STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-13-0067**
DUNE OPERATING COMPANY	*	
	*	**Enforcement Tracking No.**
AI # 32894, 12066 and 32601	*	**AE-CN-08-0079**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	**LA. R.S. 30:2001, ET SEQ.**
	*	

SETTLEMENT

The following Settlement is hereby agreed to between Dune Operating Company ("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 natural gas/crude oil receiving and separating facilities located in St. Mary, Vermilion, and Plaquemines Parish, Louisiana ("the Facilities").

II

On January 23, 2009, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-08-0079, which was based upon the following findings of fact:

The Respondent owns and/or operates Bateman Lake CF #11 Tank Battery #9, AI No. 32894, (the facility) a natural gas/crude oil receiving and separating facility, located near Berwick in St. Mary Parish, Louisiana. The facility currently operates under Standard Oil and Gas Air (SOGA)

Permit No. 2660-00137-03, issued December 5, 2007. The facility receives product from multiple wells and separates it into streams of natural gas, crude oil, and saltwater. The natural gas is compressed and delivered into a pipeline system; the oil and saltwater streams are stored in respective tanks for later removal by truck.

On or about July 7, 2008, a file review of the facility 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. Gas compression engine EQT032 (46-04-ICE-ES) was put into service between August 29, 2005 and May 15, 2007, the date the Respondent purchased the facility. No initial stack test had been performed by the previous owner. The Respondent filed an application dated on or about September 11, 2007, to modify Air Permit No. 1280-00137-02, to reflect the engine installation. SOGA Permit No. 1280-00137-03 was issued on or about December 5, 2007. The facility conducted an initial stack test on EQT0032 on or about February 1, 2008, 262 days after purchase of the facility. The failure to conduct an initial stack test within one hundred-eighty (180) days of initial startup is a violation of Louisiana General Condition VIII, LAC 33.III.501.C.2, LAC 33.III.501.C.4 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

B. In correspondence to the Respondent dated March 5, 2008, the testing company reported the findings of the February 1, 2008 compliance test for EQT032, Emission Source 46-04-ICE-ES: 1) the air fuel ratio controller was not operational, 2) the NOx emission level was higher than the SOGA permit level of 5 #/hr (actual level not reported, 3) the CO emission level was higher than the SOGA permit level of 5 #/hr (actual level not reported), and, 4) the catalyst was inoperable or damaged. Therefore, EQT032 operated above Air Permit No. 2660-00137-02 and Air Permit No. 2660-00137-03 limits for NOx and CO between May 15, 2007 (date of facility purchase) and February 1, 2008. Each failure to maintain the criteria pollutants within the permit limits is a violation of Specific Requirement 28 of the current permit, LAC 33.III.501.C.2, LAC 33.III.501.C.4, LAC33.III.905 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent owns and/or operates South Florence Field Facility, AI No.12066, (the

facility), a natural gas/crude oil receiving and separating facility, located twelve (12) miles south of Gueydan in Vermilion Parish, Louisiana. The facility currently operates under Air Permit No. 2940-00045-06, issued May 21, 2008. The facility receives product from multiple wells and separates it into streams of natural gas, crude oil, and saltwater. The natural gas is compressed and delivered into a pipeline system; the oil and saltwater streams are stored in respective tanks for later removal by truck.

On or about July 7, 2008, a file review of the facility 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 violation was noted during the course of the file review:

> The Respondent purchased the facility on or about May 15, 2007. In correspondence dated on or about November 28, 2007, the Respondent filed an application to modify Title V Permit No. 2940-00045-V3, originally issued on or about April 10, 2006. The request was to delete several permitted emission sources and to add six existing, unpermitted, emission sources to allow the facility to qualify for a Minor Source Permit. Included in the request for addition was a natural gas-fired one-hundred thirty (130) horse-power (hp) compressor engine, EQT0049. Emission Point EQT0049 was an existing, in-place engine that was not listed under Title V Permit No. 2940-0045-V3 at the time the Respondent purchased the facility. Air Permit No. 2940-00045-06, including EQT0049, was issued on or about May 21, 2008. Therefore, the Respondent operated an unpermitted emission source from May 15, 2007 until May 21, 2008. Operation of an unpermitted emission source which ultimately may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(1) and30:2057(A)(2).

The following violation, occurring at Garden Island Bay Tank Battery #2, AI# 32601, Plaquemines Parish, Louisiana, that was not included in Enforcement Action AE-CN-08-0079, is included within the scope of this settlement.

In correspondence dated August 24, 2007, the Respondent submitted a minor source permit

application to add Emission Point Source Compressor Engine 066 (EQT0057) to Minor Source Permit 2240-00232-03, issued on or about July 18, 2007. During a conference call with the Department on or about May 6, 2011, the Respondent confirmed that Compressor Engine 066 was put in service in late July 2007. Air Permit No. 2240-00112-04 was issued on or about December 7, 2007, incorporating Engine 066. The failure to receive approval prior to the installation of any emission source which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.1, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).

In correspondence dated August 24, 2007, the Respondent submitted a minor source permit application to add Emission Point Source Compressor Engine 066 (EQT0057) to Minor Source Permit 2240-00232-03, issued on or about July 18, 2007. During a conference call with the Department on or about May 6, 2011, the Respondent confirmed that Compressor Engine 066 was put in service in late July 2007. Air Permit No. 2240-00112-04 was issued on or about December 7, 2007, incorporating Engine 066. Therefore, the facility operated Engine 066 from the startup date in late July 2007 until Air Permit No. 2240-00112-04 was issued. Operation, without a valid permit, of any emission source which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, 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 FOUR THOUSAND FOUR HUNDRED FIVE AND 90/100 DOLLARS ($4,405.90), of which Nine

Hundred Five and 90/100 Dollars ($905.90) 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 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 St. Mary, Vermillion and Plaquemines Parishes, 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 affidavits and an original public notices from the newspaper of each affected parish 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.

DUNE OPERATING COMPANY

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