



February 12, 2020

SENT VIA CERTIFIED MAIL NO. 7017 0660 0000 0139 1010
 Return Receipt Requested

Spence Laird
 SandRidge Exploration and Production, LLC
 123 Robert S. Kerr Avenue
 Oklahoma City, OK 73102

Re: Proposed Early Settlement Agreement in the Matter of SANDRIDGE EXPLORATION AND PRODUCTION, LLC

AIRS No.: 057-0046
 Case No.: 2019-196

Dear Spence Laird:

SandRidge Exploration and Production, LLC (“SandRidge”) owns and operates the Surprise 02-08H unmanned oil exploration and production facility located at NWNW Section 8, Township 6N, Range 80W, Jackson County, Colorado (“Facility”). The Facility is subject to the terms and conditions of Colorado Construction Permit Number 15JA1390, Issuance 1 issued to SandRidge on July 13, 2016, Final Approval issued February 14, 2017 (“Permit Number 15JA1390”); Colorado General Construction Permit Number GP08: Oil and Gas Industry Storage Tanks, originally registered on October 12, 2015, AIRS Points 003 and 004 added on October 5, 2016 (“GP08”); Air Quality Control Statutes; and Colorado Air Quality Control Commission (“AQCC”) Regulations. The AIRS Points listed below are relevant to this enforcement action:

AIRS Point	Point Description	Emissions Control	Startup Date	Associated Permit
001	Gas/Liquid Separator	Flare	7/14/2015	15JA1390
003	2 produced water storage tanks (400 bbl each)	Enclosed Combustors	7/14/2015	GP08
004	6 crude oil storage tanks (400 bbl each)	Enclosed Combustors	7/14/2015	GP08

All equipment at the Facility was removed by August 19, 2019. The Division received a cancellation request for AIRS Point 003 on April 30, 2019. The Division has not yet received cancellation requests for AIRS Points 001 and 004.

On July 24, 2019, Craig Giesecke, of the Colorado Air Pollution Control Division (“Division”), inspected the Facility. Based on the inspection, and a review of records related to the Facility, the



Division issued a Compliance Advisory to SandRidge on December 19, 2019. On January 15, 2020, the Division and SandRidge met via phone to discuss the issues identified in the Compliance Advisory.

Based upon a review of the inspection, records related to the Facility, and the information provided by SandRidge, the Division has determined the following:

- A. Pursuant to AQCC Regulation 7, § XVII.F.7.a, first attempt to repair a leak must be made no later than five (5) working days after discovery. Records provided by SandRidge following the inspection indicate that two leaks were discovered by SandRidge on June 7, 2016. SandRidge failed to make a first attempt to repair the leaks until July 1, 2016, violating AQCC Regulation 7, § XVII.F.7.a.
- B. Pursuant to AQCC Regulation 7, § XVII.F.7.b, within fifteen (15) working days of completion of a repair, the leak must be remonitored to verify that the repair was effective. On March 17, 2017, SandRidge remonitored two leaks repaired on January 20, 2017; on July 20, 2017, SandRidge remonitored two leaks repaired on June 20, 2017. SandRidge failed to remonitor four leak repairs within 15 days of repair completion, violating AQCC Regulation 7, § XVII.F.7.b.
- C. Pursuant to AQCC Regulation 7, § XVII.C.1.d, SandRidge must conduct AVO and additional visual inspections of storage tanks and any associated equipment at the same frequency as liquids are loaded out from the storage tanks. Pursuant to GP08, Condition IV.C, storage tanks controlled by a flare or other combustion device shall be inspected on a weekly basis. Records provided by SandRidge following the inspection indicate that inspections of the storage tanks and associated equipment were conducted monthly from July 2016 through January 2017. SandRidge failed to conduct required AVO and additional visual inspections weekly and during all loadout events from July 2016 through January 2017, violating AQCC Regulation 7, § XVII.C.1.d and GP08, Condition IV.C.
- D. Pursuant to AQCC Regulation 7, § XVII.C.2.a. and GP08, Condition IV.A.6, SandRidge shall route all hydrocarbon and volatile organic compound (VOC) emissions to air pollution control equipment, and must operate without venting emissions from the thief hatch (or other access point to the tank) or pressure relief device during normal operation, unless venting is reasonably required for maintenance, gauging, or safety of personnel or equipment. Pursuant to GP08, Condition IV.B, all condensate, crude oil, produced water, or intermediate hydrocarbon liquid collection, storage, processing, and handling operations, regardless of size, shall be designed, operated, and maintained so as to minimize leakage of VOCs to the atmosphere to the maximum extent practicable. SandRidge provided the following information on observed emissions from thief hatches on produced water (PW) and crude oil (Oil) storage tanks:

