



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4  
ATLANTA FEDERAL CENTER  
61 FORSYTH STREET  
ATLANTA, GEORGIA 30303-8960

JAN 14 2014

CERTIFIED MAIL 7010 1060 0002 1704 8937  
RETURN RECEIPT REQUESTED

Brian Reynolds  
Petroleum Development Group, LLC  
320 First Street  
Henderson, Kentucky 42420-3114

Re: Consent Agreement and Final Order (CA/FO)  
Docket No. SDWA-04-2013-1010(b)

Dear Mr. Reynolds:

Enclosed is a copy of the Consent Agreement and Final Order (CA/FO) in this matter that has been filed with the Regional Hearing Clerk and served on the parties as required by 40 C.F.R. §22.6. This CA/FO was effective upon the date filed with the Regional Hearing Clerk and you are hereby ordered to comply immediately with the terms of the subject Order.

Thank you for your cooperation in settling this matter. Should you have any questions or concerns, please contact Ms. Carol Chen, Underground Injection Control Enforcement at (404) 562-9415.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Giattina".

James D. Giattina  
Director  
Water Protection Division

Enclosure

cc: Regional Hearing Clerk

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 4

RECEIVED  
EPA REGION IV

2014 JAN 14 PM 2:03

HEARING CLERK

IN THE MATTER OF

Petroleum Development Group, LLC  
320 First Street  
Henderson, Kentucky 42420-3114

Consent Agreement and Final Order

Docket No. SDWA-04-2013-1010(b)

Respondent

STATUTORY AUTHORITY

1. Pursuant to the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination or Suspension of Permits (Consolidated Rules of Practice or Part 22), specifically Subpart I, published at 64 Fed. Reg. 40138 (July 23, 1999) and the delegated authority of the Administrator of the U.S. Environmental Protection Agency (EPA or Complainant) under Section 1423 of the Safe Drinking Water Act (SDWA), 42 U.S.C. § 300h-2, the EPA, as Complainant, hereby enters into the following Consent Agreement and Final Order (CA/FO) with Petroleum Development Group, LLC (Respondent).
2. Section 1450(a)(1) of the SDWA, 42 U.S.C. § 300j-9(a)(1), authorizes the Administrator to prescribe such regulations as are necessary or appropriate to carry out her functions under the SDWA. These regulations are found at 40 C.F.R. Parts 124, 144, 146, 147, and 148, and set forth requirements for the Underground Injection Control (UIC) program promulgated under Part C of the SDWA, 42 U.S.C. § 300h, et seq.
3. Injection well owners and operators are required to comply with the UIC program requirements. The UIC program for the Commonwealth of Kentucky, including all Indian lands, is administered by the EPA. See 40 C.F.R. § 147.901(a).

ALLEGATIONS

4. Respondent is a limited liability company organized under the laws of Kentucky and doing business in the Commonwealth of Kentucky, with a business address of 320 First Street, Henderson, Kentucky 42420-3114.
5. Respondent is the owner and/or operator of the Class II underground injection wells that are subject to this Order (Subject Wells). Each of the Subject Wells is a “facility” as that term is defined in 40 C.F.R. § 144.3.
6. The following Subject Wells are permitted in accordance with 40 C.F.R. § 144.31 and are subject to the requirements of the SDWA and the UIC regulations.

<u>EPA ID No.</u>	<u>Permit No.</u>	<u>Well</u>	<u>Status</u>	<u>County</u>
KYS1010121	KYI0621	G. R. Crafton #4	Active	Henderson
KYS1490099	KYI0426	Lucy P. Sandefur #10WI	Active	McLean

7. The SDWA 42 U.S.C. § 300f, et seq. and 40 C.F.R. § 144.51(a) require the permittee, of a permitted UIC well, to comply with all conditions of the permit.

8. Part II, Section G, Paragraph 3, of the UIC permit, requires that a demonstration of mechanical integrity in accordance with 40 C.F.R. § 146.8 be made no later than 5 years from the last approved demonstration.

9. The mechanical integrity demonstration for the following active permitted Subject Well was performed late, as shown below.

<u>Permit No.</u>	<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>Previous MIT</u>	<u>MIT Due</u>	<u>MIT Done</u>	<u>County</u>
KYI0621	KYS1010121	G. R. Crafton #4	Active	04/25/05	04/25/10	10/17/12	Henderson

10. Therefore, the Respondent is in violation of 40 C.F.R. § 146.8, the UIC permit and the SDWA for failure to timely demonstrate the mechanical integrity of the active permitted Subject Well, as shown above.

11. Part I, Section C, Paragraph 2, of the UIC permits, requires the permittee to weekly monitor the injection and annulus pressures at the wellhead and to weekly monitor the flow rate and cumulative volume of the injected fluid. Part I, Section D, Paragraph 2, of the UIC permits, contains the requirement to submit the results of all monitoring to the EPA by January 28 of the subsequent year.

12. Based on the EPA's records, annual monitoring reports for the following active permitted Subject Wells are overdue, as shown below.

<u>Permit No.</u>	<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>Last Monitoring Report</u>	<u>County</u>
KYI0621	KYS1010121	G. R. Crafton #4	Active	Year 2008	Henderson
KYI0426	KYS1490099	Lucy P. Sandefur #10WI	Active	Year 2009	McLean

13. Therefore, the Respondent is in violation of 40 C.F.R. § 144.51(a), the UIC permits and the SDWA for failure to timely submit annual monitoring reports for the active permitted Subject Wells, as shown above.

14. The following Subject Wells were in existence on June 25, 1984, the effective date of the UIC program in Kentucky as implemented by the EPA, therefore are authorized by rule as that term is defined in 40 C.F.R. § 144.21(a).

<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>County</u>
KYS1010003	Reynolds Metals #5-A	Active	Henderson
KYS1010026	E. C. Alderson #5	Active	Henderson
KYS1010028	Jack Knight #2	Inactive	Henderson
KYS1770090	Creek-Vincent #1	Active	Muhlenberg
KYS1010027	McElroy #1	Inactive	Henderson

15. The SDWA, 42 U.S.C. § 300f, et seq. and 40 C.F.R. § 144.28(a) require the owner or operator of a rule-authorized injection well to comply with all applicable statutory and regulatory requirements.

16. In accordance with 40 C.F.R. § 144.28(c)(2)(iv), the EPA requires that after a cessation of injection for 2 years, the owner or operator of a rule-authorized underground injection well shall demonstrate the mechanical integrity or close, plug and abandon the well.

17. Based on the EPA's field inspections, the following rule-authorized Subject Wells are inactive and have not been plugged, closed and abandoned. The inactive rule-authorized Subject Wells are overdue for the mechanical integrity demonstrations, as shown below.

<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>Last MIT</u>	<u>County</u>
KYS1010028	Jack Knight #2	Inactive	04/22/10	Henderson
KYS1010027	McElroy #1	Inactive	12/15/09	Henderson

18. Therefore, Respondent is in violation of 40 C.F.R. § 144.28(c)(2)(iv) and the SDWA, for failing to close, plug and abandon or to demonstrate the mechanical integrity of the inactive rule-authorized Subject Wells, as shown above.

19. The regulation at 40 C.F.R. § 144.28(g)(2)(ii)(B) states that the owner or operator of a rule-authorized injection well is required to monitor the injection pressure, flow rate and cumulative volume of the injected fluid on a monthly basis for enhanced recovery operations. 40 C.F.R. § 144.28(h)(2)(i) contains the requirement to submit all monitoring results required by paragraph (g)(2) to the EPA annually.

