

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SANDRIDGE EXPLORATION AND  
PRODUCTION, LLC

AI # 32151

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

\* Settlement Tracking No.

\* SA-AE-12-0037

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\* Enforcement Tracking No.

\* AE-PP-09-0283

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SETTLEMENT

The following Settlement is hereby agreed to between Sandridge Exploration and Production, 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 northwest of Bayou Sorrel in Iberville Parish, Louisiana (“the Facility”).

II

On September 22, 2010, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. AE-PP-09-0283, which was based upon the following findings of fact:

On or about April 8, 2009, an inspection of Schwing Production Facility, owned and/or operated by Sandridge Exploration and Production, 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 1.5 miles northwest of Bayou Sorrel in Iberville Parish,

Louisiana. The Respondent assumed ownership of the facility on September 30, 2007. The facility operated under Air Permit No. 1280-00074-01, issued on July 9, 1999. On or about September 23, 2009, the Respondent submitted a minor source permit application for this facility. The facility currently operates under Air Permit No. 1280-00074-02, issued on February 23, 2010.

The following violations were noted during the course of the inspection and subsequent file review conducted on April 12, 2010:

- A. During the course of the inspection, the inspector noted that the facility's flare was permitted to be a continuously burning flare, but the flare had a spark ignition device that sparked every five seconds. The Respondent's failure to operate the flare to be continuously burning is a violation of Air Permit No. 1280-00074-01, LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(2). According to the Respondent's correspondence dated December 30, 2009, the device has been repaired and the flare has been burning continuously.
- B. According to a letter from the Respondent dated December 30, 2009, the following emission sources were put into service on March 1, 2001.

<b>Emission Source</b>	<b>Emission Point No.</b>
Gas Operated Pump	21-09-GOP
Gas Operated Pump	22-09-GOP
100 HP Natural Gas Fired Engine	23-09-ICE
210 Barrel Saltwater Tank	24-swt
300 Barrel Saltwater Tank	25-swt
300 Barrel Saltwater Tank	26-swt

Each incident of the Respondent's failure to submit a permit application prior to construction, reconstruction, or modification of the facility is a violation of LAC 33:III.501.C.1 and La. R.S. 30:2057(A)(2). Air Permit No. 1280-00074-02, issued on February 23, 2010, includes these emission points.

- C. According to a letter from the Respondent dated December 30, 2009, the following emission sources were put into service on March 1, 2001.

<b>Emission Source</b>	<b>Emission Point No.</b>
Gas Operated Pump	21-09-GOP
Gas Operated Pump	22-09-GOP
100 HP Natural Gas Fired Engine	23-09-ICE
210 Barrel Saltwater Tank	24-swt

300 Barrel Saltwater Tank	25-swt
300 Barrel Saltwater Tank	26-swt

Each incident of the Respondent's failure to submit a permit application and received approval from the permitting authority prior the construction, modification or operation of a facility which may result in an initiation of, or an 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). Air Permit No. 1280-00074-02, issued on February 23, 2010, includes these emission points.

- D. The Respondent assumed ownership of the facility on September 30, 2007. The Respondent 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 May 15, 2009, the Department received a NOC-1 form.
  
- E. The Respondent operated the facility prior to receiving authorization from the Department. Specifically, the Respondent assumed ownership of the facility on September 30, 2007, and the facility's air permit was not transferred to the Respondent until Air Permit No. 1280-00074-02 was issued to the Respondent on February 23, 2010. 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).

### 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 SIX THOUSAND FOUR HUNDRED SIXTY-SEVEN AND NO/100 DOLLARS (\$6,467.00), of which Three Hundred Eighty-Nine and 46/100 Dollars (\$389.46) 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, the permit record, 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 Iberville 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.

**SANDRIDGE EXPLORATION AND PRODUCTION, LLC**

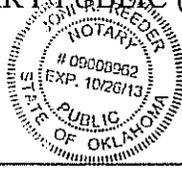
BY: [Signature]  
(Signature)

Stuart A. Wittenburg  
(Printed)

TITLE: VP of E&P

THUS DONE AND SIGNED in duplicate original before me this 4<sup>th</sup> day of October, 20 12, at 8:00 AM.

[Signature]  
NOTARY PUBLIC (ID # 09008962)



(stamped or printed)

**LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**

Peggy M. Hatch Secretary

BY: [Signature]  
Cheryl Sonnier Nolan, Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 13<sup>th</sup> day of Oct, 20 13, at Baton Rouge, Louisiana.

[Signature]  
NOTARY PUBLIC (ID # 19181)

Perry Theriot  
(stamped or printed)

Approved: [Signature]  
Cheryl Sonnier Nolan, Assistant Secretary