



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

July 22, 2011

CERTIFIED MAIL-RETURN RECEIPT REQUESTED: 7011 0110 0001 3590 7176

Mr. Alan L. Smith, Chief Executive Officer
Quantum Resources Management, L.L.C.
1401 McKinney Street, Suite 2400
Houston, TX 77010

Re: Administrative Complaint
Docket Number: SDWA-06-2011-1106

Dear Mr. Smith:

Enclosed is an Administrative Complaint (Complaint) issued to Quantum Resources Management, L.L.C., for violation of the Safe Drinking Water Act. Violations were identified through a review of files that we maintain on injection wells that Quantum Resources Management, L.L.C., owns and/or operates. The violations are for failure to comply with injection rate limits established by the permit for Well No. 2-1 in Caddo County, Oklahoma. The enclosed Complaint proposes to assess a monetary penalty of \$120,000.00 and to order Quantum Resources Management, L.L.C., to comply with permitted injection rate limitations.

You have the right to request a hearing regarding the violations alleged in the Complaint and the proposed penalty. Please refer to the enclosed Part 22, "Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits," for information regarding hearing and settlement procedures. Also, note that should you fail to request a hearing within thirty (30) days of your receipt of this Complaint, you will waive your right to such a hearing and may be subject to the compliance terms and assessed penalty 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 Complaint received from you and the public and determine whether the Complaint will become final.

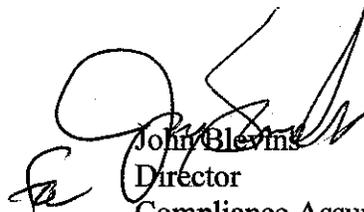
Also enclosed is an "Information Sheet" relating to the Small Business Regulatory Enforcement Fairness Act and a "Notice of Registrant's Duty to Disclose" relating to the disclosure of environmental legal proceedings to the Securities and Exchange Commission. The Environmental Protection Agency is committed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

Re: Administrative Complaint
Quantum Resources Management, L.L.C.

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If you have any questions or wish to discuss the possibility of a settlement of this matter, please contact Mr. Ronald Van Wyk, of my staff, at (214) 665-6459.

Sincerely,



John Blevins
Director
Compliance Assurance and
Enforcement Division

Enclosures

cc: w/complaint Regional Hearing Clerk (6RC-D)

BLM, Tulsa Area Office

BIA, Southern Plains Regional Office
(ATTN: Natural Resources)

EPA Tulsa Field Office

Caddo Indian Tribe of Oklahoma

Capitol Document Services, Inc.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6

IN THE MATTER OF

Quantum Resources Management, L.L.C.
Houston, Texas

Respondent

§ DOCKET NO. SDWA-06-2011-1106
§
§
§ Proceeding to Assess a
§ Civil Penalty under Section 1423(c)
§ of the Safe Drinking Water Act
§
§ ADMINISTRATIVE COMPLAINT

I. STATUTORY AUTHORITY

This Complaint is issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA") pursuant to Section 1423(c) of the Safe Drinking Water Act ("the Act"), 42 U.S.C. § 300h-2(c). The Administrator of the EPA delegated the authority to issue this Complaint to the Regional Administrator of EPA Region 6, who delegated the authority to the Director of the Compliance Assurance and Enforcement Division of EPA Region 6 ("Complainant"). This Complaint is issued in accordance with the "Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits," 40 C.F.R. §§ 22.1 through 22.52, including rules related to administrative proceedings not governed by Section 554 of the Administrative Procedures Act, 40 C.F.R. §§ 22.50 through 22.52.

The EPA has primary enforcement responsibility for underground injection within the meaning of Section 1422(e) of the Act, 42 U.S.C. § 300h-1(e), to ensure that owners or operators of Class II injection wells on Indian Lands within Oklahoma comply with the requirements of the Act.

Based on the following Findings of Fact and Conclusions of Law ("Findings"), Complainant finds that Quantum Resources Management, L.L.C. ("Respondent") violated the Act and the regulations promulgated under the Act and should be ordered to pay a civil penalty.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent is a limited liability company doing business in the State of Oklahoma, and as such, Respondent is a "person," as that term is defined at Section 1401(12) of the Act, 42 U.S.C. § 300f(12).

