

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 5

**In the Matter Of:** ) **Docket No** SDWA-05-2021-0004  
)  
**Sterling Operators, Inc.** ) **Proceeding under Section 1423(c) of the**  
**Bentley, Michigan** ) **Safe Drinking Water Act,**  
) **42 U.S.C. § 300h-2(c)**  
**Respondent.** )  
)

**Consent Agreement and Final Order**

**Statutory Authority**

1. This is an administrative action commenced and concluded under Section 1423(c)(2) of the Safe Drinking Water Act (SDWA), 42 U.S.C. §300h-2(c)(2), and Sections 22.13(b), 22.18(b)(2) and (3), and 22.45 of the *Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits* (Consolidated Rules), as codified at 40 C.F.R. Part 22.
2. The Administrator has delegated the authority to issue this Administrative Order on Consent (CAFO) to the Regional Administrator of EPA Region 5, who re delegated the authority to the Director of the Enforcement and Compliance Assurance Division (Director).
3. Respondent is Sterling Operators, Inc., a corporation doing business in Michigan.
4. Where the parties agree to settle one or more causes of action before the filing of a complaint, an administrative action may be commenced and concluded simultaneously by the issuance of a consent agreement and final order (CAFO). See 40 C.F.R. § 22.13(b).
5. The parties agree that settling this action without the filing of a complaint or the adjudication of any issue of fact or law is in their interest and in the public interest.

6. Respondent consents to the terms of this CAFO, including the assessment of the civil penalty and the compliance requirements specified below.

**Jurisdiction and Waiver of Right to Judicial Review and Hearing**

7. Respondent admits the jurisdictional allegations in this CAFO and neither admits nor denies the factual allegations in this CAFO.

8. Respondent waives its right to request a hearing as provided at 40 C.F.R. § 22.15(c) and Section 1423(c)(3) of SDWA, 42 U.S.C. § 300h-2(c)(3), any right to contest the allegations in this CAFO, and its right to appeal this CAFO.

**Statutory and Regulatory Background**

9. Section 1421 of SDWA, 42 U.S.C. § 300h, requires that the Administrator of EPA promulgate regulations, which shall include permitting requirements as well as inspection, monitoring, recordkeeping and reporting requirements, for state underground injection control (UIC) programs to prevent underground injection which endangers drinking water sources.

10. Section 1421(d)(1) of SDWA, 42 U.S.C. § 300h(d)(1), defines “underground injection” as the subsurface emplacement of fluids by well injection and excludes the underground injection of natural gas for purposes of storage and the underground injection of fluids or propping agents (other than diesel fuels) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities.

11. Section 1421(d)(2) of SDWA, 42 U.S.C. § 300h(d)(2), provides that underground injection endangers drinking water sources if such injection may result in the presence in underground water which supplies or can reasonably be expected to supply any public water system of any contaminant, and if the presence of such contaminant may result in such system

not complying with any national primary drinking water regulation or may otherwise adversely affect the health of persons.

12. Section 1422(c) of SDWA, 42 U.S.C. § 300h-1(c), provides that the Administrator for EPA shall prescribe UIC programs applicable to those states that have not obtained primary enforcement responsibility of their UIC programs (a concept called “primacy”) or do not have primacy for all types of wells.

13. Pursuant to Sections 1421 and 1422 of SDWA, 42 U.S.C. §§ 300h and 300h-1, respectively, EPA has promulgated UIC regulations at 40 C.F.R. Parts 124 and 144 through 148.

14. Pursuant to Section 1422 of SDWA, 42 U.S.C § 300h-1, and EPA’s regulations at 40 C.F.R § 147.1151, EPA has primary enforcement responsibility of the UIC program in the State of Michigan to ensure that owners or operators of the injection wells within Michigan comply with the requirements of SDWA effective June 25, 1984.

