

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

DISCOVERY PRODUCERS
SERVICES L.L.C.

AI # 104090

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

* Settlement Tracking No.
* SA-MME-10-0032A
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* Enforcement Tracking No.
* MM-CN-06-0027
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SETTLEMENT

The following Settlement is hereby agreed to between Discovery Producers Services 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 natural gas processing plant located in Paradis, St. Charles Parish, Louisiana (“the Facility”).

II

On February 29, 2008, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. MM-CN-06-0027, which was based upon the following findings of fact:

The Respondent operates a natural gas processing plant (the Site) located at 15849-B Old Spanish Trail in Paradis, St. Charles Parish, Louisiana. The Respondent is authorized to discharge cooling tower and blower blowdown, process area stormwater, and non-process area stormwater runoff into Bayou Gauche via local drainage, waters of the state, under the terms and conditions of

Louisiana Pollutant Discharge Elimination System (LPDES) permit LA0117617 effective on July 1, 2004, and which expires on June 30, 2009. The Department has incorporated by reference 40 CFR Part 68 which language has been adopted as Louisiana Regulation LAC 33:III.5901.A. The Paradis Gas Processing Plant was previously owned and operated by Texaco Pipelines LLC until June 1, 2002, when the merger with Chevron required the divestment of the fractionation portion of the gas plant. Chevron/Texaco continued operation of the inlet/residue compression portion of the plant under Title V Air Permit No. 2520-00031-V1 issued July 31, 2001, while the Respondent owns and operates the remaining gas fractionation process and storage area. Initially, the Respondent operated the Paradis Fractionation Plant under the original Chevron/Texaco Title V Air Permit No. 2520-00031-V1, and later under the Discovery Producer Services LLC Title V Air Permit No. 2520-00090-V0 issued December 22, 2005. The Respondent currently operates under Title V Air Permit No. 2520-00090-V1 issued on October 12, 2006.

An inspection conducted by the Department on or about November 10, 2004, and a subsequent file review conducted by the Department on or about November 26, 2006, revealed that the Respondent failed to sample its discharge as specified in LPDES permit LA0117617. Specifically, sampling was not conducted at Outfalls 101, 003, and 006 for the months of July, August, and September 2004. Each failure to sample is in violation of LPDES permit LA0117617 (Part I and Part III, Sections A.1 and C.2), La. R.S. 30:2076 (A) (1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.501.D, and LAC 33:IX.2701.A.

On or about October 19, 2005, representatives of the Department performed an inspection of the Site and noted the following:

- A. The Respondent disposed of hazardous waste without having received interim status or a standard permit, in violation of LAC 33:V.303.B. Specifically, the wastewater

discharged from the secondary containment under the sulfuric acid tank had a pH of less than 2.0 standard units.

- B. The Respondent did cause or allow the unauthorized discharge of wastewater into waters of the state. Specifically, 1000 gallons of a sulfuric acid/wastewater solution was discharged from outfall 003 which contained a pH of less than 2.0 standard units. The permit limitation (minimum) for pH in LPDES permit LA0117617 is not less than 6.0 standard units. This unauthorized discharge is in violation of LPDES permit LA0117617 (Part I and Part III, Section A.1), La. R.S. 30:2076 (A) (1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.501.D, and LAC 33:IX.2701.A.
- C. The Respondent did cause or allow an adverse impact to aquatic biota in Bayou Gauche, waters of the state, as a result of the above-referenced unauthorized discharge. Specifically, approximately one hundred and fifty (150) garfish and mosquito fish were observed either dead and/or dying within 3,000 feet downstream of the discharge. This destruction of aquatic biota is in violation of LPDES permit LA0117617 (Part III Section A.2), La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, LAC 33:IX.501.D, LAC 33:IX.1113.B.1.d, and LAC 33:IX.2701.A.

On or about July 18, 2006, representatives of the Department performed an inspection of the Site and noted the following:

- A. The Respondent failed to maintain documentation of the relief system design and design basis for PSV-5081, PSV-9601, and PSV-9561. This is a violation of 40 CFR 68.65(d)(1)(iv) as incorporated by reference in LAC 33:III.5901.A, and Section 2057(A)(2) of the Act.

- B. The Respondent failed to implement procedures for external visual inspection of vessels, tanks, and piping and calibration of process controls as defined in the company's mechanical integrity policy. This is a violation of 40 CFR 68.73(b) as incorporated by reference in LAC 33:III.5901.A, and Section 2057(A)(2) of the Act.
- C. The Respondent failed to perform a pre-startup safety review for management of changes for CR-PAR-05-01, CR-PAR-05-02, CR-PAR-05-03, and CR-PAR-05-05. This is a violation of 40 CFR 68.77(a) as incorporated by reference in LAC 33:III.5901.A, and Section 2057(A)(2) of the Act.

On or about July 10, 2007, a file review of Discovery Paradis Fractionation Plant was performed to determine the degree of compliance with the Act and the Air Quality Regulations. While the Department's investigation is not yet complete, the following violations were noted during the course of the file review:

- A. The Respondent reported excess visual emissions for the facility flare (emission point 51-95) as defined by 40 CFR 60.18(c)(1) for the reporting year(s) of 2005, 2006 and 2007. The following table summarizes eighty-seven (87) self reported flare excess visible emissions by the Respondent through Title V Annual Compliance Certification, Quarterly Deviation Report and Semiannual Monitoring Reports:

Reporting Year	Duration (Minutes)	Date
2005	18	01/11/2005
	120	01/19/2005
	15	01/26/2005
	10	02/01/2005
	7	02/15/2005
	30	03/07/2005
	30	04/11/2005
	20	04/21/2005
	22	05/14/2005
	5	05/21/2005
	30	06/04/2005

Reporting Year	Duration (Minutes)	Date
	110	06/05/2005
	10	06/24/2005
	12	06/25/2005
	70	07/27/2007
	74	07/28/2005
	13	08/05/2005
	25	08/16/2005
	15	08/16/2005
	15	08/25/2005
	40	10/11/2005
	8	11/15/2005
	10	11/17/2005
2006	8	01/09/2006
	15	01/03/2006
	20	01/10/2006
	65	01/11/2006
	15	01/12/2006
	153	01/19/2006
	15	01/20/2006
	60	01/31/2006
	20	02/02/2006
	11	02/13/2006
	10	03/06/2006
	15	03/17/2006
	15	04/06/2006
	20	04/08/2006
	65	04/09/2006
	15	04/10/2006
	153	04/17/2006
	15	04/18/2006
	60	05/04/2006
	20	05/06/2006
	11	05/12/2006
	165	06/02/2006
	10	06/06/2006
	10	06/07/2006
	15	06/18/2006
	15	07/18/2006
	10	08/02/2006
	13	08/19/2006

Reporting Year	Duration (Minutes)	Date
	15	08/23/2006
	25	09/03/2006
	30	09/19/2006
	30	09/20/2006
	30	09/21/2006
	30	09/22/2006
	237	09/25/2006
	15	09/28/2006
	10	10/01/2006
	5	10/02/2006
	60	10/12/2006
	20	10/14/2006
	30	10/25/2006
	15	11/01/2006
	27	11/14/2006
	10	11/15/2006
	15	11/26/2006
	8	12/06/2006
	30	12/12/2006
2007	60	01/22/2007
	15	01/27/2007
	21	01/30/2007
	55	02/09/2007
	25	02/10/2007
	30	02/23/2007
	20	03/09/2007
	240	04/20/2007
	45	04/25/2007
	22	04/26/2007
	20	05/01/2007
	135	05/04/2007
	15	05/05/2007
	70	05/14/2007
	10	05/17/2007
	30	05/18/2007
	Total= 87	

By letter submitted to the Department dated August 17, 2007, the Respondent has reported that the flare tip has been upgraded to a smokeless flare system on May 7, 2007. Each instance of excess visible emissions from emission point 51-95 is a violation of Title V Permit No. 2520-00031-V1 issued July

31, 2001, Title V Permit No. 2520-00090-V0 issued December 22, 2005, Title V Permit No. 2520-00090-V1 issued October 12, 2006, LAC 33:III.501.C.4, 40 CFR 60.18(c)(1), La R.S. 30:2057(A)(1) and 30:2057(A)(2).

- B. On or about June 26, 2007 the Respondent submitted a Response to Air Permit Inquiry to the Department. The Respondent reported that flare (emission point 51-95) flowmeter was inoperable when the Respondent purchased the facility in June 2002. By letter submitted to the Department dated July 26, 2007, the Respondent provided the information requested related to emissions calculation for emission point 51-97. The letter stated that the flow meter for emission point 51-97 has remained inoperable, and the emission calculations were generated by average metered flare flow volumes from 1996 through 2001 for the reporting years 2002, 2003 and 2004. Further, the emissions calculations from emission point 51-97 for the reporting years 2005 and 2006 were estimated with GRI-GlyCalc program and engineering estimates. The Department has not received information that the flare flowmeter has been repaired. The Respondent failed to use and/or diligently maintain, in proper working order, all pollution control equipment installed at the site. This is a violation of LAC 33:III.905.A, 40 CFR 60.18(d) and La R.S. 30:2057(A)(2).
- C. On or about December 29, 2005 the Respondent submitted a Title V Quarterly Deviation Report encompassing the reporting period of July 1, 2005 through September 30, 2005 to the Department. The Respondent self reported that the facility glycol dehydrator routinely vented emissions to the facility flare (emission point 51-95). The exhaust stream routed from the glycol dehydrator ultimately increased emissions for 51-95. The deviation emissions in pounds per hour (lb/hr) and tons per year (tpy) submitted to the Department by letter dated July 26, 2007 are included in the following table:

