STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-14-0025**
HLP GULF STATES, LLC	*	
	*	**Enforcement Tracking No.**
AI #S 31478, 31479, 31480, 122995, 122996	*	**AE-PP-12-01179**
122997, 122998, 122999, 123001 AND 124036	*	**AE-PP-12-01179A**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between HLP Gulf States, LLC, now owned and operated as Halcon Gulf States ("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 owned and/or operated crude oil and natural gas production facilities located in Acadia Parish, Louisiana ("the Facilities") at the time the Department issued the Notice of Potential Penalty further described below, which Facilities were subsequently divested to a third party.

II

On April 29, 2013, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **AE-PP-12-01179**, which was based upon the following findings of fact:

"On or about January 4, 2013, file reviews of the facilities listed in Table 1, owned and/or operated by HLP Gulf States, LLC (RESPONDENT), were performed to determine the degree of

compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations.

Table 1: Facility List

AI No.	Facility Name	Physical Location	Current Operating Air Permit	Permit Issuance Date
31478	Regan UA #1 Tank Battery & Arkla Compressor- Egan Field	0.8 miles south of Egan in Acadia Parish, LA	0040-00088-03	11/3/2004
31479	Freeland Tank Battery- Egan Field	Off of Parish Road 4, 0.5 miles south of Egan in Acadia Parish, LA	0040-00089-02	1/18/2013
31480	Egan Compressor Station	One (1) mile south of Egan in Acadia Parish, LA	0040-00092-01	9/11/2009
122995	Hayes Tank Battery- Egan Field	0.3 miles south Egan in Acadia Parish, LA	0040-00123-00	7/23/2004
122996	Regan #4 Tank Battery- Egan Field	1.2 miles south of Egan in Acadia Parish, LA	0040-00124-01	1/18/2013
122997	E.M. Regan #2 Wellsite- Egan Field	1.2 miles south of Egan in Acadia Parish, LA	0040-00125-00	7/23/2004
122998	Regan UD #1 Tank Battery- Egan Field	1.5 miles south of Egan in Acadia Parish, LA	0040-00126-00	7/23/2004
122999	SWD 3 Facility- Egan Field	0.4 miles southeast of Egan in Acadia Parish, LA	0040-00127-00	7/23/2004
123001	SWD #12 Facility- Egan Field	0.9 miles south of Egan in Acadia Parish, LA	0040-00128-00	7/23/2004
124036	WL Trimble #1 Tank Battery- Egan Field	0.8 miles south of Egan in Acadia Parish, LA	0040-00131-01	1/18/2013

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 reviews:

A. On or about August 22, 2012, the Department received Name/Ownership/Operator Change (NOC-1) Forms dated July 24, 2012, for each of the facilities listed in Table 1. According to the forms, the Respondent became the owner of each of the facilities listed in Table 1 on April 9, 2012, and became the operator of each of those facilities on May 1, 2012. Each incident of the Respondent's failure to submit a complete NOC-1 form to the Department prior to or no later than 45 days after the ownership and/or operatorship change of each the facilities listed in Table 1 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 each of the facilities listed in Table 1 without an air permit. Specifically, ownership of each of the facilities listed in Table 1 was transferred to the Respondent on April 9, 2012, and operatorship of those facilities was transferred to the Respondent on May 1, 2012 and the air permit associated with each of the facilities listed in Table 1 was transferred on September 17, 2012. Each incident of the Respondent's failure to obtain approval from the Department prior to operating each of the facilities listed in Table 1 is a violation of LAC 33:III.501.C.2, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

On August 2, 2013, the Department issued to Respondent an Amended Notice of Potential Penalty, Enforcement No. **AE-PP-12-01179A**, which reads:

"The Department hereby amends paragraph A of NOPP, Enforcement Tracking No. AE-PP-12-01179 to read as follows:

> On or about August 22, 2012, the Department received Name/Ownership/Operator Change (NOC-1) Forms dated July 24, 2012, for each of the facilities listed in Table 1. According to correspondence from the Respondent dated August 23, 2012, the forms were submitted to reflect a name change which was filed and recorded with the State of Louisiana Secretary of the State on April 18, 2012. Each incident of the Respondent's failure to submit a complete NOC-1 form to the Department prior to or no later than 45 days after the name change for each of the facilities listed in Table 1 is a violation of LAC 33:I.1905.A, and La. R.S. 30:2057(A)(2).

The Department hereby removes paragraph B from NOPP, Enforcement Tracking No. AE-PP-12-01179 in its entirety.

The Department incorporates all of the remainder of the original Notice Of Potential Penalty,

Enforcement Tracking No. AE-PP-12-011479 and Agency Interest Nos. 31478, 31479, 31480, 122995, 122996, 122997, 122998, 122999, 123001, & 124036 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 FOUR THOUSAND AND NO/100 DOLLARS ($4,000.00) of which Six Hundred Fifty-Eight and 70/100 Dollars ($658.70) 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 permit record, 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

IX

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

HLP GULF STATES, LLC

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