STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-14-0043**
BP AMERICA PRODUCTION COMPANY	*	
	*	**Enforcement Tracking No.**
AI # 88139	*	**AE-PP-09-0299**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between BP America Production 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 owned and/or operated a facility located in Zachary, East Baton Rouge Parish, Louisiana ("the Facility"). The facility was sold by Respondent to Hilcorp Energy Company in October 2011.

II

On October 27, 2010, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-09-0299, which was based upon the following findings of fact:

"On March 24, 2010, a file review of **PORT HUDSON CENTRAL TANK** (the facility), owned and/or operated by **BP AMERICA PRODUCTION COMPANY** (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 1.2 miles west of U.S. Highway 61 in Zachary, East Baton Rouge Parish, Louisiana. The facility currently operates under Air Permit No. 0840-00025-09, issued on July 29, 2009.

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. On or about May 28, 2007, the Department received the Respondent's Unauthorized Discharge Report dated May 24, 2007. The report stated that on May 21, 2007, a crack in the nipple connector on the blowdown line ball valve located on a compressor unit resulted in a release of approximately 101 standard cubic feet (scf) of natural gas to the atmosphere for a period of not more than 30 minutes. The volatile organic compounds (VOC) and toxic air pollutants (TAP) emissions associated with the release were 0.68 pounds (lbs) and 0.02 lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

B. On or about October 3, 2007, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated September 27, 2007. The report stated that on June 14, 2007, a hole in the gasket located on the Penn 1T high pressure separator inspection hatch resulted in a release of five (5) gallons of condensate and approximately 70 scf of natural gas to the atmosphere for a period of not more than five (5) minutes. The VOC and TAP emissions associated with the release were 0.47 lbs and 0.02 lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

C. On or about January 29, 2008, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated January 24, 2008. The report stated that on November 3, 2007, and November 4, 2007, a gap created by a cracked/failed weld around the outlet of the tee (T) for relief valve connection located on the discharge piping of Compressor No. 6 resulted in a release of approximately 729,000 scf of natural gas to the atmosphere for a period of not more than 14 hours. The VOC, TAP, and hydrogen sulfide (H_2S) emissions associated with the release were 4,899 lbs, 164 lbs, and 1.0 lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

D. On or about May 13, 2008, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated May 7, 2008. The report stated that on March 18, 2008, a leak from a threaded plug on the gas cooler header resulted in a release of approximately 22,200 scf of natural gas to the atmosphere for a period of not more than 7.5 hours. The VOC and TAP emissions associated with the release were 149 lbs and five (5) lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

E. On or about October 1, 2008, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated September 23, 2008. The report stated that on June 23, 2008, corrosion on a gasket located on the gas lift line resulted in a release of approximately 6,000 scf of natural gas to the atmosphere for a period of not more than two (2) hours. The VOC and TAP emissions associated with the release were 39.2 lbs and 1.3 lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

F. On April 7, 2009, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated April 1, 2009. The report stated that on January 27, 2009, a hole in the Pennington No. 1 flowline located at a chemical injection point resulted in a release of approximately 93 scf of natural gas for a period of not more than ten (10) minutes. The VOC and TAP emissions associated with the release were 0.62 lbs and 0.02 lbs, respectively. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2)."

The following violations, although not cited in the foregoing enforcement action(s), are included within the scope of this settlement:

On June 8, 2011, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated September 27, 2010. The report stated that on August 12, 2010, approximately 0.32 pounds (lbs) of VOC, which included 0.01 lbs of Benzene, 0.09 lbs of Toluene, 0.002 lbs of Ethyl Benzene, 0.004 lbs of Xylene, and 0.01 lbs of n-Hexane, and 0.002 lbs of Hydrogen Sulfide were released to the atmosphere for a period not longer than one (1) hour. The release was due to the facility's glycol reboiler fire tube being bypassed during troubleshooting efforts regarding smoke emitting from the area surrounding the facility's glycol

reboiler burner. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On June 8, 2011, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated December 27, 2010. The report stated that on December 20, 2010, approximately 500,000 scf of natural gas was released to the atmosphere over a period not longer than eleven (11) hours. Emissions associated with the release consisted of 3,200 lbs of VOC to include 17 lbs of Benzene. The release was caused by the failure of a process safety valve due to ice formation on the valve, which restricted its ability to regulate pressure on the fuel system. This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On October 3, 2011, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated September 14, 2011. The report stated that on January 26, 2011, approximately 14,000 scf of natural gas was released to the atmosphere over a period of not more than thirty (30) seconds. Emissions associated with the release consisted of 82 lbs of VOC to include 1.2 lbs of Benzene, 1.1 lbs of Toluene, 0.04 lbs of Ethyl Benzene, 0.31 lbs of Xylenes, and 2.3 lbs of n-Hexane, and 0.02 lbs of Hydrogen Sulfide. The release was caused by the premature relief of a PSV located on the facility's Penn 1C high pressure inlet separator (HPS) . This is a violation of LAC 33:III.905, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On October 26, 2011, the Department received the Respondent's Quarterly Report of Emission Limitation Exceedances dated October 14, 2011. The report stated that on September 1, 2011, approximately 208 scf of natural gas was released to the atmosphere over a period of not more than five (5) minutes. Emissions associated with the release consisted of 1.21 lbs of VOC to include 0.018 lbs of Benzene, 0.016 lbs of Toluene, 0.001 lbs of Ethyl Benzene, 0.005 lbs of

Xylenes, and 0.034 of n-Hexane, and 0.0003 lbs of Hydrogen sulfide. The release was due to purging and blowdown activity of the facility's Compressor Unit No. 5 (EQT0010), which was deemed necessary to identify and correct the compressor malfunction which occurred on September 1, 2011. This is a violation of LAC 33:III.905, and 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 EIGHT THOUSAND AND NO/100 DOLLARS ($8,000.00), of which Five Hundred Forty-One and 97/100 Dollars ($541.97) 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 permit record(s), the NOPP, 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 East Baton Rouge 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.

BP AMERICA PRODUCTION 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
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