

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

KCS MEDALLION RESOURCES, INC.
AI # 106572

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

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* **Enforcement Tracking No.**
* **AE-CN-03-0061**
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SETTLEMENT

The following Settlement is hereby agreed to between KCS Medallion Resources, Inc. (“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 foreign corporation doing business in Louisiana, who owns and/or operates multiple oil and gas facilities located throughout the state of Louisiana (the “Facilities”). These facilities are required to operate under an Air Permit in accordance with LAC 33:III.Chapter 5.

II

On June 12, 2003, the Department issued a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Number AE-CN-03-0061 to Respondent, which was based upon the following findings of fact:

The Respondent failed to obtain approval from the permitting authority prior to the construction, modification, or operation of each facility listed in Table 1 which ultimately resulted in an initiation or increase in emissions of air contaminants. Each failure to obtain prior approval from the permitting authority for the construction, modification, and/or operation of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

Table 1

Facility	Parish
Albright No. 1 Production Facility	Claiborne
Arlis Sanford No. 1 Production Facility	Ouachita
Bane 35-1	Claiborne
Brown 36-1	Lincoln
Butler No. 1 Production Facility	Ouachita
Cooke 31-1	Lincoln
Elm Grove NE Production Facility	Bossier
Elm Grove NW Facility	Bossier
Elm Grove Plantation	Bossier
Elm Grove SE Production Facility	Bossier
Elm Grove SW Production Facility	Bossier
Everett 23-1	Lincoln
Gibson 32-1	Lincoln
Joiner	Union
King 35-1	Claiborne
Maurice J. Burns Production Facility	Beauregard
Mills No. 1 Production Facility	Ouachita
Oaks 30-1 Production Facility	Claiborne
Paul T. Ray Production Facility	Lafourche
State Lease 4909	St. Bernard

While conducting a retroactive review required by Section II of the Compliance Order, the Respondent discovered additional facilities for which it may have failed to obtain approval

from the permitting authority prior to the construction, modification, or operation of each facility.

A list of these facilities is set forth in Table 2.

Table 2

Facility	Parish
Claiborne Plantation No. 2	Iberia
Thomas 16-1	Bienville
LeGuin No. 1	Lincoln
Johnson 3-1	Ouachita
Lathan 6-1	Bienville
Napper, L.D. No. 1	Lincoln
St. Martin Land Co. No. 1	St. Martin

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 SEVENTEEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$17,500.00), of which SEVEN HUNDRED AND NO/100 DOLLARS (\$700.00) represents DEQ'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 DEQ 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 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.

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 journals of the parish governing authority in Claiborne, Ouachita, Lincoln, Bossier, Union, Beauregard, Lafourche, Iberia, Bienville, St. Martin and St. Bernard Parishes. 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. Penalties are to be made payable to the Department of Environmental Quality and mailed 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.

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

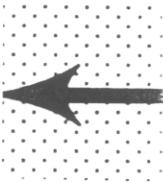
Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

KCS MEDALLION RESOURCES. INC.

BY: 
(Signature)

H.W. Hollender
(Printed or Typed)

TITLE: VP



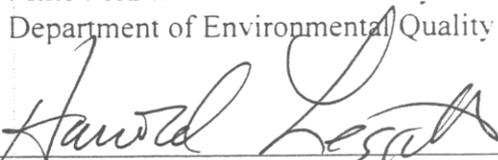
THUS DONE AND SIGNED in duplicate original before me this 30 day of
August, 20 04, at 4:30 p.m.


NOTARY PUBLIC (ID#)

ELIZABETH JOAN HAWKINS
(Printed or Typed)

STATE OF LOUISIANA
Mike McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY:



Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THIS DONE AND SIGNED in duplicate original before me this 28th day of
December, 2009, at Baton Rouge, Louisiana.

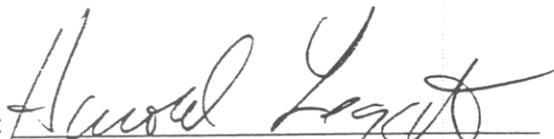


NOTARY PUBLIC (ID # 20456)

Ter R. Boyles, Jr.

(Printed or Typed)

Approved:

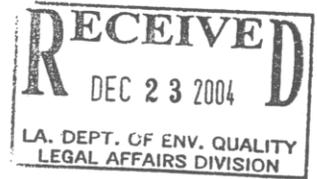


Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005



December 16, 2004

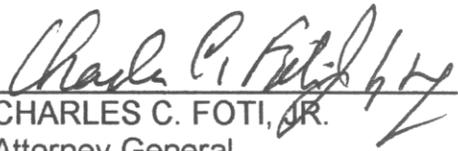
Mr. Louis E. Buatt, General Counsel
La. Department of Environmental Quality
Legal Affairs Division
P.O. Box 4302
Baton Rouge, LA 70821-4302

Re: AG Review of DEQ Settlement;
KCS Medallion Resources, Inc.
AE-CN-03-0061

Dear Mr. Buatt:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc