STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-14-0065**
CLAYTON WILLIAMS ENERGY, INC.	*	
	*	**Enforcement Tracking No.**
AI # 96545, 152363, 155655, 155749, 157283, 165047, 165048, 165049, 165050, 165051, 165052, 166101, 170776, 167491, 167492, 167493, 169376	*	**AE-PP-04-0258**
	*	
PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Clayton Williams 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 a facilities located in Cameron Parish, Lincoln Parish, and Webster Parish, Louisiana ("the Facilities").

II

On October 27, 2004, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-04-0258, which was based upon the following findings of fact:

"On or about June 2, 2004, an inspection of **WEST CAMERON BLOCK 1 PRODUCTION FACILITY**, owned and/or operated by **CLAYTON WILLIAMS 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 on

Louisiana Highway 82, two miles southeast of Oak Grove in Cameron Parish, Louisiana and currently operates under Air Permit Number 0560-00182-01 issued to the facility on December 12, 2003.

While the Louisiana Department of Environmental Quality's (the Department) investigation is not yet complete, the following violation was noted during the course of the inspection:

> Clayton Williams, Jr., Inc. began construction and operation of the facility in 1988 without a permit. According to a letter from the Respondent dated August 26, 2004, Mr. Williams, the owner of the facility, transferred the lease of this facility from Clayton Williams, Jr., Inc. to Clayton Williams Energy, Inc. in 1998. The Respondent allowed operation of the facility without a permit after this change. The Department received the Respondent's permit application dated January 9, 2002, on January 24, 2002. The Respondent's failure to obtain a permit prior to construction, modification, and/or operation of the 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, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Department issued Air Permit Number 0560-00182-00 to the Respondent on April 12, 2002."

The following violations, although not cited in the foregoing enforcement action(s), are included within the scope of this settlement.

Clayton Williams Energy, Inc.
D. Woodard 26 No. 1; Terryville Field (AI No. 152363)

On or about August 14, 2007, the Department received the Respondent's Air Permit Application dated June 29, 2007. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in February 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about August 14, 2007, the Department received the Respondent's Air Permit Application dated June 29, 2007. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00199-00 on September 25, 2007. According to a letter from the Respondent dated March

3, 2010, facility operations commenced in February 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from February 2007 to September 2007 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
George Station 31 No. 1; Terryville Field (AI No. 155655)

On or about January 22, 2008, the Department received the Respondent's Air Permit Application dated December 14, 2007. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in July 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about January 22, 2008, the Department received the Respondent's Air Permit Application dated December 14, 2007. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 3080-00446-00 on July 25, 2008. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in July 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from July 2007 to July 2008 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Stephenson 22 No. 1; Terryville Field (AI No. 155749)

On or about January 27, 2008, the Department received the Respondent's Air Permit Application dated December 28, 2007. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in August 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about January 27, 2008, the Department received the Respondent's Air Permit

Application dated December 28, 2007. The Department issued Minor Source Air Permit No. 1720-00224-00 on May 21, 2008. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in August 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from August 2007 to May 2008 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Bice Common Point Facility (AI No. 157283)

On or about April 14, 2008, the Department received the Respondent's Air Permit Application dated March 7, 2008. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in July 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about April 4, 2008, the Department received the Respondent's Air Permit Application dated March 7, 2008. The Department issued Minor Source Air Permit No. 1720-00228-00 on July 6, 2008. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in July 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from July 2007 to July 2008 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
E.L. Henry 22 No. 3; Terryville Field (AI No. 165047)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 14, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in February 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1

and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 14, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00279-00 on September 11, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in February 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from February 2008 to September 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
A. Lewis 22 No. 1; Terryville Field (AI No. 165048)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in May 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00280-00 on September 11, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in May 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from May 2008 to September 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
P.D. Lewis 22 No. 1; Terryville Field (AI No. 165049)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 11, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was

constructed in November 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 11, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00281-00 on July 20, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in November 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from November 2008 to July 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Barnett 22 No. 1; Terryville Field (AI No. 165050)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in December 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00282-00 on July 20, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in December 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from December 2007 to July 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Roach 22 No. 1; Terryville Field (AI No. 165051)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 11, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in January 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 11, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00283-00 on July 20, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in January 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from January 2008 to July 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
B.F. Fallin 22 No. 1; Terryville Field (AI No. 165052)

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in December 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 29, 2009, the Department received the Respondent's Air Permit Application dated May 12, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00284-00 on July 20, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in December 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from December 2008 to July 2009, is a violation of

LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Hood Common Point No. 1; Terryville Field (AI No. 166101)

On or about July 31, 2009, the Department received the Respondent's Air Permit Application dated July 20, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in March 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about July 31, 2009, the Department received the Respondent's Air Permit Application dated July 20, 2009. The Department issued Standard Oil and Gas Air (SOGA) Permit No. 1720-00286-00 on November 2, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in March 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from March 2007 to November 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
South Sarepta Dehy Station #1 (AI No. 170776)

On or about May 13, 2010, the Department received the Respondent's Air Permit Application dated April 29, 2010. According to the Respondent's June 13, 2014 e-mail, the facility was constructed in July 2007. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about May 13, 2010, the Department received the Respondent's Air Permit Application dated April 29, 2010. The Department issued Minor Source Air Permit No. 3080-00478-00 on July 14, 2010. According to the Respondent's June 13, 2014 e-mail, facility operations commenced in

July 2007. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from July 2007 to July 2010 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
J.G. Mitchell 19 No. 1; Terryville Field (AI No. 167491)

On or about October 23, 2009, the Department received the Respondent's Air Permit Application dated October 8, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in May 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about October 23, 2009, the Department received the Respondent's Air Permit Application dated October 8, 2009. The Department issued Minor Source Air Permit No. 1720-00309-00 on January 22, 2010. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in May 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from May 2008 to January 2010 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
LA Minerals Ltd. 19 No. 3; Terryville Field (AI No. 167492)

On or about October 23, 2009, the Department received the Respondent's Air Permit Application dated October 8, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in April 2009. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about October 23, 2009, the Department received the Respondent's Air Permit

Application dated October 8, 2009. The Department issued SOGA Permit No. 1720-00310-00 on December 16, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in April 2009. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from April 2009 to December 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
LA Minerals Ltd. 19 No. 2; Terryville Field (AI No. 167493)

On or about October 23, 2009, the Department received the Respondent's Air Permit Application dated October 8, 2009. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in September 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about October 23, 2009, the Department received the Respondent's Air Permit Application dated October 8, 2009. The Department issued SOGA Permit No. 1720-00311-00 on December 16, 2009. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in September 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from September 2009 to December 2009 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Clayton Williams Energy, Inc.
Shaw 16 No. 1; Cotton Valley Field (AI No. 169376)

On or about February 26, 2010, the Department received the Respondent's Air Permit Application dated February 18, 2010. According to a letter from the Respondent dated March 3, 2010, the facility was constructed in September 2008. The Respondent's failure to submit a timely and complete permit application prior to construction, reconstruction, or modification is a violation

of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

On or about February 26, 2010, the Department received the Respondent's Air Permit Application dated February 18, 2010. The Department issued Minor Source Air Permit No. 3080-00473-00 on June 30, 2010. According to a letter from the Respondent dated March 3, 2010, facility operations commenced in September 2008. The Respondent's failure to obtain approval from the Department prior to the operation of the facility from September 2008 to June 2010 is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

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 SEVENTEEN THOUSAND ONE HUNDRED FIFTY-FIVE AND NO/100 DOLLARS ($17,155.00), of which Three Hundred Seventy-Eight and 03/100 Dollars ($378.03) 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), the NOPP 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 Cameron Parish, Lincoln Parish, and Webster 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.

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.

CLAYTON WILLIAMS 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