**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

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| **IN THE MATTER OF:** | * | **Settlement Tracking No.** |
| | * | **SA-AE-06-009** |
| **HUNT PETROLEUM CORPORATION** | * | |
| | * | **Enforcement Tracking No.** |
| **AI # 31673** | * | **AE-CN-05-0071** |
| | * | |
| **PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.** | * | |

# SETTLEMENT

The following Settlement is hereby agreed to between Hunt Petroleum Corporation ("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 a oil and gas facility located 7.7 miles southwest of Haughton in Bossier Parish, Louisiana (the Facity). The facility was operating under Standard Oil and Gas Air (SOGA) Permit No. 0400-00046-05 issued on June 6, 2003.

II.

On October 26, 2005, the Department issued to Respondent, a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-05-0071, which was based upon the following findings of fact:

On or about February 10, 2005, an inspection of the Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations. During the inspection it was noted that the Respondent was issued a standard oil and gas air permit on or about June 6, 2003. This permit includes provisions which allow the permittee to make minor equipment changes without the need to secure a permit modification. However, No. V of the Air Permit Briefing Sheet states that within seven (7) calendar days after effecting any modification to a facility, the permittee shall submit an updated Emission Point List, Emissions Inventory Questionnaire, emissions calculations, and certification statement to the Permits Division and the appropriate Regional Office. At the time of the inspection, three (3) unpermitted compressor engines (Emission Points E-4, E-5, and E-6) were installed and in operation on site. The compressor engines began operating on or about August 24, 2004, December 3, 2004, and November 1, 2004, respectively. These emission sources were not included in the Emission Point List provided to the Department for the current operating permit. Each failure to submit the information required by No. V of the operating permit within seven (7) calendar days is a violation of General Condition II of Air Permit No. 0400-00046-05, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III.

On February 23, 2005, the Respondent performed stack tests on the three (3) additional compressors (Emission Points E-4, E-5, and E-6). Based on stack test results it was determined that emissions from the facility did not meet the criteria for major source status as defined by LAC 33:III.502. Therefore, the facility was not subject to the Part 70 Operating Permits Program outlined in LAC 33:III.507. The Respondent then submitted a SOGA permit modification

application dated June 13, 2005, to the Department, requesting the inclusion of the three (3) compressor engines (Emission Points E-4, E-5, and E-6) into SOGA Permit No. 0400-00046-05.

IV.

On June 15, 2005, a meeting was held at the Department to discuss future additions to the facility. The Respondent submitted an addendum to the initial Title V permit application on June 15, 2005, requesting the addition of a 200 horsepower gas refrigeration unit. The Respondent submitted a revision to this permit application dated August 4, 2005. In the revision the Respondent is proposing to replace the 200 horsepower gas refrigeration unit with a 400 horsepower gas refrigeration unit and add one (1) 1265 horsepower compressor engine. The aforementioned additions to the Respondent's facility will result in emissions exceeding the major source threshold rendering the facility subject to LAC 33:III.507. In a letter to the Department dated September 27, 2005, the Respondent requested interim authorization to operate the facility according to the proposed limits in the Title V permit application dated August 4, 2005.

| Pollutant | Current Emissions Limit (TPY) | Requested Interim Limits (TPY) |
|---|---|---|
| PM10 | 1.53 | 2.852 |
| SO2 | 0.089 | 0.151 |
| NOX | 80.387 | 162.791 |
| CO | 94.171 | 197.11 |
| VOC | 30.052 | 41.502 |
| Methane | 197.786 | 325.129 |
| Ethane | 18.491 | 30.025 |

V.

The Respondent was issued Title V Permit No. 0400-00046-V0 on November 17, 2005. On or about February 7, 2006, the Department received an application for modification of Title V Permit No. 0400-00046-V0 dated February 6, 2006. In the modification application, the Respondent proposed the replacement of two (2) 1000 HP Compressor Engines (Emission Points E-1 and E-2), a 1445 HP Compressor Engine (Emission Point E-4), and a 1265 HP Compressor Engine (Emission Point E-7) with two (2) 1775 HP Compressor Engines (Emission Points E-9 and E-10). The Respondent also proposed to equip the 400 HP Gas Refrigeration Unit (Emission Point E-8) with a catalytic converter. Based on the proposed changes and subsequent emissions reduction, the Respondent requested that the facility be reclassified as a minor source as defined by LAC 33:III.503 and permitted under the SOGA program. The Respondent was issued SOGA Permit No. 0400-00046-06 on June 29, 2006.

VI.

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VII.

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 FIVE HUNDRED AND N0/100 DOLLARS ($4,500.00), of which THREE HUNDRED FIFTY EIGHT AND 15/100 DOLLARS ($358.15) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement.

VIII.

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, but Respondent may present relevant mitigating factors for the Department's consideration.

IX.

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.

X.

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.

XI.

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Bossier 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.

XII.

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 Darryl Serio, Office of Management and Finance, 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/her respective party, and to legally bind such party to its terms and conditions.

**HUNT PETROLEUM CORPORATION**

BY: _____
(Signature)

_____
(Printed or Typed)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20 _____, at _____.

_____
NOTARY PUBLIC (ID # )

_____
(Printed or Typed)

**LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**
Mike D. McDaniel, Ph.D., Secretary

BY: _____
Harold Leggett, Ph.D., 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 # )

_____
(Printed or Typed)

Approved: _____
Harold Leggett, Ph.D., Assistant Secretary