

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

* Settlement Tracking No.
* SA-AE-06-0051

UNOCAL CORPORATION

* Enforcement Tracking No.
* AE-CN-06-0060

AI # 26010

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 UNOCAL 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 who owns and/or operates a pipeline scrubber facility located approximately 10 miles northwest of Pecan Island in Vermilion Parish, Louisiana ("the Facility").

II

On August 7, 2006, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-06-0060, to Respondent, which was based upon the following findings of fact:

The Respondent owns and/or operates a pipeline scrubber facility known as the Vermilion 76 Shore Scrubber Facility located approximately 10 miles northwest of Pecan Island in

Vermilion Parish, Louisiana. The facility originally operated under Title V Air Permit No. 2940-00184-V0 dated February 25, 1998. The facility submitted a permit modification with proposed actions including reclassifying the facility as a minor source. Title V Air Permit No. 2490-00184-V0 was to remain in effect until the Respondent installed an electric driven vapor recovery unit and a 90 horsepower (hp) gas compressor (CE-01). The facility currently operates under Air Permit No. 2940-00184-01 issued to UNOCAL Corporation on June 14, 1999. A variance to Air Permit No. 2940-00184-01 was granted on March 30, 2006. The temporary variance allowed the Respondent to operate at a maximum of 5500 barrels of oil per day and to flare 18,750 cubic feet per hour of gas not recovered by the existing compressor until the Respondent is able to upgrade the existing Vapor Recovery Unit (VRU) compressor and install a temporary flare. An amended temporary variance was granted on May 8, 2006. The new temporary variance increases the amount of throughput to an additional 540,000 barrels for 90 days totaling 787,500 barrels for 190 days. The facility will increase the amount of natural gas flared to a total of 67,500 MSCF an additional 90 days, totaling 112,500 MSCF for 190 days. For seven days, the facility will vent gas during the replacement of the VRU resulting in an additional 177.5 MSCFD of natural gas vented.

On or about March 23, 2006, a meeting was held between the Respondent and members of the Department. The meeting was held in reference to permit exceedances and a variance request. At the time of the meeting, the Respondent provided a letter dated March 23, 2006, which described the issues in more detail. On or about April 4, 2006, a file review of the issues reported by the Respondent 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 the March 23, 2006 letter, the Respondent burned in the Emergency Flare (Emission Point FL-01) approximately 65.8 million standard cubic feet per year (MMscf/year) of sweet natural gas in 2005. The gas was from the onsite separators. The Respondent also operated the Emergency Flare at a rate of 20,500 scf/hour from January 31, 2006, until March 21, 2006. As listed on the Emission Points page of Air Permit No. 2940-00184-01, the Respondent is permitted to burn the gas from the onsite separators in the Emergency Flare (Emission Point FL-01) at a maximum rate of 2,400 scf/hr which is equivalent to approximately 21 MMscf/year. Each exceedance of the maximum operating rate listed on the Emission Point page of Air Permit No. 2940-00184-01 for the Emergency Flare (Emission Point FL-01) is a violation of General Condition III of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. The Respondent reported unpermitted emissions of carbon monoxide (CO) and an exceedance of the volatile organic compounds (VOC) limits from the Emergency Flare (Emission Point FL-01). The Respondent reported emissions of 13 tons per year of CO and 2 tons of VOC in 2005. The unpermitted emissions of CO is a violation of LAC 33:III.501.C.2 and the exceedance of the VOC permit limit is a violation of LAC 33:III.501.C.4. This also constitutes violations of Sections 2057(A)(1) and 2057(A)(2) of the Act.
- C. The Respondent reported in the letter dated March 23, 2006, that the Vapor Recovery Unit (VRU) is not adequate to recover all natural gas vapors from three (3) 3,000 barrel oil storage tanks. The existing VRU is designed to recover 36,000 standard cubic feet per day (36 MSCFD). According to the Respondent, the estimated amount of vent gas was 77.5 MSCFD for the calendar year 2005. Therefore, approximately 41.5 MSCFD of natural gas was vented to the atmosphere. Vapors from these tanks were vented to the atmosphere, instead of being captured by the VRU. The Respondent's proposed control measures and/or equipment were not installed and/or did not perform according to design efficiency. This is a violation of General Condition I of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- D. The Respondent reported in the March 23, 2006 letter that approximately 41.5 MSCFD of natural gas was vented to the atmosphere from three (3) 3,000 barrel oil storage tanks. The Respondent reported emissions of 151 tons per year of VOC in 2005 from each condensate tank and 77 tons of VOC from January 1, 2006 through March 21, 2006, from each condensate tank. The Respondent's application indicated that the VOC emissions from the tanks should not exceed 5.0 tons per year. The uncontrolled emissions from the tanks are unpermitted. The unpermitted emissions are violations of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- E. In the letter dated March 23, 2006, the Respondent reported throughputs above the level used to establish the emissions limitations for the Air Permit No. 2940-00184-01 as described in the permit and in the application for which the permit was based. Emissions for the permit were based on an average rate of 1,800 barrels of condensate per day or approximately 657,000 barrels of condensate per year. Specifically, the Respondent reported an average annual throughput of 2,074 barrels of condensate per day, for the year 2005, or 756,888 barrels of condensate per year. By exceeding the average rate of 1,800 barrels of condensate per day, the Respondent failed to properly operate and maintain control measures and/or equipment as specified in the application and supplemental information. Each failure to properly operate and/or maintain all proposed control measures and/or equipment as specified in the application and supplemental information is a violation of Louisiana Air Emission Permit General Condition I of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- F. The Respondent installed and/or operated a compressor engine that has a maximum operating rate of 156 horsepower (hp). According to the emission point list of Air Permit No. 2940-00184-01 and the permit application for which the permit was based, the Respondent was to install a compressor engine (Emission Point Number CE-01) with a maximum operating rate of 90 hp. The Respondent's failure to install, properly operate and/or maintain all proposed control measures and/or equipment as specified in the application and supplemental information is a violation of Louisiana Air Emission Permit General Condition I of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- G. The Respondent reported in the March 23, 2006 letter that by operating the 156 hp compressor, nitrogen oxides (NO_x) emissions exceeded the permitted emissions for the Compressor Engine (Emission Point CE-01) in 2005. The Respondent reported 16 tons per year of NO_x. As listed on the Annual Emission Rates page of Air Permit No. 2940-00184-01, Emission Point CE-01 is permitted for 9.55 tons per year of NO_x. Each exceedance of the NO_x tons per year permit limit for Emission Point CE-01 is a violation of Air Permit No. 2940-00184-01 General Condition III of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- H. The Respondent reported in the Emissions Inventory for 2005 under cover letter dated March 28, 2006, total VOC emissions of 299 tons per year in 2005. The Respondent was operating as a major source as defined in LAC 33:III.502.A under a minor source permit. The Respondent's failure to obtain approval from the permitting authority prior to the construction and/or operation of a major source, as defined in LAC 33:III.502.A, is a violation of LAC 33:III.507.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

On or about May 3, 2006, the Department received notification of an unauthorized discharge from the Respondent. According to the Respondent's letter dated May 2, 2006, Legacy Unocal Corporation deviated from the temporary variance issued on March 30, 2006.

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

In the letter dated May 2, 2006, the Respondent reported throughputs above the level used to establish the limitations for the temporary variance. Oil produced for the variance was based on a maximum rate of 5,500 barrels of oil per day. Specifically, the Respondent reported the volume of oil produced over the limits of the variance for 11 days during the period of March 23, 2006 through April 30, 2006. By exceeding the maximum rate of 5,500 barrels of oil per day, the Respondent failed to properly operate and maintain control measures and/or equipment as specified in the application and supplemental information. Each failure to properly operate and/or maintain all proposed control measures and/or equipment as specified in the variance as issued under LAC 33:III.917 is a violation of General Condition I of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

Exceedance Date	Throughput (BOPD)
March 25, 2006	10923
March 26, 2006	10850
March 27, 2006	7663
April 9, 2006	5885
April 10, 2006	6580
April 12, 2006	6210
April 18, 2006	5942
April 24, 2006	5553
April 26, 2006	7031
April 27, 2006	9105
April 28, 2006	6817

On or about May 16, 2006, the Department received notification of an unauthorized discharge from the Respondent. According to the Respondent's letter dated May 15, 2006, Legacy Unocal Corporation deviated from the temporary variance issued on March 30, 2006.

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

In the letter dated May 15, 2006, the Respondent reported throughputs above the level used to establish the limitations for the temporary variance. Oil produced for the variance was based on a maximum rate of 5,500 barrels of oil per day. Specifically, the Respondent reported a throughput exceedance of 7080 BOPD on May 2, 2006. By exceeding the maximum rate of 5,500 barrels of oil per day for the period of March 23 thru May 8, 2006, the Respondent failed to properly operate and maintain control measures and/or equipment as specified in the variance. Each failure to properly operate and/or maintain all proposed control measures and/or equipment as specified in the variance as issued under LAC 33:III.917 is a violation of General Condition I of Air Permit No. 2940-00184-01, LAC 33:III.501.C.4, 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 NINETY-EIGHT THOUSAND AND NO/100 DOLLARS (\$98,000.00) of which Four Hundred Nine and 39/100 Dollars (\$409.39) 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 Vermilion 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.

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 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).

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/her respective party, and to legally bind such party to its terms and conditions.

UNOCAL CORPORATION

BY: [Signature]
(Signature)

HONGYAN XIAO
(Print)

TITLE: ASSISTANT SECRETARY

attached

THUS DONE AND SIGNED in duplicate original before me this _____ day of _____, 20____, at _____.

NOTARY PUBLIC (ID # _____)

(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Mike D. McDaniel, Ph.D., Secretary

BY: [Signature]
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 9th day of ~~June~~ July ~~2008~~, 20 07, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 24983)

Carolyn O. Bryant
(Print)

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