STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

LLOG EXPLORATION COMPANY, L.L.C.

AI # 168708

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT

* Settlement Tracking No.
  * SA-AE-22-0005
  * Enforcement Tracking Nos.
    * AE-PP-11-01109
    * AE-CN-12-00809

SETTLEMENT

The following Settlement is hereby agreed to between LLOG Exploration Company, L.L.C. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, L.a. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a limited liability company that previously owned and/or operated a facility located in East Baton Rouge Parish, Louisiana ("the Facility").

II

On October 12, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement Tracking No. AE-PP-11-01109 (Exhibit 1).

On January 29, 2013, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-12-00809 (Exhibit 2)

The following violation, although not cited in the foregoing enforcement actions, is included within the scope of this settlement:

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 THREE THOUSAND SEVEN HUNDRED FIFTY AND NO/100 DOLLARS ($3,750.00), of which One Thousand Five Hundred Thirty-One and 07/100 Dollars ($1,531.07) 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 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 East Baton Rouge 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.
LLOG EXPLORATION COMPANY, L.L.C.

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: ____________________________
   Celena J. Cage, 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: _______________________
   Celena J. Cage, Assistant Secretary

SA-AE-22-0005
CERTIFIED MAIL (7004 2510 0005 5762 7812)  
RETURN RECEIPT REQUESTED  

LLOG EXPLORATION COMPANY, L.L.C.  
c/o Kemberla K. Ducote  
Agent for Service of Process  
1001 Ochsner Boulevard, Suite 200  
Covington, Louisiana 70433  

RE:  NOTICE OF POTENTIAL PENALTY  
ENFORCEMENT TRACKING NO. AE-PP-11-01109  
AGENCY INTEREST NO. 168708  

Dear Madam:  

On or about August 29, 2011, a file review of ACME BRICK NO. 1 PRODUCTION COMPANY (facility), owned and/or operated by LLOG EXPLORATION COMPANY, L.L.C. (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 3.3 miles west southwest of Baker, East Baton Rouge 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. The Respondent submitted an incomplete request for a change of ownership or operational control of the facility on June 13, 2011, that stated the Respondent acquired the facility on March 14, 2011. The Respondent submitted a complete Notification of Change of Ownership/Operator or Name Change Form (NOC-1) on August 2, 2011. The failure to provide the Department with a NOC-1 within forty-five (45) days after the change of ownership or operational control is a violation of LAC 33:1.1907.B, LAC 33:III.517.G, and La. R.S. 30:2057(A)(2).  

Notice of Potential Penalty
LLOG Exploration Company, L.L.C.

Page 2

Pursuant to La. R.S. 30:2050.3(B), you are hereby notified that the issuance of a penalty assessment is being considered for the violation(s) described herein. Written comments may be filed regarding the violation(s) and the contemplated penalty. If you elect to submit comments, it is requested that they be submitted within ten (10) days of receipt of this notice.

Prior to the issuance of any additional appropriate enforcement action, you may request a meeting with the Department to present any mitigating circumstances concerning the violation(s). If you would like to have such a meeting, please contact Destin Hooks at (225) 219-3072 or DestinHooks@la.gov within ten (10) days of receipt of this NOTICE OF POTENTIAL PENALTY.

The Department is required by La. R.S. 30:2025(E)(3)(a) to consider the gross revenues of the Respondent and the monetary benefits of noncompliance in order to determine whether a penalty will be assessed and the amount of such penalty. Please forward the Respondent’s most current annual gross revenue statement along with a statement of the monetary benefits of noncompliance for the cited violations to the above named contact person within ten (10) days of receipt of this NOTICE OF POTENTIAL PENALTY. Include with your statement of monetary benefits the method(s) you utilized to arrive at the sum. If you assert that no monetary benefits have been gained, you are to fully justify this statement.

For each violation described herein, the Department reserves the right to seek civil penalties and the right to seek compliance with its rules and regulations in any manner allowed by law, and nothing herein shall be construed to preclude the right to seek such penalties and compliance.

To reduce document handling, please refer to the Enforcement Tracking Number and Agency Interest Number on the front of this document on all correspondence in response to this action.

Sincerely,

[Signature]

Cheryl Sonnier Nolan
Assistant Secretary

CSN/DDH/ddh
Alt ID No. 0840-00276
CERTIFIED MAIL (7004 1160 0000 3796 9779) 
RETURN RECEIPT REQUESTED 

LLOG EXPLORATION COMPANY, L.L.C. 
c/o Kemberlia K. Ducote 
Agent for Service of Process 
1001 Ochsner Boulevard, Suite 200 
Covington, Louisiana 70433 

RE: CONSOLIDATED COMPLIANCE ORDER 
& NOTICE OF POTENTIAL PENALTY 
ENFORCEMENT TRACKING NO. AE-CN-12-00809 
AGENCY INTEREST NO. 168708 

Dear Madam: 

Pursuant to the Louisiana Environmental Quality Act (La. R.S. 30:2001, et seq.), the attached CONSOLIDATED COMPLIANCE ORDER & NOTICE OF POTENTIAL PENALTY is hereby served on LLOG EXPLORATION COMPANY, L.L.C. (RESPONDENT) for the violations described therein. 

