

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

ABRAXAS PETROLEUM CORPORATION

AI # 115179

PROCEEDINGS UNDER THE LOUISIANA  
ENVIRONMENTAL QUALITY ACT

LA. R.S. 30:2001, ET SEQ.

\* Settlement Tracking No.

\* SA-AE-10-0086

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\* Enforcement Tracking No.

\* AE-PP-09-0216

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SETTLEMENT

The following Settlement is hereby agreed to between Abraxas Petroleum Corporation (“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 owns and/or operates an oil and natural gas production facility located in Erath in Vermilion Parish, Louisiana (“the Facility”).

II

On February 9, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0216, which was based upon the following findings of fact:

On or about March 3, 2009, an inspection of Matthew Guidry Well #1 Facility, owned and/or operated by Abraxas Petroleum Corporation (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 three (3) miles southwest of Erath in Vermilion Parish, Louisiana. On November 7, 2006, Standard Oil and Gas Air (SOGA) Permit No. 2940-00243-00

was modified. On or about March 1, 2008, the Respondent assumed ownership of the facility. An email from the Respondent's representative dated November 19, 2009, states, "They have plans to remove the facility equipment before the end of the year, but no definite date for P&A the well." According to this email, the Respondent plans to apply for a permit termination at sometime in the future.

The following violation was noted during the course of the inspection:

During the course of the inspection, the inspector noted the facility's glycol dehydrator is subject to 40 CFR 63 Subpart HH - National Emission Standards for Hazardous Air Pollutants from Oil and Natural Gas Production Facilities. Facilities subject to any federal requirements contained in 40 CFR Part 63 are excluded from coverage under SOGA permits. According to LAC 33:III.513.A.4, any source which is issued the general permit shall, notwithstanding a permit shield, be subject to enforcement action for operation without a permit if the source is later determined not to qualify for the general permit; therefore, the facility was operating without a permit since the applicability date of January 3, 2007. The Respondent assumed ownership of the facility on or about March 1, 2008. The Respondent's operation of the facility since March 1, 2008, without a permit is a violation of LAC 33:III.501.C.2, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

### 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 ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), of which Six Hundred Twenty-One and 99/100 Dollars (\$621.99) 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 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

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

#### IX

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).

#### X

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

#### XI

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.

ABRAXAS PETROLEUM CORPORATION

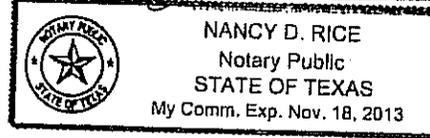
BY: Will Wallace  
(Signature)

Will Wallace  
(Printed)

TITLE: V.P. Operations

THUS DONE AND SIGNED in duplicate original before me this 6<sup>th</sup> day of July, 20 11, at San Antonio, Texas.

Nancy D. Rice  
NOTARY PUBLIC (ID # 00535115)



(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY  
Peggy M. Hatch Secretary

BY: Cheryl  
Cheryl Sonnier Nolan, Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 18 day of October, 20 11, at Baton Rouge, Louisiana.

Debra King  
NOTARY PUBLIC (ID # 20590)  
Bar Roll #

Life Commission

Debra King  
(stamped or printed)

Approved: Cheryl  
Cheryl Sonnier Nolan, Assistant Secretary