STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-09-0010**
ENERGY XXI GOM, LLC	*	
	*	**Enforcement Tracking No.**
AI # 80736	*	**AE-PP-08-0077**
	*	
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Energy XXI GOM, LLC ("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 owned and/or operated an oil and gas production facility located in the Gulf of Mexico off the coast of Louisiana, St. Bernard Parish, Louisiana ("the Facility").

II

On November 5, 2008, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-08-0077, which was based upon the following findings of fact:

On or about August 7, 2008, a file review of Main Pass Block 10 Platform "A" Facility, owned and/or operated by Energy XXI GOM, LLC (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located in the Gulf of Mexico off the coast of Louisiana, approximately

fifteen (15) miles southeast of Hopedale, St. Bernard Parish, Louisiana. On or about March 19, 2008, the Department received the Respondent's Air Permit Application dated March 18, 2008. Revisions to this Air Permit Application were received by the Department on or about April 22, 2008. The facility currently operates under Air Permit No. 2500-00310-00, issued on April 25, 2008.

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

> According to an email from the Respondent's representative dated August 7, 2008, the facility was acquired and operating on June 10, 2007. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to operating the facility. Operating the facility between June 10, 2007, and April 25, 2008, without an air permit 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 TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($2,500.00), of which Two Hundred Forty-Eight and 91/100 Dollars ($248.91) 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 St. Bernard 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 a proof-of-publication affidavit 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.

ENERGY XXI GOM, LLC

BY: _____
(Signature)

Steve Nelson
(Print)

TITLE: VP Drilling + Production

THUS DONE AND SIGNED in duplicate original before me this 23rd day of June, 20 09, at 2:00PM.

BRIGID WALSH
Notary Public, State of Texas
My Commission Expires
June 17, 2012

Brigid Walsh
NOTARY PUBLIC (ID # 01131692 5

Brigid Walsh
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Harold Leggett, Ph.D., Secretary

BY: _____
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 12th day of October, 20 09, at Baton Rouge, Louisiana.

Christopher A. Ratcliff
NOTARY PUBLIC (ID # 101499

Christopher A. Ratcliff
(Print)

Approved: _____
Peggy M. Hatch, Assistant Secretary