STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-15-0012**
NEXEN PETROLEUM U.S.A. INC.	*	
	*	**Enforcement Tracking No.**
AI # 18765	*	**AE-PP-12-00259**
	*	
PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT LA. R.S. 30:2001, ET SEQ.	* * *	

SETTLEMENT

The following Settlement is hereby agreed to between Nexen Petroleum U.S.A. 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 corporation that owned and/or operated a facility located approximately 22 miles south of Calumet in St. Mary Parish, Louisiana ("the Facility").

II

On April 3, 2013, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-12-00259, which was based upon the following findings of fact:

"On or about March 18, 2013, a file review of the Eugene Island #18 Field facility (facility), owned and/or operated by **NEXEN PETROLEUM U.S.A. INC. (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 approximately 22 miles south of Calumet in St. Mary Parish, Louisiana. The facility was issued Title V Air Permit No. 2660-00104-V5 on

November 10, 2005. The facility currently operates under Title V Air Permit No. 2660-00104-V6 issued on December 22, 2010. On or about April 1, 2012, the Respondent transferred ownership of the facility and permit responsibility to Cochon Properties, LLC.

While the investigation by the Louisiana Department of Environmental Quality (the Department) is not yet complete, the following violations were noted during the course of the file review:

A. On or about September 27, 2011, the Respondent submitted the facility's 2011 First Semiannual Monitoring Report. The report indicated that the Respondent operated a compressor beyond permit limits. Specifically from May 1, 2011, through June 30, 2011, the Respondent operated Compressor Engine 98-01 (EQT0005) 1248 hours beyond the permit limit of 2628 hours per year. The excess operation of an emission source beyond the permitted limit is a violation of Title V Permit No. 2660-00104-V6 Specific Requirement 28, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2).

B. On or about September 27, 2011, the Respondent submitted the facility's 2011 First Semiannual Monitoring Report. The report indicated that the facility exceeded permitted emissions limits for volatile organic compounds (VOCs). Specifically, upset conditions resulted in unauthorized discharges exceeding that allowed in the Louisiana General Condition XVII Activities List of the permit. Each exceedance of the permit limits is a violation of Title V Air Permit No. 2660-00104-V6 Specific Requirement 28, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2).

C. On or about March 21, 2011, the Respondent submitted the facility's 2010 Annual Compliance Certification. The certification indicated that the Respondent operated a generator engine beyond permit limits. Specifically from November 1, 2010, through December 31, 2010, the Respondent operated Generator Engine #2 98-03 (EQT0007) 191 hours beyond the permit limit of 4380 hours per year. The excess operation of an emission source beyond the permitted limit is a violation of Title V Permit No. 2660-00104-V6 Specific Requirement 28, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2).

D. On or about March 21, 2011, the Respondent submitted the facility's 2010 Annual Compliance Certification. The certification indicated that the facility exceeded permitted emissions limits for VOCs. Specifically, upset conditions resulted in unauthorized discharges exceeding that allowed in the Louisiana General Condition XVII Activities List of the permit. Each exceedance of the

permit limits is a violation of Title V Air Permit No. 2660-00104-V6 Specific Requirement 28, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2).

E. In the facility's 2009 Annual Compliance Certification, 2008 First Semiannual Monitoring Report and 2007 Annual Compliance Certification submitted to the Department on or about March 30, 2010, September 12, 2008, and March 27, 2008, respectively, the Respondent stated that operation of a heater treater flash vent without a vapor recovery unit (VRU) occurred at the facility. Specifically in 2009, the Respondent operated Heater Treater Flash Vent 98-06 without a VRU for a total of 144 hours. In the first semiannual monitoring period of 2008, the Respondent operated Heater Treater Flash Vent 98-06 without a VRU for a total of 312 hours. And in 2007, the Respondent operated Heater Treater Flash Vent 98-06 without a VRU for a total of 21 hours. This is a violation of LAC 33:III.905 which states, "When facilities have been installed on a property, they shall be used and diligently maintained in proper working order whenever any emissions are being made which can be controlled by the facilities, even though the ambient air quality standards in affected areas are not exceeded." This is also a violation of La. R.S. 30:2057(A)(1) and La. R.S. 30:2057(A)(2)."

The following violations, although not cited in the foregoing enforcement action(s), are included within the scope of this settlement:

On or about March 22, 2012, the Respondent submitted the facility's 2011 Annual Compliance Certification. The report indicated that the facility exceeded permitted emissions limits for volatile organic compounds (VOCs). Specifically, upset conditions occurring from October 1, 2011, through December 31, 2011, resulted in unauthorized discharges exceeding that allowed in the Louisiana General Condition XVII Activities List of the permit. Each exceedance of the permit limits is a violation of Title V Air Permit No. 2660-00104-V6 Specific Requirement 28, LAC 33:III.501.C.4, La. R.S. 30:2057(A)(1) and La. R.S. 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 TEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($10,500.00), of which Six Hundred Thirty-Five and 87/100 Dollars ($635.87) 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 NOPP 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

As required by law, the Department has submitted this Settlement Agreement to the Louisiana Attorney General for approval or rejection. The Attorney General's concurrence is appended to this Settlement Agreement.

IX

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

NEXEN PETROLEUM U.S.A. INC.

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: _____
D. Chance McNeely, 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: _____
D. Chance McNeely, Assistant Secretary