



STATE OF MISSISSIPPI
PHIL BRYANT
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
GARY C. RIKARD, EXECUTIVE DIRECTOR

March 19, 2015

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Mr. Adam Berig
Encana Oil and Gas USA Inc, Horseshoe Hill 10H-1 Production Facility
370 17 Street, Suite 1700
Denver, CO 80202

**Re: Encana Oil and Gas USA Inc, Horseshoe Hill 10H-1 Production Facility
Agreed Order No. 6506 15**

Dear Mr. Berig:

Enclosed you will find a copy of Agreed Order No. 6506 15, which has been executed by the Executive Director of the Mississippi Department of Environmental Quality, Gary Rikard, on behalf of the Mississippi Commission on Environmental Quality.

The enclosed Order assesses a civil penalty. The penalty payment, when due, should be made by check payable to the Mississippi Department of Environmental Quality and returned in the enclosed, self-addressed envelope to the MDEQ Fees Division at P.O. Box 2339, Jackson, MS 39225.

If you have any questions regarding your obligations under the enclosed order, please contact Thomas Tynes at (601) 961-5578.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Sanders".

Chris Sanders, P.E.
Chief, Environmental Compliance and Enforcement Division

Enclosure
cc: Thomas Tynes

Agency Interest No. 55429
ENF20140001

BEFORE THE MISSISSIPPI COMMISSION
ON ENVIRONMENTAL QUALITY

MISSISSIPPI COMMISSION ON
ENVIRONMENTAL QUALITY

COMPLAINANT

VS.

ORDER NO. 6506 15

ENCANA OIL AND GAS USA INC.
370 17TH STREET, SUITE 1700
DENVER, COLORADO 80201

RESPONDENT

AGREED ORDER

COME NOW the Mississippi Commission on Environmental Quality (Commission), acting through the staff and Executive Director of the Mississippi Department of Environmental Quality (MDEQ), Complainant, and Encana Oil and Gas USA Inc., Respondent, in the above captioned cause and agree as follows:

1.

As a result of self-disclosure letters from Respondent dated June 20, 2013, August 1, 2013, August 6, 2013, December 11, 2013 and subsequent review by Complainant, Complainant has cited Respondent, by letter dated September 8, 2014, for violations of the following conditions of Air-Synthetic Minor Operating Permit No. 2940-00020 at Horseshoe Hill 10H-1 Production Facility.

- A. Narrative Requirement: T-2: General Condition: The permittee shall at all times maintain in good working order and operate as efficiently as possible all air pollution control facilities or systems installed or used by the permittee to achieve compliance with the terms and condition of this permit [111 Miss. Admin. Code Pt. 2, R 2.5.A]
- B. Narrative Requirement: T-19: General Condition: The permittee shall retain all

required records, monitoring data, supported information and reports for a period of at least five (5) years from the date of the monitoring sample, measurement, report, or application. Support information includes all calibration and maintenance records, all original strip-chart recordings or other data for continuous monitoring instrumentation, and copies of all reports required by this permit. Copies of such records shall be submitted to MDEQ as required by Applicable Rules and Regulations or this permit upon request. [11 Miss. Admin. Code Pt. 2, R 2.9]

- C. Narrative Requirement: S-2: General Condition: Except as otherwise specified herein, the permittee shall report all deviations from permit requirements, including those attributable to upsets, the probable cause of such deviations, and any corrective actions or preventive measures taken. Said report shall be made within five (5) working days of the time the deviation began. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(10)]
- D. AT-001: Oil Storage Tanks: L-1: The permittee shall only operate with the emissions routed to and controlled by the vapor combustor (AA-003). [11 Miss. Admin. Code Pt. 2, R 2.2.B.(10)]
- E. AA-002: 0.35 MMBTU/hr Heater Treater: L-4: The permittee shall send the produced gas to the sales line or to the flare (AA-004) for control. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(10)] As noted in the Respondent's letter dated June 20, 2013, the permit mistakenly refers to the utility flare (AA-004) rather than the vapor combustor (AA-003) to which emissions from the heater treater are to be routed.
- F. AA-003: Vapor Combustor Flare: L-3: The permittee shall maintain a flare pilot flame at all times. The permittee shall record anytime the facility is operated without a flame present and the corrective actions taken. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(10)]
- G. AA-003: Vapor Combustor Flare: M-1: The permittee shall perform weekly visual emission observations using EPA Method 22. If smoking is detected, the permittee shall take corrective action. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(11)]