15. 40 C.F.R. § 144.1(g) provides that the UIC permit programs regulates underground injection by six classes of wells and all owners or operators of these injection wells must be authorized either by permit or rule. Class II wells inject fluids which are brought to the surface in connection with natural gas storage operations, or conventional oil or natural gas production and may be commingled with waste waters from gas plants which are an integral part of production operations, unless those waters are classified as a hazardous waste at the time of injection; for enhanced recovery of oil or natural gas; and for storage of hydrocarbons which are liquid at standard temperature and pressure. 40 C.F.R. § 144.6(b)(1).

16. 40 C.F.R. § 144.11 further prohibits any underground injection, except into a well authorized by rule or by permit issued under the UIC program.

17. 40 C.F.R. § 144.51(a) provides that any UIC permittee must comply with all conditions of its permit. Any permit noncompliance constitutes a violation of the SDWA except that the permittee need not comply with the provisions of this permit to the extent and for the duration such noncompliance is authorized in an emergency permit under 40 C.F.R. § 144.34.

18. Section 1423(a)(2) of SDWA, 42 U.S.C. § 300h-2(a)(2), provides that any person found to be in violation of any requirement of an applicable UIC program in a state that does not have primacy may be assessed a civil penalty and/or be subject to an order requiring compliance pursuant to Section 1423(c)(2) of SDWA, 42 U.S.C. § 300h-2(c)(2).

19. Under Section 1423(c)(2) of SDWA, 42 U.S.C. § 300h-2(c)(2), and 40 C.F.R. Part 19, EPA may assess a civil penalty of not more than \$7,500 for each day of violation, up to a maximum administrative penalty of \$177,500 for SDWA violations occurring after January 12, 2009 through December 6, 2013; \$7,500 for each day of violation, up to a maximum administrative penalty of \$187,500 for SDWA violations occurring after December 6, 2013 through November 2, 2015; \$11,665 for each day of violation, up to a maximum administrative penalty of \$291,641 for SDWA violations occurring after November 2, 2015; \$11,803 for each day of violation, up to a maximum administrative penalty of \$295,088 for SDWA violations occurring after November 2, 2015, where penalties are assessed on or after December 23, 2020 and/or issue an order requiring compliance.

### **Factual Allegations and Alleged Violations**

20. Respondent is a company registered to conduct business in Michigan with an office located at 7791 Flajole Road, Bentley, Michigan, 48613.

21. Respondent is a “person” as that term is defined at Section 1401(12) of SDWA, 42 U.S.C. § 300f(12), and 40 C.F.R. § 144.3.

22. At all times relevant to this CAFO, Respondent was authorized to operate Class II injection wells in Arenac County, Michigan pursuant to the following permits (the Permits): McTaggart 1-22, MI-011-2D-0016 and Tony Kocot #4, MI-011-2D-0004.

23. The Permits authorize the underground injection of saltwater from production wells owned or operated by Sterling Operators, Inc. in the immediate area into the McTaggart 1-22 and Tony Kocot #4 wells (the Wells), subject to the terms and conditions set forth in the Permits.

24. Saltwater is a “fluid” and the subsurface emplacement of saltwater through the McTaggart 1-22 and Tony Kocot #4 wells is a “well injection.” 40 C.F.R. § 144.3.

25. At all times relevant to this CAFO, Respondent owned and operated wells in the State of Michigan and was thus subject to the UIC program requirements set forth at 40 C.F.R. Parts 124, 144, 146, 147 (Subpart X) and 148.

26. At all times relevant to this CAFO, Respondent did not apply for and obtain an emergency permit pursuant 40 C.F.R. § 144.34.

27. Under 40 C.F.R. § 144.51(a), Respondent is required to comply with all conditions of the Permits and any noncompliance constitutes a violation of SDWA.

28. On July 24, 2018, EPA sent Respondent a noncompliance notification based on a review of records for the McTaggart 1-22 and Tony Kocot #4 wells. This notification requested a written response from Respondent within 30 days of receiving it.

29. On August 1, 2018, Respondent called EPA to discuss the noncompliance notification and the Permits.

30. On August 14, 2018, EPA received a written response from Respondent to the July 24, 2018 noncompliance notification.

31. On October 14, 2020, EPA issued a Notice of Intent to File letter and provided an opportunity to confer on the violations alleged in the letter.