Compliance is expected within the maximum time period established by each part of the COMPLIANCE ORDER. The violations cited in the CONSOLIDATED COMPLIANCE ORDER & NOTICE OF POTENTIAL PENALTY could result in the issuance of a civil penalty or other appropriate legal actions. 

Any questions concerning this action should be directed to Destin Hooks at (225) 219-3072. 

Sincerely, 

[Signature] 
Celena L. Cage 
Administrator 
Enforcement Division 

CJC/ddh 
Alt ID No. 0840-00276 
Attachment 

Post Office Box 4312 • Baton Rouge, Louisiana 70821-4312 • Phone 225-219-3715 • Fax 225-219-3708 
www.deq.louisiana.gov
STATE OF LOUISIANA
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF ENVIRONMENTAL COMPLIANCE

IN THE MATTER OF

LLOG EXPLORATION COMPANY, L.L.C.
EAST BATON ROUGE PARISH
ALT ID NO. 0840-00276

ENFORCEMENT TRACKING NO.
AE-CN-12-00809

AGENCY INTEREST NO.
168708

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT,

CONSOLIDATED
COMPLIANCE ORDER & NOTICE OF POTENTIAL PENALTY

The following CONSOLIDATED COMPLIANCE ORDER & NOTICE OF POTENTIAL PENALTY is issued to LLOG EXPLORATION COMPANY, L.L.C. (RESPONDENT) by the Louisiana Department of Environmental Quality (the Department), under the authority granted by the Louisiana Environmental Quality Act (the Act), La. R.S. 30:2001, et seq., and particularly by La. R.S. 30:2025(C), 30:2050.2 and 30:2050.3(B).

FINDINGS OF FACT

I.

The Respondent owns and/or operates the ACME BRICK NO. 1 PRODUCTION COMPANY (the facility), a natural gas and crude oil facility located 3.3 miles west southwest of Baker in East Baton Rouge Parish, Louisiana. The facility is currently operated under Air Permit No. 0840-00276-00 transferred to the Respondent on August 19, 2011. On or about October 18, 2012, the Respondent submitted an application for permit modification.

II.

On or about June 15, 2012, an inspection of the facility was performed by the Department to determine the degree of compliance with the Act and the Air Quality Regulations. Subsequent file reviews were conducted on or about July 20, 2012, September 19, 2012, and November 8, 2012. While
the investigation is not yet complete, the following violations were noted during the course of the inspection and/or subsequent file reviews:

A. During the course of the inspection, the inspector noted that the Respondent failed to submit an Annual Emissions Inventory for reporting year 2011. This is a violation of LAC 33:III.919.F.1.d and La. R.S. 30:2057(A)(2). The Respondent submitted the 2011 Annual Emissions Inventory on or about October 22, 2012.

B. During the course of the inspection, the inspector noted that 0.125 MM BTU/hr Heater Treater, ID No. 1-10-HT-BS, permitted under insignificant activities was not at the site. The inspector noted that the heater treater on site is a 0.5 MM BTU/hr heater treater. On or about October 18, 2012, the Respondent submitted an application for permit modification requesting the approval of the new heater treater. The operation of the 0.5 MM BTU/hr heater treater is a violation of LAC 33:II.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

C. During the course of the inspection, the inspector noted that Water Storage Tanks EQT 0007 and EQT 0008 had a throughput of approximately 255,500 barrels (bbl) of water in 2011. Each water storage tank is permitted for a throughput of 73,000 bbl/year. This is a violation of LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

D. According to the 2011 Annual Emissions Inventory for the period encompassing the period of March 14, 2011, through December 31, 2011, the Respondent reported the following emissions from Water Storage Tanks EQT 0007 and EQT 0008:

<table>
<thead>
<tr>
<th>EMISSION POINT</th>
<th>POLLUTANTS RELEASED</th>
<th>EMISSION LIMITATION</th>
<th>QUANTITY REPORTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Storage Tank</td>
<td>VOC</td>
<td>0.73 ton/year</td>
<td>5.7 tons</td>
</tr>
<tr>
<td>(EQT 0007)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Storage Tank</td>
<td>VOC</td>
<td>0.73 ton/year</td>
<td>5.7 tons</td>
</tr>
<tr>
<td>(EQT 0008)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


COMPLIANCE ORDER

Based on the foregoing, the Respondent is hereby ordered:

I.

To take, immediately upon receipt of this COMPLIANCE ORDER, any and all steps necessary to meet and maintain compliance with the Air Quality Regulations.

2
II.

To submit to the Enforcement Division, within thirty (30) days after receipt of this COMPLIANCE ORDER, the speciated VOC emissions from each Water Storage Tank EQT 0007 and EQT 0008 for reporting year 2011. To also submit to the Enforcement Division, within thirty (30) days after receipt of this COMPLIANCE ORDER, the individual throughput of each Water Storage Tank EQT 0007 and EQT 0008 for reporting year 2011.

III.

