

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:
CARRIZO OIL & GAS, INC.

* Settlement Tracking No.
* SA-AE-05-0062
*

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.
AI # 121385 & 121398

* Enforcement Tracking No.
* AE-PP-04-0192
*
*

SETTLEMENT

The following Settlement is hereby agreed to between Carrizo Oil & Gas, 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").

I

Respondent is a corporation who owns and/or operates an oil and gas production facility, known as Shadyside Co. Ltd. No. 1 Production Facility (Agency Interest No. 121385), located at Patterson Field, four miles southeast of Centerville in St. Mary Parish, Louisiana; and an oil and gas production facility known as LL & E No. 1 Production Facility (Agency Interest No. 121398) located at or near Coffee Bay Field, approximately 5.7 miles northeast of Golden Meadow in Lafourche Parish, Louisiana.

II

On October 4, 2004, the Department issued a Notice of Potential Penalty, AE-PP-04-0192, regarding its Shadyside Co. No. 1 Production Facility to Respondent, which was based upon the

following findings of fact:

The Respondent submitted an air permit application for the facility dated February 4, 2004, that was received by the Department on April 12, 2004. According to the application, construction of the facility began on January 27, 2004. According to a letter from the Respondent dated August 20, 2004, operation of the facility began on March 3, 2004. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, and/or operation of the facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants. This is a violation of LAC 33:III.501.C.1, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III

In a telephone conversation on October 13, 2004, and in a letter dated February 1, 2005, the Respondent self-reported that it submitted an air permit application for its LL & E No. 1 Production Facility on or about August 16, 2004. According to correspondence from the Respondent dated August 23, 2005, construction of the facility commenced on August 23, 2004, and operation of the facility started on September 12, 2004. The facility's air permit, Air Permit No. 1560-00218-00, was issued on November 1, 2004. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, and/or operation of the facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.

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 TWO THOUSAND AND NO/100 DOLLARS (\$2000.00), of which THREE HUNDRED AND 93/100 DOLLARS (\$300.93) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement.

VI

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.

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 journals of the parish governing authorities in St. Mary Parish and Lafourche Parish, Louisiana. The advertisements, 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.

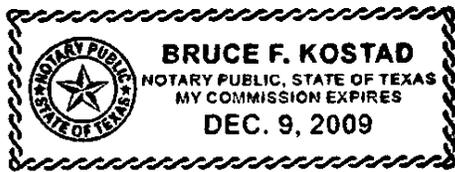
CARRIZO OIL & GAS, INC.

BY: [Signature]
(Signature)

BRAD FISHER
(Printed or Typed)

TITLE: Vice President & COO.

THUS DONE AND SIGNED in duplicate original before me this 13th day of February, 20 06, at HOUSTON, TX.



[Signature]
NOTARY PUBLIC (ID #)

(Printed or Typed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Mike D. McDaniel, Ph.D., Secretary

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

THUS DONE AND SIGNED in duplicate original before me this 31st day of May, 20 06, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 27771)

Carlisle S. Bernal
(Printed or Typed)

Approved: [Signature]
Harold Leggett, Ph.D., Assistant Secretary