- H. AA-003: Vapor Combustor Flare: M-2: The flare shall operate with a temperature between 1600 and 1800 degrees Fahrenheit and maintain a control efficiency of 98%. The permittee shall keep a record/log of temperature measurements and shall record anytime the vapor combustion unit is operated with the temperature below 1600 degrees Fahrenheit or above 1800 degrees Fahrenheit and anytime the control efficiency is less than 98% including any corrective action taken. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(11)]
- I. AA-003: Vapor Combustor Flare: R-1: The permittee shall maintain a record and/or a log documenting all visual observations/tests, the nature and cause of any visible emissions, any corrective action(s) taken to prevent or minimize the emissions, and the date and time when visible observations were conducted. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(11)]
- J. AA-004: Flare Utility: M-1: The permittee shall perform weekly visual emission observations using EPA Method 22 to ensure any smoke detected does not exceed 40% opacity. If smoking exceeds 40% opacity, the permittee shall take corrective action. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(11)]
- K. AA-004: Flare Utility: R-1: The permittee shall maintain a record and/or a log documenting all visual observations/tests, the nature and cause of any visible emissions, any corrective actions(s) taken to prevent or minimize the emissions, and the date and time when visible observations were conducted. [11 Miss. Admin. Code Pt. 2, R 2.2.B.(11)]

After review of the Annual Monitoring Report for calendar year 2013 and the above referenced self-disclosure submittals, it appears that all violations of the permit conditions listed above have been satisfactorily addressed by the Respondent.

2.

In lieu of a formal enforcement hearing concerning the violations listed above, Complainant and Respondent agree to settle this matter as follows:

- A. Respondent agrees to pay and Complainant agrees to accept a civil penalty in the amount of \$72,000.00 for the matters addressed herein. The penalty shall be paid

as follows:

- a. Respondent shall pay by check or money order \$18,000.00 to MDEQ within forty-five (45) days after the date this Agreed Order is executed by the MDEQ Executive Director or his designee (the “Effective Date”).

Payment shall be submitted to the following address:

Mississippi Department of Environmental Quality

Attn: Jennifer Parish

P.O. Box 2339

Jackson, MS 39225

- b. In accordance with the provisions of this Agreed Order and the Memorandum of Agreement (“MOA”) between Complainant, Respondent and the Amite County School District (“ACSD”), which is attached hereto as Attachment “A”, Complainant shall allow Respondent credit as follows toward payment of the penalty. Within forty-five (45) days after the Effective Date, Respondent shall pay, by check or money order, \$36,000.00 to the ACSD in accordance with the terms and conditions of the MOA. The ACSD shall use these funds for the purpose of purchasing two (2) school busses which meet the same requirements as those purchased under MDEQ’s Diesel School Bus Replacement Program (“DSBRP”). Within ten (10) days after making the payment to the ACSD aforementioned in this subparagraph, Respondent shall provide MDEQ with written proof of such payment.
- c. If Respondent fails to make the payment as described in Paragraph 2.A.b above or, for whatever reason, the payment amount to ACSD is less than \$36,000.00, any balance remaining of the civil penalty shall be immediately due and payable to MDEQ.
- d. In accordance with the provisions of this Agreed Order and the Memorandum of Agreement (“MOA”) between Complainant, Respondent and the Wilkinson County School District (“WCSD”), which is attached hereto as Attachment “B”, Complainant shall allow Respondent credit as follows toward payment of the penalty. Within forty-five (45) days after the Effective

Date, Respondent shall pay, by check or money order, \$18,000.00 to the WCSD in accordance with the terms and conditions of the MOA. The WCSD shall use these funds for the purpose of purchasing one (1) school bus which meets the same requirements as those purchased under MDEQ's Diesel School Bus Replacement Program ("DSBRP"). Within ten (10) days after making the payment to the WCSD aforementioned in this subparagraph, Respondent shall provide MDEQ with written proof of such payment.

e. If Respondent fails to make the payment as described in paragraph 2.A.d above or, for whatever reason, amount to WCSD is less than \$18,000.00, any balance remaining of the civil penalty shall be immediately due and payable to MDEQ.

B. Respondent further understands and agrees that as part of the referenced settlement, Respondent shall comply with the following:

a. Any public statement, oral or written, in print, film or other media, made by Respondent making reference to the payment described in Paragraph 2.A.b or 2.A.d above shall include the following language: "This contribution was made in connection with the settlement of an environmental enforcement action taken by the Mississippi Department of Environmental Quality."

b. Respondent shall not deduct Supplemental Environmental Project expenditures from its state or federal income taxes or receive any state or federal credit for these expenditures as current operating expenses in 2014. Respondent may capitalize the SEP expenditures.