Date Emissions Observed (inspection method)	Date of Successful Repair	Location of Emissions
06/07/16 (AIMM)	07/01/16	PW tank #1
06/07/16 (AIMM)	07/01/16	Oil tank #1402
12/21/16 (AIMM)	12/21/16	Oil tanks #1404 & 1410
01/13/17 (AIMM)	01/20/17	Oil tank #1402
01/13/17 (AIMM)	01/20/17	PW tank #1
01/17/17 (AVO)	01/23/17	PW tanks #1 & 2
08/03/17 (AVO)	08/05/17	Oil tank #1402
11/15/17 (AIMM)	11/15/17	Oil tanks #1404 & 1406



11/15/17 (AIMM)	11/21/17	Oil tank #1410
11/15/17 (AIMM)	11/21/17	Oil tank #1408
05/17/18 (AIMM)	06/14/18	Oil tank #1402
08/09/18 (AIMM)	successful repair never recorded	Oil tank #1402

Additionally, open vent lines on crude oil tank #1410 were observed and addressed on February 28, 2018. On the dates listed above, SandRidge failed to route all hydrocarbon and VOC emissions to air pollution control equipment and operate without venting VOC emissions from the thief hatches, violating AQCC Regulation 7, § XVII.C.2.a and GP08, Condition IV.A.6. SandRidge also failed to design, operate, and maintain crude oil and produced water storage operations so as to minimize leakage of VOCs to the atmosphere to the maximum extent practicable, violating GP08, Condition IV.B.

- E. Pursuant to Permit Number 15JA1390, Condition 17, upon startup of AIRS Point 001 (separator), SandRidge shall follow the most recent operating and maintenance (O&M) plan and record keeping format approved by the Division, in order to demonstrate compliance on an ongoing basis with the requirements of the permit. Pursuant to the O&M plan approved by the Division on May 25, 2016, Section 4, SandRidge is required to conduct weekly pilot light monitoring and Method 22 readings on the flares and combustors. Records provided by SandRidge following the inspection indicated that SandRidge conducted only monthly checks of the pilot light and visible emissions from July 2016 through January 2017. SandRidge failed to conduct pilot light monitoring and Method 22 readings on a weekly basis from July 2016 through January 2017, violating Permit Number 15JA1390, Condition 17.
- F. Pursuant to Permit Number 15JA1390, Condition 11, the permit number and AIRS ID shall be marked on the equipment of AIRS Point 001 for ease of identification. Pursuant to GP08, Condition II.C.2, the permit number and AIRS ID shall be marked on the equipment of AIRS Points 003 and 004 for ease of identification. SandRidge failed to mark the AIRS IDs and permit numbers on the equipment of AIRS Points 001, 003, and 004, at the time of the inspection, violating Permit Number 15JA1390, Condition 11 and GP08, Condition II.C.2.

The Colorado Air Pollution Prevention and Control Act, at § 25-7-122(1)(b), C.R.S., specifies that the penalty for such violations may be up to Fifteen Thousand Dollars (\$15,000.00) per day for each violation. The monetary amount of the Division's settlement offer specified below is derived from a pre-established schedule of penalties, which takes into account, among other factors, the magnitude and severity of the violation, cooperation of the company, as well as the prior history of violations of air quality requirements associated with any of the company's facilities/operations in the State of Colorado (including a company's parent or subsidiary relations, if applicable). Settlement offers are based on the evaluation of the same factors and criteria in all cases. Based upon SandRidge's cooperation, and its efforts to bring its operations into compliance with the regulations and permit conditions identified above, the Division acknowledges that SandRidge has appropriately and adequately addressed all compliance issues identified above. In the interest of settling the matters cited herein, the Division therefore offers the following settlement in accordance with the Division's settlement policy.

- 1. **Payment of a reduced penalty in the sum of Forty-One Thousand Three Hundred Dollars (\$41,300.00).** Payment of the penalty precludes further enforcement by the Division for the above-described violation against SandRidge. The Division retains its authority to take enforcement actions based on any and all violations not specifically described above.



2. Entering into this settlement shall not constitute an admission of violation of the air quality laws, or the alleged facts relating thereto, nor shall any third party infer it to be such an admission in any administrative or judicial proceeding. However, SandRidge agrees not to challenge the factual or legal determinations herein, the Division's authority to bring, or the court's jurisdiction to hear, any action, insofar as it pertains to the matters contained herein, to enforce the terms of this settlement agreement. The described violation will constitute part of SandRidge's compliance history for any purpose for which such history is relevant.

This letter constitutes an offer of settlement and is not a demand for payment. