

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* Settlement Tracking No.
* SA-AWE-07-0046

SWIFT ENERGY COMPANY

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AI # 18619, 32304, 32306, 32654, 39715,
32890, 32893, 32645, 39768, 32326,
134005, 19638, 154281, 33374

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* Enforcement Tracking No.
* AE-CN-05-0054

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 Swift Energy Company ("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 oil and gas facilities located in numerous parishes throughout the State of Louisiana ["the Facility(s)"].

II

On April 18, 2005, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-05-0054, which was based upon the following findings of fact:

The Respondent owns and/or operates the Cote Blanche Island Tank Battery No. 1

(Agency Interest No. 18619), an oil and gas production facility located approximately five miles southeast of Cypremort in St. Mary Parish, Louisiana

In February 25, 2005, a file review of the Respondent's facility (Agency Interest No. 18619) 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:

Ownership of the facility was transferred to the Respondent from Enervest Operating, L.L.C. on December 29, 2004. The facility previously operated under Title V Permit No. 2660-00126-V1 which was issued on October 15, 1999, and which expired on September 23, 2001. A revised permit application for the facility was submitted to the Department on December 21, 2004. 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 Sections 2057(A)(1) and 2057(A)(2) of the Act. Standard Oil and Gas Permit No. 2660-00126-03 was issued on January 11, 2005.

The Respondent owns and/or operates the Bay DeChene Compressor Station (Agency Interest No. 32304), an oil and gas production facility located approximately fifteen miles northeast of Leeville in Lafourche Parish, Louisiana.

On February 25, 2005, a file review of the Respondent's facility (Agency Interest No. 32304) 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:

Ownership of the facility was transferred to the Respondent from Enervest Operating, L.L.C. on December 29, 2004. The facility previously operated under Title V Permit No. 1560-00068-V0 which was issued on April 18, 1996, and which expired on April 18, 2001. A revised permit application for the facility was submitted to the Department on December 21, 2004. The Respondent operated the facility without a permit. This 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 Bay DeChene CF No. 2 Tank Battery No. 5 (Agency Interest No. 32306), an oil and gas production facility located approximately fifteen miles east of Golden Meadow in Lafourche Parish, Louisiana.

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

Ownership of the facility was transferred to the Respondent from Enervest Operating, L.L.C. on December 29, 2004. The facility previously operated under Title V Permit No. 1560-00073-V1 which was issued on January 24, 1997, and expired on January 24, 2002. A revised permit application for the facility was submitted to the Department on December 21, 2004. The Respondent operated the facility without a permit. This 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 Caseload Production Facility (Agency Interest No. 32654), an oil and gas production facility located at 138 Exxon Road, 9 miles south of Port Sulphur in Plaquemines Parish, Louisiana. The facility operates under Title V Air Permit No. 2240-00195-V2 issued on October 13, 2003.

On February 28, 2005, a file review of the Respondent's facility (Agency Interest No. 32654) 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 review:

- A. According to information submitted in the Respondent's Title V Annual Compliance Certification Report for the period encompassing January 1, 2003, through December 31, 2003, dated March 30, 2004, and information submitted in permit deviation reports dated January 30, 2004, and February 27, 2004, the Respondent reported that a required condenser was unconnected from the Glycol Dehydrator Still Column (Emission Point V-1) during maintenance and reconstruction upgrade work. The contractor performing the work failed to reconnect the condenser upon completion of the work. Upon discovery of this noncompliance issue, the condenser was subsequently placed back in service on January 30, 2004. By failing to properly operate the facility's control equipment, the Respondent is in violation of LAC 33:III.905 and Sections 2057(A)(1) and 2057(A)(2) of the Act. As a result of the failure

to reconnect the condenser, the Glycol Dehydrator Still Column operated uncontrolled for 1980 hours, from November 7, 2003, through January 30, 2004, resulting in an exceedance of the permitted limits for Emission Point V-1. The uncontrolled operation of the Dehydration Unit resulted in unpermitted emissions of 2.813 tons of total VOC, 1.262 tons of xylene, 0.173 tons of ethylbenzene, 0.796 tons of toluene, 0.173 tons of benzene, and 0.036 tons of n-hexane above permitted limits. By exceeding the permitted emissions limit at Emission Point V-1, the Respondent is in violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- B. The Respondent failed to record final exhaust temperature and time observed twice a week on different days during daylight hours on the Glycol Dehydrator Still Column (Emission Point V-1) during the period from November 7, 2003, through January 30, 2004. The condenser was not operating on Emission Point V-1 from November 7, 2003, through January 30, 2004. The Respondent's failure to perform this monitoring as required by LAC 33:III.2116.F, potentially contributed to the continued uncontrolled operation of Emission Point V-1 from November 7, 2003, through January 30, 2004. The failure to perform the required monitoring is a violation of LAC 33:III.2116.F, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

The Respondent owns and/or operates the State Lease 212 CF3 Facility (Agency Interest No. 39715), an oil and gas production facility located 18 miles east-southeast of Port Sulphur in Plaquemines Parish, Louisiana. The facility operates under Standard Oil and Gas Air Permit No. 2240-00292-01 issued on June 18, 2003.

