

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
Dallas, Texas 75270

FILED

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In the Matter of

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Kelley Oil Company

Docket No. SDWA-06-2021-1105

Respondent.

REGIONAL HEARING CLERK
EPA REGION VI

FINAL ADMINISTRATIVE ORDER

STATUTORY AUTHORITY

The following findings are made, and Final Administrative 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 Final Administrative 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. Kelley Oil Company (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 Southeast Quarter of Section 25, Township 25 North, Range 10 East, Osage County, Oklahoma, designated as Well No. 1A and EPA Inventory Number OS1824000 (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 injection well required to have a 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 states that existing wells in the Osage Mineral Reserve, (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 ABR injection wells in the Osage Mineral Reserve, must comply with 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 an underground source of drinking water (USDW) through vertical channels adjacent to the wellbore.
8. The injection well is authorized by rule in accordance with 40 C.F.R. §147.2909.

9. An October 19, 2019, Inspection shows the well does not have mechanical integrity and is being maintained in a manner that allows the movement of fluid containing any contaminant into USDW.

10. On February 3, 2020, EPA Region 6 approved Respondent's plugging plan and required Respondent to obtain approval from the Bureau of Indian Affairs (BIA) office and notify the Osage UIC office prior to commencing plugging operations. To date, Respondent has not demonstrated compliance of the injection well.

11. Therefore, Respondent violated regulations set forth at 40 C.F.R. §§ 147.2903(b), 147.2920 and Part I.B. of the permit 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 July 12, 2021, EPA issued a Proposed Administrative Order to Respondent and provided Respondent an opportunity to request a hearing on the Proposed Administrative Order.

13. On July 16, 2021, 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, 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 after the effective date of this Final Administrative Order; or
- ii. Complete proper plugging and abandonment in accordance with 40 C.F.R. § 147.2905, within ninety (90) days after the effective date of this Final Administrative Order; or
- iii. Convert the injection well to production use within thirty (30) days after the effective date of this Final Administrative Order, send copies to the Osage ENR Office and Respondent shall complete conversion to production within ninety (90) days after the effective date of this Final Administrative Order.

16. Submit copies of completed plugging reports or completed work reports showing conversion to production and BIA Osage Agency Forms 139 within one-hundred twenty (120) days after the effective date of this Final Administrative Order to:

David Aguinaga
aguinaga.david@epa.gov
U.S. Environmental Protection Agency
Water Enforcement Branch (ECDWE)
1201 Elm Street, Suite 500
Dallas, TX 75270-2102

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. § 162-21(b)(2), performance of Paragraphs 15 and 16 is restitution, remediation, or actions 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).

September 8, 2021

Date



Digitally signed by CHERYL SEAGER
DN: c=US, o=U.S. Government, ou=Environmental
Protection Agency, cn=CHERYL SEAGER,
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Date: 2021.09.08 07:40:37 -05'00'

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.lorena@epa.gov

File Stamped Copy
Transmitted via Email: Ms. Lara Kelley
Kelley Oil Company
8689 State Hwy. 11
Barnsdall, OK 74001
larakelley@windstream.net

Electronic Copy: Ellen Chang-Vaughan
David Aguinaga
U.S. EPA, Region 6
1201 Elm Street, Suite 500
Dallas, TX 75270
Chang-Vaughan.Ellen@epa.gov;
Aguinaga.david@epa.gov

Robin Phillips, Superintendent
Bureau of Indian Affairs, Osage Agency
P.O. Box 1539
Pawhuska, OK 74056
Robin.phillips@bia.gov

Jann Hayman, Director
Osage Nation Department of Natural Resources
100 W. Main, Suite 304
Pawhuska, OK 74056
jannhayman@osagenation-nsn.gov

Dated: September 8, 2021

Signed David Aguinaga