

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	* Settlement Tracking No.
	* SA-AE-05-0046
AMERADA HESS CORPORATION	*
	*
AI # 33184	*
	*
PROCEEDINGS UNDER THE LOUISIANA	* Enforcement Tracking No.
ENVIRONMENTAL QUALITY ACT	* AE-CN-04-0336
LA. R.S. 30:2001, <u>ET SEQ.</u>	*

SETTLEMENT

The following Settlement is hereby agreed to between Amerada Hess Corporation ("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 who previously owned and operated a crude oil and natural gas production facility located in Caillou Bay, approximately twenty-two and one-half miles southwest of Theriot in Terrebonne Parish, Louisiana ("the Facility").

II

On March 29, 2005, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-04-0336, to Respondent, which was based upon the following findings of fact:

The Respondent owned and/or operated the Pass Wilson Commingling Facility, a crude oil and natural gas production operation located in Caillou Bay, approximately twenty-two and one-half miles southwest of Theriot in Terrebonne Parish, Louisiana. The Respondent assumed ownership of the facility from Badger Oil Corporation on April 1, 2001, and operated the facility under Air Permit No. 2880-00198-01 which was issued to Badger Oil Corporation on March 16, 2000. Ownership of the facility was transferred from the Respondent to Anadarko Petroleum Corporation on April 1, 2003.

The Department received an application for an air permit modification dated September 11, 2003, from Anadarko Petroleum Corporation. According to this application, changes at the facility existed prior to submittal of the modification application, indicating that modifications were made to the facility prior to the transfer of ownership to Anadarko Petroleum Corporation.

On August 30, 2004, an Administrative Order (AO), Enforcement Tracking No. AE-AO-04-0036, was issued to the Respondent ordering the Respondent to submit to the Enforcement Division, a detailed report providing a description of any modification made to the facility by the Respondent along with the date of such modification, the annual crude oil and natural gas production rates, and annual VOC emissions during the time period in which the Respondent maintained ownership of the facility.

The Department received letters dated October 19, 2004, November 29, 2004, and December 9, 2004, from the Respondent, providing the information required in the AO. On or about February 23, 2005, a file review of this information was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the review.

- A. According to the Respondent's letters dated October 19, 2004, and December 9, 2004, a dual phase oil/water separator was installed at the facility in September 2001 and was not authorized by the operating permit. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. According to Air Permit Number 2880-00198-01, the annual production rate of the facility is approximately 2555 MM scf of natural gas and 109,500 barrels of crude oil. A throughput and loading rate of approximately 438 barrels per day (BPD) would be required to generate VOC emissions of 100 tons per year (tpy) by flashing and loading. The Respondent reported in the letter dated October 19, 2004, that the oil production rate was 769 BPD at the time the facility was acquired and varied from 604 BPD to 1,588 BPD during the time period in which the Respondent owned and/or operated the facility. According to the Respondent's letter dated November 29, 2004, permitted VOC emissions were exceeded during the 2001, 2002, and 2003 calendar years for three oil storage tanks and loading losses (Emission Point Nos. 7a-96-OST-CV, 7B-96-OST-CV, 7C-96-OST-CV, and 27-96-LL) as reported in the table below.

Calendar Year		2001	2002	2003
Emission Point No.	Permitted annual VOC emission rate (tpy)	Actual VOC emissions (tpy)		
7a-96-OST-CV	11.72	23.73	30.33	15.97
7b-96-OST-CV	11.72	23.73	30.33	15.97
7c-96-OST-CV	11.72	23.73	30.33	15.97
27-96-LL	2.13	5.34	7.2	3.16

Each exceedance of the annual VOC emission rate for each emission source is a violation of General Condition III of Air Permit Number 2880-00198-01, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- C. According to the Respondent's letter dated November 29, 2004, actual VOC emissions for the facility totaled 116.66 tons for the 2001 calendar year and 138.32 tons for the 2002 calendar year. Based on the reported emissions, the Respondent met the criteria for major source status as defined in LAC 33:III.502 and became subject to the Part 70 Operating

Permits Program outlined in LAC 33:III.507. Once subject to the requirements of Section 507, the Respondent was to submit an application to the Office of Environmental Services, Permits Division. The Department has no record of receipt of the Respondent's application that was to be submitted in accordance with Section 507. The Respondent's failure to submit a permit application under Section 507 is a violation of LAC 33:III.507.C.3 and Sections 2057(A)(1) and 2057 (A)(2) of the Act.

- D. The Respondent reported actual VOC emissions in excess of 100 tpy for the 2001 and 2002 calendar years. Therefore, the Respondent became subject to the requirements of LAC 33:III.919 and was required to submit an Annual Emissions Statement (AES) to the Department no later than March 31 for the previous calendar year. The Department has no record of receipt of the AES for the 2001, 2002, or 2003 calendar years, during which the facility was owned and/or operated by the Respondent. Each failure to submit the AES to the Department by the required date is a violation of LAC 33:III.919.D and Section 2057 (A)(2) of the Act.

### III

In response to the Consolidated Compliance Order and Notice of Potential Penalty, Respondent made a timely request for a hearing.

### 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 FIFTEEN THOUSAND AND NO/100 DOLLARS (\$15,000.00) of which Four Hundred Thirty-seven and 18/100 Dollars (\$437.18) represents DEQ'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 DEQ 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 inspection report(s), the Consolidated Compliance Order and 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.

## 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 LSA- R. S. 30:2025(E) of the Act.

## IX

*The Respondent has caused a public notice advertisement to be placed in the official*

journal of the parish governing authority in Terrebonne 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 a proof-of-publication affidavit 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 Darryl Serio, Office of Management and Finance, 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/her respective party, and to legally bind such party to its terms and conditions.

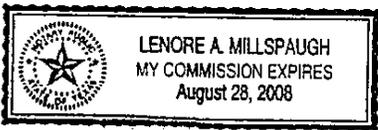
AMERADA HESS CORPORATION

BY: David M. Castro  
(Signature)

David M. Castro  
(Print)

TITLE: Assistant General Counsel

THUS DONE AND SIGNED in duplicate original before me this 27<sup>th</sup> day of OCTOBER, 2005, at HOUSTON, TEXAS.



Lenore A. Millspaugh  
NOTARY PUBLIC (ID # 1)

LENORE A. MILLSPAUGH  
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Mike D. McDaniel, Ph.D., Secretary

BY: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 7<sup>th</sup> day of February, 2006, at Baton Rouge, Louisiana.

Russell S. Beaulieu  
NOTARY PUBLIC (ID # 20001)

Russell S. Beaulieu  
(Print)

Approved: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary