

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

EXCO RESOURCES, INC.

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

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**Enforcement Tracking Nos.
AE-PP-02-0183 (A.I. No. 32476)
AE-L-03-0448 (A.I. No. 18617)
AE-L-03-0317 (A.I. No. 90075)**

SETTLEMENT

The following Settlement is hereby agreed to between EXCO Resources, 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 operating Black Lake Gas Field Satellite No. 2., an oil and gas production facility, located in Black Lake Field approximately five miles southwest of Goldonna, Natchitoches Parish, Louisiana (“the Facility”).

II

On May 30, 2003, the Department issued a Notice of Potential Penalty, Enforcement Number AE-PP-02-0183, to Respondent, which contained the following finding of fact:

According to information submitted in the Respondent’s 2001 annual compliance certification dated March 22, 2002, two oil storage tanks (Emission Point Nos. 7a-02-OST-CV and 7b-02-OST-CV) were installed and operated at the Respondent’s facility prior to obtaining a permit. Subsequent to the violation, the Respondent submitted an application for Part 70 permit renewal and modification dated April 15, 2002, incorporating the unpermitted oil storage tanks to the emission point source list. Air Permit No. 1980-00006-V1, which reflects the current operations and emissions from each source at the facility, was issued on October 17, 2002. The

construction, modification, or operation of a facility which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from 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.

III

Respondent did not make a request for a hearing on Notice of Potential Penalty, Enforcement Number AE-PP-02-0183.

IV

Respondent also operates the Holly Beach Field Production Facility in Cameron Parish, Louisiana. On August 14, 2003, a representative of the Department performed a compliance inspection at this facility, and noted the following. EXCO purchased the Holly Beach Field production facility and commenced operations in October 2000, but did not apply for an air permit until May 21, 2001. DEQ granted the permit on March 28, 2002. The operation of a facility which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from 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.

V

Respondent also operates the South Pecan Lake Production Facility in Cameron Parish, Louisiana. On September 29 and 30, 2003, a representative of the Department performed a compliance inspection at this facility, and noted the following. A well blowout occurred in the South Pecan Lake Field on October 1, 2002. Since it was not safe to immediately shut in the well, various state and federal agencies, along with EXCO, devised a plan to temporarily divert the gas flow to the production facility for processing and sale, rather than allow it to be released into the environment. This caused EXCO to exceed for 29 days (October 13 – November 24, 2002) the

maximum gas flow rate allowed for the glycol dehydrator by air permit number 0560-00022-VO, in violation of LAC 33:III.501.C and Sections 2057(A)(1) and 2057(A)(2) of the Act.

VI

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties. 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 ONE THOUSAND FIVE HUNDRED (\$1,500.00) DOLLARS of which Two Hundred Twenty-Five (\$225.00) Dollars 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).

VII

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.

VIII

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.

IX

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.

X

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

XI

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. Penalties are to be made payable to the Department of Environmental Quality and mailed 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.

XII

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

XIII

STATE OF LOUISIANA
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

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

THUS DONE AND SIGNED in duplicate original before me this 11th day of October, 2004, at Baton Rouge, Louisiana.

Christopher A. Ratcliff
NOTARY PUBLIC (ID # 18675)

Christopher A. Ratcliff
(Printed or Typed)

Approved: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

September 28, 2004

Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: AG Review of DEQ Settlement;
Exco Resources, Inc.
AE-PP-02-0183, et al

Dear Secretary McDaniel:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc