



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS TX 75202-2733

FILED

2013 JUN 11 AM 8:21

REGIONAL HEARING CLERK
EPA REGION VI

CERTIFIED MAIL—RETURN RECEIPT REQUESTED: 7010 2780 0002 4356 9387

Mr. Greg Sparks
GKM Oil and Gas, Inc.
P.O. Box 985
Vinita, OK 74301

Re: Transmittal of Final Administrative Order
Docket Number: SDWA-06-2013-1109

Dear Mr. Sparks:

Enclosed is a Final Administrative Order (Order) issued to you for violations of the Safe Drinking Water Act (SDWA). These violations were identified based on review of our files for the referenced well. The violation was for maintaining Well No. 1 in a manner which could allow fluids to move through the well bore into underground sources of drinking water.

We issued a proposed order on January 7, 2013, for review and comment by you and the public. We did not receive any comments on the proposed order from the public and you did not request a hearing. The proposed Order is hereby made final.

The SDWA provides that you, or any person who commented on the proposed order, 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 U. S. Attorney General.

If you have any questions concerning this order, please contact Mr. David Aguinaga, of my staff, at 214-665-6439.

Sincerely yours,

Jerry Saunders
Associate Director
Water Enforcement Branch

Enclosure

cc w/enclosure:

Osage Nation Department of Environmental
and Natural Resources
BIA, Minerals Branch



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

January 7, 2013

CERTIFIED MAIL-RETURN RECEIPT REQUESTED: 7007 3020 0002 5102 1660

Mr. Greg Sparks
GKM Oil and Gas, Inc.
200 South Broadway
Cleveland, OK 74020

Re: Notice of Proposed Administrative Order and Opportunity to Request a Hearing
Docket Number: SDWA-06-2013-1109

Dear Mr. Sparks:

Enclosed is a Proposed Administrative Order (Order) issued to GKM Oil and Gas, Inc., for violation of the Safe Drinking Water Act (SDWA). The violation was identified based on our review of files that we maintain on the referenced well. The violation was for maintaining Well No. 4SWD in a manner which could allow contaminants to move through the well bore into Underground Sources of Drinking Water (USDWs). The enclosed Order does not assess a monetary penalty; however, it does require compliance with SDWA requirements. You would be required to complete appropriate corrective actions on the well.

You have the right to request a hearing regarding the violation alleged in the Order. Please refer to the enclosed Part 22, "Consolidated Rules of Practice," for information regarding hearing and settlement procedures. Note that should you fail to request a hearing within thirty (30) days of your receipt of this Order, you will waive your right to such a hearing, and may be subject to the compliance terms without further proceedings. Whether or not you request a hearing, we invite you to confer with us informally. If you choose not to request a hearing, we will review any comments on the proposed Order received from you and the public and determine whether the Order will become final. In the event you fail to request a hearing within thirty (30) days of your receipt of this Order, and no public comments are received, the Order will become final. Should this occur, EPA will send you a letter memorializing the finalization of the Order.

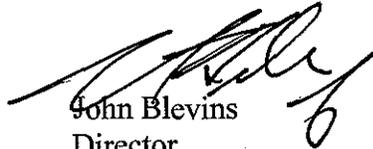
Also enclosed is an "Information Sheet" relating to the Small Business Regulatory Enforcement Fairness Act and a "Notice of Registrant's Duty to Disclose" relating to the disclosure of environmental legal proceedings to the Securities and Exchange Commission. The Environmental Protection Agency is committed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

Re: GKM Oil and Gas, Inc.
UIC Administrative Order

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If you have any questions, or wish to discuss the possibility of a settlement of this matter, please contact Mr. David Aguinaga, of my staff, at (214) 665-6439.

Sincerely,



John Blevins
Director
Compliance Assurance and
Enforcement Division

Enclosures

cc: BIA, Minerals Branch
P.O. Box 1539
Pawhuska, OK 74056

Osage Nation Environmental and
Natural Resources Department
P.O. Box 1495
Pawhuska, OK 74056

U. S. ENVIRONMENTAL PROTECTION AGENCY-REGION 6
ADMINISTRATIVE ORDER AND INFORMATION DEMAND
In the Matter of GKM Oil and Gas, Inc., Respondent
Docket No. SDWA-06-2013-1109

