STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-MM-11-0060**
NIPPON OIL EXPLORATION USA	*	
LIMITED	*	
	*	**Enforcement Tracking No.**
AI # 134006	*	**MM-CN-10-00505**
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	**Docket No. 2011-0883-EQ**
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Nippon Oil Exploration USA Limited ("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 a steel offshore oil and gas production platform facility located in the Gulf of Mexico, 23.5 miles south, southeast of Venice, in Plaquemines Parish, Louisiana ("the Facility").

II

On November 5, 2010, the Department issued to Respondent a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. MM-CN-10-00505, which was based upon the following findings of fact:

The Respondent owns and/or operates the South Pass Block 31 Facility (facility), a steel offshore oil and gas production platform, located in the Gulf of Mexico, 23.5 miles south,

southeast of Venice, in Plaquemines Parish, Louisiana. Currently the facility is not operating under a state air permit. The Respondent was issued Louisiana Pollutant Discharge Elimination System (LPDES) Permit LA0122181 effective November 1, 2006, with an expiration date of October 31, 2011. The LPDES permit LA0122181 authorizes the Respondent to discharge fluids associated with oil and gas exploration, development, and production operations into the Mississippi River Basin Coastal Bays, thence into the Gulf of Mexico, waters of the state.

On or about June 5, 2009 an inspection of the facility was performed to determine the degree of compliance with the Act, the Air Quality Regulations, and the Water Quality Regulations. On or about April 5, 2010 and April 13, 2010, file reviews of the facility were conducted to determine the degree of compliance with the Act, the Air Quality Regulations, and Water Quality Regulations. The following violations were noted during the course of the inspection and file reviews:

A. According to the LPDES discharge permit application submitted to the Department on or about December 16, 2005, the Respondent purchased and began operating the facility on or about April 5, 2005. On or about June 5, 2009, a compliance inspection was conducted at the facility. The inspection revealed that the facility had been operating since April 5, 2005 without a valid air permit. Failure to submit a timely application for an air permit before the commencement of operations is a violation of LAC 33:III.501.C.1, La R.S. 30:2057(A)(1), and La R.S. 30: 2057(A)(2).

B. The Respondent has been operating the facility since April 5, 2005 without a valid air permit. Operating a facility that emits or has the potential to emit air pollutants without an air permit is a violation of LAC 33:III.501.C.2, La R.S. 30: 2057(A)(1), and La R.S. 30: 2057(A)(2).

C. The Respondent failed to report discharges of produced water as required by LPDES permit LA0122181. Specifically, the Respondent submitted Discharge Monitoring Reports (DMRS) for produced water indicating no discharge had occurred for May, September, October, November of 2007; January, February, August, and October of 2008; however the company's Produced Water Status Report in the inspection report noted that produced water discharges occurred during the above mentioned months. The failure to report discharges is a violation of LPDES permit LA0122181

(Part I, Page 2 and 3 of 20; and Part III, A.2, and C.2) La. R.S. 30:2076(A)(3), LAC 33:IX.501.A, LAC 33:IX.2701.A, and LAC 33:IX.2701.L.4.a.

D. The Respondent failed to sample its discharge as required by LPDES permit LA0122181. Specifically, the Respondent was not sampling its discharge for Thallium, Benzene, Lead, Total Phenol, and Radium on a monthly basis and yearly sampling for Toxicity as specified in their permit for all of 2007, 2008, and through June 2009, as required by the permit. Each failure to sample the discharge is a violation of LPDES permit LA0122181 (Part I, Pages 2, 3, 14, and 16 of 20; and Part III, Sections A.2, and C.2), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, and LAC 33:IX.2701.A.

E. The Respondent failed to submit DMRs as required by LPDES permit LA0122181. Specifically, the Respondent failed to submit quarterly DMRs for the monthly monitoring periods from October through December of 2008, January thru March of 2009, April through June of 2009, October through December 2009, and January through March 2010, as required by the permit. Each failure to submit DMRs prior to January 26, 2010, is a violation of LPDES permit LA0122181 (Part I, Pages 2 and 3 of 20; and Part III, Sections A.2 and D.4), and beginning on or about January 26, 2010, each failure to submit DMRs is a violation of LPDES permit LAG26A002 (Part III, Sections A.2 and D.4), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.2701.A, and LAC 33:IX.2701.L.4.a.

F. The Respondent had submitted incomplete and/or inaccurate DMRs in accordance with the LPDES permit LA0122181. Specifically, the Respondent failed to place the correct outfall number (Outfall 002) on the DMRs for the monitoring periods from July 2006 through September 30, 2008, and July through September 2009, as required by the permit. The Respondent's submittal of incomplete and/or inaccurate DMRs is a violation of LPDES permit LA0122181 (Part I, Page 2 of 20; and Part III, Section A.2 and D.4), and also in violation of La R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.2701.A and LAC 33:IX.2701.L.d.

III

In response to the Consolidated Compliance Order & Notice of Potential Penalty, Respondent made a timely request for a hearing.

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 TWENTY-SEVEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($27,500), of which Three Hundred Sixty-Four and 95/100 Dollars ($364.95) 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), and the Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. MM-CN-10-00505, 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 Plaquemines 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.

NIPPON OIL EXPLORATION USA LIMITED

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