

SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and Gregg Drilling & Testing, Inc. (hereinafter "GREGG DRILLING"), 2726 Walnut Avenue, Signal Hill, California 90755

I. RECITALS

- (1) HSC §§ 39650-39675 mandate the reduction of the emissions of substances that have been determined to be toxic air contaminants. In 1998, following an exhaustive ten-year scientific assessment process, ARB identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. In-use on-road diesel vehicles are powered by diesel fueled engines that emit toxic PM. On-road vehicles are controlled under the Truck and Bus regulation, as codified in 13 CCR § 2025.
- (2) 13 CCR § 2025(e)(1)(B) states: "Starting January 1, 2012, for all vehicles with GVWR greater than 26,000 lbs, excluding school buses, fleets must meet the requirements of 13 CCR § 2025(g) or fleets that report may instead comply with the phase-in option of 13 CCR § 2025(i).
- (3) GREGG DRILLING has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in 13 CCR § 2025(g).
- (4) 13 CCR § 2025(g) requires that owners of diesel vehicles with a GVWR greater than 26,000 lbs. (heavier vehicles) meet PM Best Available Control Technology (BACT) requirements for all 1996 through 1999 model year engines by January 1, 2012, all 2000 through 2004 model year engines by January 1, 2013, and all 2005 and 2006 model year engines by January 1, 2014, and upgrade to a 2010 model year emissions equivalent engine for all 1993 and older model year engines by January 1, 2015, and all 1994 and 1995 model year engines by January 1, 2016.
- (5) ARB has documented that GREGG DRILLING failed to meet PM BACT requirements for all 1996 through 1999 model year engines by January 1, 2012, all 2000 through 2004 model year engines by January 1, 2013, and all 2005 and 2006 model year engines by January 1, 2014, and failed to upgrade to a 2010 model year emissions equivalent engine for all 1993 and older model year engines by January 1, 2015, and all 1994 and 1995 model year engines by January 1, 2016.
- (6) 13 CCR § 2025(f) requires that owners of diesel vehicles with a GVWR greater than 14,000 lbs. and less than or equal to 26,000 lbs. (lighter vehicles) upgrade to a 2010 model year emissions equivalent engine for all 1995 and older model

SETTLEMENT AGREEMENT AND RELEASE
ARB and GREGG DRILLING
Page 2 of 10

year engines by January 1, 2015, and all 1996 model year engines by January 1, 2016.

- (7) ARB has documented that GREGG DRILLING failed to upgrade to a 2010 model year emissions equivalent engine for all 1995 and older model year engines by January 1, 2015, and all 1996 model year engines by January 1, 2016.
- (8) Failure to comply with the requirements of 13 CCR § 2025 is a violation of state law resulting in penalties. HSC §§ 39674(a) and (b) authorize civil penalties for the violation of the programs for the regulation of toxic air contaminants not to exceed one thousand dollars (\$1,000) or ten thousand dollars (\$10,000), respectively, for each day in which the violation occurs.
- (9) In order to resolve these alleged violations, GREGG DRILLING has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, ARB accepts this Agreement in termination and settlement of this matter.
- (10) In consideration of the foregoing, and of the promises and facts set forth herein, the parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, ARB and GREGG DRILLING agree as follows:

II. TERMS AND RELEASE

In consideration of ARB not filing a legal action against GREGG DRILLING for the alleged violations referred to above, and GREGG DRILLING's payment of the penalties set forth in Section 1 below, ARB and GREGG DRILLING agree as follows:

- (1) Upon execution of this Agreement, GREGG DRILLING shall pay a civil penalty of \$84,000.00. Payment shall be made in 6 payments as described below, beginning on **December 1, 2017**

