December 16, 2006

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

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

Amended and Enhanced Plan of Corrective Action dated December 14, 2006

Dear Mr. Rudolph,

As you know, prior to the receipt of the referenced Administrative Order, Citation Oil & Gas Corp. ("Citation") submitted to the United States Environmental Protection Agency (the "EPA") a Plan of Corrective Action dated October 26, 2006 pertaining to the West Pond Dam referred to in the Order, a copy of which is attached to this correspondence (the "Original Plan"). By this correspondence Citation: (i) incorporates by reference all of the terms and provisions of the Original Plan as if it was fully restated herein; and (ii) amends and enhances the Original Plan for the West Pond Dam and surrounding area.

Citation has initiated activities (effective December 13, 2006) to accomplish the following tasks:

1. Re-contour the existing diversion levies established above the pond area to direct much of the rainfall away from the re-designed pond.

2. Reduce the size of the existing pond, rehabilitate the back filled area with clean soil and top it with grass seed.

3. Install an impervious 60 mil HDPE liner throughout the interior of the pond.

4. Install an electric sump pump with an associated storage tank to maintain a safe water level within the pond and assure no further overflow events will occur.

5. Periodically pump water collected in the storage tank to a Citation water disposal well.

6. Excavate and land farm a small low area of soil (containing a slightly higher Chloride level) adjacent to the pond, install an impervious 60 mil liner within that area, rehabilitate it with clean soil and top it with grass seed.

7. Enclose the pond and the newly excavated area with fencing to prevent access by non-Citation persons and post fencing and gates with appropriate "No Trespassing" signs.

8. Perform TDS sampling on a quarterly basis thereby creating a new baseline test document for the site.

Further, Citation is developing a "Facility Work Plan" for this site and will forward a copy to you as well.

Citation trusts these actions will appropriately address the concerns you discussed with Mr. Deiss and me in late November 2006. Should you have any additional questions or concerns, please feel free to contact me at 281-517-7516.

Sincerely,

Paul Lankford

Paul Lankford

Cc: Tim Baker, Oklahoma Corporation Commission
Larry Nettles, Vinson & Elkins, LLP
Steve Robinson, Citation Oil & Gas
Gary C. Johnson, Citation Oil & Gas

December 16, 2006

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

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

Dear Mr. Rudolph:

In partial response to the referenced Administrative Order, Citation Oil & Gas Corp. ("Citation") wishes to clarify that any oil field brine discharged on the surface of the property referred to in the Administrative Order originated from the mix of rainwater and chlorides deposited on the surface of the property from historical oilfield operations prior to Citation's ownership of the property. Citation never intentionally discharged any brine to the surface from its production operations. The "oil field Brine" emanating from the point of discharge referred to in the Administrative Order resulted from chlorides that were deposited on the surface from oil field operations in the past and that then became mixed with rainwater collected in the pond.

THE EPA ORDER

Citation has complied with the EPA's order as follows:

A. Even prior to receipt of the Order, on October 26, 2006, Citation submitted to the EPA a Plan of Corrective Action, which it amended and enhanced on December 4, 2006.

B. Citation has removed the overflow pipe located in the west wall of the pond.

C. Citation is developing a Facility Work Plan and it will submit it to the EPA in the very near future.

THE EPA RECOMMENDATIONS

In response to the EPA recommendations, Citation is in the process of implementing the following corrective actions:

1). Citation will remove all pond fluids utilizing a vacuum truck and transport the fluids to its Healdton IV Unit Water Plant, where Citation will properly dispose the fluids in a properly licensed injection facility.

2). Citation will reduce the overall size of the pond, rehabilitate the back filled area

with clean soil and top it off with grass seed, and install an impervious 60 mil HDPE liner throughout the remaining interior of the pond. (See Facility Work Plan").

3). Citation already has verified that no abandoned well bore exists within the confines of the pond.

Should you have any questions regarding this correspondence, please let me know.

Sincerely,

Paul Lankford

Paul Lankford
Manager, Regulatory Affairs

Cc: Tim Baker
Manager, Pollution Abatement Department
Oklahoma Corporation Commission
Jim Thorpe Building
2101 North Lincoln Blvd.
Oklahoma City, Ok. 73105

Larry W. Nettles
Vinson & Elkins, LLP

Steve L. Robinson
Gary C. Johnson

Citation
OIL & GAS CORP.

October 26, 2006

Matt Rudolph (GEN-WR)
United States EPA Region 6
1445 Ross Ave
Dallas, TX 75202

Re: Plan of Corrective Action
West Pond Dam
Healdton IV Unit
Section 15 – T4S - R3W
Carter County, Oklahoma

Dear Mr. Rudolph:

Your email of September 26, 2006 requested that Citation Oil & Gas Corp. submit a plan of corrective actions to prevent future discharges from the Healdton IV Unit. This letter contains that plan of corrective actions.

Historical Conditions of the Healdton IV Unit

In order to fully explain Citation Oil & Gas Corp.'s reason for constructing the West Pond Dam and what our plan of corrective actions are for this pond dam, I must first review what has happened from a historical perspective to cause the current conditions at the Healdton Oilfield.

