

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* Settlement Tracking No.
* SA-AE-10-0067

BURLINGTON RESOURCES OIL &
GAS COMPANY LP

* Enforcement Tracking No.
* AE-PP-06-0102

AI # 33012, 33002, 32997, 84194, 83743, 33202,
33184/159947, 32665, 617, 32909, 33033,
32079, 114563, 149409, 32082, 122313,
125862, 32075, 32074

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

SETTLEMENT

The following Settlement is hereby agreed to between Burlington Resources Oil & Gas Company LP ("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").

1

Respondent is a limited partnership that owns and/or operates oil and gas facilities in multiple parishes in the state of Louisiana ["the Facility(ies)"]. The facilities include the following: (1) Bay St. Elaine Compressor Barge – Beauchamp Bay Elaine Field (Agency Interest # ("AI") 33012) located at or near six (6) miles south of Cocodrie in Terrebonne Parish; (2) Bay St. Elaine Central Facility (AI 33002) located at or near four (4) miles south of Cocodrie in Terrebonne Parish; (3) Four Isle Dome Central Facility (AI 32997) located at or near 11 miles southwest of Dulac in Terrebonne Parish; (4) Four Isle Dome LL&E Fee #1 (AI 84194) located at or near 7.5 miles southwest of Cocodrie in Terrebonne Parish; (5) North Little Lake (AI 83743) located at or near 8.6

miles southeast of Lafitte in Jefferson Parish; (6) Pass Des Illetes LL&E No. 2 (AI 33202) located at or near 15 miles southwest of Cocodrie in Terrebonne Parish; (7) Pass Wilson Commingling Facility (AI 33184/159947) located at or near 22.5 miles southwest of Theriot in Terrebonne Parish; (8) Southeast Manila Village Barge 3 Facility (AI 32665) located at or near 15 miles southwest of Port Sulphur in Plaquemines Parish; (9) Delta Duck Club Compressor Station No. 1 (AI 617) located at or near six (6) miles southeast of Venice in Plaquemines Parish; (10) Garden City Central Dehydration Facility (AI 32909) located at or near 3 miles south of Garden City in St. Mary Parish; (11) Caillou Island State Lease 301 CF #3 Tank Battery #2 (AI 33033) located at or near 14.3 miles southeast of Cocodrie in Terrebonne Parish; (12) S.G. Ardoin No. 1 (AI 32079) located at or near 1.5 miles south-southwest of Pine Prairie in Evangeline Parish; (13) CL&M Nos. 2 and 18 Production Facilities (AI 114563) located at or near five (5) miles west of Reddell in Evangeline Parish; (14) CL&M No. 5 Production Facility (AI 149409) located at or near off Highway 13, 2.5 miles southwest of Pine Prairie in Evangeline Parish; (15) CL&M Nos. 7 And 22 Production Facilities (AI 32082) located at or near Evangeline Parish; (16) CL&M No. 23 (AI 122313) located at or near two (2) miles southwest of Pine Prairie in Evangeline Parish; (17) CL&M No. 24 (AI 125862) located at or near 3.5 miles southwest of Pine Prairie in Evangeline Parish; (18) E. Guillory No. 1 (AI 32075) located at or near 2.6 miles south of Pine Prairie in Evangeline Parish; (19) P. Guillory No. 1 (AI 32074) located at or near three (3) miles south of Pine Prairie in Evangeline Parish.

II

On August 7, 2006, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-06-0102, which was based upon the following findings of fact:

On or about June 27, 2006, a file review of the Bay St. Elaine Compressor Barge – Beauchamp Bay Elaine Field, owned and/or operated by Burlington Resources Oil & Gas Company

LP (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 at or near six (6) miles south of Cocodrie in Terrebonne Parish, Louisiana. The facility operated under Title V Permit No. 2880-00076-V0 issued on August 19, 1996, and Title V Permit No. 2880-00076-V1 issued on April 29, 2005. The facility currently operates under Title V Permit No. 2880-00076-V2 issued on June 22, 2006.

Title V Permit No. 2880-00076-V0 issued to Texaco Exploration & Production, Inc. required testing of any one of the 660 horsepower compressor engines (Emission Point Nos. 002, 003, and 004). According to a letter dated February 24, 1997, Texaco Exploration & Production, Inc. conducted the initial compliance test on December 17, 1996, of the compressor engine (Emission Point No. 004) as required by the Title V Permit No. 2880-00076-V0. The Respondent noted in the letter that the test results indicated the unit had pollutant emission rates below permitted limits. According to a letter dated February 27, 1997, the Department recognized the results were significantly lower than permitted values and that an adjustment to the permit may be needed. Texaco Exploration & Production, Inc. submitted a Title V air permit renewal application under cover letter dated February 12, 2001, in which the results of the initial compliance test for the compressor engine were reflected.

