EXECUTIVE SUMMARY - ENFORCEMENT MATTER

DOCKET NO.: 2006-1816-AIR-E **TCEQ ID:** RN100215607 **CASE NO.:** 31459

RESPONDENT NAME: Stonewater Pipeline Company, L.P.

ORDER TYPE:

X 1660 AGREED ORDER	__FINDINGS AGREED ORDER	__AMENDED ORDER	__IMMINENT AND SUBSTANTIAL ENDANGERMENT ORDER
__SHUTDOWN ORDER	__FINDINGS DEFAULT ORDER	__EMERGENCY ORDER	

CASE TYPE:

__AGRICULTURE	X AIR	__INDUSTRIAL AND HAZARDOUS WASTE	__MUNICIPAL SOLID WASTE
__OCCUPATIONAL CERTIFICATION	__PETROLEUM STORAGE TANKS	__PUBLIC WATER SUPPLY	__RADIOACTIVE WASTE
__MULTI-MEDIA (check all that apply)	__SEWAGE SLUDGE	__UNDERGROUND INJECTION CONTROL	__USED OIL
__USED OIL FILTER	__WATER QUALITY		

SITE WHERE VIOLATION(S) OCCURRED: Sonora Compressor Station, located 2.7 miles east of the junction of Sutton County Road 106 and Sutton County Road 108, near Sonora, Sutton County

TYPE OF OPERATION: Natural gas compressor station

SMALL BUSINESS: ___ Yes __X__ No

OTHER SIGNIFICANT MATTERS: There are no complaints. There is no record of additional pending enforcement actions regarding this facility location.

INTERESTED PARTIES: No one other than the ED and the Respondent has expressed an interest in this matter.

COMMENTS RECEIVED: The *Texas Register* comment period expired on March 19, 2007. No comments were received.

CONTACTS AND MAILING LIST:

TCEQ Attorney/SEP Coordinator: Ms. Melissa Keller, Enforcement Division, MC 219, (512) 239-1768

TCEQ Enforcement Coordinator: Ms. Lindsey Jones, Enforcement Division, Enforcement Section III, MC 149, (512) 239-4930; Mr. Steven Lopez, Enforcement Division, MC 219, (512) 239-1896

TCEQ Field Investigator: Mr. Luke Jones, San Angelo Regional Office, R-08, (325) 655-9479

Respondent: Mr. Tommy Arnwine, Senior Environmental and Safety Specialist, Stonewater Pipeline Company, L.P., P.O. Box 525, Sonora, Texas 76950
Mr. Barry Limbocker, Permian Basin Operations Manager, Stonewater Pipeline Company, L.P., P.O. Box 525, Sonora, Texas 76950

Respondent's Attorney: Not represented by counsel on this enforcement matter

Attachment: Site Compliance History

VIOLATION SUMMARY CHART:

VIOLATION INFORMATION	PENALTY CONSIDERATIONS	CORRECTIVE ACTIONS TAKEN/REQUIRED
Type of Investigation: __ Complaint _X_ Routine __ Enforcement Follow-up __ Records Review **Date of Complaint Relating to this Case:** None **Date of Investigation Relating to this Case:** October 2, 2006 **Date of NOE Relating to this Case:** October 3, 2006 (NOE) **Background Facts:** This was a routine investigation. One violation was documented. **AIR** Failed to timely certify compliance with the terms and conditions of the Title V permit for at least each 12-month period. Specifically, Stonewater Pipeline did not timely certify compliance with the permit compliance certification ("PCC") for the July 26, 2005 through January 25, 2006 period. The PCC was due February 25, 2006, but was not submitted until October 6, 2006 [30 TEX. ADMIN. CODE § 122.146(1), General Operating Permit Nos. O-250 and 514, and TEX. HEALTH & SAFETY CODE § 382.085(b)].	**Total Assessed:** $2,875 **Total Deferred:** $575 _X_ Expedited Settlement __ Financial Inability to Pay **SEP Conditional Offset:** $1,150 **Total Paid (Due) to General Revenue:** $1,150 **Site Compliance History Classification:** __ High _X_ Avg. __ Poor **Person Compliance History Classification:** __ High _X_ Avg. __ Poor **Major Source:** _X_ Yes __ No **Applicable Penalty Policy:** September 2002	**Corrective Actions Taken:** 1) The Executive Director recognizes that Stonewater Pipeline submitted a permit compliance certification for the July 26, 2005 to July 25, 2006 period on October 6, 2006. **Ordering Provisions:** 2) The Order will require the Respondent to implement and complete a Supplemental Environmental Project (SEP). (See SEP Attachment A).

Attachment A
Docket Number: 2006-1816-AIR-E

SUPPLEMENTAL ENVIRONMENTAL PROJECT

Respondent:	**Stonewater Pipeline Company, L.P.**
Payable Penalty Amount:	**Two Thousand Three Hundred Dollars ($2,300)**
SEP Amount:	**One Thousand One Hundred Fifty Dollars ($1,150)**
Type of SEP:	**Pre-approved**
Third-Party Recipient:	**Texas Association of Resource Conservation and Development Areas, Inc. ("RC&D")- Plugging Abandoned Water Wells**
Location of SEP:	**Sutton County**

The Texas Commission on Environmental Quality ("TCEQ") agrees to offset a portion of the administrative Penalty Amount assessed in this Agreed Order for the Respondent to contribute to a Supplemental Environmental Project ("SEP"). The offset is equal to the SEP Amount set forth above and is conditioned upon completion of the project in accordance with the terms of this Attachment A.

1. Project Description

A. Project

The Respondent shall contribute to the Third-Party Recipient pursuant to the agreement between the Third-Party Recipient and the TCEQ. Specifically, the contribution will be used to plug abandoned water wells where there is no responsible party that can be identified to plug the well.

All dollars contributed will be used solely for the direct cost of the project and no portion will be spent on administrative costs. The SEP will be done in accordance with all federal, state and local environmental laws and regulations.

The Respondent certifies that there is no prior commitment to do this project and that it is being performed solely in an effort to settle this enforcement action.

B. Environmental Benefit

This SEP will provide a discernible environmental benefit by reducing the threat to state ground water supplies. Abandoned wells are a direct channel for contaminants to reach groundwater. This project will also reduce the safety threat abandoned wells pose to humans, livestock, and wildlife.

C. Minimum Expenditure

Respondent shall contribute at least the SEPAmount to the Third-Party Recipient and comply with all other provisions of this SEP.

2. Performance Schedule

Within 30 days after the effective date of this Agreed Order, the Respondent must contribute the SEP Amount to the Third-Party Recipient. The Respondent shall mail the contribution, with a copy of the Agreed Order, to:

Texas Association of Resource Conservation and Development Areas, Inc.
1716 Briarcrest Drive
Bryan, Texas 77802-2700

3. Records and Reporting

Concurrent with the payment of the SEP Amount, the Respondent shall provide the TCEQ SEP Coordinator with a copy of the check and transmittal letter indicating full payment of the SEP Amount to the Third-Party Recipient. The Respondent shall mail a copy of the check and transmittal letter to:

Enforcement Division
Attention: SEP Coordinator, MC 219
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

4. Failure to Fully Perform

If the Respondent does not perform its obligations under this SEP in any way, including full payment of the SEP Amount and submittal of the required reporting described in Section 3 above, the Executive Director may require immediate payment of all or part of the SEP Amount.

The check for any amount due shall be made out to "Texas Commission on Environmental Quality" and mailed to:

Texas Commission on Environmental Quality
Financial Administration Division, Revenues
Attention: Cashier, MC 214
P.O. Box 13088
Austin, Texas 78711-3088

The Respondent shall also mail a copy of the check to the TCEQ SEP Coordinator at the address in Section 3 above.

5. Publicity

Any public statements concerning this SEP made by or on behalf of the Respondent must include a clear statement that the project was performed as part of the settlement of an enforcement action brought by the TCEQ. Such statements include advertising, public relations, and press releases.

