

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

DUNCAN OIL, INC.

AI # 126514

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

* Settlement Tracking No.
* SA-AE-10-0046
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* Enforcement Tracking No.
* AE-PP-09-0164
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SETTLEMENT

The following Settlement is hereby agreed to between Duncan Oil, Inc. ("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 off of Louisiana Highway 82, nine (9) and a half miles west of Johnson's Bayou in Cameron Parish, Louisiana ("the Facility").

II

On October 15, 2009, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0164, which was based upon the following findings of fact:

On or about March 10, 2009, the Department of Environmental Quality (the Department) performed an inspection of BPA 9 NO. 1 Tank Battery, an oil and gas production facility owned and/or operated by Duncan Oil, Inc. (Respondent), to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located off of Louisiana Highway 82, nine (9) and a half miles west of Johnson's Bayou in Cameron Parish, Louisiana. The facility operates under Standard Oil and Gas Air (SOGA)

Permit No. 0560-00230-00, issued on June 22, 2005. On or about May 7, 2009, the Department received a Permit Modification Application dated May 5, 2009, from the Respondent.

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

- A. During the course of the inspection, the inspector noted that Emission Point Nos. (EPNs) T-1 (210 barrel [bbl] oil storage tank) and T-2 (210 bbl oil storage tank) were replaced by EPN T-4 (400 bbl oil storage tank) in November 2008. On or about May 7, 2009, the Department received the Respondent's Permit Modification Application dated May 5, 2009, to incorporate this change. Each failure of the Respondent to submit an updated Emission Point List, Emissions Inventory Questionnaire (EIQ), emissions calculations, and certification statement to the Department within seven (7) calendar days after effecting each of the modifications to the facility is a violation of Section V of SOGA Permit No 0560-00230-00, LAC 33:III.501.C.4, LAC 33:III.501.C.1, and La. R.S. 30:2057(A)(2).
- B. During the course of the inspection, the inspector noted that EPN T-1 (210 bbl oil storage tank) and EPN T-2 (210 bbl oil storage tank) were replaced by EPN T-4 (400 bbl oil storage tank) in November 2008. On or about May 7, 2009, the Department received the Respondent's Permit Modification Application dated May 5, 2009, to incorporate this change. The Respondent's failure to obtain approval from the Department prior to operating EPN T-4 from November 2008 to May 2009, is a violation of LAC 33:III.501.C.2, and La. R.S. 30:2057(A)(1) and 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 NINE HUNDRED AND NO/100 DOLLARS (\$900.00), of which Two Hundred Thirty-One and 16/100 Dollars (\$231.16) 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 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 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.

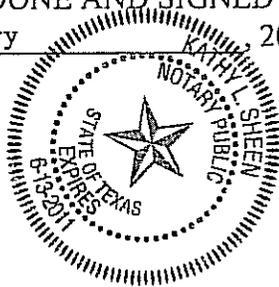
DUNCAN OIL, INC.

BY: Scott Krueger
(Signature)

Scott Krueger
(Print)

TITLE: Vice President - Exploration

THUS DONE AND SIGNED in duplicate original before me this 3rd day of
February 20 11, at Houston, Texas.



Kathy Sheen
NOTARY PUBLIC (ID # _____)

Kathy Sheen
(Print)

LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY
Peggy M. Hatch., Secretary

BY: Cheryl Sonnier Nolan

Cheryl Sonnier Nolan, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 23rd day of
May, 20 11, at Baton Rouge, Louisiana.

Debra King
NOTARY PUBLIC (ID # 2059d)
Bar Roll

Debra King
(Print)

Approved: Beau James Brock
Beau James Brock, Assistant Secretary