By letter dated July 22, 2002, Texaco Exploration & Production, Inc. submitted a Notification of Change of Ownership/Operator or Name Change. On or about October 21, 2002, the Department recognized the transfer of ownership from Texaco Exploration and Production, Inc. to Chevron U.S.A., Inc.

The Department received a Notification of Change of Ownership Form dated April 12, 2004, indicating a transfer of ownership of the Bay St. Elaine Compressor Barge – Beauchamp Bay Elaine

Field from ChevronTexaco to the Respondent on or about March 1, 2004.

Title V Permit No. 2880-00076-V1 was issued on April 29, 2005, to the Respondent. According to the Title V permit, the origin of the information, which was used as the basis for issued permit, was a permit application and Emission Inventory Questionnaire (EIQ) submitted in February 2001 requesting a Part 70 Operating permit renewal. This application was submitted by Texaco Exploration & Production, Inc. Title V Permit No. 2880-00076-V1 required the Respondent to test two (2) of the three (3) Clark HRA 6,600 horsepower compressor engines. The Respondent chose gas compressor engines 002 and 004 (Emission Points EQT001 and EQT003, respectively) to test as required by Specific Requirements 10 and 28, respectively, of Title V Permit No. 2880-00076-V1. The Respondent submitted the test results for the testing performed on or about August 16, 2005. The test results were submitted under cover letter dated September 27, 2005. According to the cover letter, the Clark engines are two-stroke engines that have been operating for over thirty years. The Respondent noted that the compressors are not amenable to emission controls and the air to fuel ratio cannot be readily adjusted to reduce emissions. The Respondent indicated that it was expected the engines would continue to operate in excess of the current oxides of nitrogen (NO_x) and carbon monoxide (CO) limits until new limits are established. According to the Respondent, the first Title V permit (2880-00076-V0) issued had higher permit limits than both the current Title V permit (2880-00076-V1) and the current test results. The Respondent noted that the prior owner tested the engines and modified the permit to lower the emissions to match the test results. According to the Respondent, this change by the prior owner left no leeway for variability in the performance of the engines.

A variance request dated September 20, 2005, was submitted by the Respondent to emit CO and NO_x emissions above the permitted limits. By letter dated October 12, 2005, the Department

denied the request and specified that the Respondent submit a permit application.

The Respondent submitted a Title V excess emissions report dated October 24, 2005. In the report the Respondent noted that based on the test results, the emissions generated from the engines exceeded the maximum pound per hour limit in Title V Permit No. 2880-00076-V1 for NO_x during the test on gas compressor engine 002 and for CO during the test on gas compressor engine 004 as follows:

Compressor Engine	Pollutant	Initial Compliance Test Results (December 17, 1996) max (lb/hr)	Permit No. 2880-00076-V1 max (lb/hr)	Compliance Test Results (August 16, 2005)* max (lb/hr)
002	NO _x	12.51	15.01	15.30
004	CO	5.96	7.15	8.12

*The higher average emission value of the two test engines.

The Respondent submitted an air permit modification application under cover letter dated October 25, 2005. The Respondent noted in the application that the initial compliance demonstration conducted in December 1996, determined that the engines emitted less than expected. The original permit used NO_x limits that were based on an average of stack test results from a collection of Clark engines. According to the Respondent, the previous owner reduced the emission limits for NO_x and CO to exactly the rates determined in the stack test without accounting for the engine loading rate of 95 percent or the measurement error inherent in stack tests. Title V Permit No. 2880-00076-V2 was issued on June 22, 2006.