6. Clean Texas Program

The Respondent shall not include this SEP in any application made to TCEQ under the "Clean Texas" (or any successor) program(s). Similarly, the Respondent may not seek recognition for this contribution in any other state or federal regulatory program.

7. Other SEPs by TCEQ or Other Agencies

The SEP identified in this Agreed Order has not been, and shall not be, included as an SEP for the Respondent under any other Agreed Order negotiated with the TCEQ or any other agency of the state or federal government.

Penalty Calculation Worksheet (PCW)

TCEQ

Policy Revision 2 (September 2002) *PCW Revision April 25, 2006*

DATES					
Assigned	09-Oct-2006				
PCW	10-Oct-2006	Screening	09-Oct-2006	EPA Due	30-Jun-2007

RESPONDENT/FACILITY INFORMATION

Respondent	Stonewater Pipeline Company, L.P.		
Reg. Ent. Ref. No.	RN100215607		
Facility/Site Region	8-San Angelo	Major/Minor Source	Major Source

CASE INFORMATION

Enf./Case ID No.	31459	No. of Violations	1
Docket No.	2006-1816-AIR-E	Order Type	1660
Media Program(s)	Air Quality	Enf. Coordinator	Lindsey Jones
Multi-Media		EC's Team	Enforcement Team 5
Admin. Penalty $ Limit Minimum	$0	Maximum	$10,000

Penalty Calculation Section

TOTAL BASE PENALTY (Sum of violation base penalties) *Subtotal 1* $2,500

ADJUSTMENTS (+/-) TO SUBTOTAL 1

Subtotals 2-7 are obtained by multiplying the Total Base Penalty (Subtotal 1) by the indicated percentage.

Compliance History 25% Enhancement *Subtotals 2, 3, & 7* $625

Notes: The penalty was enhanced due to one previous NOV for similar violations and one previous 1660-style enforcement order.

Culpability No 0% Enhancement *Subtotal 4* $0

Notes: The Respondent does not meet the culpability criteria.

Good Faith Effort to Comply 10% Reduction *Subtotal 5* -$250

	Before NOV	NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary		X
N/A		*(mark with a small x)*

Notes: The Respondent came into compliance on October 6, 2006, after the issuance of the NOE (10/3/06).

Economic Benefit 0% Enhancement* *Subtotal 6* $0

**Capped at the Total EB $ Amount*

Total EB Amounts	$8
Approx. Cost of Compliance	$250

SUM OF SUBTOTALS 1-7 Final Subtotal $2,875

OTHER FACTORS AS JUSTICE MAY REQUIRE Adjustment $0

Reduces or enhances the Final Subtotal by the indicated percentage. *(Enter number only; e.g. -30 for -30%.)*

Notes:

Final Penalty Amount $2,875

STATUTORY LIMIT ADJUSTMENT Final Assessed Penalty $2,875

DEFERRAL 20% Reduction Adjustment -$575

Reduces the Final Assessed Penalty by the indicted percentage. *(Enter number only; e.g. 20 for 20% reduction.)*

Notes: Deferral offered for expedited settlement.

PAYABLE PENALTY $2,300

PCW

Policy Revision 2 (September 2002)
PCW Revision April 25, 2006

Screening Date 09-Oct-2006 **Docket No.** 2006-1816-AIR-E
Respondent Stonewater Pipeline Company, L.P.
Case ID No. 31459
Reg. Ent. Reference No. RN100215607
Media [Statute] Air Quality
Enf. Coordinator Lindsey Jones

Compliance History Worksheet

>> Compliance History *Site* Enhancement (Subtotal 2)

