



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4
ATLANTA FEDERAL CENTER
61 FORSYTH STREET
ATLANTA, GEORGIA 30303-8960

DEC 06 2016

UNITED PARCEL SERVICE

Mr. Jonathan Bull, Esq.
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201

Re: Escambia Operating Co. LLC
Consent Agreement and Final Order
CAA-04-2016-8011(b)

Dear Mr. Bull:

Enclosed please find an executed copy of the Consent Agreement and Final Order (CAFO) that resolves the Clean Air Act (CAA) matter (Docket No. CAA-04-2016-8011(b)) involving Escambia Operating Co. LLC. The CAFO was filed with the Regional Hearing Clerk, as required by 40 CFR Part 22, and became effective on the date of the filing.

Also enclosed, please find a copy of the "Notice of Securities and Exchange Commission Registrants' Duty to Disclose Environmental Legal Proceedings." This document puts Escambia Operating Co. LLC, on notice of its potential duty to disclose to the Securities and Exchange Commission (SEC) any environmental enforcement actions taken by the U. S. Environmental Protection Agency Region 4.

Should you have any questions concerning the SEC's environmental disclosure requirements or your compliance status in the future, please contact Mr. Victor Weeks of the EPA Region 4 staff at (404) 562-9189.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony G. Toney".

Anthony G. Toney
Chief

Chemical Safety and Enforcement Branch

Enclosures

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
BEFORE THE ADMINISTRATOR**

USEPA REGION 4
OFFICE OF REGIONAL
COUNSEL

2016 DEC -6 PM 4: 21

HEARING CLERK

IN THE MATTER OF:)
)
 Escambia Operating Co. LLC)
)
 Respondent.)
 _____)

Docket No.
CAA-04-2016-8011(b)

CONSENT AGREEMENT

A. PRELIMINARY STATEMENT

1. This is an administrative penalty assessment proceeding brought under Section 113(d) of the Clean Air Act (the "Act"), 42 U.S.C. § 7413(d), and Sections 22.13 and 22.18 of the Consolidated Rules of Practice Governing Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits ("Consolidated Rules"), as codified at 40 C.F.R. Part 22.
2. Complainant is the United States Environmental Protection Agency, Region 4 (the "EPA"). The Director of the Air, Pesticides and Toxics Management Division, EPA Region 4, is delegated the authority to settle civil administrative penalty proceedings under Section 113(d) of the Act.
3. Respondent, Escambia Operating Co. LLC, is a limited liability company doing business in the State of Alabama. Respondent is a "person" as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e).
4. Complainant and Respondent, having agreed that settlement of this action is in the public interest, consent to the entry of this consent agreement ("Consent Agreement" or "Agreement") and the attached final order ("Final Order" or "Order") without adjudication of any issue of law or fact herein, and Respondent agrees to comply with the terms of this Consent Agreement and Final Order.

B. JURISDICTION

5. This Consent Agreement is entered into under Section 113(d) of the Act, as amended, 42 U.S.C. § 7413(d), and the Consolidated Rules, 40 C.F.R. Part 22. The alleged violations in this Consent Agreement are pursuant to Section 113(a)(3)(A), 42 U.S.C. § 7413(a)(3)(A).
6. The EPA and the United States Department of Justice jointly determined that this matter, although it involves alleged violations that occurred more than one year before initiation of this proceeding, is appropriate for an administrative penalty assessment. 42 U.S.C. § 7413(d); 40 C.F.R. § 19.4.

7. On January 20, 2015, the EPA issued to Respondent a notice of potential violation (“NOPV”), providing notice that the EPA found that Respondent potentially committed the alleged violations described in Section E of this Agreement and providing Respondent an opportunity to confer with the EPA. On July 30, 2015, representatives of Respondent and the EPA discussed the January 20, 2015, NOPV.

8. The Regional Judicial Officer is authorized to ratify this Consent Agreement which memorializes settlement between Complainant and Respondent. 40 C.F.R. § 22.4(b) and 22.18(b).

9. The issuance of this Consent Agreement and attached Final Order simultaneously commences and concludes this proceeding. 40 C.F.R. § 22.13(b).

C. GOVERNING LAW

10. Respondent operates a “stationary source” as that term is defined by Section 302(z) of the Act, 42 U.S.C. § 7602(z). The Respondent’s stationary source is located at 3888 Sardis Church Road, Atmore, Alabama 36502 (stationary source).

11. Section 112(r) of the Act, 42 U.S.C. § 7412(r), addresses the prevention of releases of substances listed pursuant to Section 112(r)(3) of the Act, 42 U.S.C. § 7412(r)(3). The purpose of this section is to prevent the accidental release of extremely hazardous substances and to minimize the consequences of such releases. Pursuant to Section 112(r)(7) of the Act, 42 U.S.C. § 7412(r)(7), the EPA is authorized to promulgate regulations for accidental release prevention.

12. Pursuant to Section 112(r)(3) and 112(r)(7) of the Act, 42 U.S.C. §§ 7412(r)(3) and 7412(r)(7), the EPA promulgated rules codified at 40 C.F.R. Part 68, Chemical Accident Prevention Provisions. These regulations are collectively referred to as the “Risk Management Program” (RMProgram) and apply to an owner or operator of a stationary source that has a threshold quantity of a regulated substance in a process. Pursuant to Sections 112(r)(3) and 112(r)(5) of the Act, 42 U.S.C. §§ 7412(r)(3) and 7412(r)(5), the list of regulated substances and threshold levels are codified at 40 C.F.R. § 68.130.

13. Pursuant to Section 112(r)(7)(B)(iii) of the Act, 42 U.S.C. § 7412(r)(7)(B)(iii), and 40 C.F.R. §§ 68.10 and 68.150, the owner or operator of a stationary source that has a regulated substance in an amount equal to or in excess of the applicable RMProgram threshold in a “process” as defined in 40 C.F.R. § 68.3, must develop an RMProgram accidental release prevention program, and submit and register a single Risk Management Plan (RMPlan) to the EPA.

D. FACTUAL ALLEGATIONS

14. Respondent has submitted and registered an RMPlan to the EPA for its stationary source, and has developed an RMProgram accidental release prevention program for the stationary source.

15. For the purpose of this Agreement:

(a) At its stationary source, the Respondent operates an integrated natural gas processing facility consisting of inlet cooling, inlet condensate stabilization, gas treating, sulfur recovery, and gas plant liquids recovery.

(b) At its stationary source, the Respondent produces approximately 5 million cubic feet per day of methane. Other products produced at the stationary source include approximately 600 barrels per day of propane, 500 barrels per day of butane, and 2,000 barrels per day of natural gas liquid condensate. The Respondent also produces 270 tons per day of elemental sulfur from the hydrogen sulfide gas entering the plant with the raw natural gas. Hydrogen sulfide makes up approximately 22 percent of the raw natural gas entering the facility.

(c) At its stationary source, the Respondent has one RMProgram level 3 covered process, natural gas liquid extraction, which stores or otherwise uses flammable regulated substances (pentane, propane, methane, ethane, and butane) in amounts exceeding their applicable threshold of 10,000 pounds and also uses the regulated substance hydrogen sulfide in an amount above its applicable threshold of 10,000 pounds.

(d) During calendar year 2014, EPA opened an RMProgram compliance monitoring investigation to determine Respondent's compliance with 40 C.F.R. Part 68 at its stationary source. As part of this investigation, a duly authorized EPA representative, Eastern Research Group, Inc., conducted an onsite inspection of RMProgram related records on April 24, 2014 (the 2014 inspection). The focus of the onsite inspection was to assess the Respondent's compliance with RMProgram requirements for its covered processes operating at its stationary source.

(e) During the 2014 inspection, Respondent was asked to produce documentation supporting the assumptions and parameters of its offsite consequence analysis (OCA) worst-case scenario and its OCA alternative release scenario, and to produce records regarding the data used to estimate potentially affected population and environmental receptors as reported in its RMPlan submission. At no time did the Respondent produce OCA assumption and parameters documentation, or receptor estimate records.

(f) The Respondent's 2010 compliance audit identified equipment that was not compliant with good engineering practices. During the 2014 inspection, Respondent was asked to produce records/documentation to show it had corrected the equipment deficiencies identified in its 2010 compliance audit. At no time did the Respondent produce records/documentation to show it had corrected the equipment deficiencies identified in its 2010 compliance audit. At the time of the inspection, the Respondent's process equipment was not compliant with good engineering practices.

(g) A finding in Respondent's 2013 process hazard analysis (PHA) was documented as closed, but at the time of the 2014 inspection, the associated corrective action was not complete. The finding required verification that pressure safety valve (PSV) 288 on the re-concentrator is sized appropriately. A 2013 PHA referenced relief valve and flare header study conducted in 2012 showed that the outlet piping for PSV 288 exceeded the allowable back pressure. The study also showed that PSV 288 was oversized for the design scenarios and the recommended corrective action was to replace PSV 288 with an appropriately sized PSV, and to modify the inlet and outlet piping to match the new flange dimensions. During the 2014 inspection, Respondent was asked to provide records to show that the corrective actions identified during its

2013 PHA associated with PSV 288 were resolved. At no time did the Respondent provide records showing that it had replaced PSV 288 with a resized PSV, and modified the associated piping as recommended by its 2013 PHA referenced 2012 relief valve and flare header study.

(h) During the 2014 inspection, Respondent was asked to produce all PHA related documentation throughout the Respondent's operational history dating back to 2007. At no time did the Respondent provide PHA related documentation dated from 2007 through August 2011.

(i) During the 2014 inspection, based on a field review of service name plates, EPA's inspectors discovered that the Respondent failed to inspect and test, or replace, more than sixty pressure relief valves within their respective required five year inspection and testing, or replacement periods.

(j) The Respondent conducted compliance audits in 2010 and 2013. During the 2014 inspection, EPA inspectors discovered that the Respondent's 2013 audit identified a number of repeat equipment mechanical deficiencies that were previously identified during the 2010 audit, and not corrected prior to the 2013 audit. Also, at the time of the 2014 inspection, the Respondent had not documented an appropriate response to each of the 2013 compliance audit findings, or documented that all of the 2013 compliance audit deficiencies were corrected.

(k) Based on a review of the Respondent's "Emergency Action Plan", at the time of inspection, the Respondent's emergency action plan did not contain procedures for the use of the emergency response equipment, including procedures for its inspection, testing, and maintenance.

(l) The Respondent's chemical inventory list at the time of inspection indicated that the Respondent operates with more than 70,000 pounds of hydrogen sulfide within its covered process. However, at the time of inspection, the Respondent's RMPlan did not include a listing for hydrogen sulfide.

E. ALLEGED VIOLATIONS OF LAW

16. Based on EPA's compliance monitoring investigation, the EPA alleges that the Respondent violated the codified rules governing the Act's Chemical Accident Prevention Provisions, because Respondent did not adequately implement provisions of 40 C.F.R. Part 68 when it:

Failed to maintain a description of the vessel, substance selected, assumptions and parameters used, the rationale for selection and anticipated effect of the administrative controls and passive mitigation on the release quantity and rate for the worst-case scenario as required by 40 C.F.R. § 68.39(a).

Failed to maintain a description of the alternative release scenarios identified, assumptions and parameters used, and the rationale for selection of specific scenarios, and to document the effect of the administrative and mitigation on the release quantity and rate for the alternative release scenarios as required by 40 C.F.R. § 68.39(b);

Failed to maintain records regarding data used to estimate population and environmental receptors potentially affected as required by 40 C.F.R. § 68.39(e);

Failed to document that equipment complies with recognized and generally accepted good engineering practices as required by 40 C.F.R. § 68.65(d)(2);

Failed to establish a system to promptly address process hazard analysis team findings and recommendations; assure that the recommendations are resolved in a timely manner and documented; document what actions are to be taken; complete actions as soon as possible; develop a written schedule of when these actions are to be completed; and communicate the actions to operating, maintenance, and other employees whose work assignments are in the process and who may be affected by the recommendations as required by 40 C.F.R. § 68.67(e);

Failed to retain process hazard analyses and updates or revalidations for the life of the process as required by 40 C.F.R. § 68.67(g);

Failed to ensure the frequency of inspections and tests of process equipment are consistent with applicable manufacturers' recommendations, good engineering practices, and prior operating experience as required by 40 C.F.R. § 68.73(d)(3);

Failed to promptly determine and document an appropriate response to each of the findings of compliance audits, and document that audit related deficiencies have been corrected as required by 40 C.F.R. § 68.79(d);

Failed to ensure that the emergency response plan contained procedures for the use of emergency response equipment and for its inspection, testing and maintenance as required by 40 C.F.R. § 68.95(a)(2); and

Failed to review and update the RMP at the time a new regulated substance is first present in an already regulated process above threshold quantities as required by 40 C.F.R. § 68.190(b)(3).

F. TERMS OF CONSENT AGREEMENT

17. For the purpose of this proceeding, as required by 40 C.F.R. § 22.18(b)(2), Respondent:

- (a) admits that the EPA has jurisdiction over the subject matter alleged in this Agreement;
- (b) neither admits nor denies the factual allegations stated above;
- (c) consents to the assessment of a civil penalty as stated below;
- (d) consents to the issuance of any specified compliance or corrective action order;
- (e) consents to the conditions specified in this Agreement;
- (f) consents to any Permit Action;
- (g) waives any rights to contest the alleged violations of law set forth in Section E of this Consent Agreement;
- (h) waives its rights to appeal the Order accompanying this Agreement, and
- (i) certifies that as of its execution of this Agreement, it is in compliance with all relevant requirements of 40 C.F.R. Part 68.

18. For the purpose of this Agreement, Respondent:

- (a) agrees that this Agreement states a claim upon which relief may be granted against Respondent;
- (b) acknowledges that this Agreement constitutes an enforcement action for purposes of considering Respondent's compliance history in any subsequent enforcement actions;
- (c) waives any and all remedies, claims for relief and otherwise available rights to judicial or administrative review that Respondent may have with respect to any issue of fact or law set forth in this Order, including any right of judicial review under Section 307(b)(1) of the Act, 42 U.S.C. § 7607(b)(1);
- (d) consents to personal jurisdiction in any action to enforce this Agreement or Order, or both, in the United States District Court for the Southern District of Alabama; and
- (e) waives any rights it may possess at law or in equity to challenge the authority of the EPA to bring a civil action in a United States District Court to compel compliance with the Agreement or Order, or both, and to seek an additional penalty for such noncompliance, and agrees that federal law shall govern in any such civil action.

19. Penalty Payment. Respondent agrees to:

- (a) pay the civil penalty of **EIGHTY-EIGHT THOUSAND NINE HUNDRED DOLLARS (\$88,900)** ("EPA Penalty") within 30 calendar days of the Effective Date of this Agreement;
- (b) pay the EPA Penalty by forwarding a cashier's or certified check payable to the "Treasurer, United States of America," or by electronic transfer to one of the following addresses:

For payment sent via electronic transfer

Federal Reserve Bank of New York

ABA = 021030004

Account = 68010727

SWIFT address = FRNYUS33

33 Liberty Street

New York, New York 10045

Beneficiary: "U.S. Environmental Protection Agency";

For payment sent via standard delivery

U.S. Environmental Protection Agency

Cincinnati Finance Center Box 979077

St. Louis, MO 63197-9000; or

For payment sent for signed receipt confirmation (FedEx, DSL, UPS, USPS Certified)

U.S. Environmental Protection Agency
Cincinnati Finance Center Box 979077
1005 Convention Plaza
SL-MO-C2GL
St. Louis, MO 63101
Delivery Location Phone Number: 314-425-1819.

