STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-WE-17-0040**
HILCORP ENERGY COMPANY	*	
	*	**Enforcement Tracking No.**
AI # 18623, 90908	*	**WE-PP-13-00324**
	*	**WE-CN-12-01338**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Hilcorp Energy Company ("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 facilities located in Plaquemines Parish, Louisiana ("the Facilities").

II

On September 27, 2013, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. WE-PP-13-00324, which was based upon the following findings of fact:

"On or about December 18, 2012, an inspection and a subsequent file review conducted by the Department on or about July 11, 2013, of the **LAKE WASHINGTON CENTRAL FACILITY**, owned and/or operated by **HILCORP ENERGY COMPANY (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Water Quality Regulations. The Lake Washington Central Facility is located six (6) miles Southwest

of Port Sulphur, Plaquemines Parish, Louisiana. The Respondent submitted a Notice of Intent (NOI) to discharge waste water from oil and gas exploration, development, and production facilities located within coastal waters to the Department on January 30, 2006. On or about February 17, 2006, the Respondent was granted coverage under Louisiana Pollutant Discharge Elimination System (LPDES) General Permit LAG330000, and was specifically assigned permit number LAG33A181, which expired on November 30, 2010. LPDES General Permit LAG33A181 was administratively continued. LPDES General Permit LAG33A181 was reissued on June 10, 2011, with an effective date of February 1, 2011, and will expire on January 31, 2016. Under the terms and conditions of LPDES General Permit LAG33A181, the Respondent is authorized to discharge waste water from oil and gas exploration, development, and production facilities located with coastal waters of Louisiana for facility location: 6 miles southwest of Port Sulphur.

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 inspection and a subsequent file review conducted on or about July 11, 2013:

A. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about December 17, 2012, an unauthorized discharge of approximately 1.5 barrels of oil and 5 barrels of produced water, which occurred due to the corrosion on a 3 inch test line. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), LAC 33:IX.1701.B and LAC 33:IX.708.C.1.a. According to the Respondent, most of the unauthorized discharge was contained inside containment boom already present around the pipeline. Recovery operations were completed the same day and the section of the pipeline was replaced on December 18, 2012.

B. An inspection conducted by the Department on or about December 18, 2012 and a subsequent file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to include a statement of actual or probable fate or disposition of the pollutants release during the spill. The Respondent also failed to include the quantity and disposition of recovered materials in the written notification report. The failure to include a statement of actual pollutants released and failure to include the quantity and disposition of

recovered material in the written notification to the Department is a violation of La. R.S. 30:2076 (A)(3), LAC 33:I.3925.B.6 and LAC 33:I.3925.B.16.

C. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about March 20, 2012, an unauthorized discharge of approximately 5 barrels of oil, which occurred due to deterioration of the 6 inch fiberglass tube line. A written notification report from the Respondent was submitted to the Department on March 27, 2012. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.1701.B.

D. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about March 26, 2012, an unauthorized discharge of approximately 10 barrels of oil, which occurred due to the collection lines breaking under the previous spill from deterioration of the 6 inch fiberglass tube line. A written notification report from the Respondent was submitted to the Department on April 18, 2012. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.1701.B.

E. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about September 30, 2012, an unauthorized discharge of approximately 3 barrels of oil, which occurred due to the failure of a saltwater transfer line. A written unauthorized discharge notification report from the Respondent was submitted to the Department on October 5, 2012. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.1701.B. A file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to include a statement of actual or probable fate or disposition of the pollutants release during the spill. The Respondent also failed to include the quantity and disposition of recovered materials in the written notification report. The failure to include a statement of actual pollutants released and failure to include the quantity and disposition of recovered material in the written notification report to the Department is a violation of La. R.S. 30:2076 (A)(3), LAC 33:I.3925.B.6 and LAC 33:I.3925.B.16.

F. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about October 22, 2012, an unauthorized discharge of approximately 2 barrels of oil, which occurred due corrosion on an unnamed pipeline. A written notification report from the Respondent was submitted to the Department on October 29, 2012. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.1701.B. A file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to include a statement of actual or probable fate or disposition of the pollutants release during the spill. The Respondent also failed to include the quantity and disposition of recovered materials in the written notification report. The

failure to include a statement of actual pollutants released and failure to include the quantity and disposition of recovered material in the written notification to the Department is a violation of La. R.S. 30:2076 (A)(3), LAC 33:I.3925.B.6 and LAC 33:I.3925.B.16.

G. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about November 9, 202, an unauthorized discharge of approximately 4 barrels of oil, due to operator error in not responding to a high level safety alarm, which resulted in a tank overflow. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.1701.B. According to the Respondent, all recovery efforts were completed with 4 days of the spill.

H. An inspection conducted by the Department on or about December 18, 2012, revealed that the Respondent caused and/or allowed an unauthorized discharge. Specifically, the Respondent reported to the Department on or about November 26, 2012, an unauthorized discharge of approximately 1 barrel of oil, which occurred due a broken nipple on a flow line. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:IX.1701.B.

I. An inspection conducted by the Department on or about December 18, 2012 and a subsequent file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to submit a written notification report for the unauthorized discharge reported to the Department on or about November 26, 2012. The Respondent has not submitted a written notification as of July 11, 2013. The failure to submit a written notification report is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:I.3925.A.

J. An inspection conducted by the Department on or about February 21, 2013, revealed that the Respondent caused and/or allowed unauthorized discharges of oil and produced water. Specifically, the Respondent notified the Department that approximately 1 barrel of crude oil condensate was released due to a leak in a flow line on or about February 20, 2013. The unauthorized discharge is a violation of La. R.S. 30:2076 (A)(3), LAC 33:IX.1701.B, and LAC 33:IX.708.C.1.a.

K. An inspection conducted by the Department on or about February 21, 2013, and a subsequent file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to submit a written unauthorized discharge notification report for the unauthorized discharge reported to the Department on or about February 21, 2013. The Respondent has not submitted a written notification as of July 11, 2013. The failure to submit a written unauthorized discharge notification report is a violation of La. R.S. 30:2076 (A)(3) and LAC 33:I.3925.A.

L. An inspection conducted by the Department on or about April 2, 2013, revealed that the Respondent caused and/or allowed unauthorized discharges of oil. Specifically, the Respondent notified the Department on or about March 28, 2013, that approximately 2 barrels of oil were released to Rattlesnake Canal due to a leak in a test line associated with a

nearby well. The unauthorized discharge of oil to waters of the state is a violation of R. S. 30:2075, and LAC 33:IX.1701.B.

M. An inspection conducted by the Department on or about April 2, 2013 and a subsequent file review conducted by the Department on or about July 11, 2013, revealed that the Respondent failed to submit a complete written notification report for the unauthorized discharge reported to the Department on or about March 28, 2013. Specifically, the Respondent submitted a written notification report to the Department hand dated April 3, 2013. The written notification does not include the estimated quantity of recovered materials. The failure to submit a complete written notification report is a violation of La. R.S. 30:2076 (A)(3), LAC 33:I.3925.B.3, and LAC 33:I.3925.B.16.

N. An inspection conducted by the Department on or about April 2, 2013, revealed that the Respondent failed to implement a component of the Spill Prevention and Control (SPC) Plan. Specifically, the Respondent failed to conduct annual flow line integrity testing in accordance with LAC 33:IX.708.C.1.b. The failure to implement a component of the SPC Plan is a violation of La. R.S. 30:2076 (A)(3), and LAC 33:IX.708.C.1.b."

On October 5, 2015, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. WE-CN-12-01338, which was based upon the following findings of fact:

"The Respondent owns and/or operates an oil and gas production platform within coastal waters located 12 miles south of Venice, Plaquemines Parish, Louisiana. Under the terms and conditions of LPDES Permit LAG33A347, the Respondent is permitted to discharge dewatering effluent from reserve pits that have not received drilling fluid, deck drainage, formation test fluids, treated sanitary wastewater, domestic wastewater, hydrostatic test water, and miscellaneous discharges into waters of the state, all waters of the state."

On or about August 2, 2011 and July 6, 2012, inspection(s) and a subsequent file review on April 20, 2015, were conducted by the Department. The inspection(s) and file review revealed the following violation(s):

"The Respondent caused and/or allowed the unauthorized discharge of crude oil. Specifically, the Respondent reported releases of crude oil to waters of the state [see attachment

Table 1]. (La. R.S. 30:2076(A)(1)(a), LAC 33:IX.708.C.1.a, LAC 33:IX.501.D, and LAC 33:IX.1701.B)

The Respondent failed to furnish requested documents to the state administrative authority. Specifically, the Respondent failed to provide a copy of inspection and/or test records outlined in Section 9, Inspections & Tests & Records, of the facility's SPC plan. (LAG33A347 (Part I, Narrative Requirements, Condition T-2 and Part III, Sections A.2 and A.8), La. R.S. 30:2076(A)(3), LAC 33:IX.2701.A, and LAC 33:IX.2701.H)

The Respondent failed to submit a complete written notification of unauthorized discharge. Specifically, the Respondent submitted a written report on or about August 3, 2011, detailing an incident that occurred on or about July 30, 2011. The report failed to include details of circumstances and events leading to the unauthorized discharge as well as the quantity and disposition of recovered materials. (La. R.S. 30:2076(A)(3) and LAC 33:I.3925.B)

The Respondent failed to comply with LPDES permit LAG33A347. Specifically, the Respondent failed to submit Discharge Monitoring Reports (DMRs) from January to March 2013. (LAG33A347 (Effluent Limitations and Monitoring Requirements and Standard Conditions, Section A.2), La. R.S. 30:2076(A)(3), and LAC 33:IX.2701.L.4.a)"

Based on the Respondent's response, the Department reviewed Paragraphs H and I of Notice of Potential Penalty, Enforcement Tracking No. WE-PP-13-00324 which pertained to the unauthorized discharge reported to the Department on or about November 26, 2012, of approximately 1 barrel of oil. The Department determined that the unauthorized discharge occurred at the Lake Washington Field Homeplace Battery (Agency Interest No. 86360) and not at the Lake Washington Central Facility (Agency Interest No. 18623), the subject of the Notice of Potential Penalty. The written notification for the unauthorized discharge was received by the Department and

filed under Agency Interest No. 86360. The unauthorized discharge was addressed by the Department in a memorandum dated June 14, 2013 (EDMS document 8897702). Therefore, through this Settlement, the Department hereby removes paragraphs H and I in their entirety from the Findings of Fact portion of Notice of Potential Penalty, Enforcement Tracking No. WE-PP-13-00324.

The Respondent provided additional information in regard to Paragraph V of the Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. WE-CN-12-01338. The violation cited pertained to the failure to submit Discharge Monitoring Reports (DMRs) from January to March 2013. After reviewing the information, it was noted that on or about October 29, 2015, the Respondent submitted the DMR for Outfall 002 dated April 26, 2013 (EDMS document 9993093). Additionally, on or about November 19, 2015, the Respondent submitted the DMRs for Outfalls 001, 003, 04A, 04B, 005, 006, and 007 dated April 27, 2013 (EDMS document 10012745). As the Respondent submitted proof that the DMRs were submitted on time, the Department has determined that this was not a violation. Therefore, through this Settlement, the Department hereby removes paragraph V in its entirety from the Findings of Fact portion of Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. WE-CN-12-01338.

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 One Thousand Eight Hundred Twelve and 10/100 Dollars ($1,812.10) 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), Notice of Potential Penalty, 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.

HILCORP ENERGY COMPANY

BY: _____
(Signature)

_____
(Printed)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20 _____, at _____.

_____
NOTARY PUBLIC (ID #_____)

_____
(stamped or printed)

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

BY: _____
Lourdes Iturralde, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20_____, at Baton Rouge, Louisiana.

_____
NOTARY PUBLIC (ID # _____)

_____
(stamped or printed)

Approved: _____
Lourdes Iturralde, Assistant Secretary

TABLE 1		
DATE	**APPROXIMATE AMOUNT DISCHARGED**	**EDMS DOCUMENT NO.**
July 30, 2011	3 barrels	8273027
May 11, 2012	1 barrel	8410115
July 5, 2012	20 gallons	8613221
August 31, 2012	66 barrels	8570896
September 27, 2012	21 gallons	8588549
November 28, 2014	1 gallon	9602843
December 8, 2014	10 barrels	9602845
February 22, 2015	2 barrels	9715849