20. Based on the EPA's records, monitoring results for the following Subject Wells are overdue, as shown below.

<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>Last Monitoring Report</u>	<u>County</u>
KYS1010003	Reynolds Metals #5-A	Active	Year 2008	Henderson
KYS1010026	E. C. Alderson #5	Active	Year 2008	Henderson
KYS1010027	McElroy #1	Inactive	Year 2008	Henderson
KYS1010028	Jack Knight #2	Inactive	Year 2008	Henderson
KYS1770090	Creek-Vincent #1	Active	Year 2008	Muhlenberg

21. Therefore, the Respondent is in violation of 40 C.F.R. § 144.28(h)(2)(i) and the SDWA for failure to submit annual monitoring results for the Subject Wells, as shown above.

22. The regulation found at 40 C.F.R. § 144.28(f)(2) states that all rule-authorized injection wells must establish and maintain mechanical integrity as defined by 40 C.F.R. § 146.8.

23. On October 17, 2012, a mechanical integrity test was performed on the following active rule-authorized Subject Well. The Subject Well failed the test and the mechanical integrity of the Subject Well has not yet been demonstrated, as shown below.

<u>EPA ID No.</u>	<u>Well</u>	<u>Status</u>	<u>MIT Failure</u>	<u>MIT Pass</u>	<u>County</u>
KYS1010026	E. C. Alderson #5	Active	10/17/12	Not yet	Henderson

24. Therefore, Respondent is in violation of 40 C.F.R. § 146.8 and the SDWA for failing to establish and maintain the mechanical integrity of the active rule-authorized Subject Well, as shown above.

25. On August 22, 2013, Respondent participated in a show cause hearing with representatives of the EPA to discuss the violation of the SDWA and the implementing regulations.

### STIPULATIONS AND FINDINGS

26. Respondent admits the jurisdictional allegations and facts and findings of violations as alleged herein. Respondent waives any right to a hearing and waives any right to appeal a final order in this matter, and consents to the issuance of a final order without further adjudication.

27. Complainant and Respondent have conferred for the purpose of settlement, pursuant to 40 C.F.R. § 22.18 and desire to resolve this matter and settle the violations described herein without resorting to a formal hearing. Therefore, without the taking of any evidence or testimony, the making of an argument or the adjudication of any issue in this matter and in accordance with 40 C.F.R. § 22.13(b), this CA/FO will simultaneously commence and conclude this matter.

### PENALTY AND INJUNCTIVE RELIEF

Based upon the foregoing findings, the parties hereby agree and consent to entry of the following Order:

28. Respondent shall pay a civil penalty of **\$11,849.77 (eleven thousand eight hundred forty nine dollars and seventy seven cents)** in accordance with the terms set forth below.

29. Within 60 days of receipt of a fully-executed copy of this CA/FO, Respondent shall submit a cashiers or certified check in the amount of **\$11,849.77 (eleven thousand eight hundred forty nine dollars and seventy seven cents)**. The penalty payment as set forth shall be made payable to the Treasurer, United States of America at the following address:

U.S. Environmental Protection Agency  
Fines and Penalties  
Cincinnati Finance Center  
P.O. Box 979077  
St. Louis, MO 63197-9000

Respondent shall note the title and docket number of the case on the penalty payment certified or cashiers check.

30. Respondent shall submit copies of the check to the following persons:

Regional Hearing Clerk  
U.S. EPA - Region 4  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960

Fred McManus, Chief

Ground Water and UIC Section  
U.S. EPA - Region 4  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960

31. Pursuant to Section 1423(2)(c)(7) of the SDWA, 42 U.S.C. § 300h-2(c)(7), failure by Respondent to pay the penalty assessed by this CA/FO in full by its due date may subject Respondent to a civil action in an appropriate district court to recover the amount assessed (plus costs, attorneys fees, and interest at currently prevailing rates from the date the order is effective). In such an action, the validity, amount and appropriateness of the penalty shall not be subject to review. Additionally, pursuant to 40 C.F.R. Part 13 and 31 U.S.C. § 3717 et seq., if the EPA does not receive payment of the penalty assessed by this CA/FO in full by its due date, interest shall accrue on the unpaid balance from the due date through date of payment at an annual rate equal to the rate of the current value of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. If all or part of the payment is overdue, the EPA shall assess an administrative fee of \$15 for each subsequent 30 day period. The EPA shall assess, on a monthly basis, a 6% per annum penalty on any principal amount not paid within 90 days of the due date.

