

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

APACHE CORPORATION

AI # 32996

PROCEEDINGS UNDER THE LOUISIANA  
ENVIRONMENTAL QUALITY ACT  
LA. R.S. 30:2001, ET SEQ.

\* Settlement Tracking No.  
\* SA-AE-10-0064  
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\* Enforcement Tracking No.  
\* AE-PP-09-0076  
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SETTLEMENT

The following Settlement Agreement (the "Settlement Agreement") is hereby agreed to between Apache Corporation, a corporation organized under the laws of Delaware ("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 owns and/or operates the Southwest Bayou Penchant Production Facility, an oil and gas production facility located 16.3 miles southwest of Oak Forest, Terrebonne Parish, Louisiana ("the Facility").

II

On August 21, 2009, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0076, which was based upon the following alleged violations:

On or about February 13, 2009, and May 12, 2009, file reviews of the Facility, were performed by the Department to determine the degree of compliance of the Facility with the Act

and Louisiana Air Quality Regulations. The Facility currently operates under an Administrative Amendment to Air Permit No. 2880-00047-01, issued on October 13, 2008.

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

- A. In the Respondent's Title V Annual Compliance Certification dated March 23, 2005, and Title V Semiannual Monitoring Report dated March 23, 2005, the Respondent reported that the SWD pump engines (Emission Source Nos. 845-05 and 854-06) exceeded the allowable runtime limits. According to an email from the Respondent's representative dated February 12, 2009, Emission Source No. 845-05 operated for 5,957 hours and Emission Source No. 854-06 operated for 8,054 hours, during the 2004 calendar year. The combined total for these sources operating during the 2004 calendar year is 14,011 hours. The permitted SWD pump operating hours for Emission Source Nos. 845-05 and 854-06 is less than or equal to 8,760 hours per year. This exceedance of the permitted runtime limit is a violation of Title V Permit No. 2880-00047-V1, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- B. The Department requested the monthly totals of SWD Pumps Runtime for the 2004 and 2005 calendar years. According to an email dated May 11, 2009, the Respondent did not have the monthly totals for the 2004 and 2005 calendar year. The Respondent's failure to keep the records of the operating hours for each month is a violation of Title V Permit No. 2880-00047-V1, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- C. In the Respondent's Title V Annual Compliance Certification dated March 19, 2008, Title V Semiannual Monitoring Report dated March 19, 2008, and the annual report of SWD pump runtime dated March 25, 2008, the Respondent reported that Emission Source Nos. 845-05 and 854-06 operated for a combined total of 8,791 hours during the 2007 calendar year. This is a violation of Specific Requirement No. 143 of Title V Permit No. 2880-00047-V2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- D. In the Respondent's Title V Annual Compliance Certification dated March 19, 2008, and Title V Semiannual Monitoring Report dated March 19, 2008, the Respondent reported that a review of the Facility equipment and operating rates revealed that the following pneumatic pumps were added to the Facility without prior authorization.

<b>Emission Source No.</b>
101-08-GOP
102-08-GOP
103-08-GOP
104-08-GOP
105-08-GOP
106-08-GOP
107-08-GOP
108-08-GOP
109-08-GOP
110-08-GOP
111-08-GOP
112-08-GOP
113-08-GOP
114-08-GOP
115-08-GOP
116-08-GOP
117-08-GOP
118-08-GOP
119-08-GOP
120-08-GOP
121-08-GOP
122-08-GOP

Each construction, modification, or operation of a source which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from the permitting authority is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2). Air Permit No. 2880-00047-01, issued on April 11, 2008, incorporated these emission points.

- E. The Respondent failed to report to the Department the total generator operating time for Emission Source Nos. 844-03 and 853-04 (GRP002/CAP1) for the 2003, 2004, 2005, and 2006 calendar years by the 15<sup>th</sup> of February for the preceding calendar year as required by Title V Permit No. 2880-00047-V1. Each failure to submit the report by the February 15<sup>th</sup> deadline is a violation of Title V Permit No. 2880-00047-V1, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2). In an email dated February 12, 2009, the Respondent submitted the required information for the 2003, 2004, 2005, and 2006 calendar years.