Component	Number of...	Enter Number Here	Adjust.
NOVs	Written NOVs with same or similar violations as those in the current enforcement action *(number of NOVs meeting criteria)*	1	5%
	Other written NOVs	0	0%
Orders	Any agreed final enforcement orders containing a denial of liability *(number of orders meeting criteria)*	1	20%
	Any adjudicated final enforcement orders, agreed final enforcement orders without a denial of liability, or default orders of this state or the federal government, or any final prohibitory emergency orders issued by the commission	0	0%
Judgments and Consent Decrees	Any non-adjudicated final court judgments or consent decrees containing a denial of liability of this state or the federal government *(number of judgements or consent decrees meeting criteria)*	0	0%
	Any adjudicated final court judgments and default judgments, or non-adjudicated final court judgments or consent decrees without a denial of liability, of this state or the federal government	0	0%
Convictions	Any criminal convictions of this state or the federal government *(number of counts)*	0	0%
Emissions	Chronic excessive emissions events (number of events)	0	0%
Audits	Letters notifying the executive director of an intended audit conducted under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 *(number of audits for which notices were*	0	0%
	Disclosures of violations under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 *(number of audits for which violations were disclosed)*	0	0%
		Please Enter Yes or No	
Other	Environmental management systems in place for one year or more	No	0%
	Voluntary on-site compliance assessments conducted by the executive director under a special assistance program	No	0%
	Participation in a voluntary pollution reduction program	No	0%
	Early compliance with, or offer of a product that meets future state or federal government environmental requirements	No	0%

Adjustment Percentage (Subtotal 2) **25%**

>> Repeat Violator (Subtotal 3)

No ***Adjustment Percentage (Subtotal 3)*** **0%**

>> Compliance History *Person* Classification (Subtotal 7)

Average Performer ***Adjustment Percentage (Subtotal 7)*** **0%**

>> Compliance History Summary

Compliance History Notes The penalty was enhanced due to one previous NOV for similar violations and one previous 1660-style enforcement order.

Total Adjustment Percentage (Subtotals 2, 3, & 7) **25%**

PCW

Policy Revision 2 (September 2002)
PCW Revision April 25, 2006

Screening Date	09-Oct-2006
Docket No.	2006-1816-AIR-E
Respondent	Stonewater Pipeline Company, L.P.
Case ID No.	31459
Reg. Ent. Reference No.	RN100215607
Media [Statute]	Air Quality
Enf. Coordinator	Lindsey Jones
Violation Number	1
Primary Rule Cite(s)	30 Tex. Admin. Code § 122.146(1) and General Operating Permit Nos. O-250 and 514
Secondary Rule Cite(s)	Tex. Health & Safety Code § 382.085(b)
Violation Description	Failed to certify compliance with the terms and conditions of the Title V permit for at least each 12-month period, as documented in an investigation on October 2, 2006. Specifically, the Respondent did not timely certify compliance with the permit compliance certification ("PCC") for the July 26, 2005 through January 25, 2006 period. The PCC was due February 25, 2006, but was not submitted until October 6, 2006.

Base Penalty $10,000

>> Environmental, Property and Human Health Matrix

OR

Release	Harm: Major	Moderate	Minor
Actual			
Potential			

Percent

>> Programmatic Matrix

Falsification	Major	Moderate	Minor
	x		

Percent 25%

Matrix Notes: The Respondent failed to comply with 100% of the rule requirement.

Adjustment -$7,500

Base Penalty Subtotal $2,500

Violation Events

Number of Violation Events: 1

223 Number of violation days

mark only one use a small x

daily	
monthly	
quarterly	
semiannual	
annual	
single event	x

Violation Base Penalty $2,500

One single event is recommended.

Economic Benefit (EB) for this violation

Estimated EB Amount $8

Statutory Limit Test

Violation Final Penalty Total $2,875

This violation Final Assessed Penalty (adjusted for limits) $2,875

Economic Benefit Worksheet

Respondent: Stonewater Pipeline Company, L.P.
Case ID No.: 31459
Reg. Ent. Reference No.: RN100215607
Media [Statute]: Air Quality
Violation No.: 1

