

EXECUTIVE SUMMARY - ENFORCEMENT MATTER Page 1 of 3
DOCKET NO.: 2010-1743-AIR-E **TCEQ ID:** RN100825322 **CASE NO.:** 40595
RESPONDENT NAME: SandRidge CO2, LLC

ORDER TYPE:		
<input checked="" type="checkbox"/> 1660 AGREED ORDER	<input type="checkbox"/> FINDINGS AGREED ORDER	<input type="checkbox"/> FINDINGS ORDER FOLLOWING SOAH HEARING
<input type="checkbox"/> FINDINGS DEFAULT ORDER	<input type="checkbox"/> SHUTDOWN ORDER	<input type="checkbox"/> IMMINENT AND SUBSTANTIAL ENDANGERMENT ORDER
<input type="checkbox"/> AMENDED ORDER	<input type="checkbox"/> EMERGENCY ORDER	
CASE TYPE:		
<input checked="" type="checkbox"/> AIR	<input type="checkbox"/> MULTI-MEDIA (check all that apply)	<input type="checkbox"/> INDUSTRIAL AND HAZARDOUS WASTE
<input type="checkbox"/> PUBLIC WATER SUPPLY	<input type="checkbox"/> PETROLEUM STORAGE TANKS	<input type="checkbox"/> OCCUPATIONAL CERTIFICATION
<input type="checkbox"/> WATER QUALITY	<input type="checkbox"/> SEWAGE SLUDGE	<input type="checkbox"/> UNDERGROUND INJECTION CONTROL
<input type="checkbox"/> MUNICIPAL SOLID WASTE	<input type="checkbox"/> RADIOACTIVE WASTE	<input type="checkbox"/> DRY CLEANER REGISTRATION
<p>SITE WHERE VIOLATION(S) OCCURRED: Mitchell Compressor Station, 5500 Mitchell Plant Road, Fort Stockton, Pecos County</p> <p>TYPE OF OPERATION: Carbon dioxide compression plant</p> <p>SMALL BUSINESS: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>OTHER SIGNIFICANT MATTERS: There are no complaints. There is no record of additional pending enforcement actions regarding this facility location.</p> <p>INTERESTED PARTIES: No one other than the ED and the Respondent has expressed an interest in this matter.</p> <p>COMMENTS RECEIVED: The <i>Texas Register</i> comment period expired on March 21, 2011. No comments were received.</p> <p>CONTACTS AND MAILING LIST: TCEQ Attorney/SEP Coordinator: None TCEQ Enforcement Coordinator: Mr. John Muennink, Enforcement Division, Enforcement Team 5, MC R-12, (713) 422-8970; Ms. Laurie Eaves, Enforcement Division, MC 219, (512) 239-4495 Respondent: Mr. Stuart A. Wittenbach, Director of Environmental, Health, Safety, & Risk, SandRidge CO2, LLC, 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102 Respondent's Attorney: Not represented by counsel on this enforcement matter</p>		

VIOLATION SUMMARY CHART:

VIOLATION INFORMATION	PENALTY CONSIDERATIONS	CORRECTIVE ACTIONS TAKEN/REQUIRED
<p>Type of Investigation: <input type="checkbox"/> Complaint <input type="checkbox"/> Routine <input type="checkbox"/> Enforcement Follow-up <input checked="" type="checkbox"/> Records Review</p> <p>Date(s) of Complaints Relating to this Case: None</p> <p>Date of Investigation Relating to this Case: July 27, 2010 through September 20, 2010</p> <p>Date of NOV/NOE Relating to this Case: October 4, 2010 (NOE)</p> <p>Background Facts: This was a records review.</p> <p>AIR</p> <p>1) Failed to conduct quarterly testing of the exhaust for Engines C-505 and C-507. Specifically, the Respondent did not conduct quarterly testing for nitrogen oxide ("NOx"), carbon dioxide and the oxygen content during the first, third and fourth quarters of 2006, the fourth quarter of 2007 and the first quarter of 2008 for Engine C-505 and during the second quarter of 2006, the third and fourth quarter of 2007 and the first quarter of 2008 for Engine C-507 [30 TEX. ADMIN. CODE § 116.115(c), TEX. HEALTH & SAFETY CODE § 382.085(b) and Permit No. 73377, Special Conditions Nos. 3 and 4.B.].</p> <p>2) Failed to submit a semi-annual deviation report for each six-month period from May 23, 2005 through November 22, 2007 [30 TEX. ADMIN. CODE § 122.145(2)(B) and TEX. HEALTH & SAFETY CODE § 382.085(b)].</p> <p>3) Failed to comply with the hourly allowable emissions rate. Specifically, on March 5, 2008, November 20, 2008, September 1, 2009, December 12, 2009 and April 7, 2010, the Respondent exceeded the NOx hourly emission rate of 86.3 pounds per hour ("lbs/hr") for Engine C-505; and on December 8, 2009 and June 10, 2010, the Respondent exceeded the NOx hourly emission rate of 86.3 lbs/hr for</p>	<p>Total Assessed: \$66,128</p> <p>Total Deferred: \$13,225 <input checked="" type="checkbox"/> Expedited Settlement <input type="checkbox"/> Financial Inability to Pay</p> <p>SEP Conditional Offset: \$0</p> <p>Total Paid to General Revenue: \$52,903</p> <p>Compliance History Classifications: Person/CN - Average Site/RN - High</p> <p>Major Source: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Applicable Penalty Policy: September 2002</p>	<p>Corrective Actions Taken:</p> <p>The Executive Director recognizes that the Respondent has implemented the following corrective measures:</p> <p>a. Identified the deviations that occurred between May 23, 2005 and November 22, 2007 in the semi-annual deviation report for the period of November 23, 2007 through May 22, 2008; and</p> <p>b. By August 31, 2008, enhanced environmental compliance support resources by adding an Environmental, Health and Safety ("EHS") Engineering and Technical Services Group to the EHS staff and implemented a formal environmental task management system specifically designed for EHS task assignments, notifications, alerts and compliance tracking. The program provides email notifications of upcoming compliance requirements to the designated personnel, including reminders to submit Title V semi-annual deviation reports and compliance certifications, to conduct quarterly engine evaluations, to perform emissions calculations and to maintain compliance records.</p> <p>Ordering Provisions:</p> <p>The Order will require the Respondent to:</p> <p>a. On or before December 31, 2013, retrofit Engine C-505 or C-507 to comply with the NOx hourly emission rate of 86.3 lbs/hr or disconnect Engine C-505 or C-507 from service;</p> <p>b. On or before December 31, 2014, retrofit Engine C-505 or C-507 to comply with the NOx hourly emission rate of 86.3 lbs/hr or disconnect Engine C-505 or C-507 from service; and</p> <p>c. Within 135 days after the completion of the corrective measures described in Order Provisions a. and b., submit</p>

RESPONDENT NAME: SandRidge CO2, LLC
DOCKET NO.: 2010-1743-AIR-E

<p>Engine C-507, resulting in a total aggregate release of 3,905.33 lbs of unauthorized NOx emissions from both engines [30 TEX. ADMIN. CODE § 116.115(c), TEX. HEALTH & SAFETY CODE § 382.085(b) and Permit No. 73377, Special Conditions No. 1].</p>		<p>written certification to demonstrate compliance with Ordering Provisions a. and b. and that compliance with the permitted NOx hourly emission rate has been achieved.</p>
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Additional ID No(s): Air Account PEO098K



Penalty Calculation Worksheet (PCW)

Policy Revision 2 (September 2002)

PCW Revision October 30, 2008

TCEQ

DATES	Assigned	11-Oct-2010	Screening	25-Oct-2010	EPA Due	2-Jul-2011
	PCW	12-Jan-2011				

RESPONDENT/FACILITY INFORMATION	
Respondent	SandRidge CO2, LLC
Reg. Ent. Ref. No.	RN100825322
Facility/Site Region	7-Midland
Major/Minor Source	Major

CASE INFORMATION			
Enf./Case ID No.	40595	No. of Violations	3
Docket No.	2010-1743-AIR-E	Order Type	1660
Media Program(s)	Air	Government/Non-Profit	No
Multi-Media		Enf. Coordinator	John Muennink
		EC's Team	Enforcement Team 5
Admin. Penalty \$ Limit Minimum	\$0	Maximum	\$10,000

Penalty Calculation Section

TOTAL BASE PENALTY (Sum of violation base penalties) **Subtotal 1** **\$39,000**

ADJUSTMENTS (+/-) TO SUBTOTAL 1

Subtotals 2-7 are obtained by multiplying the Total Base Penalty (Subtotal 1) by the indicated percentage.

Compliance History **4.0%** Enhancement **Subtotals 2, 3, & 7** **\$1,560**

Notes: Enhancement for one NOV with same/similar violations. Reduction for one notice of audit letter.

Culpability **No** **0.0%** Enhancement **Subtotal 4** **\$0**

Notes: The Respondent does not meet the culpability criteria.

Good Faith Effort to Comply Total Adjustments **Subtotal 5** **\$5,375**

Economic Benefit **50.0%** Enhancement* **Subtotal 6** **\$19,500**

Total EB Amounts: \$32,282
 Approx. Cost of Compliance: \$33,500
 *Capped at the Total EB \$ Amount

SUM OF SUBTOTALS 1-7 **Final Subtotal** **\$54,685**

OTHER FACTORS AS JUSTICE MAY REQUIRE **20.9%** **Adjustment** **\$11,443**

Reduces or enhances the Final Subtotal by the indicated percentage.

Notes: Enhancement for the avoided cost associated to Violation No. 1.

Final Penalty Amount **\$66,128**

STATUTORY LIMIT ADJUSTMENT **Final Assessed Penalty** **\$66,128**

DEFERRAL **20.0%** Reduction **Adjustment** **-\$13,225**

Reduces the Final Assessed Penalty by the indicted percentage. (Enter number only; e.g. 20 for 20% reduction.)