- F. In a letter dated March 25, 2008, the Respondent submitted the 2007 annual report of generator runtime. Specific Requirement No. 139 of Title V Permit No. 2880-00047-V2 states the Respondent shall submit a report for the total generator operating time for Emission Source Nos. 844-03 and 853-04 (GRP002/CAP1) by the 15<sup>th</sup> of February for the preceding calendar year. The Respondent's failure to submit the 2007 report by the February 15<sup>th</sup> deadline is a violation of Specific Requirement No. 139 of Title V Permit No. 2880-00047-V2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2). The Respondent reported this deviation in the Title V Semiannual Monitoring Report dated September 26, 2008.
- G. The Respondent failed to report to the Department the total SWD pump operating time for Emission Source Nos. 845-05 and 854-06 (GRP003/CAP2) for the 2003, 2004, 2005, and 2006 calendar years by the 15<sup>th</sup> of February for the preceding calendar as required by Title V Permit No. 2880-00047-V1. Each failure to submit the report by the February 15<sup>th</sup> deadline is a violation of Title V Permit No. 2880-00047-V1, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2). In an email dated February 12, 2009, the Respondent submitted the required information for the 2003, 2004, 2005, and 2006 calendar years.
- H. In a letter dated March 25, 2008, the Respondent submitted the 2007 annual report of SWD pump runtime. Specific Requirement No. 146 of Title V Permit No. 2880-00047-V2 states the Respondent shall submit a report for the total pump operating time for Emission Source Nos. 845-05 and 854-06 (GRP003/CAP2) by the 15<sup>th</sup> of February for the preceding calendar year. The Respondent's failure to submit the 2007 report by the February 15<sup>th</sup> deadline is a violation of Specific Requirement No. 146 of Title V Permit No. 2880-00047-V2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2). The Respondent reported this deviation in the Title V Semiannual Monitoring Report dated September 26, 2008.

### III

Respondent denies that it committed any of the alleged violations set forth herein or that it is liable for any fines, forfeitures and/or penalties resulting from or related to the alleged violations set forth herein.

### 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 SEVENTEEN THOUSAND TWO HUNDRED FIFTY-ONE AND NO/100 DOLLARS (\$17,251.00), of which Six Hundred Eleven and 11/100 Dollars (\$611.11) represents the Department's enforcement costs, in full and final settlement of the alleged claims set forth in this Settlement 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 Agreement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent solely as required by La. R.S. 30:2014 (2) and La. R.S. 2025.E(3)(a)(i), 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 solely as required by La. R.S. 30:2014 (2) and La. R.S. 2025.E(3)(a)(i).

VI

This Settlement 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 and the Department each hereby waive any right to administrative or judicial review of the terms of this Settlement Agreement, except such review as may be required for interpretation of this Settlement Agreement in any action by the Department or the Respondent to enforce this Settlement Agreement.

## VII

This Settlement Agreement is being made in the interest of settling the state of Louisiana's alleged claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement as contained in this Settlement Agreement, the Department considered the factors for issuing civil penalties set forth in LSA- 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 Terrebonne Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this Settlement Agreement 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 Agreement 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 Settlement 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 by the Department relating to the allegations of the Department as set out herein are hereby fully compromised and settled in accordance with the terms of this Settlement Agreement.

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.

APACHE CORPORATION

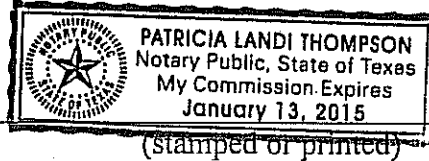
BY: [Signature]  
(Signature)

PAUL D. MCKINNEY  
(Print)

TITLE: V.P. GULF COAST ONSHORE REGION

THUS DONE AND SIGNED in duplicate original before me this 19 day of April, 20 11, at 8:35 pm.

[Signature]  
NOTARY PUBLIC (ID # \_\_\_\_\_)



LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY  
Peggy M. Hatch, Secretary

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

THUS DONE AND SIGNED in duplicate original before me this 24th day of July, 20 11, at Baton Rouge, Louisiana.

[Signature]  
NOTARY PUBLIC (ID # 20590)  
Bar Roll #  
Life commission

[Signature]  
(stamped or printed)

Preliminary Approval: [Signature]  
Cheryl Sonnier Nolan, Assistant Secretary





JAMES D. "BUDDY" CALDWELL  
ATTORNEY GENERAL

State of Louisiana

DEPARTMENT OF JUSTICE

P.O. BOX 94005

BATON ROUGE

70804-9005

June 27, 2011

Mr. Herman Robinson, Executive Counsel  
La. Department of Environmental Quality  
Legal Affairs Division  
P.O. Box 4302  
Baton Rouge, LA 70821-4302

Re: AG Review of DEQ Settlement;  
Apache Corporation  
Settlement No. SA-AE-10-0064

Dear Mr. Robinson:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7, I approve the above referenced settlement.

Sincerely,

By:

  
JAMES D. "BUDDY" CALDWELL  
ATTORNEY GENERAL

JDC/MKT/tp