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 Sections 1423(c) and 1445 of the Safe Drinking Water Act ("the Act"), 42 U.S.C. §§ 300h-2(c) and 300j-4. 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 Compliance Assurance and Enforcement 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. GKM Oil and Gas, Inc. ("Respondent") 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 violation alleged herein, Respondent operated an injection well located in the Southwest Quarter of Section 12, Township 22 North, Range 7 East, East Paxton Field, Osage County, Oklahoma, designated as Well Number 4SWD and EPA Inventory Number OS0819 ("the well").
3. Respondent is subject to underground injection control 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. EPA regulations require the operator of an "injection well," as defined at 40 C.F.R. § 147.2902, to maintain the well in a manner that prevents movement of contaminants through the well bore into underground sources of drinking water ("USDWs"), pursuant to 40 C.F.R. § 147.2903(b).
5. On February 29, 2012 and September 12, 2012, inspections by a representative of the Osage Nation show the static fluid level in the well to be less than 50 feet below the base of the USDW. This level represents an unacceptable risk in that fluids containing contaminants could move through the well into USDWs.
6. Therefore, Respondent violated the regulations set forth at 40 C.F.R. § 147.2903(b) by maintaining the well in a manner which could allow contaminants to move through the well bore into USDWs.

SECTION 1423(c) COMPLIANCE ORDER

7. Based on the foregoing findings and under the authority of Section 1423(c) of the Act, it is hereby ordered that within thirty (30) days from the effective date of this Order, Respondent shall complete corrective actions to prevent fluids from moving through the well into USDWs. Such corrective actions may be to: a) convert the well to production use; b) plug the well; c) repair the well and demonstrate mechanical integrity; or d) pump and maintain the static fluid level in the well to at least 433 feet below the ground surface.

SECTION 1445 INFORMATION DEMAND

8. Based on these findings and pursuant to the authority of Section 1445 of the Act, Respondent is required to submit a report of work completed to comply with this Order to the following address with thirty (30) days after the effective date of the Order:

Water Resources Section (6EN-WR)
U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202

NOTICE OF OPPORTUNITY TO REQUEST A HEARING

9. Respondent may request a hearing to contest the issuance of this Section 1423(c) Compliance Order, pursuant to Section 1423(c)(3)(A) of the Act, 42 U.S.C. § 300h-2(c)(3)(A). Respondent should submit the hearing request to the Regional Hearing Clerk (6RC-D); U.S. EPA, Region 6; 1445 Ross Avenue, Suite 1200; Dallas, Texas 75202, within thirty (30) days of the date of receipt of this Proposed Administrative Order.
10. A request for hearing should be included in any response to this Order. Respondent must file a response in order to preserve the right to a hearing or to pursue other relief.
11. Should a hearing be requested, members of the public who commented on the issuance of this Order during the public comment period would have a right to be heard and present evidence at a hearing under Section 1423(c)(3)(C) of the Act, 42 U.S.C. § 300h-2(c)(3)(C).

GENERAL PROVISIONS

12. Respondent may seek federal judicial review of the Order pursuant to Chapter 7 of the Administrative Procedure Act, 5 U.S.C. §§ 701-706. Section 706, which is set forth at <http://uscode.house.gov/download/pls/05C7.txt>, provides the scope of such review.

13. This Section 1423(c) Compliance Order and the Section 1445 Information Demand do not constitute a waiver, suspension, or modification of the requirements of 40 C.F.R. Part 147, Subpart GGG, which remain in full force and effect.

14. Issuance of this Section 1423(c) Compliance Order and the Section 1445 Information Demand is not an election by EPA to forego any civil or criminal action otherwise authorized under the Act.

15. Violation of the terms of this Section 1423(c) Compliance 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 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 Order under Section 1423(b)(1) and (2) of the Act, 42 U.S.C. § 300h-2(b)(1) and (2).

SETTLEMENT

16. EPA encourages all parties against whom an administrative order is proposed to pursue the possibility of settlement through informal meetings with EPA. Regardless of whether a formal hearing is requested, Respondent may confer informally with EPA about the alleged violations. Respondent may wish to appear at any informal conference or formal hearing personally, by counsel or other representative, or both. To request an informal conference on the matters described in this Order, please contact Mr. David Aguinaga, of my staff, at (214) 665-6439.

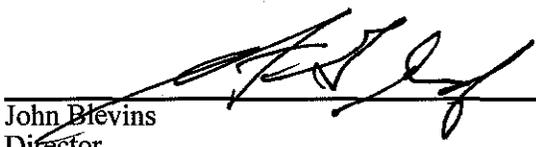
17. If this action is settled without a formal hearing, it will be concluded by issuance of a Final Order.

EFFECTIVE DATE

18. This 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 7, 2013

Date



John Blevins
Director
Compliance Assurance and
Enforcement Division