

ONIS "TREY" GLENN, III
DIRECTOR



Alabama Department of Environmental Management
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BOB RILEY
GOVERNOR

September 4, 2008

CERTIFIED MAIL NO. 7007 0710 0001 6204 2247
RETURN RECEIPT REQUESTED

Mr. Kim Turner
HES Air Quality Specialist
Four Star Oil & Gas Company
100 Northpark Blvd
Covington, LA 70433



Re: Four Star Oil & Gas Company
Facility No.: 503-4004
Consent Order No.: 08-200-CAP

Dear Mr. Turner:

Please find enclosed ADEM Consent Order No. 08-200-CAP which requires Four Star Oil and Gas Company to take certain actions in regard to alleged violations of the Alabama Air Pollution Control Act. This Order has been issued with the consent of Four Star Oil and Gas Company and the Department. Please note that the assessed civil penalty is due within 45 days of the effective date of the Order.

If you have any questions concerning this matter, please contact Harlotte Bolden-Wright at (334) 274-4159 in Montgomery.

Sincerely,

Ronald W. Gore, Chief
Air Division



RWG/HMB

Enclosure

cc: Olivia Rowell, Office of General Counsel

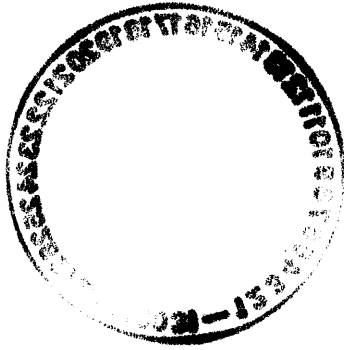
Birmingham Branch
110 Vulcan Road
Birmingham, AL 35209-4702
(205) 942-6168
(205) 941-1603 (Fax)

Decatur Branch
2715 Sandlin Road, S.W.
Decatur, AL 35603-1333
(256) 353-1713
(256) 340-9359 (Fax)



Mobile Branch
2204 Perimeter Road
Mobile, AL 36615-1131
(251) 450-3400
(251) 479-2593 (Fax)

Mobile - Coastal
4171 Commanders Drive
Mobile, AL 36615-1421
(251) 432-6533
(251) 432-6598 (Fax)



01/14	01/15

**ALABAMA DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT**

IN THE MATTER OF:)

Four Star Oil & Gas Company)

Subsidiary of Chevron-Texaco)

Creola, Mobile County, Alabama)

Air Facility ID No. 503-4004)

CONSENT ORDER NO. 08-200-CAP

PREAMBLE

This Special Order by Consent is made and entered into by the Alabama Department of Environmental Management (hereinafter, "the Department") and Four Star Oil & Gas Company, a subsidiary of Chevron-Texaco, (hereinafter, the "Permittee") pursuant to the provisions of the Alabama Environmental Management Act, Ala. Code §§22-22A-1 to 22-22A-16 (2006 Rplc. Vol.), the Alabama Air Pollution Control Act, Ala. Code §§22-28-1 to 22-28-23 (2006 Rplc. Vol.) and the regulations promulgated pursuant thereto.

STIPULATIONS

1. The Permittee operates the Hatter's Pond gas production, treating, and processing facility (Air Facility ID No. 503-4004) in Creola, Mobile County, Alabama (hereinafter, "the Facility").

2. The Department is a duly constituted department of the State of Alabama pursuant to Ala. Code §§22-22A-1 to 22-22A-16 (2006 Rplc. Vol.).

3. Pursuant to Ala. Code §22-22A-4(n) (2006 Rplc. Vol.), the Department is the state air pollution control agency for the purposes of the federal Clean Air Act, 42 U.S.C. 7401 to

7671q, as amended. In addition, the Department is authorized to administer and enforce the provisions of the Alabama Air Pollution Control Act, Ala. Code §§22-28-1 to 22-28-23 (2006 Rplc. Vol.).

4. The Permittee currently operates the Facility under the authority of Major Source Operating Permit No. 503-4004 (hereinafter, "the Permit").

5. Proviso 1 of the Emission Standards section of the Facility Engines subpart of the Permit requires the Permittee to adhere to emissions limits specified for each of the engines. The VOC emission limit for the North IR-1,626 BHP Combo Compressor Engine (hereinafter, "Unit 1626IR-A") and for the South IR-1,626 BHP Combo Compressor Engine (hereinafter, "Unit 1626IR-B") is 2.9 pound per hour (lb/hr) for each engine. The Permittee requested this VOC emission limit to preclude it having to meet the requirements of the Prevention of Significant Deterioration (hereinafter, "PSD") program. The VOC emissions limit for the West Injection-2,600 BHP Injection Compressor Engine (hereinafter, "Unit 2600IR-B") is 6.8 pounds per hour (lb/hr). This VOC emission limit is a Best Available Control Technology (BACT) limit resulting from review under PSD.

6. Proviso 2 of the Compliance and Performance Test Methods and Procedures section of the Permit requires the Permittee to demonstrate compliance with the Emission Standards section of the Facility Engines subpart by performing engine compliance tests for nitrogen oxides (NO_x), carbon monoxide (CO), and volatile organic compounds (VOC), as required.

7. On November 13, 2007, the Permittee performed compliance testing on Unit 1626IR-A.

8. On November 14, 2007, the Permittee performed compliance testing on Unit 1626IR-B and on Unit 2600IR-B.

9. On December 11, 2007, the Department received an email notification from the Permittee stating that during compliance testing, VOC emission limits were exceeded for Unit 1626IR-A, Unit 1626IR-B, and Unit 2600IR-B. The notification did not explain why the VOC emission limits were exceeded for these units.

10. On December 12, 2007, the Department received the results of the November 2007 compliance test on Unit 1626IR-A, Unit 1626IR-B, and Unit 2600IR-B from the Permittee. Again, the Permittee offered no explanation as to why the VOC emission limits were exceeded for these units.

11. The compliance test results for Unit 1626IR-A indicated that the VOC emissions from the unit were 7.9 lb/hr, which exceeded its 2.9 lb/hr limit. The compliance test results for Unit 1626IR-B indicated that the VOC emissions from the unit were 4.6 lb/hr, which exceeded its 2.9 lb/hr limit. The compliance test results for Unit 2600IR-B indicated that the VOC emissions from the unit were 6.98 lb/hr, which exceeded its 6.8 lb/hr PSD limit.

12. On January 17, 2008, the Department issued a Notice of Violation (hereinafter, "NOV") to the Permittee for failure to meet VOC emissions standards for Unit 1626IR-A, Unit 1626IR-B, and Unit 2600IR-B.

13. The Permittee responded to the January 17, 2008 NOV in a letter dated February 18, 2008. The response indicated that the presence of higher VOC emissions was the result of lower combustion efficiency that could have potentially resulted from ignition or power cylinder balance issues. According to the Permittee, it is more difficult for the air fuel control system to maintain sufficient combustion efficiency when engines are lightly loaded. The response also indicated that, during the compliance testing, there were no indications of issues with the combustion efficiency or the ignition or power cylinder balance.

14. On February 27, 2008, the Permittee re-tested Unit 1626IR-A, Unit 1626IR-B, and Unit 2600IR-B. As a requirement of the NOV, the East Injection-2,600 HBP Injection Compressor Engine (hereinafter, "Unit 2600IR-A") was also tested during this time.

15. On March 20, 2008, the Department received the results of the February 27, 2008 compliance tests. The results demonstrated that the NO_x, CO, and VOC emissions from Unit 1626IR-A, Unit 1626IR-B, Unit 2600IR-A and Unit 2600IR-B were less than the respective limits during the testing periods.

16. On March 28, 2008, the Department contacted the Permittee by email regarding the work performed on the units prior to the February 27, 2008 compliance tests. The Department requested a written response detailing the physical and operational changes made to the units between the November 2007 compliance test and the February 2008 compliance tests.

17. On April 10, 2008, the Department received a written response from the Permittee addressing the March 28, 2008 request. The response indicated that an extensive amount of work was performed on Unit 1626IR-A, Unit 1626IR-B, and Unit 2600IR-B between the two test dates in order for these units to successfully pass the compliance tests on February 27, 2008.

18. The Permittee consents to abide by the terms of the following Order and to pay the civil penalty assessed herein.

19. The Department has agreed to the terms of this Order in an effort to resolve the alleged violations cited herein without the unwarranted expenditure of State resources in further prosecuting the above alleged violations. The Department has determined that the terms contemplated in this Order are in the best interests of the citizens of Alabama.

CONTENTIONS

20. Pursuant to Ala. Code §22-22A-5(18)c (2006 Rplc. Vol.), in determining the amount of any penalty, the Department must give consideration to the seriousness of the violation, including any irreparable harm to the environment and any threat to the health or safety of the

public; the standard of care manifested by such person; the economic benefit which delayed compliance may confer upon such person; the nature, extent and degree of success of such person's efforts to minimize or mitigate the effects of such violation upon the environment; such person's history of previous violations; and the ability of such person to pay such penalty. Any civil penalty assessed pursuant to this authority shall not be less than \$100.00 or exceed \$25,000.00 for each violation, provided however, that the total penalty assessed in an order issued by the Department shall not exceed \$250,000.00. Each day such violation continues shall constitute a separate violation. In arriving at this civil penalty, the Department has considered the following.

A. SERIOUSNESS OF THE VIOLATIONS: Excess VOC emissions were discharged from the engines during this period. However, the Department is not aware of irreparable harm to the environment due to these violations.

B. THE STANDARD OF CARE: The Permittee did not exhibit a standard of care commensurate with applicable regulatory requirements. The Permittee has received similar violations involving two of the three engines mentioned in this Consent Order.

C. ECONOMIC BENEFIT WHICH DELAYED COMPLIANCE MAY HAVE CONFERRED: The Department is not aware of any evidence that these violations resulted in significant economic benefit to the Permittee.

D. EFFORTS TO MINIMIZE OR MITIGATE THE EFFECTS OF THE VIOLATION UPON THE ENVIRONMENT: The Permittee took corrective action towards meeting the VOC emissions limits by performing maintenance on the units.

E. HISTORY OF PREVIOUS VIOLATIONS: Since 2004, the Permittee has previously received two NOV's from the Department for similar instances. A NOV was issued in 2004 for the exceedence of the VOC emission limit by Unit 2600IR-B. Another NOV was issued in 2005 for the exceedence of the VOC emission limit by Unit 1626IR-B. Other non-related violations include a NOV issued in 1996 and a Warning Letter issued in 2007.

F. THE ABILITY TO PAY: The Permittee has not alleged an inability to pay the civil penalty.

G. OTHER FACTORS: It should be noted that this Special Order by Consent is a negotiated settlement and, therefore, the Department has compromised the amount of the penalty it believes is warranted in this matter in the spirit of cooperation and the desire to resolve this matter amicably, without incurring the unwarranted expense of litigation.

ORDER

THEREFORE, the Permittee, along with the Department, desires to resolve and settle the compliance issues cited above. The Department has carefully considered the facts available to it and has considered the six penalty factors enumerated in Ala. Code §22-22A-5(18)c (2006 Rplc. Vol.), as well as the need for timely and effective enforcement, and the Department believes that the following conditions are appropriate to address the violations alleged herein. Therefore, the Department and the Permittee agree to enter into this ORDER with the following terms and conditions:

A. The Permittee agrees to pay to the Department a civil penalty in the amount of \$30,000.00 in settlement of the violations alleged herein within forty-five days from the effective date of this Consent Order. Failure to pay the civil penalty within forty-five days from the effective date may result in the Department's filing a civil action in the Circuit Court of Montgomery County to recover the civil penalty.

B. The Permittee agrees that all penalties due pursuant to this Consent Order shall be made payable to the Alabama Department of Environmental Management by certified or cashier's check and shall be remitted to:

Office of General Counsel
Alabama Department of Environmental Management
P.O. Box 301463
Montgomery, Alabama 36130-1463

C. The Permittee agrees to comply with all requirements of ADEM Administrative Code div. 335-3 and the Permit immediately upon the effective date of this Order and continuing each and every day thereafter.

