

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF: \* Settlement Tracking No.  
\* SA-AE-12-0055  
ENCORE OPERATING LOUISIANA, L.L.C. \*  
\* Enforcement Tracking No.  
AI # 155792, 160000, 160054, 160056, \* AE-PP-10-01724  
161983, 161984, 161985, 161986, \*  
162261, 165740, 168733 \*  
\*  
\*  
PROCEEDINGS UNDER THE LOUISIANA \*  
ENVIRONMENTAL QUALITY ACT \*  
LA. R.S. 30:2001, ET SEQ. \*

SETTLEMENT

The following Settlement is hereby agreed to between **ENDURO OPERATING, LLC** on behalf of **ENCORE OPERATING LOUISIANA, 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”). All of the facilities at issue in this settlement were acquired by Enduro Operating, LLC from the Respondent by an act of sale dated October 1, 2010.

I

Respondent is a limited liability company that owns and/or operates Oil and Gas facilities located in East Feliciana and Caddo Parishes, Louisiana (“the Facilities”).

II

On June 10, 2011, the Department issued to Respondent a Notice of Potential Penalty (“NOPP”), Enforcement No. AE-PP-10-01724, which was based upon the following findings of fact:

On or about November 10, 2010, file reviews of multiple facilities, owned and/or operated by **ENCORE OPERATING LOUISIANA, L.L.C. (RESPONDENT)**, were performed to determine the degree of compliance with the Louisiana Environmental Quality Act

(the Act) and the Air Quality Regulations. The facilities included in this file review are shown in Table 1. Between January 2008 and January 2010, the Louisiana Department of Environmental Quality (the Department) received Standard Oil and Gas Air (SOGA) Permit applications for each of the Respondent's facilities as listed in Table 1. In electronic correspondence dated November 17, 2010, the Respondent provided the startup dates for each facility. At the time the violations occurred, the facilities were operating without valid air permits. On or about September 1, 2010, the Respondent sold all but the first two facilities, AI Nos. 155792 and 160000, to Enduro Resources Partners. The facilities currently operate under SOGA Permits issued on or about the dates listed in the following table:

**Table 1**

<b>AI No.</b>	<b>Facility Description</b>	<b>Parish</b>	<b>SOGA Permit Number</b>	<b>Permit Issued</b>	<b>Startup Date</b>	<b>Days without permit</b>
155792	Richland Plantation A #1 Well	East Feliciana	0880-00041-00	11/5/08	6/3/08	155
160000	Meyers 30-1 Facility	Caddo	0500-00267-00	10/24/08	1/25/08	273
160054	Cook 32-1 Well	Caddo	0500-00269-00	2/21/09	6/2/08	264
160056	Turner 19-2 Well	Caddo	0500-00270-00	11/5/08	9/28/07	404
161983	Querbes 29-3 Well	Caddo	0500-00299-00	3/26/09	3/20/08	371
161984	Cook 30-1 Well	Caddo	0500-00300-00	3/20/09	4/22/08	332
161985	Querbes 19-1 Well	Caddo	0500-00301-00	3/20/09	1/25/08	420
161986	Hudson 32-1 Well	Caddo	0500-00302-00	3/20/09	6/2/08	291
162261	Querbes 29-4 Well	Caddo	0500-00306-00	3/26/09	2/22/09	32
165740	Querbes 29-2 Facility	Caddo	0500-00382-00	8/13/09	3/15/09	151
168733	Renrew 5-1	Caddo	0500-00412-00	7/12/10	4/8/10	95

While the investigation by the Department is not yet complete, the following violations were noted during the course of the file review:

- A. On or about November 17, 2010, the Department received electronic correspondence from the Respondent listing each facility's start-up date. Each facility began operation prior to receiving a SOGA permit as shown in Table 1. Each failure to submit an application prior to construction or operation of any facility which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).
- B. On or about November 17, 2010, the Department received electronic correspondence from the Respondent listing each facility's start-up date. Each facility operated without a permit between the startup date and the issue date of the permit as shown in Table 1. The operation of each facility without a valid permit is a violation of LAC 33:III.501.C.2, 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 TEN THOUSAND AND NO/100 DOLLARS (\$10,000.00), of which ONE THOUSAND NINETY-NINE AND 54/100 DOLLARS (\$1,099.54) 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 NOPP 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 East Feliciana and Caddo 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 affidavit and an original public notice 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.

ENCORE OPERATING LOUISIANA, L.L.C.

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