STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-14-0046**
FOUNDATION ENERGY MANAGEMENT, L.L.C.	*	
	*	**Enforcement Tracking No.**
AI # 117723, 117724	*	**AE-PP-13-00440**
	*	
PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Foundation Energy Management, 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 facilities located in Caddo Parish, Louisiana ("the Facilities").

II

On January 6, 2014, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-13-00440, which was based upon the following findings of fact:

"On or about May 15, 2013, a file review of the Ratcliff #2 Production Facility – Rodessa Field (facility), owned and/or operated by **FOUNDATION ENERGY MANAGEMENT, L.L.C. (RESPONDENT)**, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The Ratcliff #2 Production

Facility is located approximately seven (7) kilometers northeast of Rodessa in Caddo Parish, Louisiana. The facility currently operates under Minor Source Air Permit No. 0500-00170-00 issued on October 13, 2010. Ownership of the facility was transferred to the Respondent from Chaparral Energy, LLC on or about January 25, 2013, and the corresponding permit was transferred to the Respondent on April 19, 2013.

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

A. The Respondent failed to submit a timely Name/Ownership/Operator Change Form (NOC-1 form) prior to or no later than 45 days after a change in ownership of the facility. Specifically, the Respondent was transferred ownership of the Ratcliff #2 Production Facility on or about January 25, 2013; however, a NOC-1 form was not submitted to the Office of Environmental Services until on or about April 2, 2013. The failure to submit a timely NOC-1 form is a violation of LAC 33:I.1907.B, LAC 33:III.517.G, and La. R.S. 30:2057(A)(2).

B. The Respondent operated the Ratcliff #2 Production Facility without approval from the permitting authority. Because the Respondent failed to submit a timely NOC-1 form to the Department, the facility did not retain coverage under Minor Source Air Permit No. 0500-00170-00 from the date of ownership transfer, January 25, 2013, until the date of permit transfer, April 19, 2013. The operation of the facility from January 25, 2013, to April 19, 2013, without an air permit is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about May 15, 2013, a file review of the National Gasoline of Louisiana #1 Production Facility – Rodessa Field (facility), owned and/or operated by the Respondent, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The National Gasoline of Louisiana #1 Production Facility is located approximately 1.2 miles west of Ida in Caddo Parish, Louisiana. The facility currently operates under Standard Oil & Gas Air Permit No. 0500-00457-00 issued on September 20, 2010. Ownership of the facility was transferred to the

Respondent from Chaparral Energy, LLC on or about January 25, 2013, and the corresponding permit was transferred to the Respondent on April 19, 2013.

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

A. The Respondent failed to submit a timely Name/Ownership/Operator Change Form (NOC-1 form) prior to or no later than 45 days after a change in ownership of the facility. Specifically, the Respondent was transferred ownership of the National Gasoline of Louisiana #1 Production Facility on or about January 25, 2013; however, a NOC-1 form was not submitted to the Office of Environmental Services until on or about April 2, 2013. The failure to submit a timely NOC-1 form is a violation of LAC 33:I.1907.B, LAC 33:III.517.G, and La. R.S. 30:2057(A)(2).

B. The Respondent operated the National Gasoline of Louisiana #1 Production Facility without approval from the permitting authority. Because the Respondent failed to submit a timely NOC-1 form to the Department, the facility did not retain coverage under Standard Oil & Gas Air Permit No. 0500-00457-00 from the date of ownership transfer, January 25, 2013, until the date of permit transfer, April 19, 2013. The operation of the facility from January 25, 2013, to April 19, 2013, without an air 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 THREE THOUSAND ONE HUNDRED SEVENTY-FIVE AND 35/100 DOLLARS ($3,175.35), of which Six Hundred Seventy-Five and 35/100 Dollars ($675.35) 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 permit record(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 Caddo 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.

FOUNDATION ENERGY MANAGEMENT, 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