Notes: Deferral offered for expedited settlement.

PAYABLE PENALTY **\$52,903**

Screening Date 25-Oct-2010

Docket No. 2010-1743-AIR-E

PCW

Respondent SandRidge CO2, LLC

Policy Revision 2 (September 2002)

Case ID No. 40595

PCW Revision October 30, 2008

Reg. Ent. Reference No. RN100825322

Media [Statute] Air

Enf. Coordinator John Muennink

Compliance History Worksheet

>> Compliance History Site Enhancement (Subtotal 2)

Component	Number of...	Enter Number Here	Adjust.
NOVs	Written notices of violation ("NOVs") with same or similar violations as those in the current enforcement action (<i>number of NOVs meeting criteria</i>)	1	5%
	Other written NOVs	0	0%
Orders	Any agreed final enforcement orders containing a denial of liability (<i>number of orders meeting criteria</i>)	0	0%
	Any adjudicated final enforcement orders, agreed final enforcement orders without a denial of liability, or default orders of this state or the federal government, or any final prohibitory emergency orders issued by the commission	0	0%
Judgments and Consent Decrees	Any non-adjudicated final court judgments or consent decrees containing a denial of liability of this state or the federal government (<i>number of judgements or consent decrees meeting criteria</i>)	0	0%
	Any adjudicated final court judgments and default judgments, or non-adjudicated final court judgments or consent decrees without a denial of liability, of this state or the federal government	0	0%
Convictions	Any criminal convictions of this state or the federal government (<i>number of counts</i>)	0	0%
Emissions	Chronic excessive emissions events (<i>number of events</i>)	0	0%
Audits	Letters notifying the executive director of an intended audit conducted under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 (<i>number of audits for which notices were submitted</i>)	1	-1%
	Disclosures of violations under the Texas Environmental, Health, and Safety Audit Privilege Act, 74th Legislature, 1995 (<i>number of audits for which violations were disclosed</i>)	0	0%
<i>Please Enter Yes or No</i>			
Other	Environmental management systems in place for one year or more	No	0%
	Voluntary on-site compliance assessments conducted by the executive director under a special assistance program	No	0%
	Participation in a voluntary pollution reduction program	No	0%
	Early compliance with, or offer of a product that meets future state or federal government environmental requirements	No	0%

Adjustment Percentage (Subtotal 2) 4%

>> Repeat Violator (Subtotal 3)

No

Adjustment Percentage (Subtotal 3) 0%

>> Compliance History Person Classification (Subtotal 7)

Average Performer

Adjustment Percentage (Subtotal 7) 0%

>> Compliance History Summary

Compliance History Notes

Enhancement for one NOV with same/similar violations. Reduction for one notice of audit letter.

Total Adjustment Percentage (Subtotals 2, 3, & 7) 4%

Screening Date 25-Oct-2010

Docket No. 2010-1743-AIR-E

PCW

Respondent SandRidge CO2, LLC

Policy Revision 2 (September 2002)

Case ID No. 40595

PCW Revision October 30, 2008

Reg. Ent. Reference No. RN100825322

Media [Statute] Air

Enf. Coordinator John Muennink

Violation Number 1

Rule Cite(s) 30 Tex. Admin. Code § 116.115(c), Tex. Health & Safety Code § 382.085(b) and Permit No. 73377, Special Conditions Nos. 3 and 4.B.

Violation Description

Failed to conduct quarterly testing of the exhaust for Engines C-505 and C-507. Specifically, the Respondent did not conduct quarterly testing for nitrogen oxide ("NOx"), carbon dioxide and the oxygen content during the first, third and fourth quarters of 2006, the fourth quarter of 2007 and the first quarter of 2008 for Engine C-505 and during the second quarter of 2006, the third and fourth quarter of 2007 and the first quarter of 2008 for Engine C-507.

Base Penalty \$10,000

>> Environmental, Property and Human Health Matrix

OR

Release	Harm			Percent
	Major	Moderate	Minor	
Actual				10%
Potential			x	

>> Programmatic Matrix

Falsification	Major	Moderate	Minor	Percent
				0%

Matrix Notes

Human health or the environment could be exposed to an insignificant amount of pollutants that would not exceed levels protective of human health or environmental receptors.

Adjustment \$9,000

\$1,000

Violation Events

Number of Violation Events 9 884 Number of violation days

mark only one with an x	daily	
	weekly	
	monthly	
	quarterly	
	semiannual	
	annual	
	single event	x

Violation Base Penalty \$9,000

Nine single events are recommended based on the nine tests that were not conducted.

Good Faith Efforts to Comply

25.0% Reduction

\$2,250

	Before NOV	NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary	x	
N/A		(mark with x)

Notes

The Respondent completed corrective measures on August 31, 2008.

