



REGION 6

DALLAS, TX 75270

January 31, 2024

TRANSMITTED VIA EMAIL

Ms. Jenny Buttram
Contango Resources, LLC
1717 South Boulder, Suite 900
Tulsa, OK 74119
jenny.buttram@contango.com

Re: Final Administrative Order
Well Number: 10W10
EPA Inventory ID: OS0686000
Docket Number: SDWA-06-2024-1104

Dear Ms. Buttram:

Attached is a Final Administrative Order (Final Order) issued by the United States Environmental Protection Agency (EPA) to Contango Resources, LLC (Respondent) for violation of the Safe Drinking Water Act (SDWA). The Final Order requires the Respondent to comply with the regulatory requirements specified in the Final Order. EPA requests that the Respondent immediately confirm receipt of this e-mail and the attached Final Order by a response e-mail to rudolph.matthew@epa.gov.

The violation of the SDWA was identified through a review of files that EPA maintains on the referenced injection well. The violation was for failing to successfully demonstrate mechanical integrity and maintaining the injection well in a manner that could allow the movement of fluid that contains contaminants into an underground source of drinking water (USDW). The Final Order does not assess a monetary penalty; however, it does require compliance with SDWA requirements and specifies deadlines for compliance. The Final Order requires the Respondent to comply with certain SDWA regulatory requirements. Please be aware that failure to comply with the Final Order may subject the Respondent to additional enforcement action by EPA, including the initiation of legal proceedings to seek monetary penalties. The effective date of the Final Order is thirty (30) days after issuance unless an appeal is taken pursuant to Section 1423(c)(6) of the SDWA, 42 U.S.C. § 300h-2(c)(6).

The SDWA provides that you may file an appeal of the Final Order with the United States District Court for the District of Columbia or the district in which the violations occurred. Such appeal must be filed within 30 days after the Final Order is issued. If you file an appeal, you must simultaneously send a copy of the appeal by certified mail to the Administrator of the Environmental Protection Agency and to the United States Attorney General.

Also enclosed is an "Information Sheet" relating to the Small Business Regulatory Enforcement Fairness Act and a "Notice of Registrant's Duty to Disclose" relating to the disclosure of environmental legal proceedings to the Securities and Exchange Commission. The EPA is committed to ensuring compliance with the requirements of the Underground Injection Control program, and my staff will assist you in any way possible.

If you have any questions regarding this matter, please contact Mr. Matthew Rudolph, of my staff, at (214) 665-6434.

Sincerely,


Digitally signed by
MARGARET OSBOURNE
Date: 2024.01.31
19:29:55 -06'00'

Cheryl T. Seager, Director
Enforcement and
Compliance Assurance Division

Enclosures

ec: Mr. Craig Walker, Director
Osage Nation Dept. of Natural Resources (DNR)
cmwalker@osagenation-nsn.gov

Mr. Adam Trumbly, Superintendent
Bureau of Indian Affairs, Osage Agency
adam.trumbly@bia.gov

Mr. Nicholas Doss, Supervisory Environmental Specialist
Bureau of Indian Affairs, Osage Agency
nicholas.doss@bia.gov

Mr. Michael Alkire, Production Superintendent,
Contango Resources, LLC
michael.alkire@contango.com

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
Dallas, Texas 75270

FILED

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REGIONAL HEARING CLERK
EPA REGION 6

In the Matter of

Contango Resources, LLC

Respondent.

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Docket No. SDWA-06-2024-1104

FINAL ADMINISTRATIVE ORDER

STATUTORY AUTHORITY

The following findings are made, and Order issued, under the authority vested in the Administrator of the U.S. Environmental Protection Agency (EPA) by Section 1423(c) of the Safe Drinking Water Act (the Act), 42 U.S.C. § 300h-2(c). The authority to issue this Order has been delegated by the Administrator to the Regional Administrator of EPA Region 6 who further delegated such authority to the Director of the Enforcement and Compliance Assurance Division. The EPA has primary enforcement responsibility for underground injection within the meaning of Section 1422(c) of the Act, 42 U.S.C. § 300h-1(c), to ensure that owners or operators of Class II injection wells within Osage County, Oklahoma, comply with the requirements of the Act.

