

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	* Settlement Tracking No.
	* SA-AE-09-0056
PALM ENERGY OFFSHORE, L.L.C.	*
	* Enforcement Tracking No.
AI # 32688	* AE-CN-07-0141
	* AE-CN-07-0141A
PROCEEDINGS UNDER THE LOUISIANA	*
ENVIRONMENTAL QUALITY ACT	*
LA. R.S. 30:2001, <u>ET SEQ.</u>	*

SETTLEMENT

The following Settlement is hereby agreed to between Palm Energy Offshore, L.L.C., (“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 offshore oil and natural gas facility in the Gulf of Mexico, Seventeen (17) Miles South of Venice in Plaquemines Parish, Louisiana (“the Facility”).

On August 7, 2008, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential Penalty (CONOPP), Enforcement No. AE-CN-07-0141, which was based upon the following findings of fact:

The Respondent owns and/or operates West Delta Block 54 – Tank Battery # 3 (the Facility) an offshore oil and natural gas facility consisting of four separate platforms connected

by separate walkways. The facility is located in the Gulf of Mexico, seventeen (17) miles south of Venice in Plaquemines Parish, Louisiana. The facility operates under Title V Air Permit No. 2240-00251-V2, issued November 12, 2006.

On or about June 8, 2007, an inspection was performed to determine the degree of compliance with the Act and the Air Quality Regulations. On or about September 25, 2007, a file review of the 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 file review:

- A. The facility General Permit Briefing Sheet lists requirements and conditions under which the permit is issued. The Briefing Sheet states that the glycol dehydrator heater vent shall be routed to the reboiler to insure complete combustion of the noncondensable gases exiting the dehydrator. At the time of the inspection, the heater vent was routed through a condenser and then to atmosphere and not to the reboiler. Each failure to satisfy the requirements under which the permit is issued is a violation of 40 CFR 70 General Condition C, LAC 33.III.501.C.4, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).
- B. The facility operates a glycol dehydrator heater equipped with a permitted vent (EQT011) designed to reduce the vent content of Volatile Organic Compounds (VOC). At the time of the inspection, the vent was routed through a condenser, a radiator-type fan-induced cooling system. At the time of the inspection the fan was not operating and the unit was inoperable. According to a facility representative, the unit has not been in use since the facility was purchased in March 2005. Failure to operate EQT011 with a control device capable of reducing VOC by 70% is a violation of Specific Requirement 65 of the current permit, LAC 33.III.501.C.4, LAC 33:III.2116.B.1.a, and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).
- C. At the time of the inspection, the facility exhibited no ability to measure, as required, the requisite final temperature of the glycol dehydrator heater vent exhaust. Per LAC 33:III.2116.B, if the control device is a condenser, average final exhaust temperature less than 110° Fahrenheit shall be achieved. Each failure to measure, and to therefore achieve, that temperature, is a violation of Specific Condition 65 of the Current permit, LAC 33:III.501.C.4, LAC 33:III.2116.B.1.b and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- D. At the time of the inspection, the facility had no electronic or hard copy records of final exhaust temperatures or of observation times during twice-weekly, alternate days, during daylight hours, for the glycol dehydrator heater vent. Each failure to maintain records is a violation of Specific Condition 67 of the current permit, LAC 33:III.501.C.4, LAC 33:III.2116.D, LAC 33:III.2116.F.3.a., and La. R.S. 30:2057(A)(2).
- E. At the time of the inspection, the facility had no electronic or hard copy records of all temperature exceedances greater than or equal to 120° F to include the date of the temperature exceedance and a brief explanation of the circumstances of the temperature exceedance. Each failure to maintain such records is a violation of Specific Conditions 66 and 67 of the current permit, LAC 33:III.501.C.4, LAC 33:III.2116.D, LAC 33:III.2116.F.3.b, and La. R.S. 30:2057(A)(2).

On December 2, 2008, the Department issued to Respondent an Amended Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-07-0141A, amending Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-07-0141, as follows:

The Department hereby amends CONOPP Enforcement Tracking No. AE-CN-07-0141 to remove Paragraph II.C of the Findings of Fact in its entirety.

The Department hereby amends CONOPP Enforcement Tracking No. AE-CN-07-0141 to remove Paragraph II.D of the Findings of Fact in its entirety.

The Department hereby amends CONOPP Enforcement Tracking No. AE-CN-07-0141 to remove Paragraph II.E of the Findings of Fact in its entirety.

The Department incorporated all of the remainder of the original Consolidated Compliance Order & Notice of Potential Penalty, Enforcement Tracking No. AE-CN-07-0141 and Agency Interest No. 32688, as if reiterated therein.

The Amended Consolidated Compliance Order & Notice of Potential Penalty was effective upon receipt.

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 TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$2,500.00), of which Four Hundred Twenty-Seven and 54/100 Dollars (\$427.54) 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 and 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 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.

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.

PALM ENERGY OFFSHORE, L.L.C.

BY: [Signature]
(Signature)

Jonathan C. Garrett
(Print)

TITLE: Member

THUS DONE AND SIGNED in duplicate original before me this 28th day of June, 2010, at Metairie LA.

[Signature]
NOTARY PUBLIC (ID # [ID Number])

STEVEN L. JONES, NOTARY PUBLIC
(Print) STATE OF LOUISIANA
MY COMMISSION EXPIRES AT DEATH
BAR NO. 07503

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch, Secretary

BY: [Signature]
Beau James Brock, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 26th day of October, 2010, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 10149 (B))

Christopher A. Redciff
(Print)

Approved: [Signature]
Paul D. Miller, P.E., Assistant Secretary

