STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-13-0014**
MILAGRO EXPLORATION, LLC	*	
	*	**Enforcement Tracking No.**
AI # 52496 & 135672	*	**AE-CN-08-0235**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Milagro Exploration, LLC ("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 the Henry Production Facility (Agency Interest No. 52496), an oil and gas production facility ("the Facility"). The facility is located approximately 3.5 miles northeast of Cameron in Cameron Parish, Louisiana.

Respondent also owns and/or operates the Backridge Production Facility (Agency Interest No. 135672), an oil and gas production facility. The facility is located approximately four (4) miles northeast of Cameron in Cameron Parish, Louisiana.

II

On July 23, 2009, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-08-0235, which was based upon the following findings of fact:

The Respondent owns and/or operates the Henry Production Facility (Agency Interest No. 52496), an oil and gas production facility. The facility is located approximately 3.5 miles northeast of Cameron in Cameron Parish, Louisiana. The facility currently operates under Air Permit No. 0560-00153-04, issued on January 31, 2008.

On or about August 1, 2008, 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 violation was noted during the course of the inspection and subsequent file review conducted on June 24, 2009:

A. During the course of the inspection, the inspector noted that the Respondent assumed ownership of the facility on December 1, 2007, and had failed to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change of ownership. This is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2). On or about July 22, 2008, the Respondent submitted the NOC-1 Form to the Department.

B. A file review conducted by the Department on June 24, 2009, revealed that the Respondent operated the facility prior to receiving authorization from the Department. Specifically, the Respondent assumed ownership of the facility on December 1, 2007, and the facility's air permit was transferred on August 12, 2008. The operation, without prior authorization from the Department, of any 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 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

The Respondent owns and/or operates the Backridge Production Facility (Agency Interest No. 135672), an oil and gas production facility. The facility is located approximately four (4) miles northeast of Cameron in Cameron Parish, Louisiana. The facility currently operates under Standard Oil and Gas Air (SOGA) Permit No. 0560-00244-00, issued on October 5, 2007.

III

On or about August 14, 2008, 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 and subsequent file review conducted on June 24, 2009:

A. During the course of the inspection, the inspector noted that the Respondent assumed ownership of the facility on December 1, 2007, and had failed to submit a complete Name/Ownership/Operator Change Form (NOC-1 Form) to the Department within 45 days after the change of ownership. This is a violation of LAC 33:I.1905.A, LAC 33:III.517.G and La. R.S. 30:2057(A)(2). On or about July 22, 2008, the Respondent submitted the NOC-1 Form to the Department.

B. A file review conducted by the Department on June 24, 2009, revealed that the Respondent operated the facility prior to receiving authorization from the Department. Specifically, the Respondent assumed ownership of the facility on December 1, 2007, and the facility's air permit was transferred on August 12, 2008. The operation, without prior authorization from the Department, of any 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 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

C. During the course of the inspection, the inspector noted the Respondent failed to conduct the annual flare gas analysis for the facility's flare to ensure the heat content of the flare gas is above 300 BTU/scf, as required by Specific Requirement No. 50 of SOGA Permit No. 0560-00244-00. The Respondent failed to conduct the annual flare gas analysis for the 2006 and 2007 calendar years. Each failure to conduct the annual flare gas analysis is a violation of Specific Requirement No. 50 of SOGA Permit No. 0560-00244-00, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).

D. During the course of the inspection, the inspector noted multiple emission points were added and/or removed from the site. This included the addition of an LP separator, fuel gas scrubber, flare scrubber, and a 65 HP Waukesha compressor engine. The vapor recovery unit at the facility had been removed approximately six (6) months prior to the inspection, along with the HP separator. Each construction, modification, and/or operation of a source which may

ultimately result in an initiation or increase in emission of air contaminants prior to approval from the permitting authority is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

E. During the course of the inspection, the inspector noted multiple emission points were added and/or removed from the site. This included the addition of an LP separator, fuel gas scrubber, flare scrubber, and a 65 HP Waukesha compressor engine. The vapor recovery unit at the facility had been removed approximately six (6) months prior to the inspection, along with the HP separator. The Respondent failed to submit an updated Emission Point List, Emissions Inventory Questionnaire (EIQ), emissions calculations, and a certification statement within seven (7) calendar days of any modification to the facility as required by SOGA Permit No. 0560-00244-00. This is a violation of SOGA Permit No. 0560-00244-00, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).

F. During the course of the inspection, the inspector noted that the Respondent failed to keep the facility's flare continuously lit and employ an auto igniter system to ensure the continuous presence of a flame. This is a violation of Specific Requirement No. 50 of SOGA Permit No. 0560-00244-00, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2). According to the inspector, a representative of the Respondent stated that the facility's flare was lit and an auto igniter was installed as of August 18, 2008. On or about August 19, 2008, the inspector received a copy of the flare igniter and regulator service order.

IV

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

V

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 NO/100 DOLLARS ($4,500.00), of which Six Hundred Eighty Eight and 70/100 Dollars ($688.70) 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).

VI

Respondent further agrees that the Department may consider the inspection report(s)/permit record(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.

VII

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.

VIII

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.

IX

The Respondent has caused a public notice advertisement to be placed in the official journal

of the parish governing authority in Cameron 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.

X

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).

XI

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

XII

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.

MILAGRO EXPLORATION, LLC

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