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost (No commas or $)	Date Required	Final Date	Yrs	Interest Saved	Onetime Costs	EB Amount
Delayed Costs							
Equipment				0.0	$0	$0	$0
Buildings				0.0	$0	$0	$0
Other (as needed)				0.0	$0	$0	$0
Engineering/construction				0.0	$0	$0	$0
Land				0.0	$0	n/a	$0
Record Keeping System	$250	25-Feb-2006	06-Oct-2006	0.6	$8	n/a	$8
Training/Sampling				0.0	$0	n/a	$0
Remediation/Disposal				0.0	$0	n/a	$0
Permit Costs				0.0	$0	n/a	$0
Other (as needed)				0.0	$0	n/a	$0
Notes for DELAYED costs	Estimated cost for preparation and submittal of permit compliance certification. Date Required is the date the report should have been submitted and Final Date is the date the PCC was submitted.						
Avoided Costs	ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)						
Disposal				0.0	$0	$0	$0
Personnel				0.0	$0	$0	$0
Inspection/Reporting/Sampling				0.0	$0	$0	$0
Supplies/equipment				0.0	$0	$0	$0
Financial Assurance [2]				0.0	$0	$0	$0
ONE-TIME avoided costs [3]				0.0	$0	$0	$0
Other (as needed)				0.0	$0	$0	$0
Notes for AVOIDED costs							

Approx. Cost of Compliance: $250

TOTAL: $8

Compliance History

Customer/Respondent/Owner-Operator:	CN601313315	Stonewater Pipeline Company, L.P.	Classification: AVERAGE	Rating: 3.42
Regulated Entity:	RN100215607	SONORA COMPRESSOR STATION	Classification: AVERAGE	Site Rating: 8.50

ID Number(s):	AIR OPERATING PERMITS	ACCOUNT NUMBER	SQ0032A
	AIR OPERATING PERMITS	PERMIT	250
	AIR NEW SOURCE PERMITS	PERMIT	24658
	AIR NEW SOURCE PERMITS	PERMIT	30978
	AIR NEW SOURCE PERMITS	ACCOUNT NUMBER	SQ0032A
	AIR NEW SOURCE PERMITS	REGISTRATION	75880
	AIR NEW SOURCE PERMITS	AFS NUM	0017

Location: 2.7 miles east of the junction of SCR 106 and SCR 108 near Sonora — Rating Date: 9/1/2006

TCEQ Region: REGION 08 - SAN ANGELO — Repeat Violator: NO

Date Compliance History Prepared: October 09, 2006

Agency Decision Requiring Compliance History: Enforcement

Compliance Period: October 09, 2001 to October 09, 2006

TCEQ Staff Member to Contact for Additional Information Regarding this Compliance History

Name: Lindsey Jones — Phone: 512-239-4930

Site Compliance History Components

1. Has the site been in existence and/or operation for the full five year compliance period?	Yes
2. Has there been a (known) change in ownership of the site during the compliance period?	Yes
3. If Yes, who is the current owner?	Stonewater Pipeline Company, L.P.
4. If Yes, who was/were the prior owner(s)?	Burlington Resources Oil & Gas Company
5. When did the change(s) in ownership occur?	6/17/2002

Components (Multimedia) for the Site :

A. Final Enforcement Orders, court judgements, and consent decrees of the state of Texas and the federal government.

Effective Date: 05/28/2006 — ADMINORDER 2005-1972-AIR-E

Classification: Moderate

Citation: 30 TAC Chapter 122, SubChapter B 122.145(2)(A)
30 TAC Chapter 122, SubChapter B 122.146(1)

5C THC Chapter 382, SubChapter A 382.085(b)

Description: Failed to timely submit the annual Permit Compliance Certification ("PCC") and associated deviation report for the period of July 26, 2004 through July 25, 2005 and the deviation report for the period of July 26, 2004 through January 25, 2005 This violation includes tracking number 221689

B. Any criminal convictions of the state of Texas and the federal government.

N/A

C. Chronic excessive emissions events.

N/A

D. The approval dates of investigations. (CCEDS Inv. Track. No.)

1	10/03/2006	(514905)	5	01/13/2003	(14820)
2	08/25/2006	(509670)	6	01/27/2005	(348568)
3	11/15/2005	(437473)			
4	07/14/2004	(280017)			

E. Written notices of violations (NOV). (CCEDS Inv. Track. No.)

Date: 01/26/2005 (348568)

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 122, SubChapter B 122.146(1)

Rqmt Prov: OP IA

Description: Failure to submit an accurate annual compliance certification for the July 25, 2003 through July 24, 2004 compliance period.