Violation Subtotal \$6,750

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$31,064

Violation Final Penalty Total \$14,039

This violation Final Assessed Penalty (adjusted for limits) \$14,039

Economic Benefit Worksheet

Respondent SandRidge CO2, LLC
Case ID No. 40595
Reg. Ent. Reference No. RN100825322
Media Air
Violation No. 1

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Onetime Costs	EB Amount
No commas or \$							

Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System				0.00	\$0	n/a	\$0
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$1,000	31-Mar-2006	31-Aug-2008	2.42	\$121	n/a	\$121

Notes for DELAYED costs
 Estimated expense to revise existing procedures in order to ensure that quarterly testing of the engines are conducted. The Date Required is the end date of the initial quarter of non-compliance and when the first quarterly test was due. The Final Date is the date that corrective measures were completed.

Avoided Costs

ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/equipment				0.00	\$0	\$0	\$0
Financial Assurance [2]				0.00	\$0	\$0	\$0
ONE-TIME avoided costs [3]	\$27,000	31-Mar-2006	31-Mar-2008	2.92	\$3,943	\$27,000	\$30,943
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs
 Estimated avoided cost for not conducting nine quarterly engine tests. The Date Required is the end date of the initial quarter of non-compliance and when the first quarterly test was due. The Final Date is the date that corrective measures were completed.

Approx. Cost of Compliance	\$28,000	TOTAL	\$31,064
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Screening Date 25-Oct-2010
Respondent SandRidge CO2, LLC
Case ID No. 40595
Reg. Ent. Reference No. RN100825322
Media [Statute] Air
Enf. Coordinator John Muennink

Docket No. 2010-1743-AIR-E

PCW

Policy Revision 2 (September 2002)
 PCW Revision October 30, 2008

Violation Number

Rule Cite(s)

30 Tex. Admin. Code § 122.145(2)(B) and Tex. Health & Safety Code § 382.085(b)

Violation Description

Failed to submit a semi-annual deviation report for each six-month period from May 23, 2005 through November 22, 2007.

Base Penalty

>> Environmental, Property and Human Health Matrix

OR

Release	Harm		
	Major	Moderate	Minor
Actual	<input type="text"/>	<input type="text"/>	<input type="text"/>
Potential	<input type="text"/>	<input type="text"/>	<input type="text"/>

Percent

>> Programmatic Matrix

Falsification	Major	Moderate	Minor
<input type="text"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Percent

Matrix Notes

The Respondent failed to meet 100% of the rule requirement.

Adjustment

Violation Events

Number of Violation Events

Number of violation days

mark only one with an x

daily	<input type="text"/>
weekly	<input type="text"/>
monthly	<input type="text"/>
quarterly	<input type="text"/>
semiannual	<input type="text"/>
annual	<input type="text"/>
single event	<input checked="" type="checkbox"/>

Violation Base Penalty

Five single events are recommended based on the five reports that were not submitted.

Good Faith Efforts to Comply

Reduction

	Before NOV	NOV to EDPRP/Settlement Offer
Extraordinary	<input type="text"/>	<input type="text"/>
Ordinary	<input checked="" type="checkbox"/>	<input type="text"/>
N/A	<input type="text"/>	(mark with x)

Notes

The Respondent completed corrective measures on August 31, 2008.

Violation Subtotal

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount

Violation Final Penalty Total

This violation Final Assessed Penalty (adjusted for limits)

Economic Benefit Worksheet

Respondent SandRidge CO2, LLC
Case ID No. 40595
Reg. Ent. Reference No. RN100825322
Media Air
Violation No. 2

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Onetime Costs	EB Amount
No commas or \$							

Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System	\$1,000	22-Jun-2005	31-Aug-2008	3.19	\$160	n/a	\$160
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$2,500	22-Jun-2005	23-Jun-2008	3.01	\$376	n/a	\$376

Notes for DELAYED costs

Estimated expense to submit a semi-annual deviation report for each six-month period from May 23, 2005 through November 22, 2007 and to implement measures and procedures to ensure the proper submittal of semi-annual deviation reports. The Date Required is the date that the first semi-annual deviation report was due. The Final Dates are the dates that the deviations for the period of May 23, 2005 through November 22, 2007 were reported and the date that corrective measures were completed.

Avoided Costs

ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/equipment				0.00	\$0	\$0	\$0
Financial Assurance [2]				0.00	\$0	\$0	\$0
ONE-TIME avoided costs [3]				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs

Approx. Cost of Compliance

\$3,500

TOTAL

\$535

Screening Date 25-Oct-2010
Respondent SandRidge CO2, LLC
Case ID No. 40595
Reg. Ent. Reference No. RN100825322
Media [Statute] Air
Enf. Coordinator John Muennink

Docket No. 2010-1743-AIR-E

PCW

Policy Revision 2 (September 2002)

PCW Revision October 30, 2008

Violation Number 3

Rule Cite(s) 30 Tex. Admin. Code § 116.115(c), Tex. Health & Safety Code § 382.085(b) and Permit No. 73377, Special Conditions No. 1

Violation Description

Failed to comply with the hourly allowable emissions rate. Specifically, on March 5, 2008, November 20, 2008, September 1, 2009, December 12, 2009 and April 7, 2010, the Respondent exceeded the NOx hourly emission rate of 86.3 pounds per hour ("lbs/hr") for Engine C-505; and on December 8, 2009 and June 10, 2010, the Respondent exceeded the NOx hourly emission rate of 86.3 lbs/hr for Engine C-507, resulting in a total aggregate release of 3,905.33 lbs of unauthorized NOx emissions from both engines.