Pollutant	2002	2003	2004	2005	2006
	lb/hr : tpy	lb/hr : tpy	lb/hr : tpy	Lb/hr : tpy	lb/hr : tpy
PM ₁₀	0.58 : 2.55	0.58 : 2.55	0.58 : 2.55	8.85 : 30.19	8.85 : 30.20
*SO ₂	0.00 : 0.00	0.00 : 0.00	0.00 : 0.00	0.00 : 0.00	0.00 : 0.01
NO _x	0.24 : 1.04	0.24 : 1.04	0.24 : 1.04	2.35 : 8.28	2.81 : 8.39
CO	1.29 : 5.66	1.29 : 5.66	1.29 : 5.66	12.79 : 45.08	15.28 : 45.64
**VOC	0.12 : 0.52	0.12 : 0.52	0.12 : 0.52	89.30 : 4.80	96.21 : 4.09
*Sulfur analysis					
** Propane, isobutane, n-butane, natural gasoline					
lb/hr = pounds per hour					
tpy = tons per year					

Each instance of non-permitted emissions from emission point 51-95 is a violation of Title V Permit No. 2520-00031-V1 issued July 31, 2001, Title V

Permit No. 2520-00090-V0 issued December 22, 2005, LAC 33:III.501.C.4, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

- D. On or about June 20, 2006, the Respondent submitted a Title V Quarterly Deviation Report encompassing the reporting period of January 1, 2006 through March 31, 2006 to the Department. In the report, the Respondent reported non-permitted Benzene emissions from Fire Pump Diesel Driver #2 (emission point 02-97). The non-permitted emissions from emission point 02-97 are a violation of Title V Permit No. 2520-00090-V1, LAC 33:III.501.C.4, La R.S. 30:2057(A)(1) and 30:2057(A)(2).
- E. On or about March 30, 2005, the Respondent submitted a Title V Annual Compliance Certification to the Department. In the deviation summary, emission points 03-96 Gas Refrigeration Recompressor Engine #1 (EQT003), 04-96 Gas Refrigeration Recompressor Engine # 2 (EQT004), 09-97 Gas Refrigeration Recompressor Engine # 3 (EQT007) and 06-96 Hot Oil Heater (EQT005) actual, calculated emissions were reported to be in excess of Title V Permit No. 2520-00031-V1 pound per hour emission rate(s). The correct, revised calculated emissions have been included in Title V Permit No. 2520-00090-V0 issued by the Department on December 22, 2005. Each rate exceedance was a violation of Title V Permit No. 2520-00031-V1 issued July 31, 2001, LAC 33:III.501.C.4, La R.S. 30:2057(A)(1) and 30:2057(A)(2).

The following violation, although not cited in any enforcement action issued to the Respondent, is included herein and made a part of this settlement:

On or about April 26, 2007, the Respondent submitted written notification of an Ethane/Methane Flaring release which occurred from April 20, 2007 through April 21, 2007, for approximately 16.33 hours. This release was also reported by the Respondent in the 2007 Title V 1st Semiannual Monitoring Report as well as in the 2007 Second Quarter Deviation Report. According to the aforementioned notification and/or reports, off specification product was received from the Larose Gas Processing Plant, which warranted the need release approximately 4 mmscf of natural gas to facility's flare. Although reportable quantities were not exceeded during the release, permit limitations for NO_x, CO, PM₁₀ and VOC were exceeded during the release. The failure to properly operate the facility and/or control device is a violation of LAC 33:III.905, La. R.S. 30:2057(A)(1) and 30:20:57(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 EIGHTY THOUSAND AND NO/100 DOLLARS (\$80,000.00), of which Four Thousand One Hundred Five and 89/100 Dollars (\$4,105.89) 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 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 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 St. Charles 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.

DISCOVERY PRODUCERS SERVICES
L.L.C.

BY: [Signature]

(Signature)

KEVIN R. REHM

(Print)

TITLE: VICE PRESIDENT

THIS DONE AND SIGNED in duplicate original before me this 31st day of August, 20 10, at 3:00 pm.



[Signature]
NOTARY PUBLIC (ID # _____)

JANICE A. CAMP
(Print)

LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY

Peggy M. Hatch, Secretary

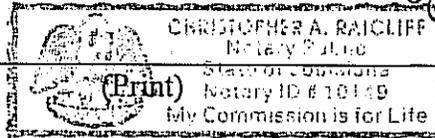
BY: [Signature]

Beau James Brock, Assistant Secretary
Office of Environmental Compliance

THIS DONE AND SIGNED in duplicate original before me this 13th day of December, 20 10, at Baton Rouge, Louisiana.

[Signature]

NOTARY PUBLIC (ID # _____)



Approved: [Signature]
Paul D. Miller, P.E., Assistant Secretary