

Executive Summary – Enforcement Matter – Case No. 41777
Arrowhead Pipeline, L.P. and Hilcorp Energy Company
RN100212000
Docket No. 2011-0891-AIR-E

Order Type:

1660 Agreed Order

Findings Order Justification:

N/A

Media:

AIR

Small Business:

No

Location(s) Where Violation(s) Occurred:

Old Ocean Gas Plant, 10201 County Road 359, Sweeny, Brazoria County

Type of Operation:

Gas processing plant

Other Significant Matters:

Additional Pending Enforcement Actions: No

Past-Due Penalties: No

Other: N/A

Interested Third-Parties: None

Texas Register Publication Date: September 23, 2011

Comments Received: No

Penalty Information

Total Penalty Assessed: \$14,800

Amount Deferred for Expedited Settlement: \$2,960

Amount Deferred for Financial Inability to Pay: \$0

Total Paid to General Revenue: \$11,840

Total Due to General Revenue: \$0

Payment Plan: N/A

SEP Conditional Offset: \$0

Name of SEP: N/A

Compliance History Classifications:

Person/CN603047309 - Average

Person/CN600125991 - Average

Site/RN100212000 - Average

Major Source: Yes

Statutory Limit Adjustment: N/A

Applicable Penalty Policy: September 2002

Executive Summary – Enforcement Matter – Case No. 41777
Arrowhead Pipeline, L.P. and Hilcorp Energy Company
RN100212000
Docket No. 2011-0891-AIR-E

Investigation Information

Complaint Date(s): N/A

Complaint Information: N/A

Date(s) of Investigation: February 11, 2011

Date(s) of NOE(s): April 29, 2011

Violation Information

1. Failed to obtain authorization for all emissions sources at the Plant. Specifically, the Respondents were operating an amine unit at the Plant without authorization to operate the unit [30 TEX. ADMIN. CODE § 116.110(a) and TEX. HEALTH & SAFETY CODE §§ 382.0518(a) and 382.085(b)].
2. Failed to control volatile organic compound (“VOC”) emissions from the amine unit. Specifically, during the investigation it was documented that a vent on the amine unit was emitting uncontrolled VOC emissions to the atmosphere and was not routed to a control device as required [30 TEX. ADMIN. CODE § 115.122(a)(1) and TEX. HEALTH & SAFETY CODE § 382.085(b)].

Corrective Actions/Technical Requirements

Corrective Action(s) Completed:

The Executive Director recognizes that on June 29, 2011, the Respondents routed the vent on the amine unit to Process Flare FL2.

Technical Requirements:

The Order will require the Respondents to:

- a. Within 30 days, submit an administratively complete permit application for the amine unit;
- b. Respond completely and adequately, as determined by the TCEQ, to all requests for information concerning the permit application within 30 days after the date of such requests, or by any other deadline specified in writing;
- c. Within 45 days, submit written certification to demonstrate compliance with Ordering Provision a.; and
- d. Within 180 days, submit written certification that either authorization to operate the amine unit has been obtained or that operation has ceased until such time that appropriate authorization is obtained

**Executive Summary – Enforcement Matter – Case No. 41777
Arrowhead Pipeline, L.P. and Hilcorp Energy Company
RN100212000
Docket No. 2011-0891-AIR-E**

Litigation Information

Date Petition(s) Filed: N/A
Date Answer(s) Filed: N/A
SOAH Referral Date: N/A
Hearing Date(s): N/A
Settlement Date: N/A

Contact Information

TCEQ Attorney: N/A
TCEQ Enforcement Coordinator: Rebecca Johnson, Enforcement Division,
Enforcement Team 5, MC R-14, (361) 825-3423; Debra Barber, Enforcement Division,
MC 219, (512) 239-0412
TCEQ SEP Coordinator: N/A
Respondent: Brady Dodson, Environmental Manager, Arrowhead Pipeline, L.P. and
Hilcorp Energy Company, 10201 County Road 359, Sweeny, Texas 77480
Harvey Land, Plant Manager, Arrowhead Pipeline, L.P. and Hilcorp Energy Company,
10201 County Road 359, Sweeny, Texas 77480
Respondent's Attorney: N/A