FINDINGS

1. Contango Resources, LLC (Respondent) is a company doing business in the State of Oklahoma and, therefore, is a “person,” within the meaning of Section 1401(12) of the Act, 42 U.S.C. § 300f(12).
2. At all times relevant to the violations alleged herein, Respondent owned or operated an “injection well” which is a “Class II well” as those terms are defined at 40 C.F.R § 147.2902. The injection well is located in the SW Quarter of Section 15, Township 24 North, Range 07

East, Osage County, Oklahoma, designated as Well No. 10W10 and EPA Inventory Number OS0686000 (the injection well).

3. Respondent is subject to underground injection control (UIC) program requirements set forth at 40 C.F.R. Part 147, Subpart GGG, which are authorized under Section 1421 of the Act, 42 U.S.C. § 300h.
4. Regulations at 40 C.F.R. § 147.2903(a) require that any underground injection is prohibited except as authorized by rule or authorized by a permit issued under the UIC program. The construction or operation of any well required to have an EPA UIC Permit is prohibited until the permit has been issued. The term “permit” is defined at 40 C.F.R. § 147.2902.
5. Regulations at 40 C.F.R. § 147.2903(b) provide that no owner or operator shall construct, operate, maintain, convert, plug, or abandon any injection well, or conduct any other injection activity, in a manner that allows the movement of fluid containing any contaminant into underground sources of drinking water, if the presence of that contaminant may cause the violation of any primary drinking water regulation under 40 C.F.R. Part 142 or may otherwise adversely affect the health of persons.
6. Regulations at 40 C.F.R. § 147.2909 provide that existing injection wells (wells authorized by the Bureau of Indian Affairs and constructed or completed on or before the effective date of the Osage UIC program) are authorized by rule (ABR). Owners or operators of injection wells authorized by rule must comply with the provisions of 40 C.F.R. §§ 147.2903, 147.2905, 147.2907, and 147.2910 through 147.2915.
7. Regulations at 40 C.F.R. § 147.2912(a) require each ABR well to have mechanical integrity. A well has mechanical integrity if there are no significant leaks in the casing, tubing, or packer and there is no significant fluid movement into the “Underground Source of Drinking Water”

(USDW) through vertical channels adjacent to the wellbore. The term USDW is defined at 40 C.F.R. § 147.2902.

8. The injection well is authorized by rule in accordance with 40 C.F.R. § 147.2909.

9. A review of records maintained by the EPA on this injection well showed that the last successful mechanical integrity demonstration was on July 25, 1990. To date, the injection well has not successfully demonstrated mechanical integrity.

10. On May 23, 2023, the injection well was inspected by the EPA. During the inspection, it was observed by the EPA that the injection well had a static fluid level above the base of the USDW. It was confirmed through file review that the well still has not demonstrated mechanical integrity. A static fluid level above the base of the USDW in an injection well without mechanical integrity indicates that fluids inside the injection well could move into the USDW.

11. Therefore, Respondent violated regulations set forth at 40 C.F.R. §§ 147.2903(b), 147.2909, and 147.2912(a) by maintaining the injection well in a manner that could allow the movement of fluid that contains contaminants into an USDW and by failing to successfully demonstrate mechanical integrity.

12. Pursuant to Section 1423(c)(3)(A) of the Act, 42 U.S.C. § 300h-2(c)(3)(A), on November 20, 2023, EPA issued a Proposed Administrative Order to Respondent and provided Respondent an opportunity to request a hearing on the Proposed Administrative Order.

13. On November 20, 2023, EPA provided public notice of its proposal to issue an order for compliance in this matter in accordance with Section 1423(c)(3)(B) of the Act, 42 U.S.C. § 300h-2(c)(3)(B).

14. Respondent did not request a hearing and EPA did not receive any public comments on the Proposed Administrative Order.

