STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-MM-12-0077**
BHP BILLITON PETROLEUM, INC.	*	
	*	
AI # 164465, 167144, 169639	*	**Enforcement Tracking Nos.**
	*	**AE-PP-10-01009**
PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.	*	**WE-PP-11-00185**

SETTLEMENT

The following Settlement is hereby agreed to between BHP Billiton Petroleum, Inc. ("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"). At the time of the alleged violations, the facilities were owned and/or operated by Petrohawk Energy Corporation and WSF, Inc.

I

Respondent (formerly Petrohawk Energy Corporation) is a corporation that owns and/or operates an oil and gas production facility located behind a residence at 4849 Roy Road extension in Shreveport, Caddo Parish, Louisiana ("the Facility").

On July 11, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **WE-PP-11-00185**, which was based upon the following findings of fact:

On or about March 10, 2010, an inspection of the Reserve Pit at the Gary 24-1/Brazzell 24-1 Location, owned and/or operated by Petrohawk Energy Corporation (RESPONDENT), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Water Quality Regulations. The facility is located behind the residence at 4849

Roy Road extension in Shreveport, Caddo 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 inspection:

> An inspection conducted by the Department on or about March 10, 2010, in response to a citizen's complaint, revealed that the Respondent did cause and/or allow the unauthorized discharge of wastewater and/or storm water to waters of the state. Specifically, the inspection revealed that the creek behind the complainant's house was a whitish yellow color. The complainant stated that the stream changed color on or about March 7, 2010. Upstream from the complainant's home, heavily sedimented storm water was being pumped from a reserve pit at the oil and gas production facility into an unnamed creek, thence into McCain Creek, waters of the state. Samples taken during the inspection revealed a TSS value of 71 mg/L and a Turbidity value of 35.5 ntu upstream from the facility. The TSS and Turbidity values downstream from the facility were 134 mg/L and 1,140 ntu, respectively. The unauthorized discharge of wastes and/or other substances to waters of the state is a violation of La. R.S. 30:2075 and LAC 33:IX.708.C.l.a. The discharge of a substance which produced distinctly visible solids in the receiving stream is a violation of LAC 33:IX.III3.B.3. The discharge of a substance which caused the turbidity of the receiving stream to significantly visually contrast the stream's natural appearance and/or to significantly exceed the stream's background turbidity is a violation of LAC 33:IX.III3.B.9.

II

Respondent (formerly WSF, Inc.) is a corporation that owns and/or operates a natural gas production facility located in Bossier Parish, Louisiana.

On July 19, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **AE-PP-10-01009**, which was based upon the following findings of fact:

On or about November 29, 2010, a file review of Cowell 3 CDP (AI No. 164465)(the facility), a natural gas production facility owned and/or operated by WSF, Inc. (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 3.2 miles north of Elm Grove in Bossier Parish, Louisiana. The facility does not

currently operate under an air permit.

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

A. On or about April 28, 2009, the Department received the Respondent's SOGA Permit Application dated April 27, 2009. According to a letter from the Respondent dated January 6, 2011, the facility was purchased on or about January 1, 2008, and a 633 horsepower Caterpillar G3508LE compressor engine was installed at the facility on or about December 23, 2008. The compressor engine was removed from the facility on April 1, 2009. The Respondent's failure to submit a timely and complete permit application to the Department prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

B. According to a letter from the Respondent dated January 6, 2011, the Respondent purchased and began operating the facility on or about January 1, 2008. The letter also stated that a 633 horsepower Caterpillar G3508LE compressor engine was installed at the facility on or about December 23, 2008, and removed from the facility on April 1, 2009, bringing facility potential emissions below the permitting requirements. The Respondent's failure to obtain authorization from the Department prior to operating the facility from January 1, 2008, to April 1, 2009, is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about November 29, 2010, a file review of DANCE 2, 5, & 6 ALT TANK BATTERY (AI NO. 167144)(the facility), an oil and gas production facility owned and/or operated by the Respondent, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located off of Louisiana Highway 527, 5.6 miles south-southeast of Caplis in Bossier Parish, Louisiana. The facility currently operates under SOGA Permit No. 0400-00468-00, issued April 20, 2010.

The following violations were noted during the course of the file review:

A. On or about November 12, 2009, the Department received the Respondent's SOGA Permit Application dated November 11, 2009. According to a letter from the Respondent dated January 6, 2011, the facility was purchased on or about January 1, 2008. The Respondent's failure to submit a timely and complete permit application to the Department prior to construction, reconstruction, or modification is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

B. According to a letter from the Respondent dated January 6, 2011, the Respondent commenced operation of the facility on or about January 1, 2008. The Department issued the facility's SOGA Permit No. 0400-00468-00 on April 20, 2010. The Respondent's failure to obtain authorization from the Department prior to the operation of the facility from January 1, 2008, to April 20, 2010, is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

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 TWELVE THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($12,500.00) of which Seven Hundred Forty-One and 13/100 Dollars ($741.13) represents the Department's enforcement costs, in settlement of the claims set forth in this agreement.

V

Respondent further agrees that the Department may consider the permit record, the Notices 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

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Bossier Parish and Caddo 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 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.

IX

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).

X

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

XI

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.

BHP BILLITON PETROLEUM

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
Peggy M. Hatch Secretary

BY: _____
Cheryl Sonnier Nolan, 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: _____
Cheryl Sonnier Nolan, Assistant Secretary