

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

THE HARVEST GROUP LLC

AI # 18438

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

* Settlement Tracking No.
* SA-WE-16-0041
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* Enforcement Tracking No.
* WE-CN-15-00895
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SETTLEMENT

The following Settlement is hereby agreed to between Lobo Operating, Inc. f/k/a The Harvest Group 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 Plaquemines Parish, Louisiana (“the Facility”).

II

On May 13, 2016, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. WE-CN-15-00895, which was based upon the following findings of fact:

“The Respondent owns and/or operates an oil and gas production facility known as the Breton Sound Block # 32 Production Facility, which is located fourteen miles north of Venice in Plaquemines Parish, Louisiana. The Respondent was granted coverage under Louisiana Pollutant

Discharge Elimination System (LPDES) permit LAG330000 on May 11, 2011, and was specifically assigned permit number LAG33A119. LPDES permit LAG33A119 was modified on September 15, 2011, with an effective date of October 1, 2011. LPDES permit LAG33A119 expired on January 31, 2016, and was administratively continued. LPDES permit LAG33A119 authorizes the Respondent to discharge dewatering effluent from reserve pits which have not received drilling fluids and/or drill cuttings since December 15, 1996, deck drainage, formation test fluids, treated sanitary wastewater, domestic wastewater, hydrostatic test water, and miscellaneous discharges from oil and gas facilities and their incorporated wells engaged in field exploration, drilling, and production activities located in the Coastal Subcategory of Louisiana into the Gulf of Mexico, Breton Sound Block 32 in subsegment 042202 of the Lake Pontchartrain Basin, waters of the state.

A file review conducted by the Department on or about May 10, 2016, revealed that the Respondent exceeded effluent limitations. These effluent exceedances, as reported by the Respondent on monthly Discharge Monitoring Reports (DMRs), are summarized below:

Monitoring Period	Outfall	Parameter	Permit Limit	Reported Value
12/2013	04B-S	pH Minimum – S. U.	6	5.8
06/2014	04B-S	BOD ₅ (Daily Maximum)– mg/L	45	59

Each effluent exceedance is a violation of LPDES permit LAG33A119 (Effluent Limitations and Monitoring Requirements, Pages 8 and 9 of 14, and Standard Conditions for LPDES Permits, Section A.2), La. R.S. 30:2076(A)(3), and LAC 33:IX.501.A.

A file review conducted by the Department on or about May 10, 2016, revealed that the Respondent failed to sample in accordance with LPDES permit LAG33A119. Specifically, the Respondent is required by LPDES permit LAG33A119 to sample Outfall 04B monthly for Total Residual Chlorine and once every six months for BOD₅, pH, Total Suspended Solids, and Fecal Coliform. As reported on the DMRs, the Respondent failed to sample the following: Fecal Coliform

for the second half of 2013, the first half of 2014, and the first and second halves of 2015; Total Residual Chlorine for March 2014, and August 2014 through September 2015; BOD₅ and Total Suspended Solids for the first half of 2015; and pH for the first and second halves of 2015. Each failure to sample is a violation of LPDES permit LAG33A119 (Effluent Limitations and Monitoring Requirements, Pages 8 and 9 of 14, and Standard Conditions for LPDES Permits, Sections A.2, and C.2), La. R.S. 30:2076 (A)(3), and LAC 33:IX.501.A.

A file review conducted by the Department on or about May 10, 2016, revealed that the Respondent failed to submit monthly DMRs for Outfall 002 for October, November, and December of 2015, and Outfall 04B for December 2015. Each failure to submit a DMR is a violation of LPDES permit LAG33A119 (Minor Modification Application, Facility Requirements, Narrative Requirements, Condition No. T-1 on Page 5 of 19, and Condition No. T-2 on Page 11 of 19; and Standard Conditions for LPDES Permits, Sections A.2 and D.4), La. R.S. 30:2076 (A)(3), and LAC 33:IX.2701.L.4.a.

An inspection conducted by the Department on or about May 21, 2015, revealed that the Respondent caused and/or allowed the discharge of produced water from several locations on the platform that flowed through the storm water sump into a caisson; thence into Breton Sound. The discharge from the sump was measured with a Salt Refractometer and had a reading of > 100 parts per thousand (ppt), while the surrounding waters of Breton Sound had a reading of 5 ppt. The unauthorized discharges occurred at the following locations:

- A. Both produced water pumps had leaks. Pump # 1 had a leak on the discharge side of the pump. During the inspection, the Respondent shut down Pump # 1 and started Pump # 2. Pump # 2 leaked from the packing box. Both leaks drained to the containment skid and then to the deck drainage. The deck drainage flows to the storm water sump.
- B. The chem electric heater connection to the deck had a leak that discharged through deck drainage. There was a large salt crystal that had formed over time and evidence of salt crystals on the deck.

C. The produced water discharge pipe flow meter had a leak that discharged through the grating into Breton Sound.

In addition to the discharge of produced water, there was a deck drainage line to the sump that appeared to be corroded. The facility attempted to contain the leak with a plastic bag and zip ties. There was evidence of oil staining outside of the plastic bag. Each unauthorized discharge is a violation of La. R.S. 30:2075.

An inspection conducted by the Department on or about May 21, 2015, revealed that the Respondent failed to notify the Department of the unauthorized discharges within twenty-four hours. The reportable quantity for produced water is one barrel. A flow estimate was conducted and the release rate was determined to be approximately one gallon per minute (gpm). The inspection lasted 166 minutes. It was estimated that 166 gallons or 3.95 barrels of produced water was released during the inspection. The failure to notify the Department of the unauthorized discharges that occurred prior to the inspection is a violation of LPDES permit LAG33A119 (Standard Conditions for LPDES Permits, Sections A.2 and D.6.b), La. R.S. 30:2076(A)(3), and LAC 33:I.3917.A.

An inspection conducted by the Department on or about May 21, 2015, revealed that the Respondent failed to implement an adequate Spill Prevention and Control (SPC) plan. Specifically:

- A. The Respondent did not have the most current version of the SPC plan at the facility;
- B. There were no SPC monthly or annual inspections available for review; and
- C. Annual flow line testing was not being conducted. Well S/L 1227 No. 14 was last tested on August 1, 2013, and Well S/L 1227 No. 26 has never been tested.

The Respondent's failure to implement an adequate SPC plan is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:IX.708.C.1.b.”

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 TWENTY THOUSAND AND NO/100 DOLLARS (\$20,000.00), of which Nine Hundred Eighty-Three and 37/100 Dollars (\$983.37) 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 Consolidated Compliance Order & 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 Plaquemines Parish, 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.

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.

**LOBO OPERATING, INC. F/K/A
THE HARVEST GROUP LLC**

BY: Howard Wilson
(Signature)

Howard Wilson
(Printed)

TITLE: President & CEO

THUS DONE AND SIGNED in duplicate original before me this 14 day of
April, 20 17, at Lafayette, LA.

[Signature]
NOTARY PUBLIC (ID # 13165)

(stamped or printed)

**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**
Chuck Carr Brown, Ph.D., Secretary

BY: [Signature]
Lourdes Iturralde, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 27th day of
June, 20 17, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: [Signature]
Lourdes Iturralde, Assistant Secretary