SECTION 1423(c) COMPLIANCE ORDER

15. Based on the foregoing findings, and pursuant to the authority of Section 1423(c) of the Act, 42 U.S.C. § 300h-2(c), EPA Region 6 hereby orders Respondent to:

- a. Cease use of the injection well for the unauthorized underground injection of fluids,
and
- b. Take one of the following actions:
 - i. Repair the injection well and successfully demonstrate mechanical integrity according to regulations at 40 C.F.R. § 147.2912(a) within ninety (90) days of the effective date of the Final Administrative Order; or
 - ii. Complete proper plugging and abandonment in accordance with 40 C.F.R. § 147.2905, within ninety (90) days of the effective date of the Final Order; or
 - iii. Convert the injection well to production use within ninety (90) days of the effective date of the Final Order.

16. Submit copies of completed plugging reports or completed work reports showing conversion to production and BIA Osage Agency Forms 139 within 120 days of the effective date of this Final Order to:

Matthew Rudolph
rudolph.matthew@epa.gov
U.S. Environmental Protection Agency
Water Enforcement Branch (ECDWE)

GENERAL PROVISIONS

17. Respondent may appeal this Final Administrative Order to Federal District Court pursuant to Section 1423(c)(6) of the Act, 42 U.S.C. § 300h-2(c)(6).

18. This Final Administrative Order does not constitute a waiver, suspension, or modification of the requirements of 40 C.F.R. Parts 144, 146, and 147, Subpart GGG, which remain in full force and effect.

19. Issuance of this Final Administrative Order is not an election by EPA to forego any civil or criminal action otherwise authorized under the Act.
20. Violation of the terms of this Final Administrative Order after its effective date or date of final judgment as described in Section 1423(c)(6) of the Act, 42 U.S.C. § 300h-2(c)(6), may subject Respondent to further enforcement action, including a civil action for enforcement of this Final Administrative Order under Section 1423(b) of the Act, 42 U.S.C. § 300h-2(b), and civil and criminal penalties for violations of the compliance terms of this Final Administrative Order under Section 1423(b)(1) and (2) of the Act, 42 U.S.C. § 300h-2(b)(1) and (2).

TAX IDENTIFICATION


21. For purposes of the identification requirement in Section 162(f)(2)(A)(ii) of the Internal Revenue Code, 26 U.S.C. § 162(f)(2)(A)(ii), and 26 C.F.R. § 1.162-21(b)(2), performance of Paragraph(s) 15 and 16 is restitution, remediation, or required to come into compliance with the law.

EFFECTIVE DATE

22. This Final Administrative Order becomes effective thirty (30) days after issuance unless an appeal is taken pursuant to Section 1423(c)(6) of the Act, 42 U.S.C. § 300h-2(c)(6).

January 24, 2024

Date



Digitally signed by
MARGARET OSBOURNE
Date: 2024.01.31
19:31:40 -06'00'

Cheryl T. Seager, Director
Enforcement and
Compliance Assurance Division

CERTIFICATE OF SERVICE

I certify that the foregoing Final Administrative Order was sent to the following persons, in the manner specified, on the date below:

Signed Original E-mailed: Regional Hearing Clerk (R6ORC)
U.S. EPA, Region 6
1201 Elm Street, Suite 500
Dallas, TX 75270
vaughn.loreana@epa.gov

File Stamped Copy
Transmitted via Email: Ms. Jenny Buttram
Contango Resources, LLC
1717 South Boulder, Suite 900
Tulsa, OK 74119
jenny.buttram@contango.com

Electronic Copy: Kristine Talbot
U.S. EPA, Region 6
1201 Elm Street, Suite 500
Dallas, TX 75270
talbot.kristine@epa.gov

Mr. Adam Trumbly, Superintendent
Bureau of Indian Affairs, Osage Agency
P.O. Box 1539
Pawhuska, OK 74056
julie.anderson@bia.gov

Craig Walker, Director
Osage Nation Department of Natural Resources
100 W. Main, Suite 304
Pawhuska, OK 74056
cmwalker@osagenation-nsn.gov

Dated: 2/1/2024

Signed: Matthew Rudolph