

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* **Settlement Tracking No.**
* **SA-AE-08-0033**

SOURCE PETROLEUM, INC.

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**AI # 4006, 4795, 32101, 32119, 17773, 17775,
17776, 31747, 32607, 86857, 103258,
108518, and 119850**

* **Enforcement Tracking No.**
* **AE-CN-04-0199**
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**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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SETTLEMENT

The following Settlement is hereby agreed to between Source Petroleum, Inc. ("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 numerous oil and gas production facilities located in various parishes throughout the state of Louisiana ("the Facility(s)").

II

On June 14, 2005, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential, Enforcement No. AE-CN-04-0199, which was based upon the following findings of fact:

The Respondent owns and/or operates the Fordoche CF No. 3 Tank Battery No. 3 (Agency Interest No. 4006), an oil and gas production facility, located approximately two (2) miles northeast

of Lottie in Pointe Coupee Parish, Louisiana. The facility currently operates under Title V Permit No. 2260-00033-V1, issued on August 14, 2001.

On or about May 5, 2005, a file review of the Respondent's facility (Agency Interest No. 4006) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2260-00033-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2260-00033-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. On or about March 3, 2004, the Department received the Respondent's annual compliance certification form for the time period January 1, 2003, through December 31, 2003, reporting deviations. The Respondent maintains that the facility operated a storage tank-vent (Emission Point 12-03-ST-V), a waste gas-vent (Emission Point 13-03-WG-V), and a gas operated pump (Emission Point 14-03-GOP) without prior permit approval. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- D. The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 8, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of General Condition XV of Title V Permit No. 2260-00033-V1, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

The Respondent owns and/or operates the Fardoche Compressor Station No.1, CF No. 8, TB No. 18 (Agency Interest No. 4795), an oil and gas production facility, located approximately one (1) mile north of Lottie in Pointe Coupee Parish, Louisiana. The facility currently operates under Title V Permit No. 2260-00030-V2, issued on November 29, 2004.

On or about May 5, 2005, a file review of the Respondent's facility (Agency Interest No. 4795) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2260-00030-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2260-00030-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent stated in the 2003 annual compliance certification that various pieces of equipment were operated prior to permit approval. These modifications resulted in a minimal increase in some pollutants, while a majority of the pollutants decreased in emissions or remained the same. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- D. The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 9, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the

Respondent's Annual Emission Statement is a violation of LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

On or about December 20, 2004, and February 2, 2005, an inspection and follow up inspection of the Respondent's facility (Agency Interest No. 4795) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the inspection:

- A. The Title V permit renewal application for this facility was submitted on June 20, 2001, by Enervest Operating, L.L.C., before transferring ownership to Aroc (Texas), Inc. on or about June 1, 2002. Ownership of the facility was transferred to the Respondent from Aroc (Texas), Inc. on or about November 1, 2002. The facility previously operated under Title V Permit No. 2260-00030-V1, issued on July 28, 1999, and which expired October 23, 2001. At the time the Respondent assumed ownership, the facility was operating without a permit. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- B. The inspector noted that no records of daily visual observations of the flare flame (Emission Point 003) were present at the facility. The Respondent's failure to maintain daily visual records of the flare flame is a violation of State Only Specific Condition I (B), LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

The Respondent owns and/or operates Fausse Point Compressor Station No. 2 (Agency Interest No. 32101), a compression and dehydration facility, located approximately 6 miles southeast of Loreauville in Iberia Parish, Louisiana. The facility operated under Title V Permit No. 1260-00042-V0, issued January 3, 1997, until October 3, 2003. The facility currently operates under Title V Permit No. 1260-00042-V1, issued on October 3, 2003.

On or about May 5, 2005, a file review of the Respondent's facility (Agency Interest No. 32101) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 1260-00042-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 1260-00042-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent's semiannual monitoring form for the period July 1, 2003, through December 31, 2003, was postmarked June 12, 2004. The semiannual monitoring form was due on March 31, 2004. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 1260-00042-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- D. The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 8, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of General Condition XV of Title V Permit No. 1260-00042-V1, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

The Respondent owns and/or operates Fausse Point Tank Battery No. 2 (Agency Interest No. 32119), an oil and gas production facility located approximately five (5) miles southeast of Loreauville in Iberia Parish, Louisiana. The facility operated under Title V Permit No. 1260-00083-V1, issued on November 19, 2000, until August 5, 2003. The facility was issued Air Permit No. 1260-00083-00, on August 5, 2003, reflecting the facility's classification as a minor source. The facility currently operates under Standard Oil and Gas Air Permit No. 1260-00083-01, issued on February 19, 2004.

