

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CROSSTEX ENERGY SERVICES, L.P.

AI # 27741

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

- \* Settlement Tracking No.
- \* SA-AE-05-0066
- \*
- \* Enforcement Tracking No.
- \* AE-PP-05-0122
- \*
- \*
- \*

SETTLEMENT

The following Settlement is hereby agreed to between Crosstex Energy Services, L.P. ("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 partnership who owns and/or operates a gas plant facility located at 970 Melder Road in Glenmora, Rapides Parish, Louisiana ("the Facility").

II

On June 21, 2005, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-05-0122, which was based upon the following findings of fact:

On or about May 23, 2005, a file review of Master's Creek Gas Plant, owned and/or operated by Crosstex Energy Services, L.P. (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 970 Melder Road in Glenmora, Rapides Parish, Louisiana. The facility

operated under Air Permit No. 2360-00085-03 issued on March 14, 2001. The Respondent acquired the facility in August 2002. The Respondent permanently shut down the facility on April 4, 2005.

On February 9, 2005, the Respondent met with representatives of the Department to discuss the results of an internal review of noncompliance issues associated with the Master's Creek Gas Plant. The Respondent summarized the noncompliance issues in subsequent letters to the Department dated February 17, 2005, March 18, 2005, and March 31, 2005.

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

- A. The Respondent failed to submit notification to the permitting authority prior to the initiation of a project which resulted in emission reductions. Specifically, a 1,265 HP Residue Compressor was replaced with a 220 HP Residue Compressor and one 400 HP Caterpillar generator was permanently removed from service, thus resulting in a net emission reduction. Additionally, the Respondent failed to submit an appropriate permit modification revision reflecting the emission reduction no later than 180 days after commencement of operation. This is a violation of LAC 33:III.501.C.1, LAC 33:III.511, and Section 2057(A)(2) of the Act.
  
- B. The Respondent failed to implement a Leak Detection and Repair (LDAR) program under the provisions of 40 CFR 60 Subpart KKK and as stated in Specific Condition 4 of Air Permit No. 2360-00085-03. As stated in correspondence from the Respondent dated March 31, 2005, the Respondent failed to implement fugitive emissions monitoring from August 2002 through January 2005. The Respondent began fugitive emissions monitoring in February 2005 and the facility was permanently shutdown on April 4, 2005. The following table summarizes the fugitive emissions components, component monitoring frequency, and number of missed monitoring periods for each component:

| Component Description           | Facility Component Count | Component Monitoring Frequency | Number of Missed Monitoring Periods |
|---------------------------------|--------------------------|--------------------------------|-------------------------------------|
| Valves                          | 568                      | Quarterly                      | 10                                  |
| Difficult to Monitor Components | 120                      | Annually                       | 3                                   |
| Pumps                           | 3                        | Monthly                        | 30                                  |
| Compressors                     | 4                        | Monthly                        | 30                                  |
| Process Safety Valves           | 11                       | Upon Release Event             |                                     |
| <b>Total</b>                    | <b>706</b>               |                                |                                     |

The failure to implement the required LDAR program is in violation of LAC 33:III.501.C.4, Specific Condition 4 of Air Permit No. 2360-00085-03, and Section 2057(A)(2) of the Act.

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 FIFTY THOUSAND SIX HUNDRED EIGHTY-FOUR AND 72/100 DOLLARS (\$50,684.72), which includes DEQ's Enforcement Response Costs of Six Hundred Eighty-Four and 72/100 Dollars (\$684.72) in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ 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 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 Rapides 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 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.

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.

**CROSSTEX ENERGY SERVICES, L.P.**

BY: Jack Bolden  
(Signature)

Jack Bolden  
(Print)

TITLE: Vice President Operations

THUS DONE AND SIGNED in duplicate original before me this 27<sup>th</sup> day of October, 20 08, at Crosstex Energy Services



Patricia Moore  
NOTARY PUBLIC (ID # 12567633-0)

PATRICIA MOORE  
(Print)

**LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**  
Harold Leggett, Ph.D., Secretary

BY: Peggy M. Hatch

Peggy M. Hatch, Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 9<sup>th</sup> day of Feb, 20 09, at Baton Rouge, Louisiana.

Perry Theriot  
NOTARY PUBLIC (ID # 19181)

Perry Theriot  
(Print)

Approved: Peggy M. Hatch  
Peggy M. Hatch, Assistant Secretary