Base Penalty \$10,000

>> Environmental, Property and Human Health Matrix

OR

Release	Harm		
	Major	Moderate	Minor
Actual			X
Potential			

Percent 25%

>> Programmatic Matrix

Falsification	Major	Moderate	Minor

Percent 0%

Matrix Notes

Human health or the environment has been exposed to an insignificant amount of pollutants that do not exceed levels protective of human health or environmental receptors.

Adjustment \$7,500

\$2,500

Violation Events

Number of Violation Events 7

7 Number of violation days

mark only one with an x

daily	
weekly	
monthly	
quarterly	X
semiannual	
annual	
single event	

Violation Base Penalty \$17,500

Seven quarterly events are recommended for the quarters during which the violations occurred.

Good Faith Efforts to Comply

0.0% Reduction

\$0

	Before NOV	NOV to EDPRP/Settlement Offer
Extraordinary		
Ordinary		
N/A	X	(mark with x)

Notes The Respondent does not meet the good faith criteria for this violation.

Violation Subtotal \$17,500

Economic Benefit (EB) for this violation

Statutory Limit Test

Estimated EB Amount \$683

Violation Final Penalty Total \$32,589

This violation Final Assessed Penalty (adjusted for limits) \$32,589

Economic Benefit Worksheet

Respondent SandRidge CO2, LLC
Case ID No. 40595
Reg. Ent. Reference No. RN100825322
Media Air
Violation No. 3

Percent Interest	Years of Depreciation
5.0	15

Item Description	Item Cost	Date Required	Final Date	Yrs	Interest Saved	Onetime Costs	EB Amount
No commas or \$							

Delayed Costs

Equipment				0.00	\$0	\$0	\$0
Buildings				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0
Engineering/construction				0.00	\$0	\$0	\$0
Land				0.00	\$0	n/a	\$0
Record Keeping System				0.00	\$0	n/a	\$0
Training/Sampling				0.00	\$0	n/a	\$0
Remediation/Disposal				0.00	\$0	n/a	\$0
Permit Costs				0.00	\$0	n/a	\$0
Other (as needed)	\$2,000	5-Mar-2008	31-Dec-2014	6.83	\$683	n/a	\$683

Notes for DELAYED costs

Estimated expense to ensure compliance with permitted NOx emissions rates for Engines C-505 and C-507. The Date Required is the first date of non-compliance. The Final Date is the date that corrective measures associated to the NOx emissions rates exceedances are due to be completed.

Avoided Costs

ANNUALIZE [1] avoided costs before entering item (except for one-time avoided costs)

Disposal				0.00	\$0	\$0	\$0
Personnel				0.00	\$0	\$0	\$0
Inspection/Reporting/Sampling				0.00	\$0	\$0	\$0
Supplies/equipment				0.00	\$0	\$0	\$0
Financial Assurance [2]				0.00	\$0	\$0	\$0
ONE-TIME avoided costs [3]				0.00	\$0	\$0	\$0
Other (as needed)				0.00	\$0	\$0	\$0

Notes for AVOIDED costs

Approx. Cost of Compliance

\$2,000

TOTAL

\$683

Compliance History Report

Customer/Respondent/Owner-Operator: CN603414012 SandRidge CO2, LLC Classification: AVERAGE Rating: 13.90
 Regulated Entity: RN100825322 MITCHELL COMPRESSOR STATION Classification: HIGH Site Rating: 0.00

ID Number(s): AIR OPERATING PERMITS ACCOUNT NUMBER PE0098K
 AIR OPERATING PERMITS PERMIT 2682
 AIR NEW SOURCE PERMITS ACCOUNT NUMBER PE0098K
 AIR NEW SOURCE PERMITS PERMIT 73377
 AIR NEW SOURCE PERMITS REGISTRATION 91614
 AIR NEW SOURCE PERMITS AFS NUM 4837100040
 AIR EMISSIONS INVENTORY ACCOUNT NUMBER PE0098K

Location: 5500 MITCHELL PLANT RD
 FT STOCKTON TX 79735

TCEQ Region: REGION 07 - MIDLAND

Date Compliance History Prepared: October 18, 2010

Agency Decision Requiring Compliance History: Enforcement

Compliance Period: October 18, 2005 to October 18, 2010

TCEQ Staff Member to Contact for Additional Information Regarding this Compliance History