Penalty Calculation Worksheet (PCW)

Policy Revision 2 (September 2002)

PCW Revision October 30, 2008

TCEQ

| | | | | | | |
|--------------|-----------------|------------|------------------|-------------|----------------|--|
| DATES | Assigned | 2-May-2011 | Screening | 27-May-2011 | EPA Due | |
| | PCW | 3-Aug-2011 | | | | |

RESPONDENT/FACILITY INFORMATION

| | | | |
|-----------------------------|---|---------------------------|-------|
| Respondent | Arrowhead Pipeline, L.P. and Hilcorp Energy Company | | |
| Reg. Ent. Ref. No. | RN100212000 | | |
| Facility/Site Region | 12-Houston | Major/Minor Source | Major |

CASE INFORMATION

| | | | |
|--|-----------------|------------------------------|--------------------|
| Enf./Case ID No. | 41777 | No. of Violations | 2 |
| Docket No. | 2011-0891-AIR-E | Order Type | 1660 |
| Media Program(s) | Air | Government/Non-Profit | No |
| Multi-Media | | Enf. Coordinator | Rebecca Johnson |
| | | 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 | \$15,000 |
|---|-------------------|----------|

ADJUSTMENTS (+/-) TO SUBTOTAL 1

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

| | | | |
|---------------------------|------------------|--------------------------------|-------|
| Compliance History | 2.0% Enhancement | Subtotals 2, 3, & 7 | \$300 |
|---------------------------|------------------|--------------------------------|-------|

Notes: Enhancement for one NOV with dissimilar violations.

| | | | | |
|--------------------|----|------------------|-------------------|-----|
| Culpability | No | 0.0% Enhancement | Subtotal 4 | \$0 |
|--------------------|----|------------------|-------------------|-----|

Notes: The Respondents do not meet the culpability criteria.

| | | |
|--|-------------------|-------|
| Good Faith Effort to Comply Total Adjustments | Subtotal 5 | \$500 |
|--|-------------------|-------|

| | | | |
|-------------------------|-------------------|-------------------|-----|
| Economic Benefit | 0.0% Enhancement* | Subtotal 6 | \$0 |
|-------------------------|-------------------|-------------------|-----|

| | |
|----------------------------|---------|
| Total EB Amounts | \$1,885 |
| Approx. Cost of Compliance | \$8,000 |

*Capped at the Total EB \$ Amount

| | | |
|-----------------------------|-----------------------|----------|
| SUM OF SUBTOTALS 1-7 | Final Subtotal | \$14,800 |
|-----------------------------|-----------------------|----------|

| | | | |
|---|------|-------------------|-----|
| OTHER FACTORS AS JUSTICE MAY REQUIRE | 0.0% | Adjustment | \$0 |
|---|------|-------------------|-----|

Reduces or enhances the Final Subtotal by the indicated percentage.

Notes:

| | |
|-----------------------------|----------|
| Final Penalty Amount | \$14,800 |
|-----------------------------|----------|

| | | |
|-----------------------------------|-------------------------------|----------|
| STATUTORY LIMIT ADJUSTMENT | Final Assessed Penalty | \$14,800 |
|-----------------------------------|-------------------------------|----------|

| | | | |
|-----------------|-----------------|-------------------|----------|
| DEFERRAL | 20.0% Reduction | Adjustment | -\$2,960 |
|-----------------|-----------------|-------------------|----------|

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

Notes:

Deferral offered for expedited settlement.

| | |
|------------------------|----------|
| PAYABLE PENALTY | \$11,840 |
|------------------------|----------|

Screening Date 27-May-2011

Docket No. 2011-0891-AIR-E

PCW

Respondent Arrowhead Pipeline, L.P. and Hilcorp Energy Com

Policy Revision 2 (September 2002)