On or about May 5, 2005, a file review of the Respondent's facility (Agency Interest No. 32119) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 1260-00083-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 1260-00083-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. The Respondent's annual compliance certification for the 2003 calendar year was postmarked July 14, 2004. The annual compliance certification was due on March 31, 2004. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 1260-00083-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- D. The Respondent's semiannual monitoring form for the period July 1, 2003, through August 5, 2003, was postmarked July 14, 2004. The semiannual monitoring form was due on March 31, 2004. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 1260-00083-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. The Respondent stated in the 2003 annual compliance certification for this facility that a vent scrubber (Emission Point 22-03-VS), a blowcase vessel (Emission Point 23-03-BV), and pneumatic controllers (Emission Point 24-03-PC) were operated in 2003, but were not included in Title V Permit No. 1260-00083-V1. The construction, modification, or operation of a facility which may ultimately result in

an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owned and/or operated the Half Moon Lake Platform (Agency Interest No. 17773), an oil and gas production facility, located approximately thirteen (13) miles east of Hopedale in St. Bernard Parish, Louisiana. The Respondent owned and/or operated the facility from November 1, 2002, until June 1, 2004, at which time Cox Operating, L.L.C. became the owner/operator.

On or about May 5, 2005, a file review of this facility (Agency Interest No. 17773) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2500-00025-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2500-00025-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. As stated in the Respondent's 2003 annual compliance certification dated March 23, 2004, emissions from a glycol regenerator-still column (Emission Point 009B), a 1000 BBL oil storage tank-vent (Emission Point 021), a 1000 BBL gun barrel tank-vent (Emission Point 023), and a 1700 BBL water suction tank-vent (Emission Point 027) exceeded permitted limits during the 2003 calendar year. These sources are permitted to emit .509, 2.780, .340, and 1.080 tons/yr of VOCs, respectively. According to the Respondent's 2003 Annual Emission Statement, actual emissions from these sources were 14, 7, 13, and 16

tons of VOCs, respectively. Each exceedance of the permitted VOC limit for Emission Points 009B, 021, 023, and 027 is a violation of General Condition III of Title V Air Permit No. 2500-00025-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- D. According to the Respondent's 2003 annual compliance certification, the Respondent failed to report the permit exceedances (see XI.C.) in the delineated timeframe. Each failure to report is a violation of Part 70 General Condition R of Title V Air Permit No. 2500-00025-V1, General Condition XI of Title V Air Permit No. 2500-00025-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. The Respondent also stated in the 2003 annual compliance certification dated March 23, 2004, that various emission sources that operated in 2003 were not accounted for in Title V Permit No. 2500-00025-V1. These emission sources were later identified as an internal combustion engine-exhaust stack (Emission Point 28-04-ICE-ES), two gas operated pumps (Emission Points 29-04-GOP and 30-04-GOP), a 180 BBL wemco water polisher-vent (Emission Point 31-04-WWP-V), a 215 BBL skim oil tank-vent (Emission Point 32-04-SOT-V), 9000 BBL water storage barge-vent (Emission Point 33-04-WSB-V), two 550 gallon methanol storage tank-vents (Emission Points 34-04-MST-V and 35-04-MST-V), and pneumatic controllers (Emission point 36-04-PC). The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owned and/or operated the 30 Header Production Facility (Agency Interest No. 17775), an oil and gas facility, located approximately twenty-nine (29) miles southeast of St. Bernard in St. Bernard Parish, Louisiana. The Respondent owned and/or operated the facility from November 1, 2002, until June 1, 2004, at which time Cox Operating, L.L.C. became the owner/operator:

