

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

DENBURY ONSHORE, L.L.C.

AI # 32112

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

* Settlement Tracking No.
* SA-AE-11-0037
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* Enforcement Tracking No.
* AE-PP-09-0266
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SETTLEMENT

The following Settlement is hereby agreed to between Denbury Onshore, 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 a crude oil and natural gas production facility located east of New Iberia, Iberia Parish, Louisiana (“the Facility”).

II

On April 16, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0266, which was based upon the following findings of fact:

On or about November 20, 2009, a file review of Tank Battery #1 Compressor Station #2, a crude oil and natural gas production facility owned and/or operated by Denbury Onshore, 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 four (4) miles east of New Iberia in Iberia Parish, Louisiana. The facility previously operated under Title V

V Air Permit No.1260-00067-V2, issued on August 4, 2006. On or about August 14, 2009, the Louisiana Department of Environmental Quality (the Department) received the Respondent's Air Permit Modification Application dated August 11, 2009. The facility currently operates under Air Permit No. 1260-00067-00, issued on December 1, 2009.

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

- A. On or about October 10, 2008, April 2, 2009, and September 21, 2009, the Department received the Respondent's Title V 2008 First Semiannual Monitoring Report, 2008 Annual Compliance Certification, and 2009 First Semiannual Monitoring Report, respectively. According to these reports, a compressor engine was installed at the facility prior to submitting a permit application to the Department. In an email message sent by the Respondent to the Department dated November 23, 2009, the compressor engine was identified as Emission Point No. (EPN) 44-09-ICE-ES. The mail message stated that the engine was installed at the facility on March 21, 2008. The Respondent also stated that the following emission points were removed from the facility in 2007.

Emission Point No.	Emission Point Description	Date Removed
24a-02-OST-CV	Oil Storage Tank	December 2007
24b-02-OST-CV	Oil Storage Tank	December 2007
343	Gas Compressor system	December 2007
43-04-ICE-ES	Gas Compressor System	July 2007

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

- B. On or about August 14, 2009, the Department received the Respondent's Permit Modification Application dated August 11, 2009. According to the application, the Respondent proposed to add the following emission points to the facility: EPN 44-09-ICE-ES (gas compressor system), EPNs 45-09-F and 46-09-F (control flares), and EPNs 47-09-GOP, and 48-09-GOP (gas operated pumps). According to email messages sent by the Respondent to the Department dated November 23, 2009 and December 4, 2009, EPN 44-09-ICE-ES was installed and commenced operation on March 21, 2008, EPNs 45-09-F, 45-09-F, 46-09-GOP, and 48-09-GOP were installed in October 2009. Each event of the Respondent's failure to obtain approval from the permitting authority prior to the 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)(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 SIX THOUSAND TWO HUNDRED FIFTY AND NO/100 DOLLARS (\$6,250.00), of which Two Hundred Seven-Seven and 34/100 Dollars (\$277.34) 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 permit record (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 Iberia 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.

DENBURY ONSHORE, L.L.C.

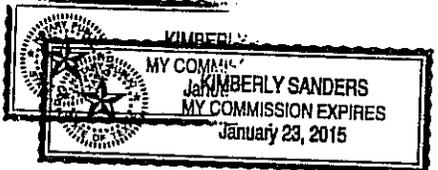
BY: *Robert Cornelius*
(Signature)

ROBERT CORNELIUS
(Printed)

TITLE: SR VICE PRESIDENT

THUS DONE AND SIGNED in duplicate original before me this 18th day of October, 20 11, at 1:20 pm.

Kimberly Sanders
NOTARY PUBLIC (ID# _____)



Stamped
(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch Secretary

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

THUS DONE AND SIGNED in duplicate original before me this 21st day of March, 20 12, at Baton Rouge, Louisiana.

Dikana King
NOTARY PUBLIC (ID # 20590)
Bar Roll # _____

Dikana King
(stamped or printed)

Approved: *Cheryl*
Cheryl Sonnier Nolan, Assistant Secretary