The check shall reference on its face the name and the Docket Number of the CAFO. Within 24 hours of payment of the EPA Penalty, send a separate copy of the check or confirmation of electronic transfer, and a written statement that payment has been made in accordance with this Agreement, to the following persons at the following addresses:

Regional Hearing Clerk
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

Deanne Grant
Chemical Management and Emergency
Planning Section
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

Saundi Wilson
Office of Regional Counsel
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

20. If Respondent fails to timely pay any portion of the penalty assessed under this Agreement, the EPA may:

- (a) request the Attorney General to bring a civil action in an appropriate district court to recover: the amount assessed; interest at rates established pursuant to 26 U.S.C. § 6621(a)(2); the United States' enforcement expenses; and a 10 percent quarterly nonpayment penalty, 42 U.S.C. § 7413(d)(5);
- (b) refer the debt to a credit reporting agency or a collection agency, 42 U.S.C. § 7413(d)(5), 40 C.F.R. §§ 13.13, 13.14, and 13.33;

- (c) collect the debt by administrative offset (i.e., the withholding of money payable by the United States to, or held by the United States for, a person to satisfy the debt the person owes the Government), which includes, but is not limited to, referral to the Internal Revenue Service for offset against income tax refunds, 40 C.F.R. Part 13, Subparts C and H; and
- (d) suspend or revoke Respondent's licenses or other privileges, or suspend or disqualify Respondent from doing business with the EPA or engaging in programs the EPA sponsors or funds, 40 C.F.R. § 13.17.

21. By signing this Agreement, Respondent acknowledges that this Agreement and Order will be available to the public and agrees that this Agreement does not contain any confidential business information or personally identifiable information.

22. By signing this Agreement, the undersigned representative of Complainant and the undersigned representative of Respondent each certify that he or she is fully authorized to execute and enter into the terms and conditions of this Agreement and has the legal capacity to bind the party he or she represents to this Agreement.

23. By signing this Agreement, both parties agree that each party's obligations under this Consent Agreement and attached Final Order constitute sufficient consideration for the other party's obligations.

24. By signing this Agreement, Respondent certifies that the information it has supplied concerning this matter was at the time of submission true, accurate, and complete for each such submission, response, and statement. Respondent acknowledges that there are significant penalties for submitting false or misleading information, including the possibility of fines and imprisonment for knowing submission of such information, under 18 U.S.C. § 1001.

25. Except as qualified by Paragraph 20, each party shall bear its own attorney's fees, costs, and disbursements incurred in this proceeding.

G. EFFECT OF CONSENT AGREEMENT AND ATTACHED FINAL ORDER

26. In accordance with 40 C.F.R. § 22.18(c), completion of the terms of this Consent Agreement and Final Order resolves only Respondent's liability for federal civil penalties for the violations and facts specifically alleged above.

27. Penalties paid pursuant to this Agreement shall not be deductible for purposes of federal taxes.

28. This Agreement constitutes the entire agreement and understanding of the parties and supersedes any prior agreements or understandings, whether written or oral, among the parties with respect to the subject matter hereof.

29. The terms, conditions, and compliance requirements of this Agreement may not be modified or amended except upon written agreement of both parties, and approval of the Regional Judicial Officer.

30. Any violation of this Order may result in a civil judicial action for an injunction or civil penalties of up to \$93,750 per day per violation, or both, as provided in Section 113(b)(2) of the Act, 42 U.S.C. § 7413(b)(2), as well as criminal sanctions as provided in Section 113(c) of the Act, 42 U.S.C. § 7413(c). The EPA may use any information submitted under this Order in an administrative, civil judicial, or criminal action.

31. Nothing in this Agreement shall relieve Respondent of the duty to comply with all applicable provisions of the Act and other federal, state, or local laws or statutes, nor shall it restrict the EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or determination of, any issue related to any federal, state, or local permit.