On or about May 5, 2005, a file review of this facility (Agency Interest No. 17775) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2500-00023-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2500-00023-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. As stated in the Respondent's 2003 annual compliance certification dated March 23, 2004, emissions from a glycol regenerator-still column (Emission Point 005B), a 750 BBL oil storage tank-vent (Emission Point 021), and a 750 BBL water storage tank-vent (Emission Point 023) exceeded permitted limits during the 2003 calendar year. These sources are permitted to emit 4.152, 0, and 0 tons/yr of VOCs, respectively. According to the Respondent's 2003 Annual Emissions Statement, actual emissions from these sources were 5, 13, and 23 tons/yr of VOCs. Each exceedance of the permitted VOC limit for Emission Points 005B, 021, and 023 is a violation of General Condition III of Title V Air Permit No. 2500-00023-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- D. According to the Respondent's 2003 annual compliance certification, the Respondent failed to report the permit exceedances (see XIII. C.) in the delineated timeframe. Each failure to report is a violation of Part 70 General Condition R of Title V Air Permit No. 2500-00023-V1, General Condition XI of Title V Air Permit No. 2500-00023-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. The Respondent also stated in the 2003 annual compliance certification dated March 23, 2004, that seven (7) gas operated pumps (Emission Points 24-04-GOP, 25-04-GOP, 26-04-GOP, 27-04-GOP, 28-04-GOP, 29-04-GOP, and 30-04-GOP), pneumatic controllers (Emission Point 31-04-PC), a 6000 BBL storage barge-vent (Emission Point 45-04-SB-V), a methanol storage tank-vent (Emission Point 46-04-MST-V), and a vent scrubber stack (Emission Point 47-04-VS) operated in 2003, and

were not accounted for in Title V Permit No. 2500-00023-V1. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owned and/or operated the CF-3 Production Facility (Agency Interest No. 17776), an oil and gas facility, located approximately thirty (30) miles southeast of St. Bernard in St. Bernard Parish, Louisiana. The Respondent owned and/or operated the facility from November 1, 2002, until June 1, 2004, at which time Cox Operating, L.L.C. became the owner/operator.

On or about May 5, 2005, a file review of this facility (Agency Interest No. 17776) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2500-00028-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2500-00028-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. As stated in the Respondent's 2003 annual compliance certification dated March 23, 2004, emissions from a glycol regenerator-still column (Emission Point 007), a vent scrubber (Emission Point 009), and two 400 BBL oil storage tanks (Emission Points 022 and 023) exceeded permitted limits for the 2003 calendar year. These sources are permitted to emit .509, 2.665, 6.930, and 6.930 tons/yr of VOCs, respectively. According to the Respondent's 2003 Annual Emission Statement, actual emissions from these sources were 7, 5, 12, and 12 tons of VOCs, respectively. Each exceedance of the permitted VOC limit for Emission Points 007, 009, 022, and 023 is a violation of

General Condition III of Title V Air Permit No. 2500-00028-V0, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- D. According to the Respondent's 2003 annual compliance certification, the Respondent failed to report the permit exceedances (see XV.C.) in the delineated timeframe. Each failure to report is a violation of Part 70 General Condition R of Title V Air Permit No. 2500-00028-V0, General Condition XI of Title V Air Permit No. 2500-00028-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- E. The Respondent also stated in the 2003 annual compliance certification dated March 23, 2004, that various emission sources that operated in 2003 were not accounted for in Title V Permit No. 2500-00028-V0. These emission sources were later identified as three (3) 2000 BBL water storage barge compartments-vents (Emission Points 24-04-WSBC-V, 25-04-WSBC-V), and 26-04-WSBC-V), a 330 gallon methanol storage tank-vent (Emission Point 27-04-MST-V), nine (9) gas operated pumps (Emission Points 28-04-GOP, 29-04-GOP, 30-04-GOP, 31-04-GOP, 32-04-GOP, 33-04-GOP, 34-04-GOP, 35-04-GOP, and 36-04-GOP), and pneumatic controllers (Emission Point 37-04-PC). The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owned and/or operated Perkins Lease Tank Battery (Agency Interest No. 31747), an oil and gas facility, located 10 miles east of Dequincy in Calcasieu Parish, Louisiana. The Respondent owned and/or operated this facility from November 1, 2002, until December 1, 2004, at which time McGowan Working Partners, Inc. became the owner/operator.