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

The Respondent reported in the 2005 annual compliance certification dated March 30, 2006 and in a Title V excess emissions report dated October 24, 2005, that a compliance test for NO_x and CO was performed on August 16, 2005 for two (2) of the three (3) 660 horsepower Clark gas compressor engines 002 and 004 (Emission Points EQT001 and EQT003, respectively) at

the Respondent's facility as required by Specific Requirements 10 and 28 and in accordance with Louisiana Air Emission Permit General Conditions VII and VIII of Title V Permit No. 2880-00076-V1. Based on the stack test results, the emissions generated from the engines exceeded the maximum pound per hour limits established in Title V Permit No. 2880-00076-V1 for NO_x for gas compressor engine 002 (Emission Point No. EQT001) and for CO for gas compressor engine 004 (Emission Point No. EQT003). The exceedance of the NO_x maximum pound per hour permitted limit for gas compressor engine 002 (Emission Point No. EQT001) and the CO maximum pound per hour permitted limit for gas compressor engine 004 (Emission Point No. EQT003) as established on the Emission Rates For Criteria Pollutants table of Title V Permit No. 2880-00076-V1 is a violation of General Condition III of Title V Permit No. 2880-00076-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The incidents of noncompliance listed below are not the subject matter of an enforcement action issued by the Department, but are included and resolved as a part of this Settlement:

Subsequent to the issuance of the Notice of Potential Penalty, Enforcement Tracking No. AE-PP-06-0102, the Respondent met with the Department on or about August 31, 2006, and October 2, 2006. In the October 2, 2006, the Respondent discussed issues that had been discovered during audits that it had conducted at its facilities. At the time of the meeting, the Respondent stated that it was still performing its investigations. In addition, the Respondent stated that it intended to retain a third party to conduct environmental audits at all of its facilities that operate in the inland waters of south Louisiana. The Respondent reported the issues discovered during its audit to the Department in correspondence dated February 7, 2007, June 28, 2007, July 17, 2008, and August 5, 2008.

The following incidents of noncompliance are those discovered during the Respondent's audits of its facilities and reported to the Department:

BAY ST. ELAINE CENTRAL FACILITY (AI 33002)

The Respondent submitted letters dated October 4, 2006 and February 7, 2007. The Respondent noted that during a review of the Bay St. Elaine Central Facility it was discovered that both freewater knockout and heater treater flash gas outlets were piped directly to the two (2) 1000-barrel crude oil tanks (EPNs ST-1 and ST-2) resulting in increased emissions, a scenario not reflected in the original permit application. The failure to operate the facility as specified in the application used as the basis for Title V Permit No. 2880-00061-V3 is a violation of General Condition No. I of Air Permit No. 2880-00061-V3, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act. Each exceedance of the permitted annual VOC emissions limit of 55.69 tons per year for each crude oil tank (Emission Point Nos. ST-1 and ST-2) for 2005 and 2006 is a violation of General Condition II of Title V Permit No. 2880-00061-V3, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act. The exceedance of the permitted annual VOC emissions limit of 55.149 tons per year for each crude oil tank (Emission Point Nos. ST-1 and ST-2) for 2004 is a violation of General Condition II of Title V Permit No. 2880-00061-V2, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

FOUR ISLE DOME CENTRAL FACILITY (AI 32997)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the Four Isle Dome Central Facility. The audit discovered that the control device was not operational at all times in each of the years 2005 and 2006. According to permit application dated April 29, 2003 for Title V Permit No. 2880-00048-02, the Respondent's Crude Oil Storage Tank (Emission Point No. 862-18) and Crude Oil Storage Tank (Emission Point No. 01-39) are to be routed to the control device, in particular, the Combustion Flare (Emission Point No. 03-41). Each failure to properly operate and/or maintain the Combustion Flare as specified in the permit application is a violation of General Condition I of Title V Permit No. 2880-00048-02, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. Each failure to use and diligently maintain the Combustion Flare in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 2880-00048-02, LAC 33:III.905, and Section 2057(A)(2) of the Act.

FOUR ISLE DOME LL&E FEE #1 (AI 84194)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the Four Isle Dome LL&E Fee #1 facility. The audit discovered that the control device, the Combustion Flare (Emission Point No. 99-02), was not operational at all times in each of the years 2002 through 2006. According to the permit application for Standard Oil and Gas Permit No. 2880-00258-01, the Respondent's Oil Storage Tank Vent (Emission Point No.

