

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

MAYNE & MERTZ, INC.

AI # 84479, 90916 & 89534

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

* Settlement Tracking No.
* SA-AE-11-0062
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* Enforcement Tracking No.
* AE-CN-03-0406
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SETTLEMENT

The following Settlement is hereby agreed to between Mayne & Mertz, Inc. ("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 numerous oil and gas production facilities located in Calcasieu Parish, Louisiana ("the Facility[ies]").

II

On March 30, 2004, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-03-0406, which was based upon the following findings of fact:

The Respondent owns and/or operates the Stream 25 No. 1 Production Facility (Agency Interest Number 84479), an oil and gas production facility located off of Old Highway 90, 5.2 miles south of Toomey in Calcasieu Parish, Louisiana. The facility operated under Title V Air Permit

Number 0520-00229-V0 issued on April 23, 2000. The facility currently operates under Title V Air Permit Number 0520-00229-V1 issued on September 12, 2002.

On or about March 14, 2003, an inspection of the Respondent's Stream 25 No. 1 Production Facility (Agency Interest Number 84479) was conducted to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent vented vapors from thirteen crude oil storage tanks (Emission Point Numbers 6-00, 7-00, 8-00, 9-00, 10-00, 11-00, 12-00, 13-00, 17-00, 18-00, 19-00, 20-00, 21-00) to the atmosphere. The Respondent failed to use the flare (Emission Point Number 5-00) to control emissions from the thirteen crude oil storage tanks in accordance with Title V Air Permit Number 0520-00229-V1. The Respondent's failure to install, properly operate, and/or maintain all proposed control measures and/or equipment as specified in the application and supplemental information is a violation of Louisiana General Condition I of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act. This information was also provided to the Department in the Respondent's 2002 annual compliance certification dated March 31, 2003, and semiannual monitoring report dated September 30, 2003, for the period encompassing January through June 2003.
- B. The Respondent's failure to maintain a record of actual throughput per day and the glycol circulation rate at the facility to support its claim for an exemption under LAC 33:III.2116.C.2 is a violation of LAC 33:III.2116.F.4.b, State Only Specific Condition 2.D (Glycol Dehydration Units) of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent's failure to develop a corrective action plan for relighting the flare and to keep the plan readily available for immediate implementation in the event the flare needs to be relit is a violation of State Only Specific Condition 1.B (Flares) of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- D. The Respondent vented VOC emissions from the facility's glycol pump flash separator to the atmosphere through a water storage tank (Emission Point Number 14-00). The Respondent failed to include

the VOC emissions generated from the glycol pump flash separator in its application for Title V Air Permit Number 0520-00229-V1, and thus failed to obtain approval from the permitting authority prior to construction, modification, and/or operation of the facility. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. This information was also provided to the Department in the Respondent's 2002 annual compliance certification dated March 31, 2003.

- E. The Respondent installed and/or operated a compressor engine (Emission Point Number 23-00) that has a maximum operating rate of 150 horsepower at the facility. This exceeds the maximum operating rate of 100 horsepower for this emission point stated in the Respondent's application for Title V Air Permit Number 0520-00229-V1. The Respondent's failure to install, properly operate and/or maintain all proposed control measures and/or equipment as specified in the application and supplemental information is a violation of Louisiana General Condition I of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.2, and Section 2057(A)(2) of the Act. This information was also provided to the Department in the Respondent's 2002 annual compliance certification dated March 31, 2003.

On or about December 18, 2003, a file review of the Respondent's Stream 25 No. 1 Production Facility (Agency Interest Number 84479) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the review:

- A. The Department received the Respondent's semiannual monitoring report dated December 10, 2001, for the period encompassing January through June 2001. The Respondent failed to submit the semiannual monitoring report to the Department by September 30, 2001. This is a violation of Part 70 General Condition K of Title V Air Permit Number 0520-00229-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. According to the Respondent's revised 2001 annual compliance certification and letter, each dated September 14, 2002, the Respondent exceeded the permitted limits of VOC emissions from the water storage tank and tank truck loading (Emission Sources 14-00 and 16-00, respectively) during the 2001 calendar year. The Respondent reported that the VOC emissions were 0.78 tons from Emission Source 14-00 and 30.71 tons from Emission Source 16-00,

exceeding the permitted VOC emission limits of 0.00 tons per year for Emission Source 14-00 and 11.52 tons per year for Emission Source 16-00. Each exceedance is a violation of General Condition II of Title V Air Permit Number 0520-00229-V0, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- C. The Department received the Respondent's semiannual monitoring report dated March 31, 2003, and postmarked April 1, 2003, for the period encompassing July through December 2002. The Respondent failed to submit the semiannual monitoring report to the Department by March 31, 2003. This is a violation of Part 70 General Condition K of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- D. The Department received the Respondent's 2002 annual compliance certification dated March 31, 2003, and postmarked April 1, 2003. The Respondent failed to submit the annual compliance certification to the Department by March 31, 2003. This is a violation of Part 70 General Condition M of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. The Department received the Respondent's semiannual monitoring report dated September 30, 2003, and postmarked October 1, 2003, for the period encompassing January through June 2003. The Respondent failed to submit the semiannual monitoring report to the Department by September 30, 2003. This is a violation of Part 70 General Condition K of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- F. According to the Respondent's semiannual monitoring report dated September 30, 2003, for the period encompassing January through June 2003, records documenting the continuous presence of a flame were not kept during the reporting period because the flare is not used on a continual basis. Failure to ensure the continuous presence of a flame and failure to keep records documenting the presence of a flame are violations of State Only Specific Condition 1.B (Flares) of Title V Air Permit Number 0520-00229-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act. According to the Respondent, records will be maintained in the event that gas is routed to this device.

The Respondent owns and/or operates the Mere No. 1 Production Facility (Agency Interest Number 90916), an oil and gas production facility located on West Tank Farm Road, two miles

northeast of Moss Lake in Calcasieu Parish, Louisiana. The facility operates under Air Permit Number 0520-00268-00 issued on July 30, 2002.

On or about August 21, 2003, an inspection of the Respondent's Mere No. 1 Production Facility (Agency Interest Number 90916) was conducted to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent's permitted operating limits for gas production at the facility are 2.3 MMft³/day and 839.5 MMft³/yr. In 2002, the Respondent's facility exceeded the permitted rates by operating at a gas production rate of 1,364 MMft³/yr and currently exceeds the permitted rates by operating at a gas production rate of 4.045 MMft³/day. The Respondent's failure to operate the facility in accordance with all terms and conditions of Air Permit Number 0520-00268-00 is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. The Respondent's facility contained a visible leak from both the line heater and the glycol dehydration unit. Neither area below the leaks was clean from the leaking emissions. The Respondent's failure to avoid spills of volatile organic compounds and to clean up such spills by employing procedures that reduce or eliminate the emission of volatile organic compounds is a violation of LAC 33:III.2113.A.1, Facility-wide Narrative Requirement 1 of Air Permit Number 0520-00268-00, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- C. The Respondent's failure to maintain a record of the glycol circulation rate at the facility to support its claim for an exemption under LAC 33:III.2116.C.2 is a violation of the Record-Keeping Requirement for 3-01-GR-SCC Glycol Regenerator-Still Column Condenser (EQT 2) of Air Permit Number 0520-00268-00, LAC 33:III.2116.F.4.b, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- D. The Respondent's failure to keep records of the total condensate loaded each month, as well as the total loaded for the last twelve months at the facility is a violation of the Record-Keeping Requirement for 5-01-LL Loading Losses-Oil Transfer to Tank Truck (EQT 6) of Air Permit Number 0520-00268-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- E. The Respondent operated the 6-01-F Continuous Burn Flare (EQT 7) at the facility at a rate of 6.375 MM BTU/hr, exceeding the maximum permitted operating rate of 6 MM BTU/hr. The Respondent's failure to operate the facility in accordance with all terms and conditions of Air Permit Number 0520-00268-00 is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- F. The Respondent's failure to monitor the throughput of condensate loaded for 5-01-LL Loading Losses-Oil Transfer to Tank Truck (EQT 6) at the facility is a violation of the Monitoring Requirement for 5-01-LL Loading Losses-Oil Transfer to Tank Truck (EQT 6) of Air Permit Number 0520-00268-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- G. The Respondent's failure to submit a report detailing the condensate throughput loaded each month of the 2002 calendar year, as well as the twelve consecutive month total for the 2002 calendar year, to the Department by February 15, 2003, is a violation of Narrative Requirement 1 for 5-01-LL Loading Losses-Oil Transfer to Tank Truck (EQT 6) of Air Permit Number 0520-00268-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- H. According to well production data, the Respondent's facility began operating in May 2001, prior to submitting an air permit application to the Department on June 19, 2001. The Respondent was issued Air Permit Number 0520-00268-00 on July 30, 2002. The Respondent's failure to obtain a permit prior to construction, modification, and/or operation of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owns and/or operates the Braden No. 1 Production Facility (Agency Interest Number 89534), an oil and gas production facility located on the U. S. Interstate 210 Loop, five miles south of Lake Charles in Calcasieu Parish, Louisiana. The facility operates under Air Permit Number 0520-00256-00 issued on August 30, 2001.