On February 28, 2005, a file review of the Respondent's facility (Agency Interest No. 39715) 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 review:

- A. According to information submitted in permit deviation reports dated January 30, 2004, and February 27, 2004, the Respondent reported that a required condenser was unconnected from the Dehydration Unit (Emission Point Dehy-1 Vent) during maintenance and reconstruction upgrade work. The contractor performing the work failed to reconnect the condenser upon completion of the work. The Dehydration Unit operated without the condenser from October 16,

2003, through January 30, 2004. Upon discovery of this noncompliance issue, the condenser was subsequently placed back in service on January 31, 2004. By failing to properly operate the facility's control equipment, the Respondent is in violation of LAC 33:III.905 and Sections 2057(A)(1) and 2057(A)(2) of the Act. As a result of the failure to reconnect the condenser, the Dehydration Unit operated uncontrolled for 2531 hours, from October 16, 2003, through January 30, 2004. The uncontrolled operation of the Dehydration Unit resulted in emissions of 6.357 tons of total VOC, 1.825 tons of xylene, 0.255 tons of ethylbenzene, 1.232 tons of toluene, 0.528 tons of benzene, and 0.049 tons of n-hexane above permitted limits. By exceeding the permitted emissions limit at Emission Point Dehy-1 Vent, the Respondent is in violation of LAC 33:III.501.C.4 and Sections 0257(A)(1) and 2057 (A)(2) of the Act.

- B. The Respondent failed to record final exhaust temperature and time observed twice a week on different days during daylight hours on the emission Point Dehy-1 Vent during the period from October 16, 2003, through January 30, 2004. The condenser was not operating on Emission Point Dehy-1 Vent from October 16, 2003, through January 30, 2004. The Respondent's failure to perform this monitoring as required by LAC 33:III.2116.F, potentially contributed to the continued uncontrolled operation of Emission Point Dehy-1 Vent from October 16, 2003, and through January 30, 2004. The failure to perform the required monitoring is a violation of LAC 33:III.2116.F, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

The following violations, although not cited in any enforcement action issued to the Respondent, are included herein and made a part of this settlement agreement.

Lutcher Moore # 3 Facility (AI # 154281) – South Bear Head Creek (Beauregard Parish) – Swift purchased from KCS effective December 1, 2005. According to Swift, this well was being drilled at the time of purchase. Swift finished drilling and completing the well and then installed facilities. Production started on January 12, 2007. A SOGA Permit Application was submitted on October 25, 2007. Air Permit No. 0320-00086-00 was issued on February 28, 2008. This is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and La R.S. 30:2057(A)(2).

Langton 20 # 1 Facility (AI # 33374) – Burr Ferry (Vernon Parish). This facility was originally permitted under Permit # 2960-00068-00 AI #33374. However, TEMPO records showed the permit was rescinded on March 5, 2004. Therefore, a new permit application was submitted on July 11, 2007. The facility was issued Air Permit No. 2960-00068-00 on September 5, 2007. This is a violation of LAC 33:III.501.C.2, La R.S. 30:2057(A)(1) and La R.S. 30:2057(A)(2).

III

In a letter dated May 31, 2007, the Respondent proposed to settle all outstanding compliance issues contained in Enforcement Action No. AE-CN-05-0054, as well as issues reported to the Department in the Respondent's Annual Compliance Certification Report and in permit deviation reports which are not the subject matter of an enforcement action issued by the Department.

Attached as Exhibit A is a spreadsheet of violations compiled by the Respondent and submitted to the Department. These violations are being resolved by this settlement under the terms cited in Paragraph V.

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 EIGHTY-FIVE THOUSAND THREE HUNDRED AND NO/100 DOLLARS (\$85,300.00) of which Two Thousand Thirty-Seven and 01/100 Dollars (\$2,037.01) 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 and Notice of Potential Penalty, the self-reported air and water violations, 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 each affected parish governing authority, including the parishes of St. Mary, Lafourche,

Plaquemines, Beauregard, and Vernon, 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 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 notices.

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 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 B).

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.

SWIFT ENERGY COMPANY

BY: [Signature]
(Signature) BB
RJR
ROBERT V. BANKS
(Print)

TITLE: SVP & COO

THUS DONE AND SIGNED in duplicate original before me this 9th day of February, 20 09, at Houston, Texas.



[Signature]
NOTARY PUBLIC (ID #)
Christy Leah Lockstedt
(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 11th day of June, 20 09, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 18675)
Christopher A. Ratcliff
(Print)

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