Self Report? NO Classification: Major

Citation: 30 TAC Chapter 106, SubChapter W 106.512(1)

Rqmt Prov: OP IA

Description: Failure to obtain a construction authorization for Engine No. 7

F. Environmental audits.

N/A

G. Type of environmental management systems (EMSs).

N/A

H. Voluntary on-site compliance assessment dates.

N/A

I. Participation in a voluntary pollution reduction program.

N/A

J. Early compliance.

N/A

Sites Outside of Texas

N/A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

IN THE MATTER OF AN	§	**BEFORE THE**
ENFORCEMENT ACTION	§	
CONCERNING	§	**TEXAS COMMISSION ON**
STONEWATER PIPELINE	§	
COMPANY, L.P.	§	
RN100215607	§	**ENVIRONMENTAL QUALITY**

AGREED ORDER
DOCKET NO. 2006-1816-AIR-E

I. JURISDICTION AND STIPULATIONS

At its _____ agenda, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding Stonewater Pipeline Company, L.P. ("Stonewater Pipeline") under the authority of TEX. HEALTH & SAFETY CODE ch. 382 and TEX. WATER CODE ch. 7. The Executive Director of the TCEQ, through the Enforcement Division, and Stonewater Pipeline appear before the Commission and together stipulate that:

1. Stonewater Pipeline owns and operates a natural gas compression station located 2.7 miles east of the junction of Sutton County Road 106 and Sutton County Road 108 near Sonora in Sutton County, Texas (the "Plant").

2. The Plant consists of one or more sources as defined in TEX. HEALTH & SAFETY CODE § 382.003(12).

3. The Commission and Stonewater Pipeline agree that the Commission has jurisdiction to enter this Agreed Order, and that Stonewater Pipeline is subject to the Commission's jurisdiction.

4. Stonewater Pipeline received notice of the violations alleged in Section II ("Allegations") on or about October 8, 2006.

5. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by Stonewater Pipeline of any violation alleged in Section II ("Allegations"), nor of any statute or rule.

6. An administrative penalty in the amount of Two Thousand Eight Hundred Seventy-Five Dollars ($2,875) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). Stonewater Pipeline has paid One Thousand One Hundred Fifty Dollars ($1,150) of the administrative penalty and Five Hundred Seventy-Five Dollars ($575) is deferred contingent upon Stonewater Pipeline's timely and satisfactory compliance with all the terms of this Agreed Order. The deferred amount will be waived upon full compliance with the terms of this Agreed Order. If Stonewater Pipeline fails to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require Stonewater Pipeline to pay all or part of the deferred penalty. One Thousand One Hundred Fifty Dollars ($1,150) shall be conditionally offset by Stonewater Pipeline's completion of a Supplemental Environmental Project.

7. Any notice and procedures, which might otherwise be authorized or required in this action, are waived in the interest of a more timely resolution of the matter.

8. The Executive Director of the TCEQ and Stonewater Pipeline have agreed on a settlement of the matters alleged in this enforcement action, subject to the approval of the Commission.

9. The Executive Director recognizes that Stonewater Pipeline submitted a permit compliance certification for the July 26, 2005 to July 25, 2006 period on October 6, 2006.

10. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that Stonewater Pipeline has not complied with one or more of the terms or conditions in this Agreed Order.

11. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.

12. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable.

II. ALLEGATIONS

As owner and operator of the Plant, Stonewater Pipeline is alleged to have failed to timely certify compliance with the terms and conditions of the Title V permit for at least each 12-month period, in violation of 30 TEX. ADMIN. CODE § 122.146(1), General Operating Permit Nos. O-250 and 514, and TEX. HEALTH & SAFETY CODE § 382.085(b), as documented during an investigation conducted on October 2, 2006. Specifically, Stonewater Pipeline did not timely certify compliance with the permit compliance certification ("PCC") for the July 26, 2005 through January 25, 2006 period. The PCC was due February 25, 2006, but was not submitted until October 6, 2006.

