**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

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| **IN THE MATTER OF:** | * | **Settlement Tracking No.** |
| | * | **SA-MM-15-0028** |
| **PREMIER NATURAL RESOURCES II, LLC** | * | |
| | * | **Enforcement Tracking No.** |
| **AI # 32003, 85279, 154380, 31981, 125917** | * | **AE-PP-13-00301** |
| | * | **AE-PP-13-00301A** |
| | * | **AE-PP-13-00844** |
| | * | **WE-CN-13-00424** |
| | * | |
| **PROCEEDINGS UNDER THE LOUISIANA** | * | |
| **ENVIRONMENTAL QUALITY ACT** | * | **Docket No. 2014-12311-EQ** |
| **LA. R.S. 30:2001, ET SEQ.** | * | |

**SETTLEMENT**

The following Settlement is hereby agreed to between Premier Natural Resources II, LLC ("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 facilities located in DeSoto Parish, Bienville Parish, and Bossier Parish, Louisiana ("the Facilities").

II

On May 1, 2013, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-13-00301, which was based upon the following findings of fact:

"On or about March 25, 2013, a file review of the oil and gas production facilities listed in Table 1, which are owned and/or operated by **PREMIER NATURAL RESOURCES II, LLC (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality regulations.

**Table 1**

| AI Number | Facility Name | Facility Location | Current Operating Permit and Issuance Date |
|---|---|---|---|
| 32003 | Logansport #5 Production Facility | 2.75 miles northeast of Logansport in DeSoto Parish, Louisiana | 0760-00073-02 issued on 5/2/2008 |
| 85279 | Logansport #2 Facility | 3.7 miles east of Logansport in DeSoto Parish, Louisiana | 0760-00136-01 issued on 3/4/2002 |
| 154380 | Davis Bros 20 #2 Production Facility | 2.23 miles north of Mt. Olive in Bienville Parish, Louisiana | 0360-00688-00 issued on 11/28/2007 |

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 became the owner and/or operator of the facilities listed in Table 2 on April 1, 2012, and failed to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change for each facility. Each NOC-1 form should have been submitted by May 16, 2012. The NOC-1 Forms were dated January 15, 2013, and received by the Department on January 18, 2013.

**Table 2**

| AI No. | Facility Name |
|---|---|
| 32003 | Logansport #5 Production Facility |
| 85279 | Logansport #2 Facility |
| 154380 | Davis Bros 20 #2 Production Facility |

Each failure to submit the NOC-1 Form within the required timeframe 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 facility listed in Table 2 prior to receiving authorization from the Department. Specifically, the Respondent became the owner and/or operator of the facilities on April 1, 2012, and each facility's air permit was transferred on February 21, 2013. The unauthorized operation of each facility is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

On February 17, 2014, the Department issued to Respondent an Amended Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-13-00301A, which was based upon the following findings of fact:

"The Department hereby amends Paragraph B of Enforcement Tracking No. AE-PP-13-00301 to read as follows:

> B. The Respondent operated the Logansport #2 Facility (Agency Interest No. 85279) prior to receiving authorization from the Department. Specifically, the Respondent became the owner and/or operator of the facility on April 1, 2012, and the permit was not transferred until February 21, 2013. The unauthorized operation of the facility is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Department incorporates all of the remainder of the original **NOTICE OF POTENTIAL PENALTY, ENFORCEMENT TRACKING NO. AE-PP-13-00301** and **AGENCY INTEREST NOS. 32003, 85279, & 154380** as if reiterated herein."

On June 10, 2014, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-13-00844, which was based upon the following findings of fact:

"On or about October 8, 2013, a file review of Logansport #3 (Hill-Bogle-Fletch) (facility), owned and/or operated by **PREMIER NATURAL RESOURCES II, LLC (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 one mile northwest of the intersection of Louisiana Highway 763 and Louisiana Highway 84 in Logansport, DeSoto Parish, Louisiana. Ownership of the facility was transferred to the Respondent from EOG Resources, Inc. on or about April 12, 2012, and permit responsibility for Minor Source Air Permit No. 0760-00047-02 was transferred to the Respondent on September 13, 2013. The facility currently operates under Minor Source Air General Permit No. 0760-00047-03 issued on November 19, 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 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 April 12, 2012; however, a NOC-1 form was not submitted to the Office of Environmental Services until on or about August 16, 2013. Payment for the transfer was received by the Department on or about August 12, 2013. 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. 0760-00047-02 from the date of ownership transfer, April 12, 2012, until the date of permit transfer, September 13, 2013. The operation of the facility from April 12, 2012, through September 13, 2013, 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)."

On June 27, 2014, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty (CONOPP), Enforcement No. WE-CN-13-00424, which was based upon the following findings of fact:

"The Respondent owns and/or operates Parcel 3 Compressor Station, an oil and gas exploration and production facility, located on Southeast Gate Road, at Barksdale Air Force Base, off LA Highway 157, near Haughton, Bossier Parish, Louisiana. The Respondent does not have a Louisiana Pollutant Discharge Elimination System (LPDES) permit or other authority to discharge wastes and/or other substances to waters of the state.

Inspections conducted by the Department on or about October 19, 2012, and October 24, 2012, in response to saltwater spills self-reported by Premier Natural Resources II, LLC revealed unauthorized discharges of saltwater to the ground. On or about October 16, 2012, approximately 30

barrels of saltwater was released from the earthen secondary containment at the CTB No. 4 facility compressor station. On or about October 24, 2012, approximately 20 barrels of saltwater was released from a leaking pipeline along the Sligo Field Truck Line. Each unauthorized discharge of produced water to the ground is in violation of La. R.S. 30:2076 (A)(3), LAC 33:IX.708.C.1.a. and LAC 33:IX.708.C.2.b.ii.

An inspection conducted by the Department on or about October 19, 2012, revealed that the Respondent did not implement an adequate Spill Prevention and Control (SPC) plan. Specifically, the Respondent did not have proper secondary containment, consequently, produced water seeped under and all around the containment. The failure to implement an adequate SPC plan is a violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.708.C.1.b and LAC 33:IX.907.F."

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 SEVEN THOUSAND SEVEN HUNDRED THIRTY-FOUR AND 32/100 DOLLARS ($7,734.32), of which One Thousand Sixty-Two and 67/100 Dollars ($1,062.67) 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), permit record(s), the NOPP(s), CONOPP 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

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.

X

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

XI

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).

XII

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

XIII

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.

**PREMIER NATURAL RESOURCES II, 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: _____
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