

**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

**IN THE MATTER OF:**

**ST. MARY ENERGY COMPANY  
AI # 82524**

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

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- \* Settlement Tracking No.
- \* SA-WE-05-0055
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- \* Enforcement Tracking No.
- \* WE-CN-03-0667
- \* WE-CN-03-0667A

**SETTLEMENT**

The following Settlement is hereby agreed to between St. Mary Land & Exploration Company, individually, and as successor in interest by merger to its former wholly owned subsidiary, St. Mary Energy Company (collectively referred to as "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 who operates an oil and gas production facility in LaRose, Lafourche Parish, Louisiana ("the Facility").

**II**

On June 14, 2005, the Department issued a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. WE-CN-03-0667 to Respondent. Subsequent to meeting with the Department the original Consolidated Compliance Order and Notice of Potential Penalty

WE-CN-03-0667 was amended in Amended Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. WE-CN-03-0667A and issued on July 10, 2007. The original and amended CONOPP were based upon the following findings of fact:

The Respondent owns and/or operates an oil and gas production facility known as the Larose Oil and Gas Field, which is located in LaRose, Lafourche Parish, Louisiana. The servitudes, leasehold interests and rights-of-way on which the aforementioned oil and gas production facility is located were at all times at issue owned and operated by St. Mary Land & Exploration Company, a foreign corporation conducting business in the State of Louisiana. The Respondent was granted coverage under Louisiana Pollutant Discharge Elimination System (LPDES) General Permit LAG330000 on September 22, 1998, and was specifically assigned permit number LAG330213. The permit expired on November 18, 2002, and was administratively extended. Under the terms and conditions of LPDES permit LAG330213, the Respondent is authorized to discharge certain quantities and quality of treated wastewater associated with the exploration and production of oil and natural gas from oil field operations in the LaRose Field, Lafourche Parish, Louisiana.

An inspection conducted by the Department on or about December 5, 2002, revealed five barrels of crude oil overflowed the secondary containment due to a malfunction in the emergency shutdown equipment. Each unauthorized discharge of crude oil and produced water is in violation of La. R.S. 30:2075, La. R.S. 30:2076 (A)(1)(a), La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, LAC 33:IX.501.C, LAC 33:IX.708.C.1.a, LAC 33:IX.708.C.2.a.ii, and LAC 33:IX.1901.A.

In response to a reported spill, the Department inspected the Respondent's facility on April 21, 2003. This inspection showed that approximately five barrels of crude oil and 195 barrels of produced water were released through a two-inch hole at the bottom of a 210 barrel

produced water storage tank caused by corrosion. The products were initially released to the secondary containment of the 210 barrel storage tank. Due to the inadequacy of the secondary containment, the crude oil and produced water were discharged into an access canal, thence into the Intracoastal Waterway, waters of the state. The products also spilled onto cutgrass, a small spoil bank area and water hyacinths. Also, the deck drainage collection sump had a control valve in the open position that allowed the discharge of produced water. Each unauthorized discharge of crude oil and produced water is in violation of La. R.S. 30:2075, La. R.S. 30:2076 (A)(1)(a), La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, LAC 33:IX.501.C, LAC 33:IX.708.C.1.a, LAC 33:IX.708.C.2.a.ii, and LAC 33:IX.1901.A.

The same inspection on April 21, 2003, revealed the Respondent failed to implement an adequate Spill Prevention and Control (SPC) plan. Specifically, sludge blocked the deck drain lines, which caused crude oil and produced water to overflow the secondary containment into an access canal, thence into the Intracoastal Waterway. The failure to implement an adequate SPC plan is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.1.b.i, LAC 33:IX.708.C.1.b.iv, and LAC 33:IX.905.A.

An inspection conducted by the Department on or about November 12, 2004, revealed the Respondent allowed an unauthorized discharge of produced water to occur. Specifically, the produced water injection pump leaked produced water and stormwater deck drainage through drain holes in the platform and onto the ground, thence to freshwater marsh, thence to Intracoastal Waterway, waters of the state. In addition, there was pooled produced water, bare mud from damaged vegetation and common rust stains under the platform. Each unauthorized discharge of crude oil and produced water is in violation of La. R.S. 30:2075, La. R.S. 30:2076 (A)(1)(a), La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, LAC 33:IX.501.C, LAC 33:IX.708.C.1.a, LAC

33:IX.708.C.2.a.ii, and LAC 33:IX.1901.A. The inspection conducted on November 12, 2004, revealed there was no oil on the water surface or near the facility. The 210 barrel storage tank was replaced with a new tank and adequate secondary containment.

The inspection of November 12, 2004, revealed the produced water platform had inadequate containment. Specifically, produced water leaking from the produced water injection pump, drained through holes in the produced water platform, and allowed produced water to flow onto the ground and Intracoastal Waterway, waters of the state. The failure to implement an adequate SPC plan is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.1.b.i, LAC 33:IX.708.C.1.b.iv, and LAC 33:IX.905.A.

### III

In response to the Consolidated Compliance Order and Notice of Potential Penalty, Respondent made a timely request for a hearing.

### IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

### V

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 FIVE THOUSAND ONE HUNDRED AND NO/100 DOLLARS (\$5,100.00), of which One Thousand Five Hundred Ninety-nine and 85/100 Dollars (\$1,599.85) 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).

## VI

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order & 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.

## VII

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.

## VIII

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.

## IX

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

a proof-of-publication affidavit 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.

X

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 Darryl Serio, Office of Management and Finance, 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).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

ST. MARY ENERGY COMPANY and  
St. Mary Land and Exploration Company  
BY: [Signature]  
(Signature)

GARY P. KRAUS  
(Print)

TITLE: ATTORNEY-IN-FACT

THUS DONE AND SIGNED in duplicate original before me this 31<sup>st</sup> day of  
December, 20 07, at Lafayette, Louisiana

Jane L. Raggio  
Notary Public  
Parish of Lafayette, State of Louisiana  
My Commission Is For Life  
Notary I. D. No. 14226

[Signature]  
NOTARY PUBLIC (ID # 14226)

JANE L. RAGGIO  
(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 17<sup>th</sup> day of  
March, 20 08, at Baton Rouge, Louisiana.

[Signature]  
NOTARY PUBLIC (ID # 410539)  
[Signature]  
(Print)

Approved: [Signature]  
Harold Leggett, Ph.D., Assistant Secretary