The Healdton Oilfield was discovered in 1913 with the drilling of the first commercial oil well. Initially the method used to dispose of all produced water was to let it flow down creeks. The oil companies would purchase "creek rights" from the surface owners to allow the oil companies to flush their produced water down the creeks. In cases where creek rights couldn't be purchased the alternative method was to build salt water evaporation pits. In the 1950's some produced water was disposed of in salt water disposal wells by injecting salt water into an underground reservoir. The use of salt water evaporation pits continued until the 1960's when they were forbidden by the Oklahoma Corporation Commission. Now all produced water from the Healdton IV Unit is used in waterflood operations by being re-injected underground into the producing formation. Citation Oil & Gas Corp. purchased the Healdton IV Unit from Unocal in 1993.

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Attached are four aerial photographs taken in 1938, 1956, 1993 & 2003. The reason for sending these aerial photographs is to assist you in understanding the impact that historical oilfield operations have had on the surface and groundwater of the area that encompasses the Healdton IV Unit.

In the **1939** aerial (Attachment 1) a large salt water evaporation pit identified with an arrow can be seen and it is located due east of the current "West Pond". Basically, the water in these salt water evaporation pits would slowly evaporate and the salts would precipitate out, leaving a thick layer of salts behind after the pit was filled in. Most pits were filled in during the 1960's. In the **1956** aerial (Attachment 2) additional salt water evaporation pits can be seen. In the **1993** aerial (Attachment 3) salt water scarring is readily evident from old salt water evaporation pits that had been closed and from salt water flowing across the surface. Citation Oil & Gas Corp. purchased the Healdton IV Unit in 1993. The condition of the surface with the erosion and surface water with elevated TDS is what we inherited. Citation Oil & Gas Corp. began a program in the late 1990's to remediate these sites. Part of our remediation efforts consisted of building pond dams whose purpose was too: contain the silt from the eroded sites; and contain water with elevated TDS caused by historically released saltwater. Most of these pond dams are built on top of the old salt water pits as can be seen by reviewing the **2003** aerial (Attachment 4) and comparing it to the previous aerial photographs.

The Oklahoma Corporation Commission is in the process of having the Post Oak Creek listed on their 303(d) list as a historically oil field impacted steam. This is further proof of the impact that historical operations have had on this oil field.

From the time the Healdton IV Unit was created in the early 1970's, all produced saltwater has been re-injected back into the under ground producing reservoirs. All the surface discharge from the area around the West Pond Dam flows into an un-named up-gradient branch of Post Oak Creek. The water that is flowing down the creek with elevated chlorides is a result of historical oil field operations and is not the result of produced fluids entering this creek from the Healdton IV Unit.

West Pond Dam Original Construction

During the construction of the West Pond Dam a problem we encountered was that the ground around the pond dam did not have sufficient grass growing to allow for a spillway to be used without causing erosion. Therefore, the West Pond Dam was constructed with an L-shaped metal culvert installed to control the level within the pond. Remediation of the surface around the pond has restored the growth of grass which will now allow for the use of a spillway.

The purpose of constructing this pond dam was: to contain the silt from the eroded sites that are located up gradient; and to contain the salts from the historically released salt water. The water in the pond dam is stratified with the fresher water being on top and the water with elevated TDS being on bottom. When the pond dam does fill up the fresh

water is released down the creek and the water with elevated TDS remains behind. The water with elevated TDS is contained in the pond dams. If this pond dam had not been constructed then larger volumes of water with elevated TDS and silt would be migrating down stream.

The groundwater is not contaminated by these pond dams. These ponds dams are built with large amounts of clay material that acts as a barrier to stop downward migration of fluids.

Plan of Corrective Action for West Pond Dam

1. The metal culvert will be removed from the west side of the West Pond Dam. Then a clay barrier will be inserted into the wall of the dam as a precaution to prevent seepage of fluids from the wall of the dam. The clay barrier will be installed by digging a trench to base rock, the trench will be perpendicular to the wall, and it will be filled with bentonite or clay. Then the earthen wall will be re-constructed around the clay barrier.

   This is the only pond dam that has had fluids leak from the wall of the dam and this is the only pond dam with a metal culvert installed in the wall of the pond dam. There is no doubt but that the metal culvert is allowing fluids to migrate along the outer walls of the metal culvert from inside the pond dam to outside the pond dam. Once the metal culvert is removed the seep will stop. However, as an added precaution the clay barrier, as previously discussed, will be installed.

2. To further prevent the migration of water with elevated TDS from this pond dam a site that is located up gradient and east of this pond dam has been selected to install an interceptor trench. This interceptor trench will remove water with elevated TDS from an old salt water evaporation pit site. A basic concept of the interceptor trench is attached as Attachment 5. It will also remove all fluids moving down gradient from other historically salt impacted sites. The interceptor trench will consist of a center point which will house a water well pump. There will be three legs radiating from its center. One leg will cut across the center of the old saltwater evaporation pit site and the other two legs will form the interceptor trench to collect all fluids moving down gradient. The fluids from the interceptor trench will be pumped to our salt water injection facility. This will greatly reduce the amount of water going to the West Pond Dam and will become very similar to other pond dams which have fresh water in them.

3. Once a month the fluids leaving the Healdton IV Unit will be tested for TDS and these readings will be furnished to the Oklahoma Corporation Commission and the EPA. Once it has been established that the water leaving the Healdton IV Unit is at acceptable TDS levels, this monitoring will be discontinued.

Sincerely,

Robert T. Deiss

Robert T. Deiss
Administrative Engineering Manager
Citation Oil & Gas Corp.

CC: Tim Baker
Manager Pollution Abatement Department
Oklahoma Corporation Commission
Jim Thorpe Building
2101 N. Lincoln Blvd.
Oklahoma City, OK 73105

M:TDeiss/Environmental/Response To EPA West Pond