

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

S2 ENERGY OPERATING, LLC

AI # 163056, 22005, 155214

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

\* Settlement Tracking No.  
\* SA-AE-13-0047  
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\* Enforcement Tracking No.  
\* AE-PP-12-01271  
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SETTLEMENT

The following Settlement is hereby agreed to between S2 Energy Operating, 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 an oil and gas production facility located in Beauregard Parish, Louisiana (“the Facility”).

II

On April 3, 2013, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-12-01271, which was based upon the following findings of fact:

On or about November 9, 2012, a file review of Forestar (USA) Real Estate Cowpen Creek Facility (Facility), owned and/or operated by S2 Energy Operating, LLC (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 off of Louisiana Highway 95, 4.4 miles East of Oretta, Beauregard Parish, Louisiana. The Facility operates under Minor Source Air Permit 0320-00092-00, issued March 18, 2009, and effectively transferred on October 12, 2012.

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. The Respondent became the owner/operator of the aforementioned Facility on May 1, 2012. The Respondent submitted a Notification of Change Form (NOC-1) to the Department on or about September 12, 2012, and additional information on September 27, 2012. The failure to submit the NOC-1 and associated documentation to the Department within forty-five (45) days after a change in ownership of a permitted facility is a violation of LAC 33:I.1907.B; LAC 33:III.517.G; and La. R.S. 30:2057(A)(2).
  
- B. The Respondent operated the aforementioned Facility from May 1, 2012, through October 12, 2012. The unauthorized operation of the Facility from the date of acquisition until the permit was transferred 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 violations, relating to the Lake Long Production facility and the Lake Long Mustang Production Barge, although not cited in the foregoing enforcement action(s), are included within the scope of this settlement:

The Respondent became the owner/operator of the facilities on November 1, 2012. The Respondent submitted a Notification of Change Form (NOC-1) to the Department on or about December 26, 2012. The failure to submit the NOC-1 and associated documentation to the Department within forty-five (45) days after a change in ownership of a permitted facility is a violation of LAC 33:I.1907.B; LAC 33:III.517.G; and La. R.S. 30:2057(A)(2).

The Respondent operated the aforementioned facilities from November 1, 2012, through April 9, 2013. The unauthorized operation of the Facility from the date of acquisition until the permit was transferred is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 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 THREE THOUSAND ONE HUNDRED AND NO/100 DOLLARS (\$3,100.00) of which Five Hundred Eighty-One and 36/100 Dollars (\$581.36) 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 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 Beauregard 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.

**S2 ENERGY OPERATING, 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