**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

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| **IN THE MATTER OF:** | * | **Settlement Tracking No.** |
| | * | **SA-AE-14-0063** |
| **FRANKS OPERATING COMPANY, L.L.C.** | * | |
| | * | **Enforcement Tracking No.** |
| **AI # 136126, 136247, 136263, 136268,** | * | **AE-PP-11-00408** |
| **155344, 157889 and 172305** | * | **AE-PP-11-00408A** |
| | * | |
| **PROCEEDINGS UNDER THE LOUISIANA** | * | |
| **ENVIRONMENTAL QUALITY ACT** | * | |
| **LA. R.S. 30:2001, ET SEQ.** | * | |

**SETTLEMENT**

The following Settlement is hereby agreed to between Franks Operating Company, 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 oil and gas production facilities located in Bossier and Lincoln Parishes, Louisiana ("the Facility").

II

On July 13, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **AE-PP-11-00408**, which was based upon the following findings of fact:

"On or about March 11, 2011, a file review of Rocky Mount Drip Point (Facility), Agency Interest No. 136126, owned and/or operated by Franks Operating Company, L.L.C. (RESPONDENT), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility, an oil and gas production facility, is located on Demoss Road, six (6) miles southeast of Plain Dealing in Bossier

Parish, Louisiana. The facility currently operates under Air Permit No. 0400-00151-01 issued on May 2, 2008.

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 assumed ownership of the facility on December 1, 2010, and submitted a Name/Ownership/Operator Change Form (NOC-1 Form) to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Gray Loyd Goff Barnett Central Facility (Facility), Agency Interest No. 136247, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas production facility, is located seven (7) miles northwest of Dubach in Lincoln Parish, Louisiana. The facility currently operates under Air Permit No. 1720-00157-01 issued on August 28, 2010.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Allen #1 & #2 Central Facility (Facility), Agency Interest No. 136263, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas production facility, is located six (6) miles southeast of Plain Dealing in Bossier Parish, Louisiana. The facility currently operates under Standard Oil and Gas Air (SOGA) Permit No. 0400-00152-00 issued on September 23, 2008.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Leopard No. 1 Facility (Facility), Agency Interest No. 136268, owned and/or operated by the Respondent, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas production facility, is located five (5) miles southeast of Plain Dealing in Bossier Parish, Louisiana. The facility currently operates under SOGA Permit No. 0400-00153-00 issued on May 16, 2006.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Adams #1-1 Common Point Facility (Facility), Agency Interest No. 155344, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas production facility, is located off Union Road, 17.6 miles north northeast of Sibley in Lincoln Parish, Louisiana. The facility currently operates under Air Permit No. 1720-00221-01 issued on April 23, 2010.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Demoss #1 Facility (Facility), Agency Interest No. 157889, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas production facility, is located off Demoss Road, 12.9 miles north northeast of Rock Mount in Bossier Parish, Louisiana. The facility currently operates under SOGA Permit No. 0400-00192-00 issued on August 13, 2008.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about March 11, 2011, a file review of Allen Logging #1 (Facility), Agency Interest No. 172305, owned and/or operated by the Respondent was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility, an oil and gas facility, is located off Parish Road 55 in Sibley, Lincoln Parish, Louisiana. The facility currently operates under Air Permit No. 1720-00347-00 issued on October 28, 2010.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. The Respondent assumed ownership of the facility on December 1, 2010, and submitted a NOC-1 Form to the Department on or about February 16, 2011. The Respondent's failure to submit the NOC-1 within 45 days after the

change of ownership is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership of the facility on December 1, 2010, and the facility's air permit was transferred on March 1, 2011. The unauthorized operation of the facility during the time period of December 1, 2010, and March 1, 2011, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

On July 21, 2014, the Department issued to Respondent an Amended Notice of Potential Penalty, Enforcement No. **AE-PP-11-00408A**, which was based upon the following findings of fact:

"The Louisiana Department of Environmental Quality (the Department) hereby amends the Notice Of Potential Penalty, Enforcement Tracking No. AE-PP-11-00408 issued to Franks Operating Company, L.L.C. (Respondent) on July 13, 2011, in the above-captioned matter as follows:

The Department hereby removes all violations for Leopard No.1 Facility, Agency Interest No. 136268 listed in Enforcement Tracking No. AE-PP-11-00408.

The Department incorporates all of the remainder of the original Notice Of Potential Penalty, Enforcement Tracking No. AE-PP-11-00408 and Agency Interest Nos. 136126, 136247,136263, 155344, 157889, &172305 as if reiterated herein."

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 THREE THOUSAND FIVE HUNDRED SEVENTY-NINE AND NO/100 DOLLARS ($3,579.00) of which One Thousand Seventy-Nine and 16/100 Dollars ($1,079.16) 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 Notice of Potential Penalty and the Amended 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 Bossier Parish and Lincoln 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 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.

**FRANKS OPERATING COMPANY, L.L.C.**

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