Name: John Muennink Phone: (361) 825-3423

Site Compliance History Components

1. Has the site been in existence and/or operation for the full five year compliance period? Yes
2. Has there been a (known) change in ownership/operator of the site during the compliance period? No
3. If Yes, who is the current owner/operator? N/A
4. If Yes, who was/were the prior owner(s)/operator(s)? N/A
5. When did the change(s) in owner or operator occur? N/A
6. Rating Date: 9/1/2010 Repeat Violator: NO

Components (Multimedia) for the Site :

- A. Final Enforcement Orders, court judgments, and consent decrees of the State of Texas and the federal government.
N/A
- B. Any criminal convictions of the state of Texas and the federal government.
N/A
- C. Chronic excessive emissions events.
N/A
- D. The approval dates of investigations. (CCEDS Inv. Track. No.)
 - 1 07/25/2006 (488683)
 - 2 07/10/2007 (567162)
 - 3 10/06/2010 (864587)

E. Written notices of violations (NOV). (CCEDS Inv. Track. No.)

Date: 10/04/2010 (864587) CN603414012
 Self Report? NO Classification: Moderate
 Citation: 30 TAC Chapter 122, SubChapter B 122.146(2)
 5C THSC Chapter 382 382.085(b)
 Description: Failure to submit a PCC within 30 days of the end of the certification period. This
 is an alleged violation of 30 TAC 122.146(2).
 Self Report? NO Classification: Moderate

Citation: 30 TAC Chapter 122, SubChapter B 122.145(2)(C)
 5C THSC Chapter 382 382.085(b)

Description: Failure to submit deviation reports (2) within 30 days of the end of the certification period. These are alleged violations of 30 TAC 122.145(2)(C).

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 122, SubChapter B 122.145(2)(A)
 5C THSC Chapter 382 382.085(b)

Description: Failure to report all instances of deviations. The RE failed to report deviations discovered under EH&S Audit on deviation report.

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 101, SubChapter F 101.201(b)
 5C THSC Chapter 382 382.085(b)

Description: Failure to prepare final reports for emissions events. This is an alleged violation of 30 TAC 101.201(b).

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 101, SubChapter F 101.211(b)
 5C THSC Chapter 382 382.085(b)

Description: Failure to prepare final reports for Maintenance, Start-up/Shut-down events as required by 30 TAC 101.211(b).

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 122, SubChapter B 122.143(4)
 5C THSC Chapter 382 382.085(b)
 Special Condition 3(A)(iv)(3) OP

Description: Failure to demonstrate that quarterly visible emissions observations were conducted as required by Special Condition 3(a)(iv)(3) of SOP 2682.

Self Report? NO Classification: Moderate

Citation: 30 TAC Chapter 116, SubChapter B 116.115(c)
 Special Condition No. 2 PERMIT

Description: Failure to monitor and tabulate the natural gas usage for each combustion source monthly as required by Special Condition No. 2 of Permit No. 73377.

Self Report? NO Classification: Moderate

Citation: 30 TAC Chapter 116, SubChapter B 116.115(c)
 5C THSC Chapter 382 382.085(b)
 Special Condition No. 4.A. PERMIT

Description: Failure to provide records documenting that the natural gas usage for each combustion source had been monitored and tabulated monthly as required by Special Condition No. 4.A. of Permit No. 73377.

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 116, SubChapter B 116.115(c)
 5C THSC Chapter 382 382.085(b)
 Special Condition Nos. 3.D and 4.C PERMIT

Description: Failure to include sufficient detailed information describing carburetor adjustments, O2 sensor calibrations and maintenance as required by Special Condition Nos. 3.D. and 4.C. of Permit No. 73377.

Self Report? NO Classification: Moderate

Citation: 30 TAC Chapter 122, SubChapter B 122.145(2)(A)
 5C THSC Chapter 382 382.085(b)

Description: Failure to report all deviations during the period from May 23, 2005 through November 22, 2007. This is an alleged violation of 30 TAC 122.145(2)(A).

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 122, SubChapter B 122.145(2)(A)
 5C THSC Chapter 382 382.085(b)

Description: Failure to include all information on the deviation report. For the reporting period from May 23, 2008 through May 22, 2009, SandRidge failed to report the probable cause on 29 deviations and on all deviations failed to include an adequate description for the corrective action or preventative measures taken.

Self Report? NO Classification: Moderate

Citation: 30 TAC Chapter 116, SubChapter B 116.115(c)
 5C THSC Chapter 382 382.085(b)
 Special Condition No. 1 PERMIT

Description: Failure of engine C-507 to consistently meet NOx emission limits as required by Special Condition No. 1 of Permit No. 73377.

Self Report? NO Classification: Minor

Citation: 30 TAC Chapter 122, SubChapter B 122.143(4)
 30 TAC Chapter 122, SubChapter B 122.145(2)(A)
 5C THSC Chapter 382 382.085(b)

Description: Failure to include all instance of deviations on the deviation report. This is an

alleged violation of 122.145(2)(A). The PCC and DR for the reporting period of November 22, 2007 through May 22, 2008 and the DR for the reporting period of May 23, 2008 through November 22, 2008 were submitted late. The late submittal of these reports was not reported as a deviation on the next required deviation reports.