On or about August 26, 2003, an inspection of the Respondent's Braden No. 1 Production Facility (Agency Interest Number 89534) was conducted to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent operated the facility at a gas production rate of 3.860 MMft³/day, which exceeded the maximum permitted operating rate of 2 MMft³/day. The Respondent's failure to operate the facility in accordance with all terms and conditions of Air Permit Number 0520-00256-00 is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. The Respondent's failure to maintain a record of the glycol circulation rate at the facility to support its claim for an exemption under LAC 33:III.2116.C.2 is a violation of the Record-Keeping Requirement for GV-01 Glycol Still Vent (EQT 2) of Air Permit Number 0520-00256-00, LAC 33:III.2116.F.4.b, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent added a flare, a universal compressor system, a chiller unit for propane, and a propane tank to the facility prior to obtaining a permit modification to incorporate the equipment. The Respondent's failure to obtain a permit prior to construction, modification, and/or operation of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- D. The Respondent began operating the facility in July 2000, prior to submitting an air permit application on May 2, 2001. The Respondent was issued Air Permit Number 0520-00256-00 on August 30, 2001. The Respondent's failure to obtain a permit prior to construction, modification, and/or operation of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The following violations although not sited in the foregoing enforcement action, are included within the scope of the settlement herein.

The Respondent failed to utilize the flare to control emissions which resulted in a calculated total of 378 tons per year of uncontrolled VOC emissions from all tanks as opposed to 7.6 tons per year of VOCs had they used the flare. This is a difference of 370.44 tons per year had the Respondent used their flare. LAC 33:III.905. Stream 25 No. 1 Production Facility (AI 84479).

The Respondent operated nine pieces of unpermitted equipment at the facility during 2003 in violation of LAC 33:III.501.C.1 and LAC 33:III.501.C.2. Stream 25 No. 1 Production Facility (AI 84479).

The Respondent operated one piece of unpermitted equipment at the facility during 2003 in violation of LAC 33:III.501.C.1 and LAC 33:III.501.C.2. Stream 25 No. 1 Production Facility (AI 84479).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its MGGT-GL Production Facility (AI # 123032).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Nuhrah No. 1 Tank Battery (AI # 123033).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Entergy No. 1 facility (AI #123026).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Holcombe No. 1 Tank Battery (AI # 123028).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Walker 30 No. 1 Production Facility (AI # 123034).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its A. M. Barbee No. 1 Production Facility (AI # 123024).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Fritzinger No. 1 Tank Battery (AI # 123030).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Lawton 8 No. 1 Production Facility (AI # 123299).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Audrey Bell Smart No. 1 Production Facility (AI # 124328).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Stream 7 No. 1 Production Facility (AI # 124957).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Jones No. 1 Production Facility (AI # 124956).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Larue Jackson West No. 1 Production Facility (AI # 124330).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Broussard 13 No. 1 Production Facility (AI # 124951).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Jatky No. 1 Production Facility (AI # 124955).

The Respondent failed to submit a permit application and receive approval by the permitting authority prior to the construction, modification, and/or operation of its Excalibur 22 No. 1, Hayes Minerals No. 1, and Boudreau No. 1.

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 EIGHTEEN THOUSAND TWO HUNDRED SIXTEEN AND NO/100 DOLLARS (\$18,216.00), of which One Thousand Eight Hundred Forty-Nine and 46/100 Dollars (\$ 1,849.46) represents 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 Consolidated Compliance Order and 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 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 Calcasieu 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.

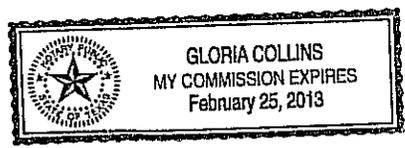
MAYNE & MERTZ, INC.

BY: [Signature]
(Signature)

Scott R. Pullen
(Print)

TITLE: Vice President

THUS DONE AND SIGNED in duplicate original before me this 12th day of December, 20 11, at HOUSTON, TEXAS.



[Signature]
NOTARY PUBLIC (ID # _____)

Gloria Collins

(stamped or printed)

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 29th day of January, 20 12, at Baton Rouge, Louisiana.

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

[Signature]
Life Commission
Deleena King
(stamped or printed)

Approved: [Signature]
Cheryl Sonnier Nolan, Assistant Secretary