3.

Nothing in this Agreed Order shall limit the rights of MDEQ or the Commission in the event Respondent fails to comply with this Agreed Order. The Agreed Order shall be strictly construed to apply to those matters expressly resolved herein.

4.

Nothing contained in this Agreed Order shall limit the rights of MDEQ or the Commission to take enforcement or other actions against Respondent for violations not addressed herein and for future violations of environmental laws, rules, and regulations.

5.

Respondent understands and acknowledges that it is entitled to an evidentiary hearing before the Commission pursuant to Miss. Code Ann. § 49-17-31, and that it has made an informed waiver of that right.

ORDERED, this the 18th day of MARCH, 2015.

MISSISSIPPI COMMISSION ON
ENVIRONMENTAL QUALITY

BY: 

GARY C. RIKARD
EXECUTIVE DIRECTOR
MISSISSIPPI DEPARTMENT
OF ENVIRONMENTAL QUALITY

AGREED, this the 09 day of March, 2015.

ENCANA OIL AND GAS USA INC.

BY: [Signature]

TITLE: Sr Manager - Southern Operations

STATE OF Colorado

COUNTY OF Denver

PERSONALLY appeared before me, the undersigned authority in and for the jurisdiction aforesaid, the within named Colin Cowie who first being duly sworn, did state upon his/her oath and acknowledge to me that he/she is the authorized personnel of Encana Oil and Gas USA Inc. and is authorized to sign and enter this Agreement.

SWORN AND SUBSCRIBED BEFORE ME, this the 9th day of March, 2015.

[Signature]
NOTARY PUBLIC

My Commission expires: 01/06/2016

KRYSTAL SCHLEDWITZ
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20114079060
MY COMMISSION EXPIRES 01/06/2016

ATTACHMENT A

**MEMORANDUM OF AGREEMENT BETWEEN MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY,
ENCANA OIL AND GAS USA INC., AND
AMITE COUNTY SCHOOL DISTRICT**

**MEMORANDUM OF AGREEMENT BETWEEN MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY,
ENCANA OIL AND GAS USA INC., AND
AMITE COUNTY SCHOOL DISTRICT**

Background. On September 8, 2014, the Mississippi Department of Environmental Quality (“MDEQ”) initiated an administrative enforcement action against Encana Oil and Gas USA Inc. (“Encana”) for violation of Air-Synthetic Minor Operating Permit No. 2940-00020 issued on March 26, 2013. As part of the settlement and resolution of that enforcement action, MDEQ has agreed to allow Encana to pay \$36,000.00 to the Amite County School District (“ACSD”) and receive credit towards the agreed upon civil penalty. MDEQ now seeks to ensure that the ACSD expends the funds for the purpose set forth below.

Section 1. Parties to the Agreement: The parties to this Memorandum of Agreement (“MOA”) are MDEQ, Encana and ACSD.

Section 2. Purpose of the Agreement: The purpose of this agreement is to ensure the ACSD expends the funds received from Encana for the purchase of two (2) school busses which meet the same requirements of those purchased under MDEQ’s Diesel School Bus Replacement Program (“DSBRP”) as required by Agreed Order No. ~~6506 15~~.

Section 3. Responsibilities of Encana: Encana shall make payments to the ACSD in the amount of \$36,000.00 after execution of this MOA and in accordance with the Agreed Order as contemplated by Section 5 of this MOA.

Section 4. Responsibilities of ACSD: The ACSD shall expend the funds received from Encana to replace two (2) existing school busses with the purchase of two (2) new school busses meeting the diesel emission reduction requirements as those purchased under MDEQ’s DSBRP. ACSD shall notify MDEQ’s Air Division to coordinate an observer to confirm ACSD makes the

existing school busses inoperable. ACSD shall provide MDEQ with a copy of an Idle Reduction Policy which has been adopted by the School Board of ACSD. The activities outlined in this Section shall be performed on or before September 30, 2015. Should the ACSD fail to expend the funds received from Encana or any portion of the funds as required by this MOA, the ACSD shall remit to MDEQ the portion of the funds not spent in accordance with this MOA, and any such funds remitted to MDEQ shall be considered a penalty collection and deposited into the Pollution Emergency Fund pursuant to Miss. Code Ann. § 49-17-43(6).