32. Nothing herein shall be construed to limit the power of the EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment to the public health, welfare, or the environment.

33. The EPA reserves the right to revoke this Agreement and settlement penalty if and to the extent that the EPA finds, after signing this Agreement, that any information provided by Respondent was materially false or inaccurate at the time such information was provided to the EPA, and the EPA reserves the right to assess and collect any and all civil penalties for any violation described herein. The EPA shall give Respondent notice of its intent to revoke, which shall not be effective until received by Respondent in writing.

H. EFFECTIVE DATE

34. Respondent and Complainant agree to issuance of the attached Final Order. Upon filing, the EPA will transmit a copy of the filed Consent Agreement to the Respondent. This Consent Agreement and attached Final Order shall become effective after execution of the Final Order by the Regional Judicial Officer, on the date of filing with the Regional Hearing Clerk. The foregoing Consent Agreement in the Matter of Escambia Operating Co. LLC, Docket No. CAA-04-2016-8011(b), is Hereby Stipulated, Agreed, and Approved for Entry.

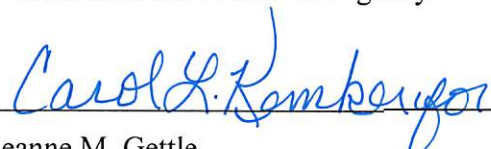
FOR RESPONDENT:

Escambia Operating Co. LLC

By:  Date: 11/2/16
Name: BRITT PENCE (Typed or Printed)
Title: R VP OPERATIONS (Typed or Printed)

FOR COMPLAINANT:

U.S. Environmental Protection Agency

By:  Date: 11/22/16
Jeaneanne M. Gettle
Acting Director
Air, Pesticides and Toxics Management Division

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
BEFORE THE ADMINISTRATOR**

IN THE MATTER OF:)
)
 Escambia Operating Co. LLC)
)
 Respondent.)
 _____)

Docket No.
CAA-04-2016-8011(b)

Pursuant to 40 C.F.R. § 22.18(b) of the EPA's Consolidated Rules of Practice and section 113(d) of the Clean Air Act, 42 U.S.C. § 7413(d), the attached Consent Agreement resolving this matter is incorporated by reference into this Final Order and is hereby ratified.

The Respondent is ORDERED to comply with all terms of the Consent Agreement, effective immediately.

SO ORDERED this 6th day of December, 2016.



Tanya Floyd
Regional Judicial Officer

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing Consent Agreement and Final Order, in the matter of Escambia Operating Co. LLC, CAA-04-2016-8011(b), on the parties listed below in the manner indicated:

Robert W. Bookman
U. S. EPA, Region 4
Air, Pesticides and Toxics
Management Division
61 Forsyth Street
Atlanta, GA 30303

(Via EPA's internal mail)

Lucia Mendez
U. S. EPA, Region 4
Office of Regional Counsel
61 Forsyth Street
Atlanta, GA 30303

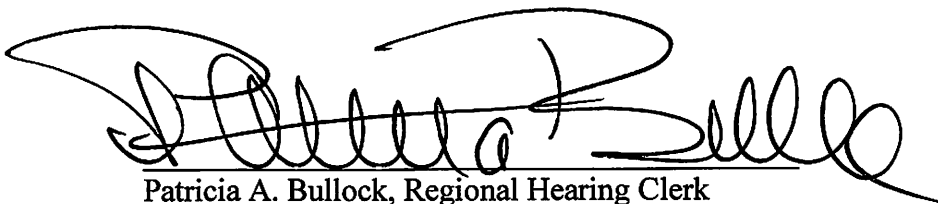
(Via EPA's internal mail)

Jonathan Bull, Esq.
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201

(Via Certified Mail -
Return Receipt Requested)

Date:

12-6-16



Patricia A. Bullock, Regional Hearing Clerk
United States Environmental
Protection Agency, Region 4
Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, GA 30303
(404) 562-9511