2. At all relevant times, Respondent owned or operated an "injection well" which is a "new injection well" as those terms are defined at 40 C.F.R. § 147.2902. The injection well is classified as "Class II" according to 40 C.F.R. § 144.6(b) and is identified as well number 2-1 (herein "well"). The well is also identified by EPA inventory number OK9019, and is located in the Southeast Quarter of Section 34, Township 6 North, Range 12 West, Apache Pool, Caddo County, Oklahoma.

3. Because Respondent owned or operated an injection well, Respondent is subject to underground injection control ("UIC") program requirements at 40 C.F.R. Parts 144, 146, and 147, Subpart III, which are authorized under Section 1421 of the Act, 42 U.S.C. § 300h.

4. Regulations at 40 C.F.R. § 144.11 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 a permit is prohibited until a permit has been issued. The term "permit" is defined at 40 C.F.R. § 144.3.

5. On May 26, 1992, the EPA issued UIC permit number 06SOKSP9019 (herein "permit") for conversion of the well to an injection well. The permit was transferred to Respondent on May 9, 2003.

6. Regulations at 40 C.F.R. § 144.51(a) require the owner or operator of an injection well to comply with the all permit conditions.

7. Condition I.B.4 of the permit limits the monthly injection volume at the well to 93,000 barrels.

8. Annual operations reports submitted by Respondent to the EPA show that Respondent injected more than 93,000 barrels per month of fluid into the well during 32 of the 46 months between March 2007 and December 2010. Each month in which Respondent exceeded the monthly injection volume at the well is a violation of Condition I.B.4 of the permit and 40 C.F.R. § 144.51(a).

9. Therefore, Respondent violated regulations at 40 C.F.R. § 144.51(a) and Condition I.B.4 of the permit by injecting fluids in excess of volumes authorized by the permit for the well.

III. PROPOSED PENALTY

10. Based on the foregoing findings, and pursuant to the authority of Section 14239(c) of the Act, 42 U.S.C. § 300h-2(c), EPA Region 6 hereby proposes to assess against Respondent a penalty of one hundred twenty thousand dollars (\$120,000.00).

11. The proposed penalty amount has been determined based on the statutory factors specified in Section 1423(c)(4)(B) of the Act, 42 U.S.C. § 300h-2(c)(4)(B), which include such factors as the seriousness of the violation; the economic benefit resulting from the violation; any history of such violations; any good-faith efforts to comply with the applicable requirements; the economic impact of the penalty on the violator; and such other matters as justice may require.

IV. COMPLIANCE ORDER

12. 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 that Respondent comply with Condition I.B.4 of the permit and limit the monthly injection volume at the well to 93,000 barrels.

V. FAILURE TO FILE AN ANSWER

13. If Respondent wishes to deny or explain any material allegation listed in the above Findings or to contest the amount of the penalty proposed, Respondent must file an Answer to this Complaint within thirty (30) days after service of this Complaint whether or not Respondent requests a hearing as discussed below.

14. The requirements for such an Answer are set forth at 40 C.F.R. § 22.15 (copy enclosed). Failure to file an Answer to this Complaint within thirty (30) days of service of the Complaint shall constitute an admission of all facts alleged in the Complaint and a waiver of the right to a hearing. Failure to deny or contest any individual material allegation contained in the Complaint will constitute an admission as to that finding or conclusion under 40 C.F.R. § 22.15(d).

15. If Respondent does not file an Answer to this Complaint within thirty (30) days after service of this Complaint, a Default Order may be issued against Respondent pursuant to 40 C.F.R. § 22.17. A Default Order, if issued, would constitute a finding of liability, and could make the full amount of the penalty proposed in this Complaint due and payable by Respondent without further proceedings thirty (30) days after a final Default Order is issued.

16. Respondent must send its Answer to this Complaint, including any request for hearing, and all other pleadings to:

Regional Hearing Clerk (6RC-D)
U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

17. The Respondent shall also send a copy of its Answer to this Complaint to the following EPA attorney assigned to this case:

Mr. Efren Ordoñez (6RC-EW)
U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

18. The Answer must be signed by Respondent, Respondent's counsel, or other representative on behalf of Respondent and must contain all information required by 40 C.F.R. §§ 22.05 and 22.15, including the name, address, and telephone number of Respondent and Respondent's counsel. All other pleadings must be similarly signed and filed. Complainant has specified that the administrative procedures specified in 40 C.F.R. Part 22, Subpart I, shall apply to this matter, and the administrative proceedings shall not be governed by Section 554 of the Administrative Practice Act.

VI. NOTICE OF OPPORTUNITY TO REQUEST A HEARING

19. Respondent may request a hearing to contest the issuance of this Complaint or to contest the appropriateness of the amount of the penalty, pursuant to Section 1423(c)(3)(A) of the Act, 42 U.S.C. § 300h-2(c)(3)(A). The procedures for hearings are set out at 40 C.F.R. Part 22 (copy enclosed), including 40 C.F.R. §§ 22.50 through 22.52.

20. Any request for hearing should be included in an Answer to this Complaint; however, as discussed above, Respondent must file an Answer meeting the requirements of 40 C.F.R. § 22.15 in order to preserve the right to a hearing or to pursue other relief.

21. Should a hearing be requested, members of the public who commented on the issuance of this Complaint during the public comment period would have a right to be heard and to present evidence at a hearing under Section 1423(c)(3)(C) of the Act, 42 U.S.C. § 300h-2(c)(3)(C).

VII. SETTLEMENT

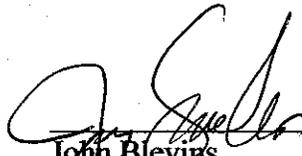
22. EPA encourages all parties against whom civil penalties are proposed to pursue the possibility of settlement through informal meetings with EPA. Regardless of whether a formal hearing is requested, Respondent may confer informally with EPA about the alleged violations or the amount of the proposed penalty. 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 Complaint, please contact Mr. Ronald Van Wyk, of my staff, at 214-665-6459.

23. If this action is settled without a formal hearing and issuance of an opinion by the Presiding Officer pursuant to 40 C.F.R. § 22.27, this action will be concluded by issuance of a Consent Agreement and Final Order ("CAFO") pursuant to 40 C.F.R. § 22.18(b). The issuance of a CAFO would waive the Respondent's right to a hearing on any matter stipulated to therein or alleged in the Complaint. Any person who commented regarding this Complaint would be

notified and given an additional thirty (30) days to petition EPA to set aside any such CAFO and to hold a hearing on the issues raised in the Complaint. Such a petition would be granted and a hearing held only if the evidence presented by the petitioner's comment is material and was not considered by EPA in the issuance of the CAFO.

24. Neither assessment nor payment of a penalty in resolution of this action will affect Respondent's continuing obligation to comply with all requirements of the Act, the applicable regulations and permits, and any separate Compliance Order issued under Section 1423(c) of the Act, 42 U.S.C. § 300h-2(c), including one relating to the violations alleged herein.

Date



John Blevins
Director
Compliance Assurance and
Enforcement Division

CERTIFICATE OF SERVICE

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

Original hand-delivered: Regional Hearing Clerk (6RC-D)
U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

Copy by certified mail
return receipt requested: Mr. Alan L. Smith, Chief Executive Officer
Quantum Resources Management, LLC
1401 McKinney Street, Suite 2400
Houston, TX 77010

Copy: Bureau of Land Management
Oklahoma Field Office
7906 East 33rd Street, Suite 101
Tulsa, OK 74145-1352

Bureau of Indian Affairs
Southern Plains Regional Office
(Attn: Natural Resources)
PO Box 368
Anadarko, OK 73005

Mr. Rick Davis
Environmental Protection Agency
1645 South 101st East Avenue
Room 134
Tulsa, OK 74128-4629

Caddo Indian Tribe of Oklahoma
PO Box 487
Binger, OK 73009

Capitol Document Services, Inc.
101 North Robinson Avenue, 13th Floor
Oklahoma City, OK 73102

Copy hand-delivered: Mr. Efren Ordoñez (6RC-EW)
Office of Regional Counsel
U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

Dated: _____