

authorization. Specifically, the Respondent operated a Wilden gas-operated pump installed at the facility on or about February 10, 2010, until the pump operation was determined to be an insignificant activity on or about June 21, 2010. The operation of a facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

H. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Joe McHugh Field Production Facility No. 1, the Respondent indicated that a pump was replaced by a blowcase vessel at the facility prior to agency authorization. Specifically, the Respondent installed a blowcase vessel to replace a gas-operated pump on or about May 15, 2010, prior to agency authorization. The Respondent's failure to submit a permit application and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

I. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Joe McHugh Field Production Facility No. 1, the Respondent indicated that a blowcase vessel was operated at the facility prior to agency authorization. Specifically, the Respondent operated a blowcase vessel installed at the facility on or about May 15, 2010, until the vessel was included in Minor Source Permit No. 1560-00267-01 on or about September 20, 2010. The operation of a facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

J. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Bayou Raphael Field Production Facility No. 1, the Respondent indicated that VOCs were released to the atmosphere from February 11, 2010, until February 12, 2010. Specifically, the flame for the control flare went out and failed to re-ignite due to an auto-ignitor failure, resulting in the release of waste gas, glycol still column condenser vapors, and tank vapors. The failure to maintain equipment is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas are not exceeded." This is also a violation of Minor Source Permit No. 1560-00269-00, LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

K. In a General Condition XI Notification submitted to the Department on or about September 28, 2009, for the Bayou Raphael Field Production Facility No. 1, the Respondent indicated that VOCs were released to the atmosphere for a period less than 24 hours. Specifically, the flame for the control flare went out and failed to re-ignite due to an auto-ignitor failure, resulting in the release of waste gas, glycol still column condenser vapors, and tank vapors. The unauthorized emissions event is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas

are not exceeded." This is also a violation of Minor Source Permit No. 1560-00269-00, LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

L. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Bayou Raphael Field Production Facility No. 1, the Respondent indicated that a pump was installed at the facility prior to agency authorization. Specifically, the Respondent installed a Wilden gas-operated pump at the facility on or about May 15, 2010, prior to agency authorization. The Respondent's failure to submit a permit application and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

M. In a General Condition XI Notification submitted to the Department on or about September 30, 2010, for the Bayou Raphael Field Production Facility No. 1, the Respondent indicated that a pump was operated at the facility prior to agency authorization. Specifically, the Respondent operated a Wilden gas-operated pump installed at the facility on or about May 15, 2010, until the pump operation was determined to be an insignificant activity on or about June 21, 2010. The operation of a facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

On February 7, 2013, the Department issued to Respondent an Amended Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **AE-CN-11-00258A**, which was based upon the following findings of fact:

"The Department hereby deletes paragraphs II.A and II.B from the Order.

The Department incorporates all of the remainder of the original Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-11-00258, and Agency Interest Nos. 32322, 123274, 159382, 159631 and 160102 as if reiterated herein."

On May 6, 2013, the Department issued to Respondent an Amended Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **AE-PP-12-01061**, which was based upon the following findings of fact:

"On or about April 29, 2013, a file review of Humphreys Production Facility (facility), owned and/or operated by Castex Energy, Inc. (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 8.5 miles west of Houma near 4400 Bayou Black Drive in Terrebonne Parish, Louisiana. Ownership of the facility was transferred to the Respondent from Hilcorp Energy Company on or about December 1, 2011, and permit responsibility for Minor Source Air Permit No. 2880-00396-01 was transferred to the Respondent on August 17, 2012. The facility currently operates under Minor Source Air Permit No. 2880-00396-02 issued on October 11, 2012.

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 failed to submit a timely Name/Ownership/Operator Change Form (NOC-1 form) prior to or no later than 45 days after a change in ownership of the facility. Specifically, the Respondent was transferred ownership of the facility on or about December 1, 2011; however, a NOC-1 form was not received

by the Office of Environmental Services until on or about July 31, 2012. The failure to submit a timely NOC-1 form 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 operated the facility without approval from the permitting authority. Because the Respondent failed to submit a timely NOC-1 form to the Department, the facility did not retain coverage under Minor Source Air Permit No. 2880-00396-01 from the date of ownership transfer, December 1, 2011, until the date of permit transfer, August 17, 2012. The operation of the facility from December 1, 2011, through August 16, 2012, without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1), and La. R.S. 30:2057(A)(2)."

Subsequent information provided by the Respondent shows that the ownership transfer of the facilities from Hilcorp Energy I, L.P. to Castex Energy, Inc. took place on April 16, 2012, with an effective date of December 1, 2011.

III

In response to the CONOPP, 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 NINE THOUSAND ONE HUNDRED SEVENTEEN AND 36/100 DOLLARS ($9,117.36), of which One Thousand One Hundred Seventeen and 36/100 Dollars ($1,117.36)

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), Consolidated Compliance Order & 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

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Lafourche, St. Charles, and Terrebonne Parishes, 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 from the newspaper of each affected parish 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.

CASTEX ENERGY, INC.

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