

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF LOUISIANA**

**UNITED STATES OF AMERICA** \* **CRIMINAL NO. 16-160**

**v.** \* **SECTION: "E"**

**CHAMPION ES HOLDINGS INC.** \*

\* \* \*

**FACTUAL BASIS**

The United States, represented by the United States Attorney's Office for the Eastern District of Louisiana, and the defendant, **CHAMPION ES HOLDINGS INC.**, hereby agree that this Factual Basis is a true and accurate statement of the Defendant's criminal conduct, that it provides a sufficient basis for the Defendant's plea of guilty to the charges contained in the Bill of Information in the above-captioned matter and as set forth in the Plea Agreement signed this same day, and had this matter proceeded to trial, the United States would have presented competent evidence and testimony to prove the following facts beyond a reasonable doubt.

The Clean Water Act was enacted by Congress to restore and maintain the chemical, physical, and biological quality of the Nation's waters. 33 U.S.C. § 1251(a). In addition, the Clean Water Act was enacted to prevent, reduce and eliminate water pollution in the United States and to conserve the waters of the United States for the protection and propagation of fish and aquatic life and wildlife, for recreational purposes, and for the use of such waters for public drinking water, agricultural, and industrial purposes. 33 U.S.C. § 1252(a).

The Clean Water Act prohibits the discharge of oil in harmful quantities into waters of the United States or in connection with activities under the Outer Continental Shelf Lands Act or the Deepwater Port Act or that may affect natural resources belonging to, appertaining to, or under the exclusive management authority of the United States, including those waters through the contiguous zone as far as 200 miles into the ocean.

Beginning at a time unknown, but no later than February 2010, the Innovator was an oil and gas production facility in the Gulf of Mexico located on a federal lease in an area known as Mississippi Canyon 711, approximately 80 miles south of Empire, Louisiana, or 48 miles from the Mississippi River, Southwest Pass Entrance. In the process of producing oil and gas, the Innovator generated produced water. Produced water is water that is brought up from the hydrocarbon-bearing strata during the extraction of oil and gas, and can include formation water, injection water, oil and any chemicals added downhole or during the oil/water separation process.

Production operations on the Innovator were required to be in compliance with a permit issued under the National Pollutant Discharge Elimination System (“NPDES”) program, 33 U.S.C. § 1342, specifically NPDES General Permit No. 290000 for Discharges from the Offshore Subcategory of the Oil and Gas Extraction Category for the Western Portion of the Outer Continental Shelf of the Gulf of Mexico off the coasts of Louisiana and Texas. The NPDES permit imposed limitations upon the type and amount of pollutants that were legally allowed to be discharged from the Innovator into the Gulf of Mexico. Any discharges of pollutants outside of the allowances under the NPDES permit violated the Clean Water Act.

As required by the NPDES Permit, the Innovator was prohibited from introducing into the Gulf of Mexico produced water in which the oil and grease content exceeded a monthly average of 29 mg/l. The Innovator was equipped with pollution treatment equipment, including, but not limited to, a floatcell. The floatcell functioned to clean slightly oily water; discharging clean water overboard and sending excess oil back through the system to be re-processed. The floatcell on the Innovator was the final piece of water cleaning equipment on the platform. Water leaving the floatcell would be discharged into the Gulf of Mexico. Production operators were required to conduct a visual inspection for oil sheens on a daily basis. If a sheen was visible, it was to be reported to the National Response Center.

In pertinent part, the NPDES permit for the Innovator provided: the “facility operator shall minimize the discharge of dispersants, surfactants and detergents except as necessary to comply with safety requirements.” NPDES Permit, Part 1, Section C.3. The restriction was imposed because “detergents disperse and emulsify oil, thereby increasing toxicity and making the detection of a discharge of oil more difficult.” *Id.* Any discharge that causes a film or sheen upon the surface of the water may be harmful to the environment. 40 C.F.R. § 110.3(b). The Code of Federal Regulations at Title 40 Section 110.4 prohibits the addition of dispersants or emulsifiers to oil to be discharged to circumvent the prohibition against the discharge of oil in an amount that would be harmful or cause a sheen.

**CHAMPION ES HOLDINGS INC.** is a Texas corporation formed in December 2001, with a corporate office located at 7705 Highway 90-A Sugar Land, Texas.

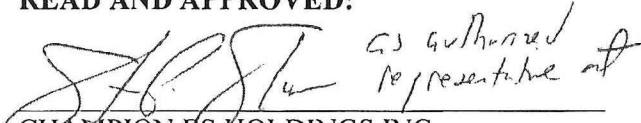
**CHAMPION ES HOLDINGS INC.** is a subsidiary of Ecolab Inc., which acquired

Champion Technologies, Inc., in 2013, a year after the events described below. On or about February 23, 2010, Champion Technologies, Inc., the former affiliate of **CHAMPION ES HOLDINGS INC.**, (“**CHAMPION**”) entered into a Master Service Agreement with the facility operator of the Innovator to provide chemical management services. **CHAMPION** was not the owner or operator of the Innovator. From October 2010 through March 2012, **CHAMPION** sold chemicals to the operator for use on the Innovator and provided associated consulting services through account representatives assigned to the Innovator. These chemicals included Cleartron ZB-103, which the foremen on the Innovator requested despite the fact that **CHAMPION** had not recommended its use. Between October 2010 until March 2012, production foremen on the Innovator ordered a total of 4,025 gallons of Cleartron ZB-103 from **CHAMPION** that was injected into the produced water piping past the floatcell and used as a dispersant to hide oil sheens from the produced water coming from the Innovator.

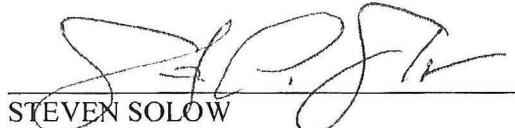
**CHAMPION** employees were aware of how the production operators used the Cleartron ZB-103, and knew that such use of Cleartron ZB-103 was prohibited, but did not tell any federal judge or other federal law enforcement or regulatory authorities about it. **CHAMPION** employees also failed to accurately record the usage of Cleartron ZB-103 in

Field Service Reports, contributing to the regulatory inspectors' inability to detect its improper use on routine inspections.

**READ AND APPROVED:**

  
CHAMPION ES HOLDINGS INC  
Defendant

8/25/16  
Date

  
STEVEN SOLOW  
Attorney for Defendant

8/25/16  
Date

*subscribed agent*

  
EMILY K. GREENFIELD La. Bar. 28587  
Assistant United States Attorney

10/5/16  
Date

  
Attorney for Defendant

10/5/16