32. On November 19, 2020, EPA received the Respondent's response to the Notice of Intent to File. Due to COVID-19 there was a delay in Respondent mailing the documents and EPA being able to retrieve them.

**Count 1 – Failure to Properly Operate and Maintain the Wells**

33. At all times relevant to this CAFO, the Operation Requirements identified in Section (G)(1)(a)(iv) of the Permits required a positive pressure to be maintained on the annulus of each of the Wells.

34. Section (E)(4) of the Permits states that the permittee shall at all times properly operate and maintain all facilities. Proper operation and maintenance includes effective performance and adequate funding, including appropriate quality assurance procedures.

35. From May of 2017 through April of 2018, Respondent entered "0" for weekly annulus pressure data measurements on all monthly reports submitted to EPA for each well.

36. From July of 2015 to April of 2017, Respondent did not provide values for weekly annulus pressure data measurements on all monthly reports submitted to EPA for each well.

37. Submitting "0" or nonnumerical values for annulus pressure is not considered maintaining positive pressure therefore, Respondent failed to maintain positive pressure on the annulus for each well as required by the Permits from July of 2015 to April of 2018.

38. Respondent's failures to maintain a positive pressure on the annulus of each of the wells, is a violation of Section (E)(4) and Section (G)(1)(a)(iv) of the Permits, the UIC regulations at 40 C.F.R 144.51(a), and SDWA.

### **Count 2 – Failure to Accurately Record Annulus Pressure**

39. At all times relevant to this CAFO, Section (G)(2)(d) and Attachment (E) of the Permits required Respondent to monitor and record annulus pressure at least weekly using calibrated gauges. Section (G)(3)(a) of the Permits requires Respondent to include weekly measurements of annulus pressure in monthly reports submitted to EPA.

40. 40 C.F.R. § 144.51(j) requires that samples and measurements taken for the purpose of monitoring be representative of the monitored activity.

41. On the August 1, 2018 phone call and in the Respondent's August 14, 2018 response to the noncompliance notification, Respondent stated that no monitoring activities for annulus pressure were being conducted at each well.

42. From May of 2017 through April of 2018, Respondent entered "0" for weekly annulus pressure data measurements on all monthly reports submitted to EPA for each well.

43. From July of 2015 to April of 2017, Respondent did not provide values for weekly annulus pressure data measurements on all monthly reports submitted to EPA for each well.

44. Respondent's failure to monitor and record annulus pressure measurements with a calibrated gauge at least weekly for each well is a violation of Section (G)(2)(d) and Attachment (E) of the Permits, the UIC regulations at 40 C.F.R. § 144.51, and SDWA.

### **Count 3 - Submission of Inaccurate Reports**

45. At all times relevant to this CAFO, Section (G)(3)(a) and Section (G)(2)(d) of the Permits required Respondent to monitor annulus pressure with calibrated gauges at least weekly, and to report weekly measurements to EPA on a monthly basis for each well.

46. On the August 1, 2018 phone call and in the Respondent's August 14, 2018 response to the noncompliance notification, Respondent stated that no monitoring activities such

as annulus pressure were being conducted for each well. However, Respondent submitted reports to EPA with values for the injection pressure and annulus pressure data for each well.

47. From July of 2015 to April of 2018, Respondent failed to submit accurate monthly reports to EPA.

48. Respondent's failure to accurately report weekly annulus pressure and measurements for each well is a violation of Section (G)(3)(a), Section (G)(2)(d), and Attachment (E) of the Permits, the UIC regulations at 40 C.F.R. § 144.51(a), and SDWA.

#### **Civil Penalty**

49. Based upon the facts alleged in this CAFO, the factors listed in Section 1423(c)(4)(B) of SDWA, 42 U.S.C. 300h-2(c)(4)(B), EPA's UIC Program Judicial and Administrative Order Settlement Penalty Policy (September 1993) (EPA's UIC Penalty Policy), and Respondent's good faith and cooperation in resolving this matter, EPA has determined that an appropriate civil penalty to settle this action is \$35,252.