99-04) and Oil Storage Tank Vent (Emission Point No. 99-05) are to be routed to the Combustion Flare (Emission Point No. 99-02). Each failure to properly operate and/or maintain the Combustion Flare as specified in the permit application is a violation of General Condition I of Standard Oil and Gas Permit No. 2880-00258-01, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. Each failure to use and diligently maintain the Combustion Flare in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 2880-00258-01, LAC 33:III.905, and Section 2057(A)(2) of the Act. The Respondent reported 520.43 tons per year; 519.67 tons per year; 373.18 tons per year and 189.80 tons per year in 2002, 2003, 2004, 2005 and 2006, respectively, from the facility. The Respondent reported emissions of VOC in excess of the total annual maximum emissions limitation of less than 95 tons per year of the VOC listed in the Facility Specific Requirements Limitations table of Standard Oil and Gas Permit No. 2880-00258-01. Each exceedance of the VOC permit limitation for the years 2003 through 2006 is a violation of General Condition II of Standard Oil and Gas Permit No. 2880-00258-01, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent reported 168.36 tons per year in 2002 from the facility. The exceedance of the VOC tons per year permit limitation listed in the Annual Emission Rates of Air Permit No. 2880-00258-00 in 2002 is a violation of General Condition II of Air Permit No. 2880-00258, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

NORTH LITTLE LAKE (AI 83743)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the North Little Lake facility. The audit discovered that the control device, Combustion Flare (Emission Point No. 99-16), was not operational at all times in each of the years 2005 and 2006. According to the application for Standard Oil and Gas Permit No. 1340-00243-04, the Respondent's Crude Oil Storage Tank Vent (Emission Point No. 99-11) and Crude Oil Storage Tank Vent (Emission Point No. 99-12) are to be routed to the Combustion Flare (Emission Point No. 99-16). The Crude Oil Storage Tank Vent (Emission Point No. 99-12) is permitted for 4.391 tons per year of VOC. Each failure to properly operate and/or maintain the Combustion Flare as specified in the permit application is a violation of General Condition I of Standard Oil and Gas Permit No. 1340-00243-04, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. Each failure to use and diligently maintain the Combustion Flare in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 1340-00243-04, LAC 33:III.905, and Section 2057(A)(2) of the Act.

PASS DES ILLETES LL&E NO. 2 (AI 33202)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the

Pass des Illetes LL&E No. 2 facility. The audit discovered that the control device, Combustion Flare (Emission Point No. 99-11A), was not operational at all times in the years 2002 through 2006. According to Air Permit No. 2880-00224-04 and the permit application for Standard Oil and Gas Permit No. 2880-00224-05, the Respondent's Condensate Storage Tank Vent #1 (Emission Point No. 98-04), the Condensate Storage Tank Vent #2 (Emission Point No. 98-05) and the Heater Treater Flash (Emission Point No. 98-09) are to be routed to the Combustion Flare (Emission Point No. 99-11A). The Combustion Flare (Emission Point No. 99-11A) is permitted for 14.861 tons per year of VOC in Air Permit No. 2880-00224-04. The failure to properly operate and/or maintain the Combustion Flare as specified in the permit application is a violation of General Condition I of either Air Permit No. 2880-00224-04 or Standard Oil and Gas Permit No. 2880-00224-05, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act. The failure to use and diligently maintain the Combustion Flare in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 2880-00224-05, LAC 33:III.905, and Section 2057(A)(2) of the Act.

PASS WILSON COMMINGLING FACILITY (AI 33184/159947)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the Pass Wilson Commingling facility. The audit discovered that the control device, the Continuous-Burn Flare (Emission Point No. 29-03-F), was not operational for a period of at least seven (7) consecutive days in each of the years 2004 through 2006. According to Standard Oil and Gas Permit No. 2880-00198-02, the Respondent's 1500 Barrel Oil Storage Tanks - Common Vents (Emission Point Nos. 7a-96-OST-CV, 7b-96-OST-CV and 7c-96-WST-CV) and the 750 Barrel Water Storage Tanks - Common Vents (Emission Point Nos. 8a-96-WST-CV and 8b-96-WST-CV) are to be routed to the Continuous-Burn Flare (Emission Point No. 29-03-F). According to the Respondent, the flare was shutdown for safety reasons in July 2004 due to the location of the flare at the facility. A vapor recovery unit (VRU) was installed in May 2005 and became inoperable in March 2006 due to low volumes through the system. Each failure to properly operate and/or maintain the Combustion Flare or the VRU as specified in the permit application is a violation of General Condition I of Title V Permit No. 2880-00198-02, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. Each failure to use and diligently maintain the Combustion Flare or the VRU in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 2880-00198-02, LAC 33:III.905, and Section 2057(A)(2) of the Act. The Respondent reported actual VOC emissions of 280.78 tons in 2004 and 101.90 tons in 2005 from the facility. The Permit requires total annual maximum emissions limitation of less than 95 tons per year of VOC listed as listed in the Facility Specific Requirements Limitations table of Standard Oil and Gas Permit No. 2880-00258-01. Each exceedance of the VOC permit limitation is a violation of General Condition II of Standard Oil and Gas Permit No. 2880-00258-01, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