D. The parties agree that this Consent Order shall apply to and be binding upon both parties, their directors, officers, and all persons or entities acting under or for them. Each signatory to this Consent Order certifies that he or she is fully authorized by the party he or she represents to enter into the terms and conditions of this Consent Order, to execute the Consent Order on behalf of the party represented, and to legally bind such party.

E. The parties agree that, subject to the terms of these presents and subject to provisions otherwise provided by statute, this Consent Order is intended to operate as a full resolution of the violations which are cited in this Consent Order.

F. The Permittee agrees that it is not relieved from any liability if it fails to comply with any provision of this Consent Order.

G. For purposes of this Consent Order only, the Permittee agrees that the Department may properly bring an action to compel compliance with the terms and conditions contained herein in the Circuit Court of Montgomery County. The Permittee also agrees that in any action brought by the Department to compel compliance with the terms of this Agreement, the Permittee shall be limited to the defenses of *Force Majeure*, compliance with this Agreement and physical impossibility. A *Force Majeure* is defined as any event arising from causes that are not foreseeable and are beyond the reasonable control of the Permittee, including its contractors and consultants, which could not be overcome by due diligence (i.e., causes which could have been overcome or avoided by the exercise of due diligence will not be considered to have been beyond the reasonable control of the Permittee) and which delays or prevents performance by a date required by the Consent Order. Events such as unanticipated or increased costs of performance, changed economic

circumstances, normal precipitation events, or failure to obtain federal, state, or local permits shall not constitute *Force Majeure*. Any request for a modification of a deadline must be accompanied by the reasons (including documentation) for each extension and the proposed extension time. This information shall be submitted to the Department a minimum of ten working days prior to the original anticipated completion date. If the Department, after review of the extension request, finds the work was delayed because of conditions beyond the control and without the fault of the Permittee, the Department may extend the time as justified by the circumstances. The Department may also grant any other additional time extension as justified by the circumstances, but it is not obligated to do so.

I. The Department and the Permittee agree that the sole purpose of this Consent Order is to resolve and dispose of all allegations and contentions stated herein concerning the factual circumstances referenced herein. Should additional facts and circumstances be discovered in the future concerning the facility which would constitute possible violations not addressed in this Consent Order, then such future violations may be addressed in Orders as may be issued by the Director, litigation initiated by the Department, or such other enforcement action as may be appropriate, and the Permittee shall not object to such future orders, litigation or enforcement action based on the issuance of this Consent Order if future orders, litigation or other enforcement action address new matters not raised in this Consent Order.

J. The Department and the Permittee agree that this Consent Order shall be considered final and effective immediately upon signature of all parties. This Consent Order shall not be appealable, and the Permittee does hereby waive any hearing on the terms and conditions of same.

K. The Department and the Permittee agree that this Order shall not affect the Permittee's obligation to comply with any Federal, State, or local laws or regulations.

L. The Department and the Permittee agree that final approval and entry into this Order are subject to the requirements that the Department give notice of proposed Orders to the public, and that the public have at least thirty days within which to comment on the Order.

M. The Department and the Permittee agree that, should any provision of this Order be declared by a court of competent jurisdiction or the Environmental Management Commission to be inconsistent with Federal or State law and therefore unenforceable, the remaining provisions hereof shall remain in full force and effect.

N. The Department and the Permittee agree that any modifications of this Order must be agreed to in writing signed by both parties.

O. The Department and the Permittee agree that, except as otherwise set forth herein, this Order is not and shall not be interpreted to be a permit or modification of an existing permit under Federal, State or local law, and shall not be construed to waive or relieve the Permittee of its obligations to comply in the future with any permit.

Executed in duplicate, with each part being an original.

FOUR STAR OIL & GAS COMPANY
Subsidiary of Chevron-Texaco

ALABAMA DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT

Gary J. Chiasson
(Signature of Authorized Representative)

Onis "Trey" Glenn, III
Onis "Trey" Glenn, III
Director

GARY J. CHIASSON
(Printed Name)

9-4-08
(Date)

Operations Manager
(Printed Title)

6/9/08
(Date)

