

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

MIDROC OPERATING COMPANY

AI # 163536, 173769, 173767, 173775,
173773, 173772, 173777, 173771, 173776,
173768, 173766, 129296, 33218

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

* Settlement Tracking No.
* SA-AE-13-0075
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* Enforcement Tracking No.
* AE-CN-09-0302
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SETTLEMENT

The following Settlement is hereby agreed to between Midroc Operating Company (“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 an oil and gas facility located approximately two (2) miles northeast of Dubach, Lincoln Parish, Louisiana (“the Facility”).

II

On March 18, 2010, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty (CONOPP), Enforcement No. AE-CN-09-0302, which was based upon the following findings of fact:

The Respondent owns and/or operates the Campbell 8-15 #1 Facility, an oil and gas production facility, located approximately two (2) miles northeast of Dubach in Lincoln Parish, Louisiana. The facility does not currently operate under an air permit.

On or about March 5, 2009, an inspection of the Respondent's facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. During the course of the inspection, the inspector noted the facility was operating without an air permit for an unknown period of time. The Respondent's failure to submit a permit application 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).

- B. During the course of the inspection, the inspector noted that the facility was operating without an air permit for an unknown period of time. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The following deviations, although not included in the foregoing enforcement action, are included within the scope of the settlement herein.

Multiple Facilities

The Respondent failed to submit a permit application prior to construction, reconstruction, or modification of multiple facilities (AI Nos. 173766, 129296, 173777, 173771, 173776, 173768, 173769, 173767, 173775, 173773, 173772) in violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2).

Campbell #1 (AI No. 173769)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Gresham #1 (AI No. 173767)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air

contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Carey 34-7 No. 1 (AI No. 173775)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Johnston 11-4 #1 (AI No. 173773)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Roberts #1 (AI No. 173772)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Dillard #1 Alt (AI No. 173777)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Foster 22-13 No. 1 (AI No. 173771)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Hartwick #1 (AI No. 173776)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Woodall Common Point (AI No. 173768)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Unionville Drip Point (AI No. 173766)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Darbonne Drip Point (AI No. 129296)

The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of the facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

Revels 23-6 #1 Facility (AI No. 33218)

- A. During the course of the inspection conducted on October 14, 2010, the inspector could not locate a complete Name/Ownership/Operator Change Form (NOC-1 Form). The Respondent failed to submit a complete NOC-1 Form to the Department within 45 days after the change of ownership. This is a violation of LAC 33:III.517.G and La. R.S. 30:2057(A)(2).
- B. According to inspection report, the Respondent assumed ownership of the above-mentioned facility on January 12, 1995. The Respondent was unable to transfer the permit for the facility and a new application was submitted in October 2010. The unauthorized operation of each facility between the date the Respondent

assumed ownership and the date the new permit was issued is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- C. During the course of the inspection conducted on October 14, 2010, the inspector noted gas vapor being emitted by a high pressure relief line next to the line heater on site. According to the inspection report, the gas release was occurring due to a high pressure relief valve (pop-off valve) malfunction. This is a violation of LAC 33:III.905 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).
- D. During the course of the inspection conducted on October 14, 2010, the inspector noted a lease compressor on site did not correlate with Permit No. 2920-00018-00 issued in 1993.

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 FORTY-THREE THOUSAND AND NO/100 DOLLARS (\$43,000.00), of which One Thousand Five Hundred Thirteen and 19/100 Dollars (\$1,513.19) 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 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 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 Lincoln Parish and Union 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 from the newspaper of each affected parish 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.

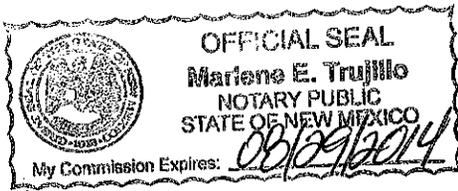
MIDROC OPERATING COMPANY

BY: [Signature]
(Signature)

DONALD L. CLARK
(Printed)

TITLE: PRESIDENT

THUS DONE AND SIGNED in duplicate original before me this 28th day of APRIL, 2014, at SANTA FE, NEW MEXICO



[Signature]
NOTARY PUBLIC (ID # _____)

(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch, Secretary

BY: [Signature]
Cheryl Sonnier Nolan, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 1st day of July, 2014, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: [Signature]
Cheryl Sonnier Nolan, Assistant Secretary