STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-12-0072**
CYPRESS OPERATING, INC.	*	
	*	**Enforcement Tracking No.**
AI # 170091, 170092, 170093, 170312	*	**AE-PP-10-01722**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Cypress Operating, 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 Mulla et al 28 No. 1 Facility located 6.7 miles North Northeast of Logansport, De Soto Parish, Louisiana; McCoy B No. 5 Facility located 10.6 miles North Northeast of Logansport, De Soto Parish, Louisiana; Rascoe 27 No. 1 Facility located 8.8 miles North Northeast of Logansport, in De Soto Parish, Louisiana; and McCoy B. No. 2 Facility located 6.7 miles North Northeast of Logansport, in De Soto Parish, Louisiana ("the Facilities").

II

On July 13, 2011, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-10-01722, which was based upon the following findings of fact:

"On or about March 1, 2011, a file review of **MULLA ET AL 28 NO. 1 FACILITY (AI**

170092), owned and/or operated by **CYPRESS OPERATING, 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 6.7 miles North Northeast of Logansport, in De Soto Parish, Louisiana.

The following violations were noted during the course of the file review:

> The Respondent submitted a Minor Source Permit application dated March 24, 2010, that indicated the facility had been constructed and is currently operating without an air permit from the Department. The Respondent submitted correspondence dated May 31, 2011, that stated the Respondent had completed the well and began operations in February 2008. The Respondent constructed and operated a facility without a permit which is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Respondent failed to submit a permit application prior to the construction, reconstruction, or modification of the facility which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Department issued Minor Source Permit No. 0760-01251-00 for the facility on September 28, 2010.'

On or about March 1, 2011, a file review of **MCCOY B NO. 5 FACILITY (AI 170091)**, owned and/or operated by **CYPRESS OPERATING, INC (RESPONDENT)**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 10.6 miles North Northeast of Logansport, in De Soto Parish, Louisiana.

The following violation was noted during the course of the file review:

> The Respondent submitted a Minor Source Permit application dated March 24, 2010, that indicated the facility had been constructed and is currently operating without an air permit from the Department. The Respondent submitted correspondence dated May 31, 2011, that stated Nadel Gussman-Jetta, the previous well owner, had completed the well and began operations in June 2006, and the facility was subsequently purchased by the Respondent in December 2006. The Respondent constructed and operated a facility without a permit which is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Department issued Minor Source Permit No. 0760-1250-00 for the facility on August 28, 2010.

On or about March 1, 2011, a file review of **RASCOE 27 NO. 1 FACILITY (AI 170093)**, owned and/or operated by **CYPRESS OPERATING, INC (RESPONDENT)**, was performed to

determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 8.8 miles North Northeast of Logansport, in De Soto Parish, Louisiana.

The following violations were noted during the course of the file review:

> The Respondent submitted a Minor Source Permit application dated March 24, 2010, that indicated the facility had been constructed and is currently operating without an air permit from the Department. The Respondent submitted correspondence dated May 31, 2011, that stated the Respondent had completed the well and began operations in May 2006. The Respondent constructed and operated a facility without a permit which is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Respondent failed to submit a permit application prior to the construction, reconstruction, or modification of the facility which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Department issued Minor Source Permit No. 0760-01252-00 for the facility on September 28, 2010.

On or about March 1, 2011, a file review of **MCCOY B. NO. 2 FACILITY (AI 170312)**, owned and/or operated by **CYPRESS OPERATING, INC (RESPONDENT)**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 6.7 miles North Northeast of Logansport, in De Soto Parish, Louisiana.

The following violations were noted during the course of the file review:

> The McCoy B. No. 2 Facility was previously permitted under Minor Source Air Permit No. 0760-00054 for Stanley Field (AI# 31985). The Stanley Field permit, which included multiple well sites, was issued to Nadel Gussman-Jetta in 1995 and modified in 1996 and 2001. The Respondent purchased the facilities associated with the Stanley Facility from Nadel Gussman-Jetta in December 2006 and submitted a Notification of Change of Ownership/Operator Form (NOC-1 Form) to the Department dated January 31, 2007, to transfer Minor Source Air Permit No. 0760-00054-02 to the Respondent. The Department transferred the permit to the Respondent with the effective date of January 1, 2007. Minor Source Air Permit No. 0760-00054-02 authorizes the emissions from a 50 horsepower compressor engine. The Respondent submitted a permit application dated April 5, 2010, to address only the McCoy B. No. 2 Facility. The Respondent stated in the application that the facility is currently using a 68 horsepower Waukesha compressor engine. In written correspondence dated July 8, 2011, the Respondent stated they were not aware of when the unit had been changed. Based on this information, the Respondent operated the 68 horsepower compressor engine

without modifying their permit which is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and 30:2057(A)(2). The Department issued Minor Source Permit No. 0760-01259-00 to the facility on July 12, 2010."

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 SEVEN THOUSAND EIGHT HUNDRED FORTY-THREE AND 42/100 DOLLARS ($7,843.42), of which Five Hundred Forty-Three and 42/100 Dollars ($543.42) represents the Department's enforcement costs, in full and final 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 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

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in DeSoto 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.

IX

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).

X

In consideration of the above, any claims for penalties are hereby fully and finally compromised and settled in accordance with the terms of this Settlement.

XI

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.

CYPRESS OPERATING, 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: _____
Cheryl Sonnier Nolan, 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: _____
Cheryl Sonnier Nolan, Assistant Secretary