50. Within 30 days after the effective date of this CAFO, Respondent must pay a \$35,252 civil penalty through regular U.S. Postal Service mail by sending a cashier's or certified check, payable to "Treasurer, United States of America," to:

U.S. EPA  
Fines and Penalties  
Cincinnati Finance Center  
P.O. Box 979077  
St. Louis, Missouri 63197-9000

The check must note Respondent's name and the docket number of this CAFO.

51. When it pays the penalty or any portion thereof, Respondent must send a notice of payment that states Respondent's name and the docket number of this CAFO to EPA electronically, to the extent possible. Electronic submissions must be sent to the following

addresses: girouard.taylor@epa.gov, R5WECA@epa.gov and lakhani.puja@epa.gov. If electronic submittal is not possible, the submissions must be made by certified mail (return receipt requested) and mailed to the following addresses:

Taylor Girouard (ECW-15J)  
Water Enforcement and Compliance Assurance Branch  
Enforcement and Compliance Assurance Division  
U.S. Environmental Protection Agency, Region 5  
77 West Jackson Boulevard  
Chicago, Illinois 60604

Puja Lakhani (C-14J)  
Office of Regional Counsel  
U.S. Environmental Protection Agency, Region 5  
77 West Jackson Boulevard  
Chicago, Illinois 60604

Regional Hearing Clerk (E-19J)  
U.S. Environmental Protection Agency, Region 5  
77 West Jackson Boulevard  
Chicago, Illinois 60604

52. This civil penalty is not deductible for federal tax purposes.

53. Pursuant to 31 U.S.C. § 3717 and 40 C.F.R. § 13.11, Respondent must pay the following on any amount overdue under this CAFO: interest accrued on any overdue amount from the date payment was due at a rate established by the Secretary of the Treasury pursuant to 26 U.S.C. § 6621(a)(2); the United States' enforcement expenses, including but not limited to attorneys' fees and costs incurred by the United States for collection proceedings; a handling charge fee each month that any portion of the penalty is more than 30 days past due; and up to 6% per year penalty on any principal amount 90 days past due.

54. If Respondent does not pay timely the civil penalty, EPA may request the United States Department of Justice bring an action to collect any unpaid portion of the penalty with interest, handling charges, nonpayment penalties, and the United States' enforcement expenses for the collection action under Section 1423(c)(7) of SDWA, 42 U.S.C. § 300h-2(c)(7). The

validity, amount and appropriateness of the civil penalty are not reviewable in a collection action.

### **Compliance Requirements**

55. As provided by Section 1423(c)(2) of SDWA, 42 U.S.C. § 300h-2(c)(2),

Respondent shall:

- a. Within 7 days of the effective date of this CAFO, maintain a positive pressure on the annulus of each well, and ensure the annulus between the tubing and the long string casing is filled with a fluid capable of inhibiting corrosion for each well. Please provide supporting documentation of this being done within 7 days of the effective date of this CAFO.
- b. Within 15 days of the effective date of this CAFO, measure and record injection pressure, annulus pressure, flow rate and cumulative volume at least weekly for each well. Please provide a copy of the monthly log sheet as supporting documentation in addition to routine monthly reports for each well to the addresses identified in Paragraph 51 for 12 months. Reports shall be submitted no later than the 10th day of the month following the reporting period as required by the Permits
- c. Within 30 days of the effective date of this CAFO, use calibrated gauges for all monitoring required by the Permits and/or replace with new gauges as needed. Please provide supporting documentation of installation within 30 days of the effective date of this CAFO.

### **General Provisions**

56. The parties consent to service of this CAFO by e-mail at the following valid e-mail addresses: lakhani.puja@epa.gov (for Complainant) and davecvengros@bfcfirm.com (for Respondent).

57. All reports, notifications, documentation, submissions, and other correspondence required to be submitted by this CAFO must be submitted to the EPA address identified in Paragraph 51 electronically, to the extent possible. Exhibit A provides the instructions needed for electronic submissions. If electronic submittal is not possible, the submissions must be made by

certified mail (return receipt requested) to the enforcement officer whose name and address is identified in paragraph 51, above.

58. Reports, notifications, documentation, and submissions must be signed by a duly authorized representative of Respondent and shall include the following statement consistent with 40 C.F.R. § 144.32(d):

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

59. Respondent may not withhold information based on a claim that it is confidential. However, pursuant to 40 C.F.R. Part 2, Subpart B, Respondent may assert a claim of business confidentiality regarding any portion of the information submitted in response to this CAFO, as provided in 40 C.F.R. § 2.203 by placing on (or attaching to) the information, at the time it is submitted to EPA, a cover sheet, stamped or typed legend, or other suitable form of notice employing language such as trade secret, proprietary, or company confidential. Allegedly confidential portions of otherwise non-confidential documents should be clearly identified by the business, and may be submitted separately to facilitate identification and handling by EPA. If the business desires confidential treatment only until a certain date or until the occurrence of a certain event, the notice should so state. The failure to furnish a confidentiality claim with your response may result in the information being made available to the public without further notice to you. EPA's confidential business information (CBI) regulations are at 40 C.F.R. Part 2, Subpart B in drinking water is not entitled to confidential treatment. 40 C.F.R. § 144.5.

60. Respondent should segregate any personnel, medical and similar files from their responses and include that information on a separate sheet(s) marked as “Personal Privacy Information.” Disclosure of such information to the general public may constitute an invasion of privacy.

61. If Respondent finds at any time after submitting information that any portion of that information is false or incorrect, the signatory must notify EPA immediately. Knowingly submitting false information to EPA in response to this CAFO may subject Respondent to criminal prosecution under Section 1423(b) of SDWA, 42 U.S.C. § 300h-2(b), as well as 18 U.S.C. §§ 1001 and 1341.

62. Submissions required by this CAFO shall be deemed submitted on the date they are sent electronically or on the date postmarked if sent by U.S. mail.

63. The information required to be submitted pursuant to this CAFO is not subject to the approval requirements of the Paperwork Reduction Act of 1995, 44 U.S.C. § 3501 et seq.

64. EPA may use any information submitted in accordance with this CAFO in support of an administrative, civil, or criminal action against Respondent.

65. This CAFO resolves Respondent’s liability for federal civil penalties for only the violations alleged in this CAFO. Violation of this CAFO shall be deemed a violation of SDWA for purposes of Section 1423(b) of SDWA, 42 U.S.C. § 300h-2(b).

66. This CAFO does not affect the rights of EPA or the United States to pursue appropriate injunctive or other equitable relief or criminal sanctions for any violation of law.

67. This CAFO does not affect Respondent’s responsibility to comply with SDWA and other applicable federal, state, or local laws and permits. Except as provided in Paragraph

66, compliance with this CAFO will not be a defense to any actions subsequently commenced pursuant to federal law administered by EPA.

68. Respondent certifies that it is complying with SDWA, its implementing regulations, and the Permit.

69. This CAFO constitutes a “previous violation” as that term is used in EPA’s UIC Penalty Policy and to determine Respondent’s “history of such violations” under Section 1423(c)(4)(B) of SDWA, 42 U.S.C. § 300h-2(c)(4)(B).

70. The terms of this CAFO bind Respondent and its successors and assigns.

71. Each person signing this CAFO certifies that he or she has the authority to sign for the party whom he or she represents and to bind that party to the terms of this CAFO.

72. Each party agrees to bear its own costs and attorneys’ fees in this action.

73. This CAFO constitutes the entire agreement between the parties.

74. The parties acknowledge and agree that final approval by EPA of this CAFO 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.

75. In accordance with 1423(c)(3)(D) of the SDWA, 42 U.S.C. § 300h-2(c)(3)(D), and 40 C.F.R. §§ 22.18(b)(3), 22.31(b), and 22.45, once the procedures under 40 C.F.R. Part 22 and 42 U.S.C. § 300h-2 are exhausted, this CAFO shall become effective and the Final Order contained in this CAFO shall be filed with the Regional Hearing Clerk, having been approved and issued by the Regional Judicial Officer at least 30 days prior.

76. EPA may terminate this CAFO at any time by written notice to Respondent.

77. Absent the notice described in Paragraph 76, this CAFO shall be deemed terminated and satisfied by Respondent upon written notice from EPA that Respondent has demonstrated to EPA that all terms of this CAFO have been satisfied.

**Consent and Final Order**  
**In the Matter of: Sterling Operators, Inc.**  
**Docket Number.** *SDWA-05-2021-0004*

**Mr. Osier, Respondent**

*April 6, 2021*  
\_\_\_\_\_  
Date

*Gary Osier*  
\_\_\_\_\_  
Gary Osier  
President

**Consent and Final Order**  
**In the Matter of: Sterling Operators, Inc.**  
**Docket Number. SDWA-05-2021-0004**

**United States Environmental Protection Agency, Complainant**

**MICHAEL  
HARRIS**

Digitally signed by  
MICHAEL HARRIS  
Date: 2021.04.27  
08:24:15 -05'00'

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Michael D. Harris *(signature and date)*  
Director  
Enforcement and Compliance Assurance Division  
U.S. Environmental Protection Agency, Region 5

**Consent Agreement and Final Order**  
**In the Matter of: Sterling Operators, Inc.**  
**Docket No. SDWA-05-2021-0004**

**Final Order**

This Consent Agreement and Final Order, as agreed to by the parties, shall become effective 30 days after filing with the Regional Hearing Clerk. This Final Order concludes this proceeding pursuant to 40 C.F.R. §§ 22.18, 22.31. and, 22.31. and 22.45.45. IT IS SO ORDERED.

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Ann Coyle *(signature and date)*  
Regional Judicial Officer  
U.S. Environmental Protection Agency  
Region 5

**Consent Agreement and Final Order  
In the Matter of: Sterling Operators, Inc.  
Docket No. SDWA-05-2021-0004**

**Certificate of Service**

I certify that I served a true and correct copy of the foregoing **Consent Agreement and Final Order**, docket number SDWA-05-2021-0004, which was filed on \_\_\_\_\_, in the following manner to the following addresses:

Copy by e-mail to Respondent: Gary Osier  
sterlingoperators@yahoo.com

Copy by e-mail to Attorney for Complainant: Puja Lakhani  
lakhani.puja@epa.gov

Copy by e-mail to Attorney for Respondent: David Cvengros  
davel@bishopheintz.com

Copy by e-mail to Regional Judicial Officer: Ann Coyle  
Coyle.ann@epa.gov

\_\_\_\_\_  
LaDawn Whitehead *(signature and date)*  
Regional Hearing Clerk  
U.S. Environmental Protection Agency  
Region 5

## **Exhibit A**

### **Instructions for Electronic Submissions**

To aid in our electronic recordkeeping efforts, EPA requests that you provide all documents responsive to this request in an electronic format according to paragraphs 1 through 4, below. These electronic submissions are in lieu of hard copy submissions. Please submit hard copies of any documents that cannot be submitted electronically due to unconventional paper size.

1. Provide all responsive documents in Portable Document Format (PDF) or similar format, unless otherwise requested in specific questions. If the PDFs are scanned images, perform at least Optical Character Recognition (OCR) for “image over text” to allow the document to be searchable. Submitters providing secured PDFs should also provide unsecured versions for EPA use in repurposing text.
2. When items request data in electronic spreadsheet form, provide the data and corresponding information in editable Excel or Lotus format, and not in image format. If Excel or Lotus formats are not available, then the format should allow for data to be used in calculations by a standard spreadsheet program such as Excel or Lotus.
3. Provide a table of contents for the electronic documents submitted so that each document can be accurately identified in relation to your response to a specific question.
4. Certify that all electronic submittals including attached files have been scanned for viruses and indicate what program was used.