STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-13-0054**
DAVIS PETROLEUM CORP.	*	
	*	**Enforcement Tracking No.**
AI # 18617	*	**AE-CN-10-00577**
	*	**AE-CN-10-00577A**
PROCEEDINGS UNDER THE LOUISIANA	*	**AE-CN-10-00577B**
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Davis Petroleum Corp. ("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 an oil and gas production facility located in Grand Chenier, Cameron Parish, Louisiana ("the Facility").

II

On October 27, 2010, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-10-00577, which was based upon the following findings of fact:

The Respondent owns and/or operates South Pecan Lake Production Facility (facility) located at 375 Apache Lease Road in Grand Chenier, Cameron Parish, Louisiana. Ownership of the facility and Title V Air Permit No. 0560-00022-V2 were transferred to the Respondent from EXCO Resources, Inc. on or about March 7, 2008. The Respondent currently operates the facility under

Title V Air Permit No. 0560-00022-V3 issued on December 15, 2009.

The Department conducted a compliance inspection at the Respondent's facility on or about December 16, 2009, to determine compliance with the Act and the Air Quality regulations. A subsequent file review was conducted on or about April 22, 2010.

While the Department's investigation is not yet complete, the following violations were discovered during the course of the inspection and file review:

A. The Respondent failed to submit a timely permit renewal application no less than 180 days prior to the expiration of Title V Air Permit No. 0560-00022-V2 on February 13, 2009. Specifically, the Respondent submitted their permit renewal application on or about July 29, 2009, approximately 345 days after the latest required date of August 18, 2008. This is a violation of Title V Air Permit No. 0560-00022-V2 General Condition A, LAC:III.507.E.4, LAC:III.501.C.4 and La. R. S. 30:2057(A)(2). The Respondent reported this to the Department in their 2009 first Semiannual Monitoring report dated September 24, 2009.

B. The Respondent operated the facility without a permit. Because the Respondent failed to submit a timely permit renewal application, the permit was not administratively extended after the expiration date of February 13, 2009. Therefore, the Respondent operated the facility without a permit from February 13, 2009, to December 15, 2009, when Title V Air Permit No. 0560-00022-V3 was issued. The Respondent's failure to obtain a permit 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, is a violation of LAC 33:III.501.C.1, LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2).

C. In the Respondent's 2009 first Semiannual Monitoring report, dated September 24, 2009, the Respondent reported a failure to identify an emission source. Specifically, the Respondent operated a gas compressor engine (EPN 44-09-ICE-ES) since March 7, 2008, when ownership of the facility was transferred from EXCO Resources, Inc. prior to permit approval. The failure to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

D. The Respondent operated a gas compressor engine (EPN 44-09-ICE-ES) from March 7, 2008, until being included in Title V Air Permit No. 0560-00022-V3 issued on or about December 15, 2009. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

E. On or about October 24, 2008, the Respondent submitted their 2008 first Semiannual Monitoring report to the Department. The deadline for submitting the report was September 30, 2008. Each failure to timely submit Semiannual Monitoring reports to the Department is a violation of Title V Air Permit No. 0560-00022-V2 General Condition K, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2).

F. In the Respondent's 2008 first Semiannual Monitoring report submitted to the Department on or about October 24, 2008, the Respondent indicated that unauthorized emissions occurred to the atmosphere as a result of upset conditions associated with compressor malfunctions. Specifically, low pressure gas was vented to the atmosphere rather than being captured by the compressor system which

experienced shutdowns for short periods on April 9, 2008, May 19, 2008, and June 13, 2008. This is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas are not exceeded." Control equipment as defined by LAC 33:III.111 is "any device or contrivance, operating procedure or abatement scheme used to prevent or reduce air pollution." This is also a violation of Title V Air Permit No. 0560-00022-V2 Louisiana General Condition I, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

G. In the Respondent's 2008 Annual Compliance Certification submitted to the Department on or about March 27, 2009, the Respondent indicated a failure to submit an excess emissions report by December 31, 2008, for the third quarter 2008 monitoring period. The failure to submit excess emissions reports to the Department is a violation of Title V Permit No. 0560-00022-V2 General Condition R and Louisiana General Condition XI, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2).