To submit to the Enforcement Division, within thirty (30) days after receipt of this COMPLIANCE ORDER, a written report that includes a detailed description of the circumstances surrounding the cited violations and actions taken or to be taken to achieve compliance with the Order. This report and all other reports or information required to be submitted to the Enforcement Division by this COMPLIANCE ORDER shall be submitted to:

Office of Environmental Compliance
Post Office Box 4312
Baton Rouge, Louisiana 70821-4312
Attn: Destin Hooks
Re: Enforcement Tracking No. AE-CN-12-00809
Agency Interest No. 168708

THE RESPONDENT SHALL FURTHER BE ON NOTICE THAT:

I.

The Respondent has a right to an adjudicatory hearing on a disputed issue of material fact or of law arising from this COMPLIANCE ORDER. This right may be exercised by filing a written request with the Secretary no later than thirty (30) days after receipt of this COMPLIANCE ORDER.

II.

The request for an adjudicatory hearing shall specify the provisions of the COMPLIANCE ORDER on which the hearing is requested and shall briefly describe the basis for the request. This request should reference the Enforcement Tracking Number and Agency Interest Number, which are located in the upper right-hand corner of the first page of this document and should be directed to the following:
Department of Environmental Quality
Office of the Secretary
Post Office Box 4302
Baton Rouge, Louisiana 70821-4302
Attn: Hearings Clerk, Legal Division
Re: Enforcement Tracking No. AE-CN-12-00809
Agency Interest No. 168708

III.

Upon the Respondent's timely filing a request for a hearing, a hearing on the disputed issue of material fact or of law regarding this COMPLIANCE ORDER may be scheduled by the Secretary of the Department. The hearing shall be governed by the Act, the Administrative Procedure Act (La. R.S. 49:950, et seq.), and the Department's Rules of Procedure. The Department may amend or supplement this COMPLIANCE ORDER prior to the hearing, after providing sufficient notice and an opportunity for the preparation of a defense for the hearing.

IV.

This COMPLIANCE ORDER shall become a final enforcement action unless the request for hearing is timely filed. Failure to timely request a hearing constitutes a waiver of the Respondent's right to a hearing on a disputed issue of material fact or of law under Section 2050.4 of the Act for the violation(s) described herein.

V.

The Respondent's failure to request a hearing or to file an appeal or the Respondent's withdrawal of a request for hearing on this COMPLIANCE ORDER shall not preclude the Respondent from contesting the findings of facts in any subsequent penalty action addressing the same violation(s), although the Respondent is estopped from objecting to this COMPLIANCE ORDER becoming a permanent part of its compliance history.

VI.

Civil penalties of not more than twenty-seven thousand five hundred dollars ($27,500) for each day of violation for the violation(s) described herein may be assessed. For violations which occurred on August 15, 2004, or after, civil penalties of not more than thirty-two thousand five hundred dollars ($32,500) may be assessed for each day of violation. The Respondent's failure or refusal to comply with this COMPLIANCE ORDER and the provisions herein will subject the Respondent to possible enforcement procedures under La. R.S. 30:2025, which could result in the assessment of a civil penalty.
in an amount of not more than fifty thousand dollars ($50,000) for each day of continued violation or noncompliance.

VII.

For each violation described herein, the Department reserves the right to seek civil penalties in any manner allowed by law, and nothing herein shall be construed to preclude the right to seek such penalties.

NOTICE OF POTENTIAL PENALTY

I.

Pursuant to La. R.S. 30:2050.3(B), you are hereby notified that the issuance of a penalty assessment is being considered for the violation(s) described herein. Written comments may be filed regarding the violation(s) and the contemplated penalty. If you elect to submit comments, it is requested that they be submitted within ten (10) days of receipt of this notice.

II.

Prior to the issuance of additional appropriate enforcement action(s), you may request a meeting with the Department to present any mitigating circumstances concerning the violation(s). If you would like to have such a meeting, please contact Destin Hooks at (225) 219-3072 within ten (10) days of receipt of this NOTICE OF POTENTIAL PENALTY.

III.

The Department is required by La. R.S. 30:2025(E)(3)(a) to consider the gross revenues of the Respondent and the monetary benefits of noncompliance to determine whether a penalty will be assessed and the amount of such penalty. Please forward the Respondent’s most current annual gross revenue statement along with a statement of the monetary benefits of noncompliance for the cited violation(s) to the above named contact person within ten (10) days of receipt of this NOTICE OF POTENTIAL PENALTY. Include with your statement of monetary benefits the method(s) you utilized to arrive at the sum. If you assert that no monetary benefits have been gained, you are to fully justify that statement.
IV.

This CONSOLIDATED COMPLIANCE ORDER & NOTICE OF POTENTIAL PENALTY is effective upon receipt.

Baton Rouge, Louisiana, this 29 day of January, 2013.

Cheryl Sonnier Nolan
Assistant Secretary
Office of Environmental Compliance

Copies of a request for a hearing and/or related correspondence should be sent to:

Louisiana Department of Environmental Quality
Office of Environmental/Compliance
Enforcement Division
P.O. Box 4312
Baton Rouge, LA 70821-4312
Attention: Destin Hooks