Case ID No. 41777

PCW Revision October 30, 2008

Reg. Ent. Reference No. RN100212000

Media [Statute] Air

Enf. Coordinator Rebecca Johnson

Compliance History Worksheet

>> Compliance History Site Enhancement (Subtotal 2)

| Component | Number of... | Enter Number Here | Adjust. |
|-------------------------------|--|-------------------|---------|
| NOVs | Written notices of violation ("NOVs") with same or similar violations as those in the current enforcement action (<i>number of NOVs meeting criteria</i>) | 0 | 0% |
| | Other written NOVs | 1 | 2% |
| Orders | Any agreed final enforcement orders containing a denial of liability (<i>number of orders meeting criteria</i>) | 0 | 0% |
| | 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 (<i>number of judgements or consent decrees meeting criteria</i>) | 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 (<i>number of counts</i>) | 0 | 0% |
| Emissions | Chronic excessive emissions events (<i>number of events</i>) | 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 (<i>number of audits for which notices were submitted</i>) | 0 | 0% |
| | Disclosures of violations under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 (<i>number of audits for which violations were disclosed</i>) | 0 | 0% |
| <i>Please Enter Yes or No</i> | | | |
| 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) 2%

>> 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

Enhancement for one NOV with dissimilar violations.

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

Screening Date 27-May-2011

Docket No. 2011-0891-AIR-E

PCW

Respondent Arrowhead Pipeline, L.P. and Hilcorp Energy Company

Policy Revision 2 (September 2002)

Case ID No. 41777

PCW Revision October 30, 2008

Reg. Ent. Reference No. RN100212000

Media [Statute] Air

Enf. Coordinator Rebecca Johnson

Violation Number 1

Rule Cite(s) 30 Tex. Admin. Code § 116.110(a) and Tex. Health & Safety Code §§ 382.0518(a) and 382.085(b)

Violation Description Failed to obtain authorization for all emissions sources at the Plant. Specifically, the Respondents were operating an amine unit at the Plant without authorization to operate the unit.

Base Penalty \$10,000

>> Environmental, Property and Human Health Matrix

OR

| Release | Harm | | |
|-----------|-------|----------|-------|
| | Major | Moderate | Minor |
| Actual | | | |
| Potential | | | |

Percent 0%

>> Programmatic Matrix

| Falsification | Harm | | |
|---------------|-------|----------|-------|
| | Major | Moderate | Minor |
| | x | | |

Percent 25%

Matrix Notes

100% of the rule requirement was not met.

Adjustment \$7,500

\$2,500

Violation Events

Number of Violation Events 4

105 Number of violation days

| | |
|--------------|---|
| daily | |
| weekly | |
| monthly | x |
| quarterly | |
| semiannual | |
| annual | |
| single event | |

mark only one with an x

Violation Base Penalty \$10,000

Four monthly events are recommended from the February 11, 2011 investigation date to the May 27, 2011 screening date.

Good Faith Efforts to Comply

0.0% Reduction

\$0

| | Reduction | |
|---------------|------------|-------------------------------|
| | Before NOV | NOV to EDPRP/Settlement Offer |
| Extraordinary | | |
| Ordinary | | |
| N/A | x | (mark with x) |

Notes The Respondents do not meet the good faith criteria for this violation.