Payment Due Date:	In the Amount of and Payable to:
December 1, 2017	\$35,000.00 Asthma Impact Model
February 1, 2018	\$9,800.00 the Air Pollution Control Fund
April 2, 2018	\$9,800.00 the Air Pollution Control Fund
June 1, 2018	\$9,800.00 the Air Pollution Control Fund
August 1, 2018	\$9,800.00 the Air Pollution Control Fund
October 1, 2018	\$9,800.00 the Air Pollution Control Fund

Please send the signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:

Mr. Kevin Forson
Air Pollution Specialist
California Air Resources Board
Enforcement Division
P.O. Box 2815
Sacramento, California 95812

For payments made to the [Asthma Impact Model], each payment by the applicable payment due date along with the corresponding Attachment A – *“Settlement Agreement Payment Transmittal Form”* shall be submitted to:

Central California Asthma Collaborative
For: Asthma Impact Model SEP
Attn: Sarah Sharpe
4991 E. McKinley Avenue
Fresno, California 93727

In addition, a copy of each payment check made to [Asthma Impact Model] shall be mailed to:

Kevin Forson
Air Pollution Specialist
California Air Resources Board
Enforcement Division
P.O. Box 2815
Sacramento, California 95812

For payments made to the Air Pollution Control Fund, each payment by the applicable payment due date along with the corresponding Attachment A – *“Settlement Agreement Payment Transmittal Form”* shall be submitted to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

- (2) Gregg Drilling & Testing, Inc. has agreed to undertake a Supplemental Environmental Project (SEP) as described in Attachment B – *“SUPPLEMENTAL ENVIRONMENTAL PROJECT AGREEMENT – Asthma Impact Model SEP”*,

SETTLEMENT AGREEMENT AND RELEASE
ARB and GREGG DRILLING
Page 4 of 10

("SEP Agreement"), to offset a portion of the penalty, consistent with CARB's SEP Policy. Pursuant to this Agreement, Gregg Drilling & Testing, Inc. shall make payments according to the schedule above in (1).

- (3) Gregg Drilling & Testing, Inc. has agreed that by funding the ASTHMA IMPACT MODEL SEP, they will not receive any direct or indirect financial benefit, and that whenever it publicizes a SEP or the results of the SEP, it will state in a prominent manner that the project is being undertaken as part of the settlement of an enforcement action.
- (4) Upon agreeing to the terms set forth in the SEP Agreement, and funding the ASTHMA IMPACT MODEL SEP, Gregg Drilling & Testing, Inc. is released of all liabilities as they relate to the ASTHMA IMPACT MODEL SEP as reflected in this underlying Settlement Agreement.
- (5) In the event the SEP is not fully implemented in accordance with the terms of the SEP Agreement, CARB (as the third party beneficiary) shall be entitled to recover the full amount of the SEP from the SEP implementer, less any amount waived based on the timely and successful completion of any previously agreed upon interim milestone(s), to be deposited into Air Pollution Control Fund. Accordingly, Gregg Drilling & Testing, Inc. shall assign any and all rights against the SEP implementer to CARB.
- (6) Effect of Untimely Payment. If any payment is more than fifteen (15) days late, the entire remaining balance becomes immediately due and payable. In addition, if the Attorney General files a civil action to enforce this settlement agreement, Gregg Drilling & Testing, Inc. shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.
- (7) It is agreed that if GREGG DRILLING, including its subsidiary or parent company, at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving GREGG DRILLING, its subsidiary, or parent company, or a proceeding or petition under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, or receivership law or statute is filed by or against GREGG DRILLING, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of GREGG DRILLING's, its subsidiary, or parent company's properties, or if any deposit account or other property of GREGG DRILLING, its subsidiary, or parent company be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or GREGG DRILLING, its subsidiary, or parent company takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.