32. The names, addresses and telephone numbers of the individuals authorized to receive service relating to the proceeding are listed below.

For Respondent:

Brian Reynolds  
Petroleum Development Group, LLC  
320 First Street  
Henderson, Kentucky 42420-3114.  
270-748-0454

For the EPA:

Wilda Cobb, Associate Regional Counsel  
U.S. EPA - Region 4  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960  
404-562-9530

33. In addition to payment of the penalty described above, Respondent shall perform the following injunctive relief:

- a. Respondent is ordered to successfully demonstrate the mechanical integrity or close, plug, and abandon the Subject Wells listed below, within 90 days of receipt of this Order. Mechanical integrity testing or plugging and abandonment must be witnessed by the authorized EPA inspector.

<u>EPA ID No.</u>	<u>Well</u>
KYS1010027	McElroy #1
KYS1010028	Jack Knight #2
KYS1010026	E. C. Alderson #5

- b. Respondent is ordered to supply monitoring reports for Years 2010 through 2012, for the Subject Wells listed below, within 90 days of receipt of this Order.

<u>EPA ID No.</u>	<u>Well</u>
KYS1010003	Reynolds Metals #5-A
KYS1010026	E. C. Alderson #5
KYS1010028	Jack Knight #2
KYS1770090	Creek-Vincent #1
KYS1010027	McElroy #1
KYS1010121	G. R. Crafton #4
KYS1490099	Lucy P. Sandefur #10WI

34. Respondent agrees to pay stipulated civil penalties for violation of the condition set forth in Paragraph 33 above, as follows. For failure to comply with the condition described in Paragraph 33 above, Respondent shall pay a stipulated civil penalty according to the following schedule:

- a. \$300 for any portion of the first 7 calendar days Respondent is in violation of this Agreement; and
- b. \$200 per day for each day after the first 7 calendar days Respondent is in violation of this Agreement.

35. Stipulated penalties shall become due and payable no later than 30 days after receipt of demand from the EPA. Payment shall be in the form of a certified or cashier's check made payable to the Treasurer of the United States of America and sent to the following address:

U.S. Environmental Protection Agency  
Fines and Penalties  
Cincinnati Finance Center  
P.O. Box 979077  
St. Louis, MO 63197-9000

36. A copy of the check shall be sent to:

Ground Water & UIC Section,  
Safe Drinking Water Branch,  
U.S. EPA - Region 4,  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960

Respondent shall state the docket number of this Order on the face of any such check. The stipulated civil penalties set forth above shall be in addition to any other remedies or sanctions which are or may be available to the EPA.