On or about May 10, 2005, a file review of this facility (Agency Interest No. 31747) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the file review:

The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 9, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of Requirement 2 of Air Permit No. 0520-00151-01, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

The Respondent owned and/or operated Quarantine Bay Compressor Station (Agency Interest No. 32607), an oil and gas facility, located approximately seven (7) miles east of Empire in Plaquemines Parish, Louisiana. The Respondent owned and/or operated this facility from January 1, 2003, until June 1, 2004, at which time Cox Operating, L.L.C. became the owner/operator.

On or about May 5, 2005, a file review of this facility (Agency Interest No. 32607) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the review:

The Respondent stated in the annual compliance certification form for the 2003 calendar year that the facility had pneumatic controllers and chemical operated pumps that were not identified as emission sources authorized in the current operating permit. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owned and/or operated the Eloi Bay Production Facility-CF-1 Platform (Agency Interest No. 86857), an oil and gas facility, located approximately fifteen (15) miles southeast of Yscloskey in St. Bernard Parish, Louisiana. The Respondent owned and/or operated this facility from November 1, 2002, until June 1, 2004, at which time Cox Operating, L.L.C. became the owner/operator.

On or about May 5, 2005, a file review of this facility (Agency Interest No. 86857) was performed to determine the degree of compliance with the Act and Air Quality Regulations.

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

- A. The Respondent's annual compliance certification for the 2002 calendar year was postmarked April 15, 2003. The annual compliance certification was due on March 31, 2003. The late submittal of the annual compliance certification is a violation of Part 70 General Condition M of Title V Permit No. 2500-00026-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- B. The Respondent's semiannual monitoring form for the period July 1, 2002, through December 31, 2002, was postmarked April 15, 2003. The semiannual monitoring form was due on March 31, 2003. The late submittal of the semiannual monitoring form is a violation of Part 70 General Condition K of Title V Permit No. 2500-00026-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- C. As stated in the Respondent's 2003 annual compliance certification dated March 23, 2004, emissions from two (2) generators (Emission Points 006 and 010), two (2) oil storage tanks (Emission Points 021 and 022), a water skimmer tank (Emission Point 023), a water divert tank (Emission Point 029), a glycol dehydrator still vent (Emission Point 030), and a water skimmer tank (Emission Point 034) exceeded permitted limits during the 2003 calendar year. These sources are permitted to emit 0.094, 0.094, 1.120, 1.120, .580, 1.920, 6.808, and .500 tons/yr of VOCs, respectively. According to the Respondent's 2003 Annual Emission Statement, actual emissions from these sources were 1, 1, 5, 5, 9, 11, 10, and 16 tons of VOCs, respectively. Each exceedance of the permitted VOC limit for Emission Points 006, 010, 021, 022, 023, 029, 030, and 034 is a violation of General Condition III of Title V Air Permit No. 2500-00026-V0, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act. In addition, the Respondent reported in the 2003 Annual Emission Statement, that Emission Points 006 and 010 also exceeded permit limits for Nitrogen Oxides (NO_x) and Carbon Oxides (CO). These sources are both permitted to emit 21.723 tons of NO_x, and 22.472 tons of CO. According to the Respondent's 2003 Annual Emission Statement, actual emissions from these sources were 31 tons of NO_x and 33 tons of CO for each source (Emission Points 006 and 010). Each exceedance of the permitted NO_x and CO limits for Emission Points 006 and 010 is a violation of General Condition III of Title V Air Permit No. 2500-00026-V0, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- D. According to the Respondent's 2003 annual compliance certification, the Respondent failed to report the permit exceedances (see XXI. C.) in the delineated timeframe. Each failure to report is a violation of Part 70 General Condition R of Title V Air Permit No. 2500-00026-V0, General Condition XI of Title V Air Permit No. 2500-00026-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- E. The Respondent also stated in the 2003 annual compliance certification that various emission sources operated in 2003, and were not accounted for in Title V Permit No. 2500-00026-V0. These emission sources were

