STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-12-0070**
SKLAR EXPLORATION COMPANY L.L.C.	*	
	*	**Enforcement Tracking No.**
AI # 162618, 162619, 162620	*	**AE-PP-09-0070**
162621, 162622, 162623	*	
	*	
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Sklar Exploration Company 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 limited liability company that owns and/or operates the Cindy Lou Cloyd #1 Facility located off Grove Jones Road, 1.4 miles southeast of Gibsland in Bienville Parish, Louisiana; Weyerhauser #1 Facility located off Brewer Road, 5.4 miles southeast of Gibsland in Bienville Parish, Louisiana; J.C. Meritt et al #1 Facility located off Blue Ridge Road, 6.6 miles southeast of Gibsland in Bienville Parish, Louisiana; B & K Exploration #1 Facility on Bagley Road, eight (8) miles southeast of Shreveport in Caddo Parish, Louisiana; R.D. Moak #1 Facility on Bridges Road, 3.8 miles northeast of Athens in Claiborne Parish, Louisiana; and Royce Henley Trust #1 Facility located off of Louisiana Highway 9, two (2) miles northwest of Athens in Claiborne Parish, Louisiana ("the Facilities").

II

On January 15, 2010, the Department issued to Respondent a Notice of Potential Penalty (NOPP), Enforcement No. AE-PP-09-0070, which was based upon the following findings of fact:

On or about August 28, 2009, a file review of **CINDY LOU CLOYD # 1 FACILITY (AGENCY INTEREST NO. 162618)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C. (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 Grove Jones Road, 1.4 miles southeast of Gibsland in Bienville Parish, Louisiana. On or about January 14, 2009, the Louisiana Department of Environmental Quality (the Department) received the facility's air permit application. The facility currently operates under Standard Oil and Gas Air (SOGA) Permit No. 0360-00729-00, issued on April 7, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on October 8, 2005. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on October 8, 2005. The Respondent operated the facility between 2005 and April 7, 2009, without an air permit. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about August 28, 2009, a file review of **WEYERHAUSER # 1 FACILITY (AGENCY INTEREST NO. 162619)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C.**, was performed to determine the degree of compliance with the Act and the Air

Quality Regulations. The facility is located off Brewer Road, 5.4 miles southeast of Gibsland in Bienville Parish, Louisiana. On or about January 14, 2009, the Department received the facility's air permit application. The facility currently operates under Air Permit No. 0360-00730-00, issued on March 26, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on April 17, 2008. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on April 17, 2008. The Respondent operated the facility between 2008 and March 26, 2009, without an air permit. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about August 28, 2009, a file review of **J.C. MERITT ET AL #1 FACILITY (AGENCY INTEREST NO. 162620)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C.**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located off Blue Ridge Road, 6.6 miles southeast of Gibsland in Bienville Parish, Louisiana. On or about January 14, 2009, the Department received the facility's air permit application. The facility currently operates under SOGA Permit No. 0360-00731-00, issued on March 23, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on January 27, 2008. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on January 27, 2008, and the facility has operated since 2007. The Respondent operated the facility between 2007 and March 23, 2009, without an air permit. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about August 28, 2009, a file review of **B & K EXPLORATION #1 FACILITY (AGENCY INTEREST NO. 162621)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C.**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located on Bagley Road, eight (8) miles southeast of Shreveport in Caddo Parish, Louisiana. The facility currently operates under Air Permit No. 0500-00307-01, issued on October 7, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on October 2, 2007, and the facility has operated since 2006. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on October 2, 2007, and the facility has operated since 2006. The Respondent operated the facility between 2006 and May 15, 2009. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about August 28, 2009, a file review of **R.D. MOAK #1 FACILITY (AGENCY INTEREST NO. 162622)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C.**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located on Bridges Road, 3.8 miles northeast of Athens in Claiborne

Parish, Louisiana. On or about January 14, 2009, the Department received the facility's air permit application. The facility currently operates under Air Permit No. 0620-00369-00, issued on March 2, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on November 21, 2008. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on November 21, 2008. The Respondent operated the facility between 2008 and March 2, 2009, without an air permit. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This is a violation of LAC 33:III.501.C.2 and La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

On or about August 28, 2009, a file review of **ROYCE HENLEY TRUST #1 FACILITY (AGENCY INTEREST NO. 162623)**, owned and/or operated by **SKLAR EXPLORATION COMPANY L.L.C.**, was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility is located off of Louisiana Highway 9, two (2) miles northwest of Athens in Claiborne Parish, Louisiana. On or about January 14, 2009, the Department received the facility's air permit application. The facility currently operates under Air Permit No. 0620-00370-00, issued on September 25, 2009.

The following violations were noted during the course of the file review:

A. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on July 22, 2008. 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).

B. According to an email from the Respondent's representative dated April 7, 2009, first production at the facility was on July 22, 2008. The Respondent operated the facility between 2008 and September 25, 2009, without an air permit. The Respondent failed to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in air contaminants. This 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, although not included in the foregoing enforcement action, are included within the scope of the settlement herein.

On or about July 27, 2012, an inspection of B & K Exploration #1 Facility (Agency Interest No. 162621) owned and/or operated by the Respondent 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 subsequent file review conducted on October 5, 2012:

A. The inspector noted equipment on site that was not listed in the facility's air permit. The equipment not listed in the permit was a generator, Gen-1, and the JT Plant, which affected emissions from Tank 1. 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).

B. The inspector noted equipment on site that was not listed in the facility's air permit. The equipment not listed in the permit was a generator, Gen-1, and the JT Plant, which affected emissions from Tank 1. The emissions associated with the operation of the generator and JT Plant are listed below in tons per year (tpy):

Emission Point	**Emissions in Permit No. 0500-00307-01 issued on 10/7/2009**	**Emissions requested in 7/30/2012 permit application**
Gen-1	Not permitted	0.04 tpy particulate matter 10.87 tpy nitrogen dioxide 7.57 tpy carbon monoxide 0.14 tpy volatile organic compounds (VOC)
Tank 1	3.29 tpy VOC 0.01 tpy benzene 0.001 tpy toluene 0.00 tpy ethylbenzene 0.001 tpy xylene 0.004 tpy n-hexane	56.428 tpy VOC 0.1392 tpy benzene 0.0147 tpy toluene 0.0004 tpy ethylbenzene 0.0095 tpy xylene 0.0608 tpy n-hexane

According to correspondence from the Respondent's representative dated October 4, 2012, the generator and JT Plant were placed in service in October 2010. Each incident of the Respondent's failure to submit a permit application and receive approval from the permitting authority prior to construction, modification, or operation of a facility which ultimately may result in an initiation or increase in 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 FIFTEEN THOUSAND AND NO/100 DOLLARS ($15,000.00), of which Five Hundred Fifty-Five and 33/100 Dollars ($555.33) 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 Bienville, Caddo, and Claiborne Parishes, 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 from the newspaper of each affected parish 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.

SKLAR EXPLORATION COMPANY L.L.C.

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