

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CORONADO ENERGY  
E & P COMPANY, L.L.C.

AI # 155682, 156341, 157825, & 157859

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

\* Settlement Tracking No.  
\* SA-AE-09-0041

\* Enforcement Tracking No.  
\* AE-PP-08-0098

SETTLEMENT

The following Settlement is hereby agreed to between Coronado Energy E & P Company, L.L.C. ("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 limited liability company that owns and/or operates numerous oil and gas production facilities located in De Soto Parish, Louisiana ("the Facility(s)").

II

On January 5, 2009, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-08-0098, which was based upon the following findings of fact:

On or about September 9, 2008, a file review of McCoy 4 # 1 Common Point (Agency Interest No. 155682), owned and/or operated by Coronado Energy E & P Company, L.L.C. (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 1.3 miles northwest of Stanley, De Soto Parish, Louisiana. On or about January 24, 2008, the Louisiana Department of Environmental Quality (the Department) received a Standard Oil and Gas Air (SOGA) Permit Application dated January 18, 2008, for the Respondent's facility. The facility currently operates under SOGA Permit No. 0760-00737-00, issued on February 28, 2008.

The following violation was noted during the course of the file review:

On or about September 8, 2008, the Department received correspondence from the Respondent which stated that the date of earliest compression at the facility was on February 2, 2004. The facility's SOGA Permit No. 0760-00737-00 was approved on February 28, 2008. Operating the facility between February 2, 2004, and February 28, 2008, without an air permit 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 September 9, 2008, a file review of Adams Common Point (Agency Interest No. 156341), owned and/or operated by Coronado Energy E & P Company, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 2.7 miles northwest of Logansport, De Soto Parish, Louisiana. On or about March 3, 2008, the Department received a SOGA Permit Application dated February 15, 2008. On or about July 28, 2008, the Department received a revised SOGA Permit Application dated July 21, 2008, for the Respondent's facility. The facility currently operates under SOGA Permit No. 0760-00738-00, issued on October 24, 2008.

The following violation was noted during the course of the file review:

On or about September 8, 2008, the Department received correspondence from the Respondent which stated that the date of earliest compression at the facility was on June 28, 2007. The facility's SOGA Permit No. 0760-00738-00 was approved on October 24, 2008. Operating the facility between June 28, 2007, and October 24, 2008, without an air permit 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 July 28, 2008, and September 9, 2008, file reviews of Waynestella #1 Facility (Agency Interest No. 157825), owned and/or operated by Coronado Energy E & P Company, L.L.C. (Respondent), were performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 2.6 miles west of Logansport, De Soto Parish, Louisiana. On or about May 12, 2008, the Department received an Air Permit Application dated May 1, 2008, for the Respondent's facility. The facility currently operates under SOGA Permit No. 0760-00752-00, issued on May 23, 2008.

The following violation was noted during the course of the file reviews:

On or about September 8, 2008, the Department received correspondence from the Respondent which stated that the date of earliest compression at the facility was on November 11, 2006. The facility's SOGA Permit No. 0760-00752-00 was approved on May 23, 2008. Operating the facility between November 11, 2006, and May 23, 2008, without an air permit 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 July 28, 2008, and September 9, 2008, file reviews of Averett #5 Facility (Agency Interest No. 157859), owned and/or operated by Coronado Energy E & P Company, L.L.C. (Respondent), were performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located approximately 2.5 miles northwest of Logansport, De Soto Parish, Louisiana. On or about May 13, 2008, the Department received an Air Permit Application dated May 5, 2008, for the Respondent's facility. The facility currently operates under Air Permit No. 0760-00753-00, issued on May 23, 2008.

The following violation was noted during the course of the file reviews:

On or about September 8, 2008, the Department received correspondence from the Respondent which stated that the date of earliest compression at the facility was on June 28, 2007. The facility's Air Permit No. 0760-00753-00 was approved on May 23, 2008. Operating the facility between June 28, 2007, and May 23, 2008, without an air permit 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. Respondent promptly submitted all necessary permitting information to the Department, which the Department herein recognizes.

## 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 AND NO/100 DOLLARS (\$3,000.00), of which Three Hundred Twenty-Four and 95/100 Dollars (\$324.95) 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 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 LSA- 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 De Soto 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

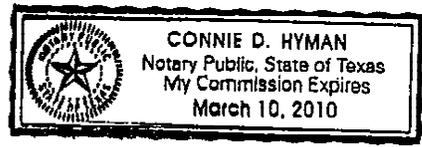
Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

**CORONADO ENERGY E & P  
COMPANY, L.L.C.**

BY: *[Signature]*  
(Signature)  
JOHN D. JENSEN  
(Print)

TITLE: VICE PRESIDENT, OPERATIONS

THUS DONE AND SIGNED in duplicate original before me this 24th day of  
November, 20 09, at 3:45 P.M.



*[Signature]*  
NOTARY PUBLIC (ID # B2001-51985)  
CONNIE D. HYMAN  
(Print)

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

BY: *[Signature]*  
Paul D. Miller, P.E., Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 12th day of  
April, 20 10, at Baton Rouge, Louisiana.

*[Signature]*  
NOTARY PUBLIC (ID # 10149)  
Christopher A. Ratcliff  
(Print)

Approved: *[Signature]*  
Peggy M. Hatch, Assistant Secretary