

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CRIMSON EXPLORATION
OPERATING, INC.

AI # 31795

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

* Settlement Tracking No.
* SA-AE-12-0013
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* Enforcement Tracking No.
* AE-PP-09-0429
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SETTLEMENT

The following Settlement is hereby agreed to between Crimson Exploration Operating, 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 previously owned and operated an oil and gas production facility located southwest of Lake Arthur in Cameron Parish, Louisiana ("the Facility").

II

On July 15, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0429, which was based upon the following findings of fact:

On or about March 12, 2009, an inspection of Grand Lake Production Facility (the facility), an oil and gas production facility owned and/or operated by Crimson Exploration Operating, 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 twelve (12) miles southwest of Lake Arthur in Cameron Parish, Louisiana. The facility previously operated under Air Permit No. 0560-00071-02, issued on August 15, 1996. On or about February 23, 2009, the Department received an Application for Air Permit Modification dated February 9, 2009, from the Respondent. On or about July 24, 2009, the Department received a Revised Application for Air Permit Modification dated July 21, 2009, from the Respondent. On or about September 25, 2009, Air Permit No. 0560-00071-03 was issued. On or about March 23, 2010, Air Permit No. 0560-00071-03 was transferred to the new owner and/or operator of the facility with the effective date of January 1, 2010.

The following violations were noted during the course of the inspection and subsequent file review performed on February 5, 2010:

- A. During the course of the inspection, the inspector noted that the emission inventory listed in Air Permit No. 0560-00071-02, issued on August 15, 1996, did not reflect the facility's actual emission inventory. In an email dated December 2, 2009, the Respondent's representative submitted the following construction and removal dates for each modification that was made at the facility:

Added Emission Points		
Emission Point ID	Description	Construction Commencement Date
17-09-GR-BS	Glycol Regenerator Burner Stack	June 2006
18-09-GR-SCC	Glycol Regenerator Still Column Condenser	June 2006
23-09-ICE-ES	Internal Combustion Engine Exhaust Stack	June 2008
35-09-BV	Blowcase Vessel	June 2008

Deleted Emission Point		
Emission Point ID	Description	Removal Date
890-22	Compressor Engine	June 2008

Each incident of the Respondent's failure to submit a timely and complete permit application to the Department prior to construction, reconstruction, or modification to the facility is a violation of LAC 33:III.501.C.1, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- B. During the course of the inspection, the inspector noted that the emission inventory listed in Air Permit No. 0560-00071-02 did not reflect the facility's actual emission inventory. In an email dated December 2, 2009, the Respondent's representative submitted the following operation commencement dates for each of the modifications made at the facility:

Emission Point ID	Description	Operation Commencement Date
17-09-GR-BS	Glycol Regenerator Burner Stack	June 2006
18-09-GR-SCC	Glycol Regenerator Still Column Condenser	June 2006
19-09-WST-V	Water Storage Tank Vent	November 2006
23-09-ICE-ES	Internal Combustion Engine Exhaust Stack	June 2008
24-09-GOP	Gas Operated Pump	November 2006
25-09-GOP	Gas Operated Pump	November 2006
26-09-GOP	Gas Operated Pump	November 2006
29-09-GOP	Gas Operated Pump	November 2006
31-09-GOP	Gas Operated Pump	November 2006
33-09-GOP	Gas Operated Pump	November 2006
34-09-GOP	Gas Operated Pump	November 2006
35-09-BV	Blowcase Vessel	June 2008

Each incident of the Respondent's failure to obtain approval from the Department prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase 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).

- C. On or about August 31, 2006, the Department received a Form of Notification of Change of Ownership/Operator or Name Change from the Respondent. According to the form, ownership and operatorship of Grand Lake Production Facility was transferred to the Respondent on or about February 27, 2006. The Respondent's failure to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).
- D. A file review conducted by the Department on February 5, 2010, revealed that the Respondent operated the facility prior to receiving authorization

from the Department. Specifically, the Respondent assumed ownership and operatorship of the facility on February 27, 2006, and the facility's air permit was transferred on November 6, 2006. The operation, without prior authorization from the Department, between February 27, 2006, and November 5, 2006, 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 ELEVEN THOUSAND AND NO/100 DOLLARS (\$11,000.00), of which Two Hundred Ninety-Two and 56/100 Dollars (\$292.56) 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 Cameron 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 from the newspaper 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).

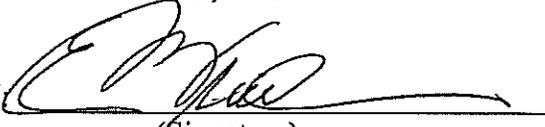
X

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.

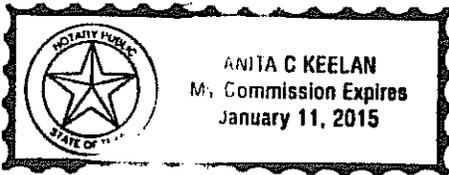
**CRIMSON EXPLORATION
OPERATING, INC.**

BY: 
(Signature)

E. Joseph Grady
Senior Vice President & CFO

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this 29th day of NOVEMBER, 2012, at CRIMSON EXPLORATION.



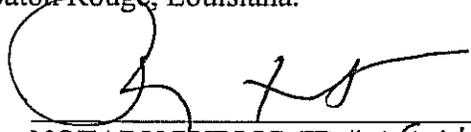

NOTARY PUBLIC (ID # _____)

(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 5th day of April, 2013, at Baton Rouge, Louisiana.


NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: 
Cheryl Sonnier Nolan, Assistant Secretary