

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

MERIT ENERGY COMPANY, LLC

AI # 81556, 89255, 98244, 98248

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

* **Settlement Tracking No.**
* **SA-AE-11-0070**
*
* **Enforcement Tracking No.**
* **AE-PP-08-0042**
* **AE-PP-10-00999**
*
*
*

SETTLEMENT

The following Settlement is hereby agreed to between Merit Energy Company, 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 corporation that owns and/or operates oil and gas production facilities located in Terrebonne Parish, Cameron Parish, and Vermilion Parish in Louisiana (“the Facility”).

II

On November 10, 2009, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-08-0042, which was based upon the following findings of fact:

On or about December 24, 2008, a file review of CL & F No.1 Production Facility (Agency Interest No. 81556), owned and/or operated by Merit Energy Company, LLC (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 approximately 11 miles southwest of

Oak Forest in Terrebonne Parish, Louisiana. The facility currently operates under Air Permit No. 2880-00245-04, issued on or about October 24, 2008, replacing Title V Permit No. 2880-00245-V2.

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

- A. Title V Permit No. 2880-00245-V2 was issued on or about November 12, 2003 to Anadarko E & P Company LP. The Respondent purchased the facility from Anadarko E & P Company LP on or about December 1, 2004. Permit No. 2880-00245-V2 expired without renewal by the Respondent on January 9, 2006. The Respondent filed an application, dated May 21, 2008, to convert the facility's Title V permit to a minor source permit. Air Permit 2880-00245-04 was issued on or about October 24, 2008, a period of 34 months after the expiration date of the Title V permit. The failure to submit an application to renew a Title V Permit sooner than 180 days prior to the permit expiration date is a violation of Part 70 General Condition A, LAC:III.507.E.4, LAC:III.501.C.4, and La. R. S. 30:2057(A)(2).
- B. In correspondence dated March 11, 2005, the Respondent submitted notification to the Department of the December 12, 2004 purchase of the facility, a period of 100 days after the purchase date. The failure to submit notification within 45 days of an ownership change is a violation of General Condition XVI, LAC 33:III.517.G, LAC 33:I.1905.A, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- C. The facility operated for 34 months without an air permit, from the January 9, 2006 expiration date of Title V Permit No. 2880-00245-V2, until Air Permit No. 2880-00245-04 was issued on or about October 24, 2008. The operation, without a valid air permit, of any facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about December 24, 2008, a file review of Pecan Lake Reseparation Facility (Agency Interest No. 89255), owned and/or operated by Merit Energy Company, LLC (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 11 miles northeast of Grand Chenier in Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00174-00, issued on or about August 30, 2001.

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

- A. In correspondence dated November 10, 2008, the Respondent submitted to the Department a Name/Ownership Change Form (NOC-1) for the May 31, 2006 purchase of the facility, 30 months after the purchase. The failure to submit notification within 45 days of an ownership change is a violation of General Condition XVI of the current permit, LAC 33:III.517.G, LAC 33:I.1905.A LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- B. The facility operated for 30 months without a valid air permit, from the purchase date of May 31, 2006, until the notification to the Department, dated November 10, 2008, of the ownership change. The operation, without a valid air permit, of any facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about December 24, 2008, a file review of East Cameron Block 9 Production Facility (Agency Interest No. 98244), owned and/or operated by Merit Energy Company, LLC (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 9 miles southwest of Grand Chenier in Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00151-03, issued on or about May 26, 2005.

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

- A. In correspondence dated November 10, 2008, the Respondent submitted to the Department a Name/Ownership Change Form (NOC-1) for the May 31, 2006 purchase of the facility, 30 months after the purchase. The failure to submit notification within 45 days of an ownership change is a violation of General Condition XVI of the current permit, LAC 33:III.517.G, LAC 33:I.1905.A LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).
- B. The facility operated for 30 months without a valid air permit, from the purchase date of May 31, 2006, until the notification to the Department, dated November 10, 2008, of the ownership change. The operation, without a valid air permit, of any facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about December 24, 2008, a file review of Vermilion Block 28 Production Facility (Agency Interest No. 98248) owned and/or operated by Merit Energy Company, LLC (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 16 miles southeast of Pecan Island in Vermilion Parish, Louisiana. The facility currently operates under Air Permit No. 2940-00209-00, issued on or about November 16, 1999.

