STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-11-0073**
JAG OPERATING, L.L.C.	*	
	*	**Enforcement Tracking No.**
AI # 33450, 31666, 31897, 31899, 33446,	*	**AE-PP-09-0694**
33449, 94660, 94661, 116489	*	**AE-PP-10-01208**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between JAG Operating, 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 numerous compressor station facilities located in numerous parishes in Louisiana ("the Facility").

II

On March 18, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0694, which was based upon the following findings of fact:

On or about December 8, 2009, a file review of Carterville Compressor Station (AI No. 33450) owned and/or operated by JAG Operating, 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 facility is located 2.5 miles southeast of Springhill, Webster Parish, Louisiana.

The facility currently operates under Standard Oil and Gas Air (SOGA) Permit No. 3080-00072-01 issued on August 12, 2009.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Form of Notification of Change of Ownership/Operator or Name Change from the Respondent. According to the form, ownership and operatorship of Carterville Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. A file review conducted by the Department on December 8, 2009, revealed that the Respondent operated the facility prior to receiving authorization from the Department. Specifically, the Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation, without prior authorization from the Department, between March 1, 2008, and March 25, 2009, is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

C. The Respondent submitted a letter to the Department dated June 15, 2009, stating that a new compressor was installed at the facility on March 29, 2009. On or about July 22, 2009, the Department received the Respondent's Permit Modification Application dated July 17, 2009, to incorporate the addition of the new compressor (Emission Point No. C-2) at the facility. SOGA Permit No. 3080-00072-01, was issued on August 12, 2009, which incorporated the referenced modification. The Respondent's failure to submit a timely and complete permit application to the Department prior to construction, reconstruction, or modification of the facility is a violation of LAC 33:III.501.C.1, and La. R.S. 30:2057 (A)(2).

D. The Respondent submitted a letter to the Department dated June 15, 2009, stating that a new compressor was installed at the facility on March 29, 2009. According to an email from the Respondent's representative dated July 28, 2009, operation of the new compressor commenced on May 18, 2009. The Respondent also stated that the installation of the new compressor (Emission Point No. C-2) resulted in increased emissions of nitrogen oxides (NO_x). According to the Permit Modification Application dated July 17, 2009, the Respondent proposed to increase NO_x emissions from 7.30 tons per year (tpy) to 35.50 tpy. On

August 12, 2009, SOGA Permit No. 3080-00072-01 was issued, which incorporated the facility's increased emissions as a result of the installation of the new compressor. The Respondent's failure to obtain approval from the Department prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On March 16, 2011, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-10-01208, which was based upon the following findings of fact:

On or about July 30, 2010, a file review of Arkana Compressor Station (AI No. 31666), owned and/or operated by JAG Operating, 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 facility is located on Louisiana Highway 3, Plain Dealing, Bossier Parish, Louisiana. The facility currently operates under Air Permit No. 0400-00037-00 issued on September 28, 1995.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Arkana Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Lillian Wallace Compressor Station (AI No. 31897), owned and/or operated by the JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is

located three (3) miles east of Athens, Claiborne Parish, Louisiana. The facility currently operates under Air Permit No. 0620-00069-00 issued on September 20, 1995.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Lillian Wallace Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Athens Compressor Station (AI No. 31899), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located on Louisiana Highway 9, three (3) miles north of Athens, Claiborne Parish, Louisiana. The facility currently operates under Air Permit No. 0620-00071-03 issued on January 10, 2005.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Athens Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A, and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Shongaloo Compressor Station (AI No. 33446), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located one (1) mile south of Shongaloo, Webster Parish, Louisiana. The facility currently operates under Air Permit No. 3080-00068-01 issued on May 13, 2010.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Shongaloo Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, is a violation of LAC 33:III.501.C.2, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about July 30, 2010, a file review of LNT Sales Point Facility (AI No. 33449), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located near the intersection of Louisiana Highway 233 and Louisiana Highway 7, Springhill, Webster Parish, Louisiana. The facility currently operates under Air Permit No. 3080-00071-00 issued on September 28, 1995.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of LNT Sales Point Facility was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after

the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Gandy Estates #1 Production Facility (AI No. 94660), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located three (3) miles north of Athens in Claiborne Parish, Louisiana. The facility currently operates under Air Permit No. 0620-00211-00 issued on February 23, 2002.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Gandy Estates #1 Production Facility was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A, and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Louisiana Minerals 1-19 & 1-20 Production Facility (AI No. 94661), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 5.27 miles south-southeast of Athens in Claiborne Parish, Louisiana. The facility currently operates under Air Permit No. 0620-00212-00 issued on March 28, 2002.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Louisiana Minerals 1-19 & 1-20 Production Facility was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A and La. R.S. 30:2057(A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 July 30, 2010, a file review of Athens South Compressor Station (AI No. 116489), owned and/or operated by JAG Operating, L.L.C. (Respondent), was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located 2.5 miles north of Athens in Claiborne Parish, Louisiana. The facility currently operates under Air Permit No. 0620-00234-00 issued on May 26, 2005.

The following violations were noted during the course of the file review:

A. On or about January 15, 2009, the Department received a Name/Ownership/Operator Change Form (NOC-1 Form) from the Respondent. According to the form, ownership and operatorship of Athens South Compressor Station was transferred to the Respondent on or about March 1, 2008. The Respondent's failure to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership/operator is a violation of LAC 33:I.1905.A. and La. R.S. 30:2057 (A)(2).

B. The Respondent assumed ownership and operatorship of the facility on March 1, 2008, and the facility's air permit was transferred on March 26, 2009. The operation of the facility without authorization from the Department, between March 1, 2008, and March 25, 2009, 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 EIGHTEEN THOUSAND AND NO/100 DOLLARS ($18,000.00), of which Five Hundred Seventy-Five and 07/100 Dollars ($575.07) 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 Notices 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 Webster, Bossier, and Claiborne 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 of the affected parishes 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.

JAG OPERATING, 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