

**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

<b>IN THE MATTER OF:</b>	*	<b>Settlement Tracking No.</b>
	*	<b>SA-AE-09-0027</b>
<b>DIASU OIL &amp; GAS COMPANY, INC.</b>	*	
	*	<b>Enforcement Tracking No.</b>
<b>AI # 31808</b>	*	<b>AE-CN-05-0112</b>
	*	
<b>PROCEEDINGS UNDER THE LOUISIANA</b>	*	
<b>ENVIRONMENTAL QUALITY ACT</b>	*	
<b>LA. R.S. 30:2001, <u>ET SEQ.</u></b>	*	

**SETTLEMENT**

The following Settlement is hereby agreed to between Diasu Oil & Gas Company, Inc. ("Respondent") and the Department of Environmental Quality ("LDEQ" 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 Cameron Parish, Louisiana. ("the Facility").

**II**

On July 5, 2005, the LDEQ issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-05-0112, which was based upon the following findings of fact:

The Respondent owns and/or operates the Black Bayou Central Facility, an oil and gas production facility located approximately sixteen (16) miles west of Hackberry in Cameron Parish, Louisiana. The facility operates under Standard Oil & Gas Permit No. 0560-00090-02 issued on August 5, 2003.

On or about February 15, 2005, an inspection of the Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent's operating permit includes provisions which allow the permittee to make minor equipment changes without the need to secure a permit modification. However, No. V of the Air Permit Briefing Sheet states that within seven (7) calendar days after effecting any modification to a facility, the permittee shall submit an updated Emission Point List, Emissions Inventory Questionnaire, emissions calculations, and certification statement to the Permits Division and the appropriate Regional Office. According to the operating permit, the maximum operating rate or capacity of the glycol reboiler (EQT 2) is 3 MMCFD. The Respondent reported a throughput of 1,220,503 MCF in 2004 at which the daily average amount of gas throughput would equal 3.34 MMCF/day, in exceedance of the permitted rate. The Respondent submitted a modification of standard oil and gas air permit dated April 8, 2005, to increase the maximum expected gas throughput for the glycol dehydrator. At the time of the inspection, it was also noted that a 400 BBL produced water storage tank and a 300 HP Waukesha compressor engine were installed and operating at the facility. The sources were installed in October 2004 and January 2005, respectively, and were not included in the Emission Point List provided to the Department for the current operating permit. The Respondent included these emission sources in the modification application dated April 8, 2005. Each failure to submit the information required by No. V of the operating permit within seven (7) calendar days is a violation of General Condition II of Standard Oil & Gas Permit No. 0560-00090-02, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
  
- B. Spills were observed in and around the containment of several 1,000 BBL oil storage tanks (EQT 14, 15, 16, and 17) and around the truck load out piping (EQT 19). The Respondent failed to maintain best practical housekeeping and maintenance practices at the highest possible standards to reduce the quantity of organic compounds emissions. This is a violation of Facility Specific Requirement No. 28 of Standard Oil & Gas Permit No. 0560-00090-02, LAC 33:III.501.C.4, LAC 33:III.2113.A and Sections 2057(A)(1) and 2057(A)(2) of the Act.
  
- C. Facility Specific Requirement No. 16 of the operating permit requires the Respondent to ensure the continuous presence of a flame by documenting daily visual observation of the continuous presence of a flame. The

Respondent recorded observation of the flare, but did not indicate the continuous presence of a flame for Control Flare Nos. 1 and 2. This is a violation of Facility Specific Requirement No. 16 of Standard Oil & Gas Permit No. 0560-00090-02, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- D. To insure the heat content of the flare gas is above 300 BTU/scf, the Respondent is required to perform an annual gas analysis for Control Flare Nos. 1 and 2. These records are to be kept onsite and available for inspection. At the time of the inspection, the Respondent could not provide documentation of the 2004 annual analysis for Control Flare Nos. 1 and 2 or the 2005 annual analysis for Control Flare No. 2. Each failure to provide documentation of the annual analysis is a violation of the operating permit to perform a Facility Specific Requirement No. 16 of Standard Oil & Gas Permit No. 0560-00090-02, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. At the time of the inspection, Control Flare No. 2 was not operational and according to the facility representative, had not been in operation since October 2004. This is a violation of the Louisiana Air Quality Regulations, in particular 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 General Condition I of Standard Oil & Gas Permit No. 0560-00090-02, Sections 2057(A)(1) and 2057(A)(2) of the Act.

On or about June 7, 2005, a file review of the Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

The Respondent assumed ownership of the facility on or about February 1, 2004. Notification of the change in ownership was submitted to the Department on or about July 12, 2004. The Respondent failed to submit notification of the change in ownership to the permitting authority within ninety days of the change. This is a violation of LAC 33:III.517.G and Section 2057(A)(2) of the Act.

III

In response to the Consolidated Compliance Order & Notice of Potential Penalty, Respondent made a timely request for a hearing.

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties. Respondent asserts that it is an operator and not an owner of the facility.

V

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the LDEQ agrees to accept, a payment in the amount of THIRTEEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$13,500.00), of which One Thousand and No/100 Dollars (\$1,000) represents the LDEQ'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 LDEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VI

Respondent further agrees that the LDEQ may consider the inspection report(s), the Consolidated Compliance Order and 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 LDEQ 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.

## VII

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 LDEQ to enforce this agreement.

## VIII

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 LDEQ considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

## IX

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 LDEQ, 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 LDEQ and, as of the date this Settlement is executed on behalf of the LDEQ, more than forty-five (45) days have elapsed since publication of the notice.

## X

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 LDEQ. 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).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

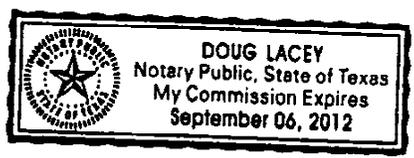
Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

DIASU OIL & GAS COMPANY, INC.

BY: *Larry La Fleur*  
(Signature)  
Larry La Fleur  
(Print)

TITLE: Manager, Transactions

THUS DONE AND SIGNED in duplicate original before me this 20<sup>th</sup> day of August, 20 09, at Houston, Texas.



*Doug Lacey*  
NOTARY PUBLIC (ID #           )  
DOUG LACEY  
(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 5<sup>th</sup> day of November, 20 09, at Baton Rouge, Louisiana.

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

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