## GENERAL PROVISIONS

37. The provisions of this CA/FO shall be binding upon Respondent and its officers, directors, agents, servants, employees and successors or assigns. Notice of this CA/FO shall be given to any successors in interest prior to transfer of the ownership or operational control of the facility.
38. This CA/FO does not constitute a waiver, suspension or modification of the requirements of Part C of the SDWA, 42 U.S.C. § 300h, *et seq.* or any regulations promulgated there under. This CA/FO is not and shall not be interpreted to be, a permit for the injection of fluids under Section 1421 of the SDWA, 42 U.S.C. § 300h, nor shall it in any way relieve Respondent of any obligation imposed by any permit issued there under, or of Respondent's obligation to comply with any provision of the SDWA, its implementing regulations, or any other local, state or federal law. Payment of the penalty agreed to in this CA/FO shall not in any way affect the right of the Agency or the United States to pursue appropriate injunctive or other equitable relief or criminal sanctions for any other violations of law. Full payment of the penalty and performance of the injunctive relief agreed to in this CA/FO resolves only Respondents liability for federal civil penalties for the violations and facts stipulated herein.
39. If any event beyond the control of Respondent, its successors or assigns, occurs which causes or may cause a delay in the achievement of any requirement of this CA/FO, Respondent shall notify the EPA orally within 4 days of the time it has knowledge of the occurrence of such event. A written report of said event shall be submitted by certified mail to the EPA within 10 days of the date Respondent received knowledge of the event. Said report shall describe the violation or failure, its cause and all attendant circumstances, and the measures taken or to be taken to prevent or minimize any such violation or failure and to comply with the pertinent requirements of this CA/FO as soon as possible, and the timetable by which those measures are proposed to be implemented.
40. The burden of proving that any violation or failure is caused by circumstances beyond the control of and without fault of Respondent and the length of the delay attributable to such circumstances shall rest with Respondent. Financial, economic, or business conditions or changes in same, unanticipated or increased costs or expenses, or problems relating to reasonably foreseeable technological infeasibility associated with the implementation of actions called for by this CA/FO, shall not relieve Respondent of any obligation imposed under the terms of this CA/FO, nor from payment of any penalty set forth in this CA/FO. The EPA will notify Respondent of its determination that certain circumstances are considered to be beyond Respondent's control and the extension of time, if any, for completion of the affected requirements. Respondent shall waive this right to any extension for failure to provide the EPA with written notice as provided herein or for failure to provide adequate proof for the cause of the delay.
41. For the purposes of state and federal income taxation, Respondent shall not be entitled to and agrees not to attempt to claim a deduction for any penalty payment made pursuant to this CA/FO. Any attempt to deduct any such penalty shall constitute a violation of this CA/FO.
42. The parties acknowledge and agree that final approval by the EPA of this CA/FO is subject to 40 C.F.R. § 22.45(c)(4) which sets forth requirements under which a person not a party to this proceeding may petition to set aside a consent agreement and final order on the basis that material evidence was not considered.



44. This CA/FO shall become effective upon the date that it is filed with the Regional Hearing Clerk.

45. The undersigned representative of Respondent certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Agreement and to execute and legally bind the Party he or she represents to this Agreement.

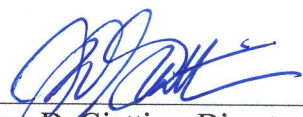
**RESPONDENT**

Date 10/3/2013

  
\_\_\_\_\_  
Brian Reynolds  
Petroleum Development Group, LLC

**COMPLAINANT**

Date 1/8/14

  
\_\_\_\_\_  
James D. Giattina, Director  
Water Protection Division

**FINAL ORDER**

Pursuant to the Consolidated Rules of Practice and the delegated authority of the Administrator under the SDWA, the above and foregoing Consent Agreement is hereby approved and incorporated by reference into this Final Order. Respondent is ordered to comply immediately with the terms of the Consent Agreement, which are fully incorporated into this Final Order.

**U.S. ENVIRONMENTAL PROTECTION AGENCY**

Date January 14, 2014

Susan B. Schub  
Susan Schub  
Regional Judicial Officer

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have this day served a true and correct copy of the foregoing Consent Agreement and Final Order, in the Matter of Petroleum Development Group, LLC; Docket No. SDWA-04-2013-1010(b), on the parties listed below in the manner indicated:

**Carol Chen**

Via EPA Internal Mail

**Wilda Cobb**

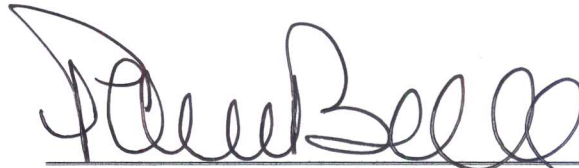
Via EPA Internal Mail

**Brian Reynolds**  
**Petroleum Development Group, LLC**  
**320 First Street**  
**Henderson, Kentucky 42420-3114**

Via Certified Mail/ Return Receipt Requested

Date

1-14-14



Patricia A. Bullock, Regional Hearing Clerk  
United States EPA - Region 4  
Atlanta Federal Center  
61 Forsyth Street, SW  
Atlanta, GA 30303-8960  
(404) 562-9511