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STATE OF LOUISIANA

LA. DEPT. OF ENV. QUALITY
LEGAL AFFAIRS DIVISION

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CASTEX ENERGY, INC.

AI # 157155, 159631

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

* Settlement Tracking No.
* SA-AE-10-0089
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* Enforcement Tracking No.
* AE-PP-08-0134
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SETTLEMENT

The following Settlement is hereby agreed to between Castex Energy, 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 that owns and/or operates a glycol dehydration station facility and a production facility located in Golden Meadow and Des Allemands (respectively), Lafourche Parish, Louisiana. ("the Facility").

II

On May 3, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-08-0134, which was based upon the following findings of fact:

On or about December 21, 2009, a file review of Golden Meadow Field Glycol Dehydration Station Site # 7 (FACILITY), AI # 157155, owned and/or operated by Castex Energy, 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 5.0

miles southwest of Golden Meadow, Lafourche Parish, Louisiana. The facility currently operates under Air Permit No. 1560-00264-00, issued on or about August 18, 2008.

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

- A. In correspondence dated January 29, 2010, the Respondent reported that the facility was put in service on or about October 12, 2007. In correspondence dated April 8, 2008, the Respondent submitted an initial minor source permit application. Air Permit No. 1560-00264-00 was issued on or about August 18, 2008. The failure to submit a valid Air Permit Application prior to construction of a facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

- B. In correspondence dated January 29, 2010, the Respondent reported that the facility was put in service on or about October 12, 2007. Air Permit No. 1560-00264-00 was issued on or about August 18, 2008. Therefore, the facility operated for ten (10) months without a valid Air Permit. Operation of any facility, without a valid permit, which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about December 21, 2009, a file review of Joe McHugh Field Production Facility No. 1 (Facility), AI # 159631, owned and/or operated by Castex Energy, Inc. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 1.4 miles south southwest of Des Allemands, Lafourche Parish, Louisiana. The facility currently operates under Air Permit No. 1560-00264-00, issued on or about October 13, 2009.

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

- A. In correspondence dated January 29, 2010, the Respondent reported that the facility was put in service on or about August 8, 2008. In correspondence dated July 28, 2008, the Respondent submitted an initial minor source permit application. Air Permit No. 1560-00267-00 was issued on or about October 13, 2009. The failure to submit a valid Air Permit Application prior to construction of a facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

- B. In correspondence dated January 29, 2010, the Respondent reported that the facility was put in service on or about August 8, 2008. Air Permit No. 1560-00267-00 was issued on or about October 13, 2009. Therefore, the facility operated for fourteen (14) months without a valid Air Permit. Operation of any facility, without a valid permit, which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2 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 THREE THOUSAND TWO HUNDRED NINETY-ONE AND 65/100 DOLLARS (\$3,291.65), of which Four Hundred Ninety-One and 65/100 Dollars (\$491.65) 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 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.

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 Lafourche 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.

CASTEX ENERGY, INC.

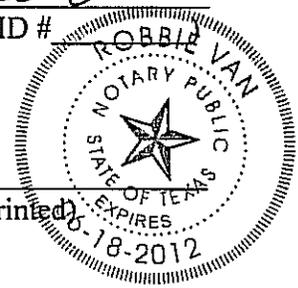
BY: David A. Carmony
(Signature)

DAVID A. CARMONY
(Printed)

TITLE: VP-OPERATIONS

THUS DONE AND SIGNED in duplicate original before me this 21st day of September, 20 11, at Houston, Harris Co, Texas.

Robbie Van
NOTARY PUBLIC (ID #



(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch Secretary

BY: CSN
Cheryl Sonnier Nolan, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 3 day of October, 20 11, at Baton Rouge, Louisiana.

Dwana King
NOTARY PUBLIC (ID # 20590)
Barroll #

The Commission

Dwana King
(stamped or printed)

Approved: CSN
Cheryl Sonnier Nolan, Assistant Secretary