H. The Respondent failed to conduct timely emissions testing for stationary internal combustion engines 80-002, 89-001, 92-001, 95-001 and 95-002. Specifically, the Respondent conducted 2008 second semiannual emissions testing on or about October 10, 2008, approximately eight (8) months from the previous semiannual emissions testing conducted on or about February 12, 2008. Each failure to conduct timely semiannual emissions testing is a violation of Title V Air Permit No. 0560-

00022-V2 Stationary Internal Combustion Engine Specific Conditions, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2).

I. In the Respondent's 2008 second Semiannual Monitoring report submitted to the Department on or about March 27, 2009, the Respondent indicated that unauthorized emissions occurred to the atmosphere as a result of upset conditions associated with compressor malfunctions. Specifically, low pressure gas was vented to the atmosphere rather than being captured by the compressor system which experienced shutdowns for short periods during the third quarter monitoring period of 2008. This is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas are not exceeded." Control equipment as defined by LAC 33:III.111 is "any device or contrivance, operating procedure or abatement scheme used to prevent or reduce air pollution." This is also a violation of Title V Air Permit No. 0560-00022-V2 Louisiana General Condition I, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

J. In the Respondent's 2007 Annual Compliance Certification submitted to the Department on or about March 26, 2008, the Respondent indicated a failure to submit an excess emissions report by December 31, 2007. The failure to submit excess emissions reports to the Department is a violation of Title V Permit No. 0560-00022-V2 General Condition R and Louisiana General Condition XI, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2).

K. In the Respondent's 2009 Annual Compliance Certification, dated March 24, 2010, the Respondent reported a failure to identify an emission source. Specifically, the Respondent operated a 210 barrel slop oil tank (EPN 45-09-SOT-V) since March 7, 2008, when ownership of the facility was transferred from EXCO Resources, Inc. prior to permit approval. The failure to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants is a violation of LAC 33:III.501.C.1, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

L. The Respondent operated a 210 barrel slop oil tank (EPN 45-09-SOT-V) from March 7, 2008, until being included in Title V Air Permit No. 0560-00022-V3 issued on or about December 15, 2009. The operation of the facility without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On September 27, 2011, the Department issued to Respondent an Amended Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-10-00577A, which amended the findings of fact as follows:

The Department hereby deletes Paragraphs II.C and II.K of the Findings of Fact from the Order.

The Department hereby amends Paragraph I of the Compliance Order section to read as follows:

"I.

To take, immediately upon receipt of the Compliance Order, any and all steps necessary to meet and maintain compliance with the Title V Permit No. 0560-00022-V3 and the Air Quality

Regulations, including, but not limited to, timely submittal of permit renewal applications, timely submittal of monitoring reports, timely conduction of emissions testing, submittal of excess emissions reports and LAC 33:III.905."

The Department incorporates all of the remainder of the original Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-10-00577 and Agency Interest No. 18617 as if reiterated herein.

On April 11, 2012, the Department issued to Respondent an Amended Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-10-00577B, which amended the findings of fact as follows:

The Department hereby deletes Paragraph II.E of the Findings of Fact from the Order.

The Department hereby amends Paragraph II.H of the Findings of Fact to read as follows:

"H. The Respondent failed to conduct timely emissions testing for stationary combustion engine 95-002. Specifically, the Respondent conducted 2008 second semiannual emissions testing on or about October 10, 2008, approximately eight (8) months from the previous semiannual emissions testing conducted on or about February 12, 2008. The failure to conduct timely semiánnual emissions testing is a violation of Title V Air Permit No. 0560-00022-V2 Stationary Internal Combustion Engine Specific Conditions, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2)."

The Department incorporates all of the remainder of the original Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-10-00577A, and Agency Interest No. 18617 as if reiterated herein.

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 FIVE THOUSAND EIGHT HUNDRED FORTY SIX AND 41/100 DOLLARS ($5,846.41) of which Eight Hundred Forty Six and 41/00 Dollars ($846.41) 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 Consolidated Compliance Order & Notice of Potential Penalties 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 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.

DAVIS PETROLEUM CORP.

BY: _____
(Signature)

_____
(Printed)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20 _____, at _____.

_____
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 _____ day of _____, 20_____, at Baton Rouge, Louisiana.

_____
NOTARY PUBLIC (ID # _____)

_____
(stamped or printed)

Approved: _____
Cheryl Sonnier Nolan, Assistant Secretary