later identified as a 3400 BBL oil storage tank (Emission Point 41-04-OST-CV), a 330 gallon methanol storage tank (Emission Point 45-04-MST), a 11,000 BBL saltwater barge compartment (Emission Point 43—04-SWBC-V), a 3400 BBL barge compartment (Emission Point 44-04-BC-V), a gas compressor engine (Emission Point 39-04-ICE-ES), a diesel-fired washdown pump engine (Emission Point 40-04-ICE-ES), eight (8) gas operated pumps (Emission Points 46-04-GOP, 47-04-GOP, 48-04-GOP, 49-04-GOP, 50-04-GOP, 51-04-GOP, 52-04-GOP, 53-04-GOP), a vent stack (Emission Point 77-04-VS), and marine barge loading (Emission Point 54-04-LL). The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent owns and/or operates the Fordoche Field SWD Tank Battery (Agency Interest No. 103258), an oil and gas facility located approximately 1.25 miles northeasterly of Lottie in Pointe Coupee Parish, Louisiana. The facility operated under Air Permit No. 2260-00043-01, issued March 6, 2003, until December 15, 2004. The facility currently operates under Title V Permit No. 2260-00043-VO, issued on December 15, 2004.

On or about May 10, 2005, a file review of the Respondent's facility (Agency Interest No.103258) was performed to determine the degree of compliance with the Act and the Air Quality Regulations

The following violation was noted at the time of the file review:

The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 8, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of General Condition XV. of Title V Permit No. 2260-00043-V0, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

The Respondent owns/operates the Bayou Bouillon CF-1 (Agency Interest No. 108518), an oil and gas facility located 10 miles south of Butte LaRose in St. Martin Parish, Louisiana. The

Respondent assumed ownership of the facility from Hilcorp Energy Company on April 1, 2004. The facility currently operates under Air Permit No. 260-00068-00, issued on May 19, 2003.

On or about May 11, 2005, a file review of the Respondent's facility (Agency Interest No. 108518) was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violation was noted during the course of the file review:

The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 9, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of Requirement No. 2 of Air Permit No. 2620-00068-00, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

The Respondent owns and/or operates Fausse Point Field; SL 293 #107 Wellsite (Agency Interest No. 119850), an oil and gas facility located 8 miles northeast of Loreauville in Iberia Parish, Louisiana. The facility currently operates under Air Permit No. 1260-00147-00, issued on September 1, 2004.

On or about May 11, 2005, a file review of the Respondent's facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violation was noted during the course of the file review:

The Respondent's Annual Emission Statement for the 2004 calendar year was postmarked April 8, 2005. The 2004 Annual Emission Statement was due on March 31, 2005. The late submittal of the Respondent's Annual Emission Statement is a violation of Requirement No. 2 of Air Permit No. 1260-00147-00, LAC 33:III.919.D, and Section 2057(A)(2) of the Act.

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 TEN THOUSAND AND NO/100 DOLLARS (\$10,000.00), of which Two Thousand Three Hundred Fifty and 57/100 Dollars (\$2,350.57) represents DEQ'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 DEQ 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 each of the following affected parishes: Point Coupee Parish, Iberia Parish, St. Bernard Parish, Calcasieu Parish, Plaquemines Parish and St. Martin Parish, Louisiana. The advertisements, 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 a proof-of-publication affidavit from each of the affected parishes 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 last 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.

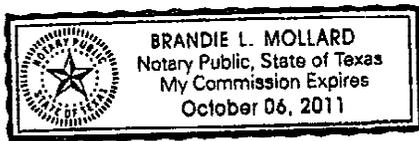
SOURCE PETROLEUM, INC.

BY: [Signature]
(Signature)

Steve Collins
(Print)

TITLE: VP Operations

THUS DONE AND SIGNED in duplicate original before me this 21 day of July, 20 09, at _____



[Signature]
NOTARY PUBLIC (ID # _____)

Brandie Mollard
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Harold Leggett, Ph.D., Secretary

BY: [Signature]
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 12th day of October, 20 09, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 1014910)

Christopher A. Ratcliff
(Print)

Approved: [Signature]
Peggy M. Hatch, Assistant Secretary