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

- A. In correspondence dated November 10, 2008, the Respondent submitted to the Department a Name/Ownership Change Form (NOC-1) for the May 31, 2006 purchase of the facility, 30 months after the purchase. The failure to submit notification within 45 days of an ownership change is a violation of General Condition XVI of the current permit, LAC 33:III.517.G, LAC 33:III.1905.A, LAC 33:III.501.C, and La. R. S. 30:2057(A)(1).
- B. The facility operated for 30 months without a valid air permit, from the purchase date of May 31, 2006, until the notification to the Department, dated November 10, 2008, of the ownership change. The operation, without a valid air permit, of any facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On January 19, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-10-00999, which was based upon the following findings of fact:

On or about June 21, 2010, a file review of CL & F No. 1 Production Facility (AI No. 81556) (the facility), an oil and gas production facility owned and/or operated by Merit Energy Company, LLC (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 eleven miles southwest of Oak Forest in Terrebonne Parish, Louisiana. The facility currently operates under Minor Source Air Permit No. 2880-00245-04, issued October 24, 2008.

The following violation was noted during the course of the file review:

According to correspondence from the Respondent dated January 7, 2010, and June 11, 2010, gaseous products were routed to the Continuous Burn Flare (Emission Point No. 34-00-F) from December 30, 2009, to January 25, 2010. According to the Respondent's correspondence, the following emissions exceedances occurred during this time period.

Continuous Burn Flare (Emission Point No. 34-00-F) December 30, 2009 – January 25, 2010		
Pollutant	Permitted (tons per year)	Actual Emissions (tons)
Volatile Organic Compound	0.10	2.1812
* N-Hexane	< 0.001	0.0787

* Toxic Air Pollutant (TAP)

Each incident of exceedance of each pollutant is a violation of Minor Source Air Permit No. 2880-00245-04, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The following violations relating to Agency Interest No. 81556, although not included in any action issued to the Respondent, are included in this settlement:

According to Specific Requirement No. 77 of Air Permit No. 2880-00245-04, the Respondent is required to submit an annual report listing the total operating hours for Emission Point Nos. 21-00-ICE-ES, 22-00-ICE-ES, and 56-00-ICE-ES for the preceding calendar year no later than March 31. The Respondent failed to submit the facility's 2010 Annual Report by the March 31, 2011 due date. This report was postmarked June 27, 2011. This is a violation of Specific Requirement No. 77 of Air Permit No. 2880-00245-04, LAC 33:III.501.C.4, and La. R.S. 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 EIGHT THOUSAND NINE HUNDRED AND NO/100 DOLLARS (\$8,900.00), of which Eight Hundred Eighty-Five and 56/100 Dollars (\$885.56) 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 permit record(s), the Notices 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 Terrebonne Parish, Cameron Parish, and Vermilion Parish, Louisiana. The advertisements, 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.

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.

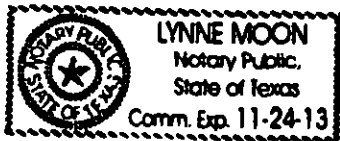
MERIT ENERGY COMPANY, LLC

BY: [Signature]
(Signature)

CHAO BRISTOL
(Printed)

TITLE: VICE PRESIDENT

THUS DONE AND SIGNED in duplicate original before me this 6th day of June, 20 12, at DALLAS TEXAS.



[Signature]
NOTARY PUBLIC (ID #)

LYNNE MOON
(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 18th day of October, 20 12, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 20570)
Liberty Roll 45

File Commission
Debra King
(stamped or printed)

Approved: [Signature]
Cheryl Sonnier Nolan, Assistant Secretary