SETTLEMENT AGREEMENT AND RELEASE
ARB and GREGG DRILLING
Page 5 of 10

- (8) It is further agreed that the penalties described in "Terms and Release", paragraph 1 are punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish GREGG DRILLING for violations of state environmental statutes, and these penalties are payable to and for the benefit of ARB, a governmental unit. Therefore, it is agreed that these penalties imposed on GREGG DRILLING by ARB arising from the facts described in recital paragraphs (1) through (8) are non-dischargeable under 11 United States Code § 523 (a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty or forfeiture payable to and for benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.
- (9) GREGG DRILLING shall not violate HSC §§ 43701 *et seq.*, 44011.6 *et seq.*, and 13 CCR §§ 2180 *et seq.*, 2190 *et seq.*, and 2485 *et seq.*
- (10) GREGG DRILLING shall comply with one or both of the following options to attend the California Council on Diesel Education and Technology (CCDET I) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for Heavy-Duty Diesel Powered Vehicles) as described on the CCDET webpage, ccdet.org. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP, the ECL regulation and the HDVIP.
- (a) GREGG DRILLING shall have the fleet maintenance manager (or equivalent) and all staff performing opacity tests for compliance with PSIP and the HDVIP attend the CCDET I class. Proof of CCDET I completion shall be provided to ARB within six months of the date of this Agreement and be maintained in each applicable employee's file for the term of his or her employment.
- (b) If GREGG DRILLING uses a contractor to perform the annual smoke opacity testing required under the PSIP, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET I course, GREGG DRILLING shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET I course within the past four years. This proof of CCDET I completion shall be provided to ARB with PSIP records as required by this Agreement and be maintained with the annual PSIP records.
- (11) GREGG DRILLING shall comply with the following options to attend the CCDET II class (Diesel Exhaust After Treatment and Maintenance), described on the CCDET webpage, ccdet.org. This class is conducted by various California Community Colleges and instructs attendees on California's emission regulations and the proper care and maintenance of diesel exhaust after-treatment systems (DEATS).
- (a) GREGG DRILLING shall have the fleet maintenance manager (or equivalent) and all staff responsible for maintenance of DEATS attend the CCDET II

class. Proof of CCDET II completion shall be provided to ARB within six months of the date of this Agreement and also be maintained in each applicable employee's file for the term of his or her employment.

- (b) In case GREGG DRILLING uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, GREGG DRILLING shall obtain proof that the contractor's staff maintaining the DEATS device(s) completed the CCDET II course within the last four years. This proof of the CCDET II completion shall be provided by GREGG DRILLING to ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
- (c) In case GREGG DRILLING is unable to find a CCDET II certified contractor within a radius of 25 miles from its yard for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, GREGG DRILLING shall contract only with the authorized verified diesel emission control strategy installer(s) or original equipment manufacturer distributor(s) for the maintenance of DEATS. The proof of the CCDET II completion for the fleet maintenance manager (or equivalent) shall be provided by GREGG DRILLING to ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
- (12) As is typically required, GREGG DRILLING shall submit copies of all PSIP compliance records for the two years (2017 and 2018) after the close of the audit to ARB by January 31 of the following year. ARB acknowledges that GREGG DRILLING has already submitted copies of all PSIP compliance records for year 2017 and has therefore complied with that requirement. GREGG DRILLING must still submit copies of all PSIP compliance records for year 2018 to ARB by January 31 of the following year. **Copies shall be addressed to the attention of Mr. Kevin Forson at the California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.** ARB reserves the right to visit any GREGG DRILLING fleet location at any time to conduct compliance audits for the HDVIP and PSIP, or any other applicable ARB program.
- (13) GREGG DRILLING shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to ARB within 45 days of this agreement.
- (14) GREGG DRILLING shall remain in compliance with the ECL regulation as codified in 13 CCR § 2183.