F. Environmental audits.

Notice of Intent Date: 06/20/2008 (686683)

No DOV Associated

G. Type of environmental management systems (EMSs).

N/A

H. Voluntary on-site compliance assessment dates.

N/A

I. Participation in a voluntary pollution reduction program.

N/A

J. Early compliance.

N/A

Sites Outside of Texas

N/A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



IN THE MATTER OF AN
ENFORCEMENT ACTION
CONCERNING
SANDRIDGE CO₂, LLC
RN100825322

§
§
§
§
§

BEFORE THE
TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

AGREED ORDER
DOCKET NO. 2010-1743-AIR-E

I. JURISDICTION AND STIPULATIONS

At its _____ agenda, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding SandRidge CO₂, LLC ("the Respondent") under the authority of TEX. HEALTH & SAFETY CODE ch. 382 and TEX. WATER CODE ch. 7. The Executive Director of the TCEQ, through the Enforcement Division, and the Respondent appear before the Commission and together stipulate that:

1. The Respondent owns and operates a carbon dioxide compression plant at 5500 Mitchell Plant Road in Fort Stockton, Pecos County, Texas (the "Plant").
2. The Plant consists of one or more sources as defined in TEX. HEALTH & SAFETY CODE § 382.003(12).
3. The Commission and the Respondent agree that the Commission has jurisdiction to enter this Agreed Order, and that the Respondent is subject to the Commission's jurisdiction.
4. The Respondent received notice of the violations alleged in Section II ("Allegations") on or about October 9, 2010.
5. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by the Respondent of any violation alleged in Section II ("Allegations"), nor of any statute or rule.

6. An administrative penalty in the amount of Sixty-Six Thousand One Hundred Twenty-Eight Dollars (\$66,128) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). The Respondent has paid Fifty-Two Thousand Nine Hundred Three Dollars (\$52,903) of the administrative penalty and Thirteen Thousand Two Hundred Twenty-Five Dollars (\$13,225) is deferred contingent upon the Respondent's timely and satisfactory compliance with all the terms of this Agreed Order. The deferred amount will be waived upon full compliance with the terms of this Agreed Order. If the Respondent fails to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require the Respondent to pay all or part of the deferred penalty.
7. Any notice and procedures, which might otherwise be authorized or required in this action, are waived in the interest of a more timely resolution of the matter.
8. The Executive Director of the TCEQ and the Respondent have agreed on a settlement of the matters alleged in this enforcement action, subject to the approval of the Commission.
9. The Executive Director recognizes that the Respondent has implemented the following corrective measures:
 - a. Identified the deviations that occurred between May 23, 2005 and November 22, 2007 in the semi-annual deviation report for the period of November 23, 2007 through May 22, 2008; and
 - b. By August 31, 2008, enhanced environmental compliance support resources by adding an Environmental, Health and Safety ("EHS") Engineering and Technical Services Group to the EHS staff and implemented a formal environmental task management system specifically designed for EHS task assignments, notifications, alerts and compliance tracking. The program provides email notifications of upcoming compliance requirements to the designated personnel, including reminders to submit Title V semi-annual deviation reports and compliance certifications, to conduct quarterly engine evaluations, to perform emissions calculations and to maintain compliance records.
10. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that the Respondent has not complied with one or more of the terms or conditions in this Agreed Order.
11. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.
12. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable.

II. ALLEGATIONS

As owner and operator of the Plant, the Respondent is alleged to have:

1. Failed to conduct quarterly testing of the exhaust for Engines C-505 and C-507, in violation of 30 TEX. ADMIN. CODE § 116.115(c), TEX. HEALTH & SAFETY CODE § 382.085(b) and Permit No. 73377, Special Conditions Nos. 3 and 4.B., as documented during a record review conducted from July 27, 2010 through September 20, 2010. Specifically, the Respondent did not conduct quarterly testing for nitrogen oxide ("NO_x"), carbon dioxide and the oxygen content during the first, third and fourth quarters of 2006, the fourth quarter of 2007 and the first quarter of 2008 for Engine C-505 and during the second quarter of 2006, the third and fourth quarter of 2007 and the first quarter of 2008 for Engine C-507.
2. Failed to submit a semi-annual deviation report for each six-month period from May 23, 2005 through November 22, 2007, in violation of 30 TEX. ADMIN. CODE § 122.145(2)(B) and TEX. HEALTH & SAFETY CODE § 382.085(b), as documented during a record review conducted from July 27, 2010 through September 20, 2010.
3. Failed to comply with the hourly allowable emissions rate, in violation of 30 TEX. ADMIN. CODE § 116.115(c), TEX. HEALTH & SAFETY CODE § 382.085(b) and Permit No. 73377, Special Conditions No. 1, as documented during a record review conducted from July 27, 2010 through September 20, 2010. Specifically, on March 5, 2008, November 20, 2008, September 1, 2009, December 12, 2009 and April 7, 2010, the Respondent exceeded the NO_x hourly emission rate of 86.3 pounds per hour ("lbs/hr") for Engine C-505; and on December 8, 2009 and June 10, 2010, the Respondent exceeded the NO_x hourly emission rate of 86.3 lbs/hr for Engine C-507, resulting in a total aggregate release of 3,905.33 lbs of unauthorized NO_x emissions from both engines.

