STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-12-0029**
TELLUS OPERATING GROUP, LLC	*	
	*	
AI # 172876, 172879, 172880,	*	**Enforcement Tracking No.**
172881, 172981, 173120	*	**AE-PP-11-00215**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Tellus Operating Group, 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 numerous oil and gas production facilities located in Terrebonne Parish and Claiborne Parish, Louisiana, ("the Facility").

II

On May 26, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-11-00215,which was based upon the following findings of fact:

On or about February 22, 2011, file reviews of Stewart #1 (AI 172876) located off Allen Road in Anitoch, in Claiborne Parish, Louisiana, Montegut Commingling (AI 172879) located off Sonat Road in Montegut, in Terrebonne Parish, Louisiana, Brown #1 (AI 172880) located off Mitchell Road in Anitoch, in Claiborne Parish, Louisiana, MA Washington #2 (AI 172881) located off Friendship Road in Anitoch, in Claiborne Parish, Louisiana, MA Washington #1 (AI 172981)

located off Friendship Road in Anitoch, in Claiborne Parish, Louisiana and Sun Crocker # 1 (AI 173120) located 1.5 Miles East of Anitoch, in Claiborne Parish, Louisiana, all owned and/or operated by Tellus Operating Group, LLC (Respondent), were performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations.

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

A. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of Stewart # 1 (AI 172876) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

B. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of Stewart # 1 (AI 172876) on August 1, 2010, and operation of the facility on August 15, 2010. The Respondent constructed and operated the 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). Minor Source Permit No. 0620-00386-00 was issued on January 31, 2011.

C. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of the Montegut Commingling (AI 172879) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

D. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of the Montegut Commingling (AI 172879) on August 1, 2010, and operation of the facility on August 15, 2010. 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) Minor Source Permit No. 2880-00421-00 was issued on January 31, 2011

E. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of the Brown # 1 (AI 172880) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

F. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of the facility on August 1, 2010, and operation of the Brown # 1 (AI 172880) on August 15, 2010. 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). Minor Source Permit No. 0620-00387-00 was issued on January 31, 2011.

G. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of the MA Washington # 2 (AI 172881) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

H. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of the MA Washington # 2 (AI 172881) on August 1, 2010, and operation of the facility on August 15, 2010. 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). Minor Source Permit No. 0620-00388-00 was issued on January 31, 2011.

I. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of the MA Washington # 1 (AI 172981) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

J. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of the MA Washington # 1 (AI 172981) on August 1, 2010, and operation of the facility on August 15, 2010. 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). Minor Source Permit No. 0620-00390-00 was issued on January 31, 2011.

K. The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of the Sun Crocker #1 (AI 173120) which is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

L. According to a Minor Source Permit application dated August 18, 2010, the Respondent began construction of the Sun Crocker #1 (AI 173120) on August 1, 2010, and operation of the facility on August 15, 2010. 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). Minor Source Permit No. 0620-00392-00 was issued on February 7, 2011.

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 NINETEEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($19,500.00), of which Five Hundred Thirty and 94/100 Dollars ($530.94) represents the Department's enforcement costs, in settlement of the claims set forth in this agreement.

V

Respondent, in addition to the penalty amount specified in Paragraph IV above and as part of this Settlement, agrees to expend the amount of $6,000.00 to implement and/or perform the following beneficial environmental projects:

A. Respondent will make a donation of $6,000.00 to the Sparta Foundation to help fund an educational event called WaterFest for Lincoln, Bienville and Webster Parish 5th graders.

B. Respondent shall submit, upon payment of the $6,000.00 donation to the Sparta Foundation, a copy of the cancelled check to the Department of Environmental Quality, Office of Environmental Compliance, Attention: Cheryl Sonnier Nolan, Post Office Box 4312, Baton Rouge, Louisiana 70821-4312 along with a statement of completion of the beneficial environmental project.

C. If Respondent does not spend the amount of $6,000.00, then it shall, in its final report, propose additional projects for the Department's approval [or, pay to the Department] in an amount equal to the difference between the amount of money agreed to be spent and the amount of money actually spent.

D. The total amount of money expended by Respondent on cash payments to the Department and on beneficial environmental projects, 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 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.

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 and the rules relating to beneficial environmental projects set forth in LAC 33:I.Chapter 25.

IX

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Terrebonne Parish and Claiborne 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 from the newspaper of each affected parish 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.

TELLUS OPERATING GROUP, 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