



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6, 1445 ROSS AVENUE, DALLAS, TEXAS 75202-2733
EXPEDITED SPILL SETTLEMENT AGREEMENT

DOCKET NO. CWA-06-2010-4510

On December 29, 2009

At: Key Production Company, Inc., Hardeman County, TX (Respondent) discharged 75 barrels of well fluids in violation of Section 311(b)(3) of the Clean Water Act (the Act), as noted on the attached FINDINGS and ALLEGED CIVIL VIOLATIONS FORM (Form), which is hereby incorporated by reference.

The parties are authorized to enter into this Expedited Settlement under the authority vested in the Administrator of EPA by Section 311(b) (6) (B) (i) of the Act, 33 U.S.C. § 1321(b) (6) (B) (i), as amended by the Oil Pollution Act of 1990, and by 40 CFR § 22.13(b). The parties enter into this Expedited Settlement in order to settle the civil violations described in the Form for a penalty of \$4500.00.

This settlement is subject to the following terms and conditions:

EPA finds the Respondent's conduct is subject to the discharge prohibition of Section 311(b)(3) of the Act, as described in the statute and further described by 40 CFR § 110.3. The Respondent admits he/she is subject to Section 311(b)(3) and that EPA has jurisdiction over the Respondent and the Respondent's conduct as described in the Form. Respondent does not contest the Findings, and waives any objections it may have to EPA's jurisdiction. The Respondent consents to the assessment of the penalty stated above. Respondent certifies, subject to civil and criminal penalties for making a false submission to the United States Government, that it has investigated the cause of the spill, it has cleaned up the spill pursuant to the federal requirements, and it has taken corrective actions that will prevent future spills. The Respondent also verifies that it has sent a certified check for \$4500.00, payable to "Environmental Protection Agency," to: "USEPA, Fines & Penalties, P.O. Box 979077, St. Louis, MO 63197-9000" and Respondent has noted on the penalty payment check "Spill Fund-311" and the docket number of this case, "CWA-06-2010-4510."

Upon signing and returning this Expedited Settlement to EPA, Respondent waives the opportunity for a hearing or appeal pursuant to Section 311 of the Act, and consents to EPA's approval of the Expedited Settlement without further notice.

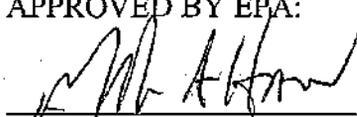
If Respondent does not sign and return this Expedited Settlement as presented within 30 days of the date of its receipt, the proposed Expedited Settlement is withdrawn without prejudice to EPA's ability to file any other enforcement action for the violations identified in the Form.

After this Expedited Settlement becomes effective, EPA will

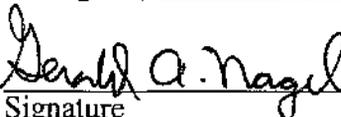
take no further action against the Respondent for the violations of the Section 311(b)(3) of the Act described in the Form. However, EPA does not waive any rights to take any enforcement action for any other past, present, or future violations by the Respondent of Section 311(b)(3) of the Act or of any other federal statute or regulation. By its first signature, EPA ratifies the Inspection Findings and Alleged Violations set forth in the Form.

This Expedited Settlement is binding on the parties signing below, and is effective upon the Superfund Division Director's signature.

APPROVED BY EPA:

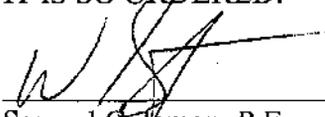

 Date: 7 APR 2010
 Mark A. Hansen
 Acting Associate Director
 Prevention and Response Branch
 Superfund Division

APPROVED BY RESPONDENT:

Name (print): GERALD A. NAGEL
 Title (print): VICE PRESIDENT - PRODUCTION

 Date: 4/27/10
 Signature

The estimated cost of the clean-up and corrective action is \$53,100.

IT IS SO ORDERED:


 Date: 5/5/10
 Samuel Coleman, P.E.
 Director
 Superfund Division

EPA REGION VI
 REGIONAL HEARING CLERK
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FILED

FINDINGS AND ALLEGED CIVIL VIOLATIONS

1. Key Production Company, Inc. is a firm qualified to do business in the State of Texas with a place of business located in Tulsa, Oklahoma. The Respondent is a person within the meaning of Section 311(a)(7) of the Act, 33 U.S.C. §1321(a)(7).

2. Respondent is the owner/operator of an onshore facility within the meaning of Section 311(a)(10) of the Act, 33 U.S.C. §1321(a)(10), an oil production facility, which is located in the Wells-Nichols Lease, 5 miles Northeast of Quanah, Hardeman County, TX (facility).

3. Section 311(b)(3) of the Act prohibits the discharge of oil into or upon the navigable waters of the United States or adjoining shorelines in such quantities that have been determined may be harmful to the public health or welfare or environment of the United States.

4. For purposes of Section 311(b)(3) and (b)(4) of the Act, 33 U.S.C. §1321(b)(3) and (b)(4), discharges of oil into or upon the navigable waters of the United States in such quantities that have been determined may be harmful to the public health or welfare or environment of the United States are defined in 40 C.F.R. §110.3 to include discharges of oil that cause a film or a sheen upon or discoloration of the surface of the water or adjoining shorelines.

5. On December 29, 2009, Respondent discharged 75 barrels of oil as defined in Section 311(a)(1) of the Act, 33 U.S.C. §1321(a)(1), and 40 C.F.R. §110.1, from its facility into or upon Groesbeck Creek and adjoining shorelines.

6. Groesbeck Creek enters the Red River and is a navigable water of the United States as defined in Section 502(7) of the Act, 33 U.S.C. §1362(7), and 40 C.F.R. §110.1.

7. Respondent's December 29, 2009, discharge of oil from its facility caused a sheen upon or discoloration of the surface of Groesbeck Creek and adjoining shorelines and therefore, was in a quantity that has been determined may be harmful under 40 C.F.R. §110.3, which implements Sections 311(b)(3) and (b)(4) of the Act.

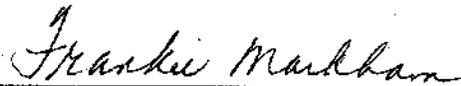
8. Respondent's December 29, 2009, discharge of oil from its facility into or upon Groesbeck Creek and adjoining shorelines in a quantity that has been determined may be harmful under 40 C.F.R. §110.3 violated Section 311(b)(3) of the Act. Pursuant to Section 311(b)(6)(B)(i) of the Act, and 40 CFR 19.4, the Respondent is liable for civil penalties of up to \$11,000 per violation, up to a maximum of \$32,500.

Docket No. CWA-06-2010-4510

CERTIFICATE OF SERVICE

I certify that the original and one copy of the foregoing "Consent Agreement and Final Order," issued pursuant to 40 C.F.R. 22.13(b), was filed on 5-6, 2010, with the Regional Hearing Clerk, U.S. EPA Region 6, 1445 Ross Avenue, Dallas, TX 75202-2733; and that on the same date a copy of the same was sent to the following, in the manner specified below:

Copy by First Class US mail: NAME: Gerald Nagel
 ADDRESS: 15 East 5th Street. Suite1000
 Tulsa, Oklahoma 74103



Frankie Markham
OPA Enforcement Administrative Assistant