SOUTHEAST MANILA VILLAGE BARGE 3 FACILITY (AI 32665)

In the General Condition IX report dated September 20, 2006, and in letters dated October 20, 2006 and February 7, 2007, the Respondent reported that it had performed an audit of the Southeast Manila Village Barge 3 facility. The audit discovered that the control device, the Emergency Flare (Emission Point No. 3FS-1), was not operational at all times in each of the years 2002 through 2006. According to the Respondent, the Emergency Flare would be used in instances of compressor downtime. Each failure to properly operate and/or maintain the Emergency Flare as specified in the permit application is a violation of General Condition I of Air Permit Nos. 2240-00213-01 and 2240-00213-02, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. Each failure to use and diligently maintain the Emergency Flare in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in the affected areas are not exceeded is a violation of General Condition XVIII of Standard Oil and Gas Permit No. 2240-00213-02, LAC 33:III.905, and Section 2057(A)(2) of the Act.

DELTA DUCK CLUB COMPRESSOR STATION NO. 1 (AI 617)

In the Title V annual compliance certification dated March 30, 2007, the Respondent reported that the condenser exhaust temperatures for the Glycol Reboiler Moisture Vent (EQT 007 009 - Glycol Reboiler Moisture Vent) were visually monitored but not recorded daily. Each failure to record the condenser exhaust temperature is a violation of LAC 33:III.2116.F.3.a and Section 2057(A)(2) of the Act.

GARDEN CITY CENTRAL DEHYDRATION FACILITY (AI 32909)

The Respondent reported emissions of 14.41 tons per year of VOC in 2004; 14.44 tons per year of VOC in 2005, and 14.43 tons per year of VOC in 2006 for the Garden City Central Dehydration facility. The emissions from the glycol dehydrator still vent (Emission Point 95-01B) were not combusted in the glycol reboiler (Emission Point 95-01A) in accordance with Small Source Air Permit No. 2660-00154-03, but were instead vented to the atmosphere. The Respondent failed to route the vapors from the glycol dehydrator still column vents to the two (2) series connected finned heat exchanger coils with the condensed vapors pumped to a storage tank and noncondensable vapors returned to the glycol reboiler combustion chambers for use as fuel. Each failure is a violation of Specific Condition 1 of Small Source Permit No. 2660-00154-03, LAC 33:III.501.C.4, LAC 33:III.5109.A, LAC 33:III.905, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

CAILLOU ISLAND STATE LEASE 301 CF #3 TANK BATTERY #2 (AI 33033)

The Respondent reported that during an audit of the Caillou Island State Lease 301 CF #3 Tank Battery #2 excess VOC emissions were discovered to have been emitted from the facility. The Respondent reported in the June 6, 2008 letter that emissions from each of the two (2) 1,000 barrel oil storage tanks (Emission Point Nos. 008 and 009) were 43.47 tons of

VOC from the date that the initial Standard Oil and Gas Permit No. 2880-00112-00 was issued on October 3, 2006, until issuance of the permit modification on July 23, 2007. Standard Oil and Gas No. 2880-00112-00 authorized emissions of 32.42 tons of VOC per year per tank. According to the Respondent, the emissions estimates were based on actual gas analyses and HYSYS modeling. The Respondent noted that there were no operational changes during this time. Each exceedance of each VOC permitted limit for each tank is violation of General Condition II of Standard Oil and Gas Permit No. 2880-00112-00, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

S.G. ARDOIN NO. 1 (AI 32079); CL&M NOS. 2 AND 18 PRODUCTION FACILITIES (AI 114563); CL&M NO. 5 PRODUCTION FACILITY (AI 149409); CL&M NOS. 7 AND 22 PRODUCTION FACILITIES (AI 32082); CL&M NO. 23 (AI 122313); CL&M NO. 24 (AI 125862); E. GUILLORY NO. 1 (AI 32075); P. GUILLORY NO. 1 (AI 32074)

