

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* Settlement Tracking No.
* SA-SE-10-0026

SCHLUMBERGER TECHNOLOGY
CORPORATION

*
* Enforcement Tracking No.
* SE-PP-09-0629
* SE-PP-09-0629A

AI # 164544

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

*
*
*

SETTLEMENT

The following Settlement is hereby agreed to between Schlumberger Technology Corporation (“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 contracted to provide well stimulation/fracturing services to Chesapeake Operating, Inc. (“Chesapeake”), at Chesapeake’s natural gas well facility known as the Chesapeake Energy - Branch 2H-1 facility located in Spring Ridge, Caddo Parish, Louisiana (“the Facility”).

II

On January 15, 2010, the Department issued to Respondent a Notice of Potential Penalty (“NOPP”), Enforcement No. SE-PP-09-0629. On March 17, 2010, the Department issued an amended version of that NOPP, Enforcement No. SE-PP-09-0629A, which was based upon the following findings of fact:

“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 inspection and subsequent file review conducted on November 17, 2009:

- A. The Respondent caused and/or allowed the deposition of regulated solid waste without a permit and/or the authority of the Department, in violation of La. R.S. 30:2155 and LAC 33:VII.315.C.

The initial inspection of the facility noted that an unknown material had spilled and impacted the surface soil. The inspection indicated that Chesapeake had, as a precautionary measure, constructed an earthen berm around the impacted area, removed the freestanding liquid with a vacuum truck, excavated and staged the impacted soil onto plastic for disposal, and conducted sampling to ensure proper cleanup and disposal.

On or about May 20, 2009, the Respondent met with the Department to discuss the events surrounding the aforementioned incident. Subsequent to this meeting, on June 16, 2009, the Respondent provided the Department with a written timeline of events as well as sampling results showing the site had been properly remediated.

However, after reviewing the necropsy report and discussing the findings with veterinarians from the Louisiana State University School of Veterinary Medicine and DEQ, the veterinarians stated that the cows did not die within the time frame provided by the Respondent. Based on this information, the spilled material had been on the ground long enough to constitute disposal of a solid waste. The Respondent reported that the regulated solid waste disposed at the site includes, but is not limited to, a proprietary blend of non-hazardous material for well fracturing.

- B. The Respondent failed to provide prompt notification to the Department of Public Safety 24-Hour Louisiana Emergency Hazardous Material Hotline of an unauthorized discharge that caused an emergency condition, in violation of LAC 33:I.3915.A.1.

According to the Respondent, a potential off-site release associated with storm water run-off was reported to the Respondent. On April 28, 2009, at approximately 6:05 p.m., an incident involving the death of several head of cattle was reported to the Department by the Caddo Parish

Sheriff's Department. The Caddo Parish Sheriff's Department subsequently notified the Public Safety 24-Hour Louisiana Emergency Hazardous Material Hotline at approximately 9:47 p.m. The Department received the information and assigned the incident number T114541.

The incident was reported to the Public Safety 24-Hour Louisiana Emergency Hazardous Material Hotline by the responsible party at approximately 10:13 p.m. Although the incident was reported to the Department, the State Hotline was not notified within one (1) hour of becoming aware of the unauthorized discharge that caused an emergency condition.

- C. The Respondent failed to submit a written report to the Department within seven (7) calendar days for an unauthorized discharge that required reporting under LAC 33:I.3915.A.1, in violation of LAC 33:I.3925.A. On or about May 4, 2009, the Respondent and Chesapeake personnel met with the Department's Regional Office staff and provided general information about their respective operations, the status of their investigations, and spill information.

The unauthorized discharge caused an emergency condition. The incident was reported to the Department; however, the Respondent failed to submit the report to the Department within seven (7) calendar days. The Respondent submitted a written report to the Department on or about June 16, 2009; however, it did not meet the requirements set forth in LAC 33:I.3925.B.”

III

Respondent asserts that, in response to this incident, Respondent has taken considerable measures to enhance spill control and containment and has developed operational methodologies and acquired equipment which exceed regulatory requirements and industry practice. More specifically, in order to minimize the likelihood of any spill from its operations from entering the soil at well pads, Respondent asserts that it has reconfigured the placement of its chemical containers and reduced the number of couplings between hoses thereby reducing the opportunities for spills. Additionally, Respondent asserts that it has added additional secondary

containment equipment around its chemical containers and increased the policing of chemical storage and transfer areas during operations. Respondent asserts that it has expended over \$750,000.00 in the purchase of equipment to further enhance spill control and containment.

Respondent asserts that it has enhanced its spill reporting policy and has undertaken training to ensure all personnel were familiar with Respondent's responsibility to immediately report spills and their own individual responsibilities to ensure that would happen. Finally, Respondent asserts that it has increased the number of Health, Safety, and Environmental ("HSE") personnel, most of whom are field personnel and report directly to the HSE Manager. This includes personnel overseeing containment at the well sites. Respondent asserts that it has enhanced its training regimen for office and field personnel in both substance and frequency. This training includes specific instructions for spill control, containment, and reporting.

The Respondent further denies that material discharged from the facility caused the death of any cattle.

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties. 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-TWO THOUSAND AND NO/100 DOLLARS (\$22,000.00), of which One Thousand Three Hundred and No/100 Dollars (\$1,300.00) 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 Notices 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

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

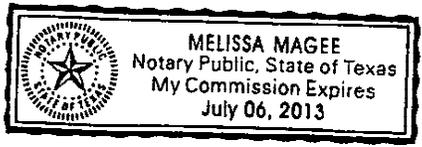
SCHLUMBERGER TECHNOLOGY CORPORATION

BY: [Signature]
(Signature)

Alan Maynard
(Print)

TITLE: V.P. STC

THIS DONE AND SIGNED in duplicate original before me this 26 day of April, 20 10, at



[Signature]
NOTARY PUBLIC (ID # _____)

Melissa Magee
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Peggy M. Hatch, Secretary

BY: [Signature]
Paul D. Miller, P.E., Assistant Secretary
Office of Environmental Compliance.

THIS DONE AND SIGNED in duplicate original before me this 28th day of July, 20 10, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 10149)

Christopher A. Ratcliff
(Print)

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