Violation Subtotal \$10,000

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$1,753

Violation Final Penalty Total \$10,200

This violation Final Assessed Penalty (adjusted for limits) \$10,200

Economic Benefit Worksheet

Respondent Arrowhead Pipeline, L.P. and Hillcorp Energy Company
Case ID No. 41777
Req. Ent. Reference No. RN100212000
Media Air
Violation No. 1

| Percent Interest | Years of Depreciation |
|------------------|-----------------------|
| 5.0 | 15 |

| Item Description | Item Cost | Date Required | Final Date | Yrs | Interest Saved | Onetime Costs | EB Amount |
|------------------|-----------|---------------|------------|-----|----------------|---------------|-----------|
| No commas or \$ | | | | | | | |

Delayed Costs

| | | | | | | | |
|--------------------------|---------|------------|------------|-------|---------|-----|---------|
| Equipment | | | | 0.00 | \$0 | \$0 | \$0 |
| Buildings | | | | 0.00 | \$0 | \$0 | \$0 |
| Other (as needed) | | | | 0.00 | \$0 | \$0 | \$0 |
| Engineering/construction | | | | 0.00 | \$0 | \$0 | \$0 |
| Land | | | | 0.00 | \$0 | n/a | \$0 |
| Record Keeping System | | | | 0.00 | \$0 | n/a | \$0 |
| Training/Sampling | | | | 0.00 | \$0 | n/a | \$0 |
| Remediation/Disposal | | | | 0.00 | \$0 | n/a | \$0 |
| Permit Costs | \$3,000 | 1-May-2000 | 4-Jan-2012 | 11.68 | \$1,753 | n/a | \$1,753 |
| Other (as needed) | | | | 0.00 | \$0 | n/a | \$0 |

Notes for DELAYED costs

Estimated cost to submit a permit application and obtain authorization for the amine unit. The date required is the date the amine unit began operating. The final date is the estimated compliance date.

Avoided Costs

ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)

| | | | | | | | |
|-------------------------------|--|--|--|------|-----|-----|-----|
| Disposal | | | | 0.00 | \$0 | \$0 | \$0 |
| Personnel | | | | 0.00 | \$0 | \$0 | \$0 |
| Inspection/Reporting/Sampling | | | | 0.00 | \$0 | \$0 | \$0 |
| Supplies/equipment | | | | 0.00 | \$0 | \$0 | \$0 |
| Financial Assurance [2] | | | | 0.00 | \$0 | \$0 | \$0 |
| ONE-TIME avoided costs [3] | | | | 0.00 | \$0 | \$0 | \$0 |
| Other (as needed) | | | | 0.00 | \$0 | \$0 | \$0 |

Notes for AVOIDED costs

Approx. Cost of Compliance

\$3,000

TOTAL

\$1,753

Screening Date 27-May-2011

Docket No. 2011-0891-AIR-E

PCW

Respondent Arrowhead Pipeline, L.P. and Hilcorp Energy Company

Policy Revision 2 (September 2002)

Case ID No. 41777

PCW Revision October 30, 2008

Reg. Ent. Reference No. RN100212000

Media [Statute] Air

Enf. Coordinator Rebecca Johnson

Violation Number 2

Rule Cite(s)

30 Tex. Admin. Code § 115.122(a)(1) and Tex. Health & Safety Code § 382.085(b)

Violation Description

Failed to control volatile organic compound ("VOC") emissions from the amine unit. Specifically, during the investigation it was documented that a vent on the amine unit was emitting uncontrolled VOC emissions to the atmosphere and was not routed to a control device as required.

Base Penalty \$10,000

>> Environmental, Property and Human Health Matrix

OR

| Release | Harm | | |
|-----------|-------|----------|-------|
| | Major | Moderate | Minor |
| Actual | | | x |
| Potential | | | |

Percent 25%

>> Programmatic Matrix

| Falsification | Major | Moderate | Minor |
|---------------|-------|----------|-------|
| | | | |

Percent 0%

Matrix Notes

Human health or the environment has been exposed to an insignificant amount of pollutants that did not exceed levels protective of human health or environmental receptors as a result of the violation.

Adjustment \$7,500

\$2,500

Violation Events

Number of Violation Events 2

105 Number of violation days

| | |
|--------------|---|
| daily | |
| weekly | |
| monthly | |
| quarterly | x |
| semiannual | |
| annual | |
| single event | |

mark only one with an x

Violation Base Penalty \$5,000

Two quarterly events are recommended from the February 11, 2011 investigation date to the May 27, 2011 screening date.

Good Faith Efforts to Comply

10.0% Reduction

\$500

| | Before NOV | NOV to EDRP/Settlement Offer |
|----------|---------------|------------------------------|
| | Extraordinary | |
| Ordinary | | x |
| N/A | | (mark with x) |

Notes: The Respondent completed corrective action on June 29, 2011, which was after the April 29, 2011 NOE, but before the July 1, 2011 Settlement Offer.

Violation Subtotal \$4,500

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$132

Violation Final Penalty Total \$4,600

This violation Final Assessed Penalty (adjusted for limits) \$4,600

Economic Benefit Worksheet

Respondent Arrowhead Pipeline, L.P. and Hilcorp Energy Company
Case ID No. 41777
Rea. Ent. Reference No. RN100212000
Media Air
Violation No. 2

| Percent Interest | Years of Depreciation |
|------------------|-----------------------|
| 5.0 | 15 |

| Item Description | Item Cost | Date Required | Final Date | Yrs | Interest Saved | Onetime Costs | EB Amount |
|------------------|-----------|---------------|------------|-----|----------------|---------------|-----------|
| No commas or \$ | | | | | | | |

Delayed Costs

| | | | | | | | |
|--------------------------|---------|-------------|-------------|------|-----|-------|-------|
| Equipment | | | | 0.00 | \$0 | \$0 | \$0 |
| Buildings | | | | 0.00 | \$0 | \$0 | \$0 |
| Other (as needed) | | | | 0.00 | \$0 | \$0 | \$0 |
| Engineering/construction | \$5,000 | 11-Feb-2011 | 29-Jun-2011 | 0.38 | \$6 | \$126 | \$132 |
| Land | | | | 0.00 | \$0 | n/a | \$0 |
| Record Keeping System | | | | 0.00 | \$0 | n/a | \$0 |
| Training/Sampling | | | | 0.00 | \$0 | n/a | \$0 |
| Remediation/Disposal | | | | 0.00 | \$0 | n/a | \$0 |
| Permit Costs | | | | 0.00 | \$0 | n/a | \$0 |
| Other (as needed) | | | | 0.00 | \$0 | n/a | \$0 |

Notes for DELAYED costs

Estimated engineering and construction costs to have the vent on the amine unit routed to a control device. The date required is the date of the investigation. The final date is the corrective action date.

Avoided Costs

ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)

| | | | | | | | |
|-------------------------------|--|--|--|------|-----|-----|-----|
| Disposal | | | | 0.00 | \$0 | \$0 | \$0 |
| Personnel | | | | 0.00 | \$0 | \$0 | \$0 |
| Inspection/Reporting/Sampling | | | | 0.00 | \$0 | \$0 | \$0 |
| Supplies/equipment | | | | 0.00 | \$0 | \$0 | \$0 |
| Financial Assurance [2] | | | | 0.00 | \$0 | \$0 | \$0 |
| ONE-TIME avoided costs [3] | | | | 0.00 | \$0 | \$0 | \$0 |
| Other (as needed) | | | | 0.00 | \$0 | \$0 | \$0 |

Notes for AVOIDED costs

Approx. Cost of Compliance

\$5,000

TOTAL

\$132

Compliance History

| | | | |
|---|---|----------------------------|-------------------|
| Customer/Respondent/Owner-Operator: | CN603047309 Arrowhead Pipeline, L.P. | Classification: AVERAGE | Rating: 0.38 |
| Regulated Entity: | RN100212000 OLD OCEAN GAS PLANT | Classification: AVERAGE | Site Rating: 0.38 |
| ID Number(s): | AIR OPERATING PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR OPERATING PERMITS | PERMIT | 662 |
| | AIR OPERATING PERMITS | PERMIT | 3162 |
| | AIR OPERATING PERMITS | PERMIT | 638 |
| | AIR OPERATING PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR OPERATING PERMITS | PERMIT | 660 |
| | AIR OPERATING PERMITS | ACCOUNT NUMBER | 3162 |
| | AIR NEW SOURCE PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR NEW SOURCE PERMITS | AFS NUM | 4803900002 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 12948 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 43156 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 44959 |
| | AIR NEW SOURCE PERMITS | PERMIT | 79228 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 80752 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 80751 |
| | AIR EMISSIONS INVENTORY | ACCOUNT NUMBER | BL0005M |
| Location: | 10201 COUNTY ROAD 359, SWEENEY, TX, 77480 | | |
| TCEQ Region: | REGION 12 - HOUSTON | | |
| Date Compliance History Prepared: | June 03, 2011 | | |
| Agency Decision Requiring Compliance History: | Enforcement | | |
| Compliance Period: | June 03, 2006 to June 03, 2011 | | |
| TCEQ Staff Member to Contact for Additional Information Regarding this Compliance History | | | |
| Name: | Rebecca Johnson | Phone: | (361) 825-3423 |

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/operator of the site during the compliance period? No
3. If Yes, who is the current owner/operator? N/A
4. If Yes, who was/were the prior owner(s)/operator(s)? N/A
5. When did the change(s) in owner or operator occur? N/a
6. Rating Date: 9/1/2010 Repeat Violator: NO

Components (Multimedia) for the Site :

- A. Final Enforcement Orders, court judgments, and consent decrees of the State of Texas and the federal government.
N/A
- 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. (CEEDS Inv. Track. No.)

- 1 12/12/2006 (512679)
- 2 12/12/2006 (512680)
- 3 01/30/2007 (512681)
- 4 12/07/2007 (595643)
- 5 08/07/2008 (636768)
- 6 05/26/2009 (737275)
- 7 08/26/2010 (794235)
- 8 04/15/2011 (899608)
- 9 04/29/2011 (906022)

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

Date: 12/07/2007 (595643)

Self Report? NO

Classification: Moderate

Citation: 30 TAC Chapter 122, SubChapter B 122.143(4)
30 TAC Chapter 122, SubChapter B 122.146(2)
5C THC Chapter 382, SubChapter A 382.085(b)
O00638 OP

Description: Failure to submit The PCC report by May 5, 2007.

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

Compliance History

| | | | |
|---|--|----------------------------|-------------------|
| Customer/Respondent/Owner-Operator: | CN600125991 Hilcorp Energy Company | Classification: AVERAGE | Rating: 2.84 |
| Regulated Entity: | RN100212000 OLD OCEAN GAS PLANT | Classification: AVERAGE | Site Rating: 0.38 |
| ID Number(s): | AIR OPERATING PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR OPERATING PERMITS | PERMIT | 662 |
| | AIR OPERATING PERMITS | PERMIT | 3162 |
| | AIR OPERATING PERMITS | PERMIT | 638 |
| | AIR OPERATING PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR OPERATING PERMITS | PERMIT | 660 |
| | AIR OPERATING PERMITS | ACCOUNT NUMBER | 3162 |
| | AIR NEW SOURCE PERMITS | ACCOUNT NUMBER | BL0005M |
| | AIR NEW SOURCE PERMITS | AFS NUM | 4803900002 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 12948 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 43156 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 44959 |
| | AIR NEW SOURCE PERMITS | PERMIT | 79228 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 80752 |
| | AIR NEW SOURCE PERMITS | REGISTRATION | 80751 |
| | AIR EMISSIONS INVENTORY | ACCOUNT NUMBER | BL0005M |
| Location: | 10201 COUNTY ROAD 359, SWEENY, TX, 77480 | | |
| TCEQ Region: | REGION 12 - HOUSTON | | |
| Date Compliance History Prepared: | June 03, 2011 | | |
| Agency Decision Requiring Compliance History: | Enforcement | | |
| Compliance Period: | June 03, 2006 to June 03, 2011 | | |
| TCEQ Staff Member to Contact for Additional Information Regarding this Compliance History | | | |
| Name: | Rebecca Johnson | Phone: | (361) 825-3423 |

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/operator of the site during the compliance period? No
3. If Yes, who is the current owner/operator? N/A
4. If Yes, who was/were the prior owner(s)/operator(s)? N/A
5. When did the change(s) in owner or operator occur? N/A
6. Rating Date: 9/1/2010 Repeat Violator: NO

Components (Multimedia) for the Site :

- A. Final Enforcement Orders, court judgments, and consent decrees of the State of Texas and the federal government.
N/A
- 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 12/12/2006 (512679)
- 2 12/12/2006 (512680)
- 3 01/30/2007 (512681)
- 4 12/07/2007 (595643)
- 5 08/07/2008 (636768)
- 6 05/26/2009 (737275)
- 7 08/26/2010 (794235)
- 8 04/15/2011 (899608)
- 9 04/29/2011 (906022)

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

Date: 12/07/2007 (595643)

Self Report? NO

Classification: Moderate

Citation: 30 TAC Chapter 122, SubChapter B 122.143(4)
30 TAC Chapter 122, SubChapter B 122.146(2)
5C THC Chapter 382, SubChapter A 382.085(b)
O00638 OP

Description: Failure to submit The PCC report by May 5, 2007.

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
ENFORCEMENT ACTION
CONCERNING
ARROWHEAD PIPELINE, L.P.
AND HILCORP ENERGY
COMPANY
RN100212000**

§
§
§
§
§
§
§

**BEFORE THE

TEXAS COMMISSION ON

ENVIRONMENTAL QUALITY**

**AGREED ORDER
DOCKET NO. 2011-0891-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 Arrowhead Pipeline, L.P. and Hilcorp Energy Company ("the Respondents") 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 the Respondents appear before the Commission and together stipulate that:

1. The Respondents own and operate a gas processing plant at 10201 County Road 359 in Sweeny, Brazoria 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 the Respondents agree that the Commission has jurisdiction to enter this Agreed Order, and that the Respondents are subject to the Commission's jurisdiction.
4. The Respondents received notice of the violations alleged in Section II ("Allegations") on or about May 4, 2011.
5. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by the Respondents of any violation alleged in Section II ("Allegations"), nor of any statute or rule.

6. An administrative penalty in the amount of Fourteen Thousand Eight Hundred Dollars (\$14,800) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). The Respondents have paid Eleven Thousand Eight Hundred Forty Dollars (\$11,840) of the administrative penalty and Two Thousand Nine Hundred Sixty Dollars (\$2,960) is deferred contingent upon the Respondents' 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 the Respondents fail to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require the Respondents to pay all or part of the deferred penalty.
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 the Respondents 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 on June 29, 2011, the Respondents routed the vent on the amine unit to Process Flare FL2.
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 the Respondents have 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 owners and operators of the Plant, the Respondents are alleged to have:

1. Failed to obtain authorization for all emissions sources at the Plant, in violation of 30 TEX. ADMIN. CODE § 116.110(a) and TEX. HEALTH & SAFETY CODE §§ 382.0518(a) and 382.085(b), as documented during an investigation conducted on February 11, 2011. Specifically, the Respondents were operating an amine unit at the Plant without authorization to operate the unit.
2. Failed to control volatile organic compound ("VOC") emissions from the amine unit, in violation of 30 TEX. ADMIN. CODE § 115.122(a)(1) and TEX. HEALTH & SAFETY CODE § 382.085(b), as documented during an investigation conducted on February 11, 2011. Specifically, during the investigation it was documented that a vent on the amine unit was emitting uncontrolled VOC emissions to the atmosphere and was not routed to a control device as required.

III. DENIALS

The Respondents generally deny each allegation in Section II ("Allegations").

IV. ORDERING PROVISIONS

1. It is, therefore, ordered by the TCEQ that the Respondents pay an administrative penalty as set forth in Section I, Paragraph 6 above. The payment of this administrative penalty and the Respondents' 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: Arrowhead Pipeline, L.P. and Hilcorp Energy Company, Docket No. 2011-0891-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. The Respondents are jointly and severally liable for the violations documented in the Agreed Order, and are jointly and severally liable for timely and satisfactory compliance with all terms and conditions of this Agreed Order.
3. It is further ordered that the Respondents shall undertake the following technical requirements:
 - a. Within 30 days after the effective date of this Agreed Order, submit an administratively complete permit application for the amine unit, in accordance with 30 TEX. ADMIN. CODE § 116.111 to:

Air Permits Division, MC 162
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3088
 - b. Respond completely and adequately, as determined by the TCEQ, to all requests for information concerning the permit application within 30 days after the date of such requests, or by any other deadline specified in writing;
 - c. Within 45 days after the effective date of this Agreed Order, submit written certification to demonstrate compliance with Ordering Provision No. 3.a., as described in Ordering Provision No. 3.e.;

- d. Within 180 days after the effective date of this Agreed Order, submit written certification that either authorization to operate the amine unit has been obtained or that operation has ceased until such time that appropriate authorization is obtained, as described in Ordering Provision No. 3.e.; and
- e. The certifications required by Ordering Provision Nos. 3.c. and 3.d., shall include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance. The certifications shall be notarized by a State of Texas Notary Public and include the following certification language:

"I certify under penalty of law that I have personally examined and am familiar with the information submitted and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing violations."

The certification shall be submitted to:

Order Compliance Team
Enforcement Division, MC 149A
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

with a copy to:

Air Section, Manager
Houston Regional Office
Texas Commission on Environmental Quality
5425 Polk Avenue, Suite H
Houston, Texas 77023-1486

- 4. The provisions of this Agreed Order shall apply to and be binding upon the Respondents. The Respondents are 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.
- 5. If the Respondents fail 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, the Respondents' failure to comply is not a violation of this Agreed Order. The Respondents shall have the burden of establishing to the Executive Director's satisfaction that such an event has occurred. The Respondents shall notify the Executive Director within seven days after the Respondents become aware of a delaying event and shall take all reasonable measures to mitigate and minimize any delay.
- 6. 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 the

Respondents shall be made in writing to the Executive Director. Extensions are not effective until the Respondents receive written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.

7. This Agreed Order, issued by the Commission, shall not be admissible against the Respondents 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.
8. This Agreed Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Agreed Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Agreed Order shall constitute an original signature for all purposes and may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms "electronic transmission", "owner", "person", "writing", and "written" shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.
9. Under 30 TEX. ADMIN. CODE § 70.10(b), the effective date is the date of hand-delivery of the Order to the Respondents, or three days after the date on which the Commission mails notice of the Order to the Respondents, 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



For the Executive Director

11/17/11

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

- A negative impact on compliance history;
- Greater scrutiny of any permit applications submitted;
- 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;
- Automatic referral to the Attorney General's Office of any future enforcement actions; and
- TCEQ seeking other relief as authorized by law.

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



Signature

8/12/11

Date

Brady Dodson

Name (Printed or typed)
Authorized Representative of
Arrowhead Pipeline, L.P.

Environmental Manager

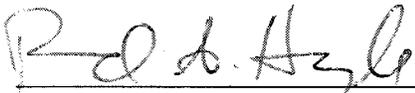
Title

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.

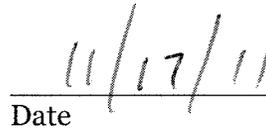
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- TCEQ seeking other relief as authorized by law.

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



Signature



Date



Name (Printed or typed)

Authorized Representative of
Hilcorp Energy Company



Title

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