III. DENIALS

Stonewater Pipeline generally denies each allegation in Section II ("Allegations").

IV. ORDERING PROVISIONS

1. It is, therefore, ordered by the TCEQ that Stonewater Pipeline pay an administrative penalty as set forth in Section I, Paragraph 6 above. The payment of this administrative penalty and Stonewater Pipeline's compliance with all the terms and conditions set forth in this Agreed Order resolve only the allegations in Section II. The Commission shall not be constrained in any manner from requiring corrective action or penalties for violations, which are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: Stonewater Pipeline Company, L.P., Docket No. 2006-1816-AIR-E" to:

   Financial Administration Division, Revenues Section
   Attention: Cashier's Office, MC 214
   Texas Commission on Environmental Quality
   P.O. Box 13088
   Austin, Texas 78711-3088

2. Stonewater Pipeline shall implement and complete a Supplemental Environmental Project ("SEP") in accordance with TEX. WATER CODE § 7.067. As set forth in Section I, Paragraph 6 above, One Thousand One Hundred Fifty Dollars ($1,150) of the assessed administrative penalty shall be offset with the condition that Stonewater Pipeline implement the SEP defined in Attachment A, incorporated herein by reference. Stonewater Pipeline's obligation to pay the conditionally offset portion of the administrative penalty assessed shall be discharged upon final completion of all provisions of the SEP agreement.

3. The provisions of this Agreed Order shall apply to and be binding upon Stonewater Pipeline. Stonewater Pipeline is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Plant operations referenced in this Agreed Order.

4. If Stonewater Pipeline fails to comply with any of the Ordering Provisions in this Agreed Order within the prescribed schedules, and that failure is caused solely by an act of God, war, strike, riot, or other catastrophe, Stonewater Pipeline's failure to comply is not a violation of this Agreed Order. Stonewater Pipeline shall have the burden of establishing to the Executive Director's satisfaction that such an event has occurred. Stonewater Pipeline shall notify the Executive Director within seven days after Stonewater Pipeline becomes aware of a delaying event and shall take all reasonable measures to mitigate and minimize any delay.

5. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by Stonewater Pipeline shall be made in writing to the Executive Director. Extensions are not effective until Stonewater Pipeline receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.

6. This Agreed Order, issued by the Commission, shall not be admissible against Stonewater Pipeline in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's

jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.

7. This agreement may be executed in multiple counterparts, which together shall constitute a single original instrument. Any executed signature page to this Agreement may be transmitted by facsimile transmission to the other parties, which shall constitute an original signature for all purposes.

8. Under 30 TEX. ADMIN. CODE § 70.10(b), the effective date is the date of hand-delivery of the Order to Stonewater Pipeline, or three days after the date on which the Commission mails notice of the Order to Stonewater Pipeline, whichever is earlier. The Chief Clerk shall provide a copy of this Agreed Order to each of the parties.

SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

_____
For the Commission

_____ 4/3/07
For the Executive Director Date

I, the undersigned, have read and understand the attached Agreed Order. I am authorized to agree to the attached Agreed Order on behalf of the entity, if any, indicated below my signature, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEQ, in accepting payment for the penalty amount, is materially relying on such representation.

I also understand that my failure to comply with the Ordering Provisions, if any, in this order and/or my failure to timely pay the penalty amount, may result in:

- A negative impact on my compliance history;
- Greater scrutiny of any permit applications submitted by me;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees, or to a collection agency;
- Increased penalties in any future enforcement actions against me;
- Automatic referral to the Attorney General's Office of any future enforcement actions against me; and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.

_____ 12-21-06
Signature Date

Barry Limbocker Permian Basin Ops. Mgr.
Name (Printed or typed) Title
Authorized Representative of
Stonewater Pipeline Company, L.P.

Instructions: Send the original, signed Agreed Order with penalty payment to the Financial Administration Division, Revenues Section at the address in Section IV, Paragraph 1 of this Agreed Order.

Attachment A
Docket Number: 2006-1816-AIR-E

SUPPLEMENTAL ENVIRONMENTAL PROJECT

Respondent:	**Stonewater Pipeline Company, L.P.**
Payable Penalty Amount:	**Two Thousand Three Hundred Dollars ($2,300)**
SEP Amount:	**One Thousand One Hundred Fifty Dollars ($1,150)**
Type of SEP:	**Pre-approved**
Third-Party Recipient:	**Texas Association of Resource Conservation and Development Areas, Inc. ("RC&D")- Plugging Abandoned Water Wells**
Location of SEP:	**Sutton County**

The Texas Commission on Environmental Quality ("TCEQ") agrees to offset a portion of the administrative Penalty Amount assessed in this Agreed Order for the Respondent to contribute to a Supplemental Environmental Project ("SEP"). The offset is equal to the SEP Amount set forth above and is conditioned upon completion of the project in accordance with the terms of this Attachment A.

1. Project Description

A. Project

The Respondent shall contribute to the Third-Party Recipient pursuant to the agreement between the Third-Party Recipient and the TCEQ. Specifically, the contribution will be used to plug abandoned water wells where there is no responsible party that can be identified to plug the well.

All dollars contributed will be used solely for the direct cost of the project and no portion will be spent on administrative costs. The SEP will be done in accordance with all federal, state and local environmental laws and regulations.

The Respondent certifies that there is no prior commitment to do this project and that it is being performed solely in an effort to settle this enforcement action.

B. Environmental Benefit

This SEP will provide a discernible environmental benefit by reducing the threat to state ground water supplies. Abandoned wells are a direct channel for contaminants to reach groundwater. This project will also reduce the safety threat abandoned wells pose to humans, livestock, and wildlife.

C. Minimum Expenditure

Respondent shall contribute at least the SEPAmount to the Third-Party Recipient and comply with all other provisions of this SEP.

2. Performance Schedule

Within 30 days after the effective date of this Agreed Order, the Respondent must contribute the SEP Amount to the Third-Party Recipient. The Respondent shall mail the contribution, with a copy of the Agreed Order, to:

Texas Association of Resource Conservation and Development Areas, Inc.
1716 Briarcrest Drive
Bryan, Texas 77802-2700

3. Records and Reporting

Concurrent with the payment of the SEP Amount, the Respondent shall provide the TCEQ SEP Coordinator with a copy of the check and transmittal letter indicating full payment of the SEP Amount to the Third-Party Recipient. The Respondent shall mail a copy of the check and transmittal letter to:

Enforcement Division
Attention: SEP Coordinator, MC 219
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

4. Failure to Fully Perform

If the Respondent does not perform its obligations under this SEP in any way, including full payment of the SEP Amount and submittal of the required reporting described in Section 3 above, the Executive Director may require immediate payment of all or part of the SEP Amount.

The check for any amount due shall be made out to "Texas Commission on Environmental Quality" and mailed to:

Texas Commission on Environmental Quality
Financial Administration Division, Revenues
Attention: Cashier, MC 214
P.O. Box 13088
Austin, Texas 78711-3088

The Respondent shall also mail a copy of the check to the TCEQ SEP Coordinator at the address in Section 3 above.

5. Publicity

Any public statements concerning this SEP made by or on behalf of the Respondent must include a clear statement that the project was performed as part of the settlement of an enforcement action brought by the TCEQ. Such statements include advertising, public relations, and press releases.

6. Clean Texas Program

The Respondent shall not include this SEP in any application made to TCEQ under the "Clean Texas" (or any successor) program(s). Similarly, the Respondent may not seek recognition for this contribution in any other state or federal regulatory program.

7. Other SEPs by TCEQ or Other Agencies

The SEP identified in this Agreed Order has not been, and shall not be, included as an SEP for the Respondent under any other Agreed Order negotiated with the TCEQ or any other agency of the state or federal government.