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

OCT 31 2007

CERTIFIED MAIL - RETURN RECEIPT REQUESTED (7099 3220 0001 4432 8691)

Mr. Tommy Deiss
Administrative Engineering Manager
Citation Oil & Gas Corporation
8223 Willow Place South
Houston, TX 77070-5623

Re: Administrative Order Docket Number CWA-06-2007-1708
Facility Number OKU000604

Dear Mr. Deiss:

Enclosed is an Administrative Order (AO) issued to Citation Oil & Gas Corporation, located in Houston, Texas, for violation of the Clean Water Act (33 U.S.C. § 1251 et seq.). The violation was identified based on our inspection of your facility on September 19, 2006. The inspection results were discussed with you on September 21, 2006. The violation found consists of an unauthorized discharge of a pollutant, specifically oil field brine, to waters of the United States.

The first compliance deadline is within 30 days of receipt of this AO. The Environmental Protection Agency is committed to ensuring compliance with the requirements of the National Pollutant Discharge Elimination System program. My staff will assist you in any way possible. Please reference AO Docket Number CWA-06-2007-1708 and Facility Number OKU000604 with your response.

Also enclosed is an "Information Sheet" related 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, that you may find useful.

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

Sincerely yours,

John Blevins
Director
Compliance Assurance and
Enforcement Division

Enclosures

cc: Mr. Charles Hennessee
Oklahoma Corporation Commission, District 3
1020 Willow, Box 1525
Duncan, OK 73533

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 6

In the Matter of	§	Docket No. CWA-06-2007-1708
	§	
Citation Oil & Gas Corporation,	§	
a Delaware Corporation,	§	
	§	FINDINGS OF VIOLATION
Respondent	§	AND
	§	ORDER FOR COMPLIANCE
Facility No. OKU000604	§	

Statutory Authority

The following findings are made, and Order issued, under the authority vested in the Administrator of the United States Environmental Protection Agency (EPA), by Sections 308(a) and 309(a) of the Clean Water Act (herein "the Act"), 33 U.S.C. §§ 1318(a) and 1319(a). The Administrator of EPA has delegated the authority to issue this Order to the Regional Administrator of EPA Region 6, who has further delegated this authority to the Director of the Compliance Assurance and Enforcement Division.

Findings

1. Citation Oil & Gas Corporation (herein "Respondent") is a corporation which was incorporated under the laws of the State of Delaware, and as such, Respondent is a "person," as that term is defined at Section 502(5) of the Act, 33 U.S.C. § 1362(5), and 40 C.F.R. § 122.2.

2. At all times relevant to this Order, Respondent owned or operated an oil and gas lease located in Section 15, Township 4 South, Range 3 West, Carter County, Oklahoma (herein "the facility"), and was therefore an "owner or operator" within the meaning of 40 C.F.R. § 122.2.

3. At all relevant times, the facility was a "point source" of a "discharge" of "pollutants," specifically oil field brine, to the receiving waters of a tributary of Post Oak Creek, which is "waters of the United States" within the meaning of Section 502 of the Act, 33 U.S.C. § 1362, and 40 C.F.R. § 122.2.

4. Because the Respondent owned or operated a facility that is a point source of discharges of pollutants to waters of the U.S., the Respondent and the facility were subject to the Act and the National Pollutant Discharge Elimination System (NPDES) program.

5. Under Section 301 of the Act, 33 U.S.C. § 1311, it is unlawful for any person to discharge any pollutant from a point source to waters of the United States, except with the authorization of, and in compliance with, an NPDES permit issued pursuant to Section 402 of the Act, 33 U.S.C. § 1342. According to the NPDES program, the discharge of oil field brine is a non-permitted discharge.

6. On September 19, 2006, the facility was inspected by an EPA Field Inspector.

7. The inspector observed that oil field brine had been discharged from a pond located on the facility at Latitude 34° 12.73' North and Longitude 97° 30.55' West, to a tributary of Post Oak Creek, located at Latitude 34° 12.71' North and Longitude 97° 30.61' West. The inspector determined that fluids located inside the pond at the facility measured 12,500 parts-per-million (ppm) total soluble salts (TSS). During the inspection the inspector observed an overflow pipe on the west wall of the pond. Fluids located outside of overflow pipe at Latitude 34° 12.73' North and Longitude 97° 30.56' West, measured 6,000 ppm TSS. It is believed by the inspector, based on his inspection observations and testimonies of citizens who live in the area, that the pond overflow pipe has acted as a point source discharge of pollutants. The inspector also observed fluids seeping into the tributary from the ground at or around the discharge point of

entry. It was determined that these fluids measured 7,200 ppm TSS. White salt staining was observed throughout the tributary at the time of the inspection.

8. Each day of unauthorized discharge, is a violation of Section 301 of the Act, 33 U.S.C. § 1311.

ORDER

Based on the foregoing Findings and pursuant to the authority of Sections 308(a) and 309(a) of the Act, EPA hereby orders the Respondent to take the following action:

A. Within thirty (30) days of the effective date of this Order, Respondent shall remove the overflow pipe located on the west wall of the pond.

B. Within sixty (60) days of the effective date of this Order, the Respondent shall submit a facility work plan describing all specific corrective actions taken to eliminate and prevent recurrence of the violations cited herein.

C. Any information or correspondence submitted by the Respondent to EPA under this Order shall be addressed to the following:

Mr. Matt Rudolph
Water Enforcement Branch (6EN-WR)
EPA, Region 6
1445 Ross Ave., Suite 1200
Dallas, TX 75202-2733

RECOMMENDATIONS

Respondent should implement the following corrective actions to prevent the recurrence of the violations cited in this Order:

1) Remove and properly dispose of fluids located inside the pond through proper injection practices.

2) Line the pond with a 60 mil HDPE liner.

3) It is believed the pond was constructed on or around an abandoned well bore; if so, determine if the well was plugged properly.

General Provisions

Issuance of this Order shall not be deemed an election by EPA to forego any administrative or judicial, civil or criminal action to seek penalties, fines, or any other relief appropriate under the Act for the violations cited herein, or other violations that become known. EPA reserves the right to seek any remedy available under the law that it deems appropriate.

Failure to comply with this Order or the Act can result in further administrative action, or a civil judicial action initiated by the U.S. Department of Justice. If the United States initiates a civil judicial action, Respondent will be subject to civil penalties of up to $32,500 per day per violation.[1]

Compliance with the terms and conditions of this Order does not relieve the Respondent of its obligations to comply with any applicable federal, state, or local law or regulation.

The effective date of this Order is the date it is received by the Respondent.

October 24th, 2006
Date

John Blevins
Director
Compliance Assurance and
Enforcement Division

[1] The civil penalty amounts that can be assessed under section 309 of the Clean Water Act were amended by the Civil Monetary Penalty Inflation Adjustment Rule (61 Fed. Reg. 69359, December 31, 1996, as corrected in 62 Fed. Reg. 13514, March 20, 1997) and effective June 1, 1997; and amended in 69 Fed. Reg. 7121, February 13, 2004, and effective March 16, 2004; under the Debt Collections Improvement Act of 1996, 31 U.S.C. § 3701, et. Seq., for all violations occurring or continuing after January 30, 1997.