As reported by the Respondent in the General Condition IX report dated July 17, 2008, the Respondent recently instituted an annual facility review process. During the review process the Respondent discovered potential exceedances of VOC emission limits set forth in the Standard Oil and Gas permits for the following facilities: CL&M No. 18 and No. 2 (AI 114563); S.G. Ardoin No. 1 Production Facility (AI 32079); CL&M No. 5 (AI 149409); CL&M No. 7 and 22 (AI 32082); CL&M Nos. 23 (Agency Interest No. 122313); and CL&M No. 24 (AI 125862); E. Guillory (AI 32075) and P. Guillory (AI 32074). According to the Respondent, immediate action was taken to mitigate the emissions from the emission sources. The Respondent's investigation determined the potential exceedances occurred due to well stimulation combined with a slower than expected production decline rate. Recompletion work with different production zones resulted in a lighter, more volatile crude than estimated in the permit application. A portion of the non-complying emissions resulted from the vaporization of hydrocarbons from oil during heat treatment (heater-treater) to stabilize the product for water content and paraffin accumulation. The remainder of emissions resulted from flash loss in tanks. According to the Respondent, a number of proactive measures were taken to ensure that the sites comply with all applicable regulatory requirements and permit conditions, including the installation of flares. Additionally, the Respondent has designed and implemented an internal process and engineering control system with an environmental/engineering interface which will follow projects and permit reviews from the scoping phase and beyond. Each exceedance of the total annual maximum emissions limitation of less than 95 tons per year of VOC for 2007 and/or 2008 is a violation of General Condition II of each Standard Oil and Gas Permit No. 0920-00056-00 (AI 114563), 0920-00040-00 and 0920-00040-01 (AI 32079), 0920-00085-00 (AI 149409), 0920-00043-02 (AI 32082), 0920-00058-00 (AI 122313), 0920-00060-00 (AI 125862), 0920-00036-00 (AI 32075), and 0920-00035-00 (AI 32074), LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act. Additionally, the Respondent also exceeded its permitted VOC limitations in 2008 for Minor Source Permit No. 0920-00056-01 (AI 114563).

III

Based on the results of the audits of its facilities, the Respondent submitted under cover letter dated December 18, 2009, revised emissions inventory data to the Department to correct past underreporting of emissions for LAC 33:III.919. Based upon the Respondent's revised emissions inventory data, the Respondent was invoiced by the Department in the amount of \$67,829.70 for emissions inventory fees that were previously due to the Department. The Department received payment of these fees on or about August 25, 2010 and August 27, 2010. The Respondent acknowledges that it was previously made aware, and has agreed, that its initial submittal of the revised emissions inventory data to the Department under cover letter dated December 18, 2009, could not be submitted to the Department in electronic format through the Department's Emissions Reporting and Inventory Center (ERIC) at that time, and that its submittal would not satisfy compliance with the requirements of LAC 33:III.919.

IV

The Respondent hereby agrees to satisfy the requirement to submit a revised emissions inventory through the Department's Emissions Reporting and Inventory Center (ERIC) once it becomes available for accepting revisions. The Respondent shall check the Department's website to determine when ERIC is available for accepting revisions, and submit the revised emissions inventories through ERIC in accordance with the requirements of LAC 33:III.919. Respondent further agrees to the following:

- A. Respondent will submit revised emission inventories within sixty (60) days of ERIC becoming available to accept revisions. This requirement will remain effective unless otherwise notified by the Department through written correspondence or a modification to this Settlement.

B. If the fees calculated based on the submittal through ERIC are greater than the amount previously paid by the Respondent, the Respondent agrees to pay the additional difference between that amount which was already paid (\$67,829.70) and that amount calculated from the submittal in ERIC.

V

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VI

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 NINETY THOUSAND AND NO/100 DOLLARS (\$90,000.00), of which Two Thousand Eight Hundred Six and 19/100 Dollars (\$2,806.19) 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).

VII

Respondent further agrees that the Department may consider the inspection report(s), the 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.

VIII

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.

IX

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.

X

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Terrebonne, Jefferson, Plaquemines, St. Mary, and Evangeline Parishes, 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 for each of the affected parishes 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.

XI

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).

XII

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

XIII

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.

**BURLINGTON RESOURCES OIL &
GAS COMPANY, LP**

BY: _____
(Signature)

(Print)

TITLE: _____

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

NOTARY PUBLIC (ID # _____)

(Print)

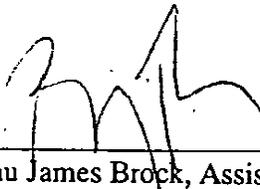
**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**
Peggy M. Hatch, Secretary

BY: _____
Beau James Brock, 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 # _____)

(Print)

Approved: 

Beau James Brock, Assistant Secretary