III. DENIALS

The Respondent generally denies each allegation in Section II ("Allegations").

IV. ORDERING PROVISIONS

1. It is, therefore, ordered by the TCEQ that the Respondent pay an administrative penalty as set forth in Section I, Paragraph 6 above. The payment of this administrative penalty and the Respondent's compliance with all the terms and conditions set forth in this Agreed Order resolve only the allegations in Section II. The Commission shall not be constrained in any manner from requiring corrective action or penalties for violations which are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: SandRidge CO₂, LLC, Docket No. 2010-1743-AIR-E" to:

Financial Administration Division, Revenues Section
Attention: Cashier's Office, MC 214
Texas Commission on Environmental Quality
P.O. Box 13088
Austin, Texas 78711-3088

2. It is further ordered that the Respondent shall undertake the following technical requirements:

- a. On or before December 31, 2013, retrofit Engine C-505 or C-507 to comply with the NOx hourly emission rate of 86.3 lbs/hr or disconnect Engine C-505 or C-507 from service;
- b. On or before December 31, 2014, retrofit Engine C-505 or C-507 to comply with the NOx hourly emission rate of 86.3 lbs/hr or disconnect Engine C-505 or C-507 from service; and
- c. Within 135 days after the completion of the corrective measures described in Ordering Provision Nos. 2.a. and 2.b., submit written certification to demonstrate compliance with Ordering Provision Nos. 2.a. and 2.b. and that compliance with the permitted NOx hourly emission rate has been achieved. The certification shall be notarized by a State of Texas Notary Public and contain the following language:

"I certify under penalty of law that I have personally examined and am familiar with the information submitted and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing violations."

The certification shall be submitted to:

Order Compliance Team
Enforcement Division, MC 149A
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

with a copy to:

Air Section, Manager
Midland Regional Office
Texas Commission on Environmental Quality
3300 North A Street, Building 4-107
Midland, Texas 79705-5406

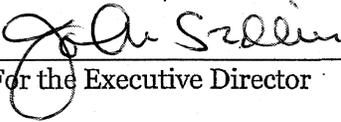
3. The provisions of this Agreed Order shall apply to and be binding upon the Respondent. The Respondent is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Plant operations referenced in this Agreed Order.

4. If the Respondent fails to comply with any of the Ordering Provisions in this Agreed Order within the prescribed schedules, and that failure is caused solely by an act of God, war, strike, riot, or other catastrophe, the Respondent's failure to comply is not a violation of this Agreed Order. The Respondent shall have the burden of establishing to the Executive Director's satisfaction that such an event has occurred. The Respondent shall notify the Executive Director within seven days after the Respondent becomes aware of a delaying event and shall take all reasonable measures to mitigate and minimize any delay.
5. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by the Respondent shall be made in writing to the Executive Director. Extensions are not effective until the Respondent receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.
6. This Agreed Order, issued by the Commission, shall not be admissible against the Respondent in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
7. This Agreed Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Agreed Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Agreed Order shall constitute an original signature for all purposes and may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms "electronic transmission", "owner", "person", "writing" and "written" shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.
8. Under 30 TEX. ADMIN. CODE § 70.10(b), the effective date is the date of hand-delivery of the Order to the Respondent, or three days after the date on which the Commission mails notice of the Order to the Respondent, whichever is earlier. The Chief Clerk shall provide a copy of this Agreed Order to each of the parties.

SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

For the Commission



For the Executive Director

Date 3/3/2011

I, the undersigned, have read and understand the attached Agreed Order. I am authorized to agree to the attached Agreed Order on behalf of the entity indicated below my signature, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEQ, in accepting payment for the penalty amount, is materially relying on such representation.

I also understand that failure to comply with the Ordering Provisions, if any, in this order and/or failure to timely pay the penalty amount, may result in:

- A negative impact on compliance history;
- Greater scrutiny of any permit applications submitted;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees, or to a collection agency;
- Increased penalties in any future enforcement actions;
- Automatic referral to the Attorney General's Office of any future enforcement actions;
- and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.



Signature

Date

Stuart A. Wittenbach
Name (Printed or typed)
Authorized Representative of
SandRidge CO2, LLC

Dir. of EHS&R

Title

Instructions: Send the original, signed Agreed Order with penalty payment to the Financial Administration Division, Revenues Section at the address in Section IV, Paragraph 1 of this Agreed Order.