SETTLEMENT AGREEMENT AND RELEASE
ARB and GREGG DRILLING
Page 7 of 10

- (15) GREGG DRILLING shall instruct all employees who operate diesel-fueled vehicles to comply with the idling regulations set forth in 13 CCR § 2485, within 45 days of this Agreement.
- (16) GREGG DRILLING shall not violate the Truck and Bus regulation as codified in 13 CCR § 2025.
- (17) GREGG DRILLING, by April 1, 2018, shall submit proof of compliance with the Truck and Bus Regulation, for all regulated heavy-duty diesel vehicles, to **Mr. Kevin Forson, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.**
- (18) This Agreement shall apply to and be binding upon GREGG DRILLING, and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (19) This Agreement constitutes the entire agreement and understanding between ARB and GREGG DRILLING concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and GREGG DRILLING concerning the subject matter hereof.
- (20) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all parties to this Agreement.
- (21) Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.
- (22) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (23) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.
- (24) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (HSC § 39619.7). This information, which is provided throughout this settlement agreement, is summarized here:

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in HSC §§ 42403 and 43024.

Truck and Bus Violations

The per unit penalty for the Truck and Bus violations involved in this case is a maximum of \$1,000 per vehicle per day for strict liability violations or \$10,000 per vehicle per day for negligent or intentional violations.

The penalty obtained for the Truck and Bus violations involved in this case for failure to meet the requirements of the Engine Model Year Compliance Schedule is \$72,000.00 or \$3,000 per violation:

- \$6,000.00 for 2 vehicle(s) with a 1996 through 1999 model year engine continued to operate within the State of California after January 1, 2012,
- \$24,000.00 for 8 vehicle(s) with a 2000 through 2004 model year engine continued to operate within the State of California after January 1, 2013,
- \$39,000.00 for 13 vehicle(s) with a 2005 through 2006 model year engine continued to operate within the State of California after January 1, 2014 and,
- \$3,000.00 for 1 vehicle(s) with a 1993 or older model year engine continued to operate within the State of California after January 1, 2015.

The penalty obtained for the Truck and Bus violations involved in this case for failure to meet the requirements of the Engine Model Year Compliance Schedule for lighter vehicles is \$12,000.00 or \$3,000.00 per violation:

- \$9,000.00 for 3 vehicle(s) with a 1995 or older model year engine continued to operate within the State of California after January 1, 2015, and
- \$3,000.00 for 1 vehicle(s) with a 1996 model year engine continued to operate within the State of California after January 1, 2016.

The penalty was discounted based on the fact that this was a first time violation and the violator made diligent efforts to comply and to cooperate with the investigation

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

Truck and Bus Violations

The penalty provision being applied for the Truck and Bus regulation (13 CCR § 2025) violations in this case is HSC § 39674 because the Truck and Bus regulation is an Airborne Toxic Control Measure adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and because GREGG DRILLING failed to bring their diesel fleet into compliance by the deadlines set forth in 13 CCR § 2025(g) and 13 CCR § 2025(f).

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and if so, a quantification of excess emissions, if it is practicable to do so.

Truck and Bus Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the noncompliant vehicles involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.


- (25) GREGG DRILLING acknowledges that ARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC § 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is being assessed under a provision of law that prohibits the emission of pollutants at a specified level.
- (26) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar cases, and the potential costs and risk associated with litigating these particular violations. Penalties in future cases might be smaller or larger on a per unit basis.
- (27) The penalty was based on confidential settlement communications between ARB and GREGG DRILLING that ARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between ARB and GREGG DRILLING and reflects ARB's assessment of the relative strength of its case against GREGG DRILLING, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that GREGG DRILLING may have secured from its actions.

(28) Now therefore, in consideration of the payment on behalf of GREGG DRILLING to the Air Pollution Control Fund and the CENTRAL CALIFORNIA ASTHMA COLLABORATIVE (for ASTHMA IMPACT MODEL SEP), ARB hereby releases GREGG DRILLING and their principals, officers, agents, predecessors and successors from any and all claims, ARB may have or have in the future based on the circumstances described in paragraphs (1) through (8) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

Gregg Drilling & Testing, Inc.

Signature: 

Signature: 

Print Name: Ellen M. Peter

Print Name: John Gregg

Title: Chief Counsel

Title: President

Date: 12/21/2017

Date: 11/27/2017