Section 5. Responsibilities of MDEQ: As consideration for the performance of this MOA, MDEQ agrees to grant Encana credit in the amount of \$36,000.00 toward payment of a total civil penalty of \$72,000.00 for the violations cited in MDEQ's Notice of Violation dated September 8, 2014. This concession by MDEQ shall also be embodied in an Agreed Order between MDEQ and Encana.

Section 6. Reporting and Certification Requirements: Encana shall submit to MDEQ documentation (such as purchase orders, receipts, etc.) reflecting that it gave the funds to ACSD within 60 days after the Effective Date of the Agreed Order. ACSD shall submit documentation (such as purchase orders, receipts, etc.) reflecting that it used the funds in accordance with this MOA on or before September 30, 2015. Encana shall submit a certification signed by both a Responsible Official of Encana and the Superintendent of the Amite County School District that the funds were transferred and expended in accordance with the terms of this MOA.

Section 7. Period of Performance: The period of performance of this MOA shall be performed as set forth in Section 3, Section 4, Section 5 and Section 6 of this MOA.

Section 8. Nullification of this Agreement: The parties to this MOA contemplate, and the MOA embodied in this document presumes, the issuance by MDEQ of an Agreed Order associated with, and referencing, this MOA and requiring Encana to make the payment described herein. If, for any

reason, the MDEQ and Encana are unable to settle the enforcement action referenced above as contemplated by this MOA and/or MDEQ, for any reason, does not issue the contemplated Agreed Order, this MOA, and any obligations described herein, shall be null, void and without effect.

WITNESS OUR SIGNATURES:

SUPERINTENDENT, AMITE COUNTY SCHOOL DISTRICT

By: Scotty H. Whittington

Printed name: Scotty H. Whittington

Title: SUPERINTENDENT of Education

Date Executed: February 12, 2015

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

By: Gary C. Rikard

Gary C. Rikard, Executive Director

Date Executed: MARCH 18, 2015

ENCANA OIL AND GAS USA INC.

By: Colin Cowie

Printed Name: Colin Cowie

Titled: Sr. Manager - Southern Operations

Date Executed: March 9, 2015

RECEIVED
FEB 17 2015
Dept. of Environmental Quality

ATTACHMENT B

**MEMORANDUM OF AGREEMENT BETWEEN MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY,
ENCANA OIL AND GAS USA INC., AND
WILKINSON COUNTY SCHOOL DISTRICT**

**MEMORANDUM OF AGREEMENT BETWEEN MISSISSIPPI
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ENCANA OIL AND GAS USA INC., AND
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Section 1. Parties to the Agreement: The parties to this Memorandum of Agreement (“MOA”) are MDEQ, Encana and WCSD.

Section 2. Purpose of the Agreement: The purpose of this agreement is to ensure the WCSD expends the funds received from Encana for the purchase of a school bus which meets the same requirements of those purchased under MDEQ’s Diesel School Bus Replacement Program (“DSBRP”) as required by Agreed Order No. 6506 157.

Section 3. Responsibilities of Encana: Encana shall make payments to the WCSD in the amount of \$18,000.00 after execution of this MOA and in accordance with the Agreed Order as contemplated by Section 5 of this MOA.

Section 4. Responsibilities of WCSD: The WCSD shall expend the funds received from Encana to replace an existing school bus with the purchase of a new school bus meeting the diesel emission reduction requirements as those purchased under MDEQ’s DSBRP. WCSD shall notify

MDEQ's Air Division to coordinate an observer to confirm WCSD makes an existing school bus inoperable. WCSD shall provide MDEQ with a copy of an Idle Reduction Policy which has been adopted by the School Board of WCSD. The activities outlined in this Section shall be performed on or before September 30, 2015. Should the WCSD fail to expend the funds received from Encana or any portion of the funds as required by this MOA, the WCSD shall remit to MDEQ the portion of the funds not spent in accordance with this MOA, and any such funds remitted to MDEQ shall be considered a penalty collection and deposited into the Pollution Emergency Fund pursuant to Miss. Code Ann. § 49-17-43(6).

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WITNESS OUR SIGNATURES:

SUPERINTENDENT, WILKINSON COUNTY SCHOOL DISTRICT

By: 

Printed name: Timothy T. Scott

Title: Superintendent of Education

Date Executed: 2/11/2015


MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

By: 

Gary C. Rikard, Executive Director

Date Executed: MARCH 18, 2015

ENCANA OIL AND GAS USA INC.

By: 

Printed Name: Colin Cowie

Titled: Sr Manager - Southern Operations

Date Executed: March 9, 2015