

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* Settlement Tracking No.

* SA-AE-15-0033

MIDSTATES PETROLEUM COMPANY LLC

*

* Enforcement Tracking No.

AI # 167358, 167489, 169777, 168710, 169409,

* AE-PP-09-0701

169410, 169759, 170633, 177278, 176829,

* AE-PP-10-00187

177332, 176765, 176863, 176916, 174858,

* AE-PP-10-01029

176740, 176828, 176738, 176777, 177346,

*

176917, 176848, 178406, 178407, 178408

*

178478, 178481, 178486

*

*

*

*

PROCEEDINGS UNDER THE LOUISIANA

*

ENVIRONMENTAL QUALITY ACT

*

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

*

SETTLEMENT

The following Settlement is hereby agreed to between Midstates Petroleum 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 limited liability company that owns and/or operates facilities located in Beauregard and Evangeline Parishes, Louisiana (“the Facilities”).

II

On March 25, 2010, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-09-0701, which was based upon the following findings of fact:

“On or about December 18, 2009, a file review of **FIELD COMPRESSOR-A4**, a crude oil and natural gas production facility (AI# 167358), owned and/or operated by **MIDSTATES**

PETROLEUM COMPANY, LLC., (RESPONDENT), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and Air Quality Regulations. The facility is located 0.72 miles southwest of Easton, in Evangeline Parish, Louisiana.

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. On or about October 13, 2009, the Respondent applied for a Minor Source Air Permit for the facility. On or about November 30, 2009 the facility was issued State Air Permit No. 0920-00116-00. In the permit application, the Respondent stated that the facility was an existing minor source oil and gas production facility. Further, in correspondence dated December 30, 2009, the Respondent stated that the facility began operation on or about November 12, 2007. The failure to submit a timely and complete permit application to the Department prior to any construction, reconstruction, or modification is a violation of LAC 33.III.501.C.1 and La R.S. 30.2057(A)(2).
- B. During the period beginning on or about November 12, 2007 and ending on or about November 30, 2009, the facility was in operation without a valid air permit. Operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants without a valid permit is a violation of LAC 33.III.501.C.2, La R.S. 30.2057(A)(1), and La R.S. 30.2057(A)(2)."

On June 1, 2010, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-10-00187, which was based upon the following findings of fact:

"On or about February 11, 2010, a file review of **FIELD COMPRESSOR-CFTB-PINE PRAIRIE FIELD** (facility), a crude oil and natural gas production facility, owned and/or operated by **MIDSTATES PETROLEUM COMPANY, LLC., (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and Air Quality Regulations. The facility is located 1.35 miles southwest of Easton, in Evangeline Parish, Louisiana.

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. On or about October 22, 2009, the Respondent applied for a Minor Source Air Permit for the facility. On or about January 13, 2010 the facility was issued Air Permit No. 0920-00118-00. In the permit application the Respondent stated that the facility was an existing minor source oil and gas production facility. Further, in correspondence dated February 15, 2010, the Respondent stated that the facility began operation on or about January 28, 2007. The failure to submit a timely and complete permit application to the Department prior to any construction, reconstruction, or modification is a violation of LAC 33.III.501.C.1 and La R.S. 30.2057(A)(2).
- B. During the period beginning on or about January 28, 2007 and ending on or about January 13, 2010, the facility was in operation without a valid air permit. Operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants without a valid permit is a violation of LAC 33.III.501.C.2, La R.S. 30.2057(A)(1), and La R.S. 30.2057(A)(2)."

On November 4, 2010, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-10-01029, which was based upon the following findings of fact:

"On or about June 30, 2010, a file review of **Crowell 27 No. 2 and 2D Facility**, owned and/or operated by **MIDSTATES PETROLEUM 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 1.7 miles northwest of Easton, Evangeline Parish, Louisiana. The Respondent currently operates this facility under SOGA Permit No. 0920-00122-00 issued on April 13, 2010.

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 constructed and operated the Crowell 27 No. 2 and 2D Facility on February 18, 2010. On or about March 18, 2010, the Department received a SOGA permit application from the Respondent. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- B. The Respondent operated the Crowell 27 No. 2 and 2D Facility since February 18, 2010, until issuance of SOGA Permit 0920-00122-00 on or about April 13, 2010, without approval from the permitting authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).”

III

The following violations, although not cited in the foregoing enforcement action(s), are included within the scope of this settlement.

The Respondent constructed and/or operated the West Gordon Facility on or about August 1, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the West Gordon Facility since August 1, 2009, until issuance of Minor Source Permit No. 0320-00097-00 on or about June 4, 2010, without approval from the permitting authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the Musser-Davis 34 No. 1 Facility on or about November 5, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which

ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the Musser-Davis 34 No. 1 Facility since November 5, 2009, until March 14, 2011, without approval from the permitting authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the Musser-Davis 33 No. 1 Facility on or about February 26, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the Musser-Davis 33 No. 1 Facility since February 26, 2009, until issuance of Minor Source Permit No. 0320-00098-00 on or about February 22, 2011, without approval from the permitting authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the Wood No. 1 Facility on or about June 1, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the Wood No. 1 Facility since June 1, 2009, until issuance of SOGA Permit No. 0320-00103-00 on or about April 13, 2010, without approval from the permitting

authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the Forestar Mineral No. 1 Facility on or about October 23, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the Forestar Mineral No. 1 Facility since October 23, 2009, until issuance of SOGA Permit No. 0320-00108-00 on or about May 21, 2010, without approval from the permitting authority. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the following facilities for greater than 1 year prior to submitting a permit application: 8000 Guillory #1 Facility and A. Guillory #4 Facility. Each instance is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the following facilities for greater than 1 year without a permit: 8000 Guillory #1 Facility and A. Guillory #4 Facility. Each instance is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent constructed and/or operated the following facilities less than 1 year prior to submitting a permit application: Musser-Davis 33-6 Facility, Musser-Davis 34-2 Facility, Musser-Davis 33-5 Facility, Buxton 9-1 Facility, Musser-Davis 33-4 Facility, Musser Davis 33-7 Facility, Musser-Davis 5-1 Facility, Forestar 12-1 Facility, FA Barrow 20-1 Facility, Musser-Davis 28-1 Facility, Musser-Davis 33-8 Facility, Forestar 7-1 Facility, AKS 29-1 Facility, Musser-Davis 28-2 Facility, Forestar 7-2 Facility, Musser-Davis 33-9 Facility, Forestar 7-3 Facility and Forestar 5-1

Facility. Each instance is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent operated the following facilities for less than 1 year without a permit: Musser-Davis 33-6 Facility, Musser-Davis 34-2 Facility, Musser-Davis 33-5 Facility, Buxton 9-1 Facility, Forestar 12-1 Facility, FA Barrow 20-1 Facility, Musser-Davis 33-4 Facility, Musser Davis 33-7 Facility, Musser-Davis 5-1 Facility, Musser-Davis 28-1 Facility, Musser-Davis 33-8 Facility, Forestar 7-1 Facility, AKS 29-1 Facility, Musser-Davis 28-2 Facility, Forestar 7-2 Facility, Musser-Davis 33-9 Facility, Forestar 7-3 Facility and Forestar 5-1 Facility. Each instance is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

V

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 FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00), of which Six Hundred Forty-Nine and 28/100 Dollars (\$649.28) 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).

VI

Respondent further agrees that the Department may consider the permit record(s), the NOPPs 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.

VII

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.

VIII

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.

IX

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.

X

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Beauregard and Evangeline Parishes, Louisiana. The advertisement, in form and wording 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.

XI

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).

XII

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

XIII

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.

MIDSTATES PETROLEUM COMPANY, LLC

BY: Ky D. Nichols
(Signature)

Ky D. Nichols
(Printed)

TITLE: Vice President - EHS

THUS DONE AND SIGNED in duplicate original before me this 15th day of September, 20 15, at Tulsa, Oklahoma.

Marj M. Blevins
NOTARY PUBLIC (ID # 01001515)
MARJ M. BLEVINS
NOTARY
01001515
EXP. 03/11/17
STATE OF OKLAHOMA
(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 7th day of December, 20 15, at Baton Rouge, Louisiana.

Debra C. King
NOTARY PUBLIC (ID # 20590)
Jan. Ben Roll
Life Commission

Debra C. King
(stamped or printed)

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