

STATE OF LOUISIANA

LDEQ RECEIPT

DEPARTMENT OF ENVIRONMENTAL QUALITY

2015 MAY -8 AM 8: 37

IN THE MATTER OF:

BLACK ELK ENERGY OFFSHORE OPERATIONS, LLC

AI # 7983, 33009 AND 18154 PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No. SA-AE-15-0010 * * * Enforcement Tracking No. AE-PP-11-00217 * * *

SETTLEMENT

The following Settlement is hereby agreed to between Black Elk Energy Offshore Operations, 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 limited liability company that owns and/or operates an oil and gas production facility located in Cameron Parish, Louisiana ("the Facility").

II

On October 12, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-11-00217, which was based upon the following findings of fact:

"On or about February 14, 2011, a file review of WC 45 Tank Battery Facility, owned and/or operated by Black Elk Energy Offshore Operations, 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 at 5093 Gulf Beach Highway in Johnsons Bayou,

Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00053-05, issued on March 29, 2011.

While the investigation by the Louisiana Department of Environmental Quality (the Department) is not yet complete, the following violations were noted during the course of the file review:

- A. The Respondent assumed ownership of the facility on October 1, 2010, and failed to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change of ownership. This is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2). On November 23, 2010, the Department received a NOC-1 Form for this facility.
- B. The Respondent operated the facility prior to receiving authorization from the Department. Specifically, the Respondent assumed ownership of the facility on October 1, 2010, and the facility's air permit was transferred on December 17, 2010. The unauthorized operation of the facility is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

The following deviations, although not cited in the foregoing enforcement action, are included within the scope of this settlement.

WC 45 Tank Battery Facility (AI No. 7983)

- A. In correspondence dated March 29, 2012, the Respondent reported two generator engines and gas fired burner operated prior to authorization from the Department. The Respondent's failure to submit a permit application prior

to construction, reconstruction or modification of the facility is a violation of LAC 33:III.501.C.1, and La. R.S. 30:2057(A)(2).

- B. In correspondence dated March 29, 2012, the Respondent reported two generator engines and gas fired burner operated prior to authorization from the Department. The operation of the emission sources prior to approval from the Department is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).
- C. In correspondence dated March 29, 2012, the Respondent reported two generator engines and gas fired burner operated prior to authorization from the Department and that a written report of excess emissions was not reported in a timely manner. The Respondent's failure to report the excess emissions within the required timeframe is a violation of General Condition XI of Permit No. 0560-00053-05, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).

South Timbalier Block 9 Production Facility (AI 33009) and South Timbalier Block 8 Production Barge (AI 18154)

- A. In correspondence dated March 29, 2012, the Respondent reported the following:

| | |
|---|--|
| South Timbalier Block 9 Production Facility (AI 33009) | A crane engine, 5 gas operated pumps, a blowcase vessel and gas operated pneumatic controllers were operated prior to authorization; also, emissions associated with waste gas from heater treater, flotation cell and intermediate separator were not authorized. |
| South Timbalier Block 8 Production Barge (AI 18154) | 2 barge propulsion pump engines, 2 barge fluid pump engines, a generator engine, 2 backup generator engines and a gas operated pump operated prior to authorization; also, emissions associated with waste gas from heater treater were not authorized. |

Each incident of the Respondent's failure to submit a permit application prior to construction, reconstruction or modification of each facility is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

B. The Respondent's operation of the above-mentioned emission sources prior to approval from the Department is a violation of LAC 33:III.501.C.2, 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 TEN THOUSAND AND NO/100 DOLLARS (\$10,000.00), of which Three Hundred Fifty-One and 65/100 Dollars (\$351.65) 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)/permit record(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

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.

IX

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

X

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).

XI

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

XII

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.

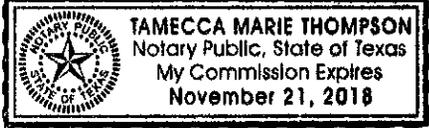
**BLACK ELK ENERGY OFFSHORE
OPERATIONS, LLC**

BY: *J R Combs*
(Signature)
LARRY R. COMBS
(Printed)

TITLE: V.P. Operations

THUS DONE AND SIGNED in duplicate original before me this 5th day of
May, 20 15, at 11:23am.

Tamecca Marie Thompson
NOTARY PUBLIC (ID # 846) 13003351-4



(stamped or printed)

**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**

Peggy M. Hatch Secretary

BY: *D Chance McNeely*
D. Chance McNeely, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 23rd day of
July, 20 15, at Baton Rouge, Louisiana.

Perry Theriot
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: *D Chance McNeely*
D. Chance McNeely, Assistant Secretary