STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-WE-15-0005**
XPLOR ENERGY OPERATING COMPANY	*	
	*	**Enforcement Tracking No.**
AI # 32656	*	**WE-CN-12-01101**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	**Docket No. 2014-2388-EQ**
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Xplor Energy Operating Company ("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 operated the Main Pass Block 35 Central Facility, an oil and gas exploration and production facility located offshore approximately 9 miles east and 7 miles north of Boothville, Plaquemines Parish, Louisiana ("the Facility").

II

On December 20, 2012, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty (CONOPP), Enforcement No. WE-CN-12-01101, which was based upon the following allegations:

"The Respondent owned and/or operated the Main Pass Block 35 Central Facility, an oil and gas exploration and production facility located offshore approximately 9 miles east and 7 miles north of Boothville, Plaquemines Parish, Louisiana. The Respondent was granted

authorization to discharge oil & gas related wastewaters to the Coastal Seas of Louisiana under Louisiana Pollutant Discharge Elimination System (LPDES) General Permit LAG33A723 on May 11, 2007. The authorization expired on November 30, 2010, but was administratively continued until it was reissued on May 19, 2011. The Respondent was authorized under the terms and condition of LPDES General Permit LAG33A723 to discharge into a portion of the Gulf of Mexico which is deemed waters of the state. Effective November 18, 2011, authorization to discharge under LPDES General Permit LAG33A723 was transferred to Texas Petroleum Investment Company (TPIC).

On or about February 10, 2012, and April 23, 2012, inspections followed by a file review on December 14, 2012, conducted by the Department revealed that the Respondent caused and/or allowed an unauthorized discharge to waters of the state. Specifically, on November 21, 2011, TPIC notified the Department that approximately 4,700 barrels of produced water was released into the Breton Sound, waters of the state. According to the initial report, TPIC purchased and assumed operation of the facility from the Respondent on November 18, 2011, at 7:00 a.m., and was informed of a potential problem with the produced water disposal system by a former employee of the Respondent. As a result, TPIC shut in the field and conducted an investigation, which confirmed an unauthorized discharge at 8:40 a.m. on November 21, 2011. At the time of the initial report, it appeared that some of the injection lines were not connected to the disposal well causing produced water to be discharged to the surface water; however, the follow-up written report submitted on November 28, 2011, indicated that TPIC discovered that the disposal well valves were closed causing the pipeline to discharge produced water into waters of the state. TPIC also indicated that it is not known how, why, or when the valves came to be closed prior to becoming operator. Each unauthorized discharge of produced water is a violation

of LPDES Permit LAG33A723 (Part II, Section C and Part III, Section A.2), La. R.S. 30:2076(A)(3), and LAC 33.IX.708.C.1.a.

According to correspondence between the Department and TPIC on July 11, 2012, TPIC stated that upon purchasing the facility from the Respondent, TPIC understood that of the eight (8) injection wells present in the field, two (2) were active and the other remaining wells were not in use because the two (2) active wells were sufficient enough for the field's produced water disposal capacity needs. After further investigation, TPIC discovered that the two (2) wells, which they understood to be active, were plugged and had new injection lines that were not connected to the wells. TPIC is currently injecting into four (4) disposal wells, which have been washed out and tested for integrity."

III

In response to the CONOPP, Respondent made a timely request for a hearing.

IV

Xplor Energy SPV-1, Inc. is the former owner of the Facility, and sold the Facility to TPIC on or about November 17, 2011.

V

Xplor Energy SPV-1, Inc. is the subject of a related criminal action captioned "United States of America v. Xplor Energy SPV-1, Inc." in the United Stated District Court, Eastern District of Louisiana, Criminal No. 14-202 (the "Criminal Matter").

VI

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VII

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 SIXTY-FIVE THOUSAND AND NO/100 DOLLARS ($65,000.00), of which One Thousand Two Hundred Sixty and 83/100 Dollars ($1,260.83) represents the Department's enforcement costs, in settlement of (1) the claims set forth in this agreement, and (2) any claims against Respondent and Xplor Energy SPV-1, Inc. and their respective officers, directors, and employees based on or related to any allegations, charges, agreements, stipulations, or approvals set forth in the CONOPP or the Criminal Matter. 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).

VIII

Respondent further agrees that the Department may consider the inspection report(s), permit record(s), the 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.

IX

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.

X

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.

XI

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.

XII

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

XIII

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).

XIV

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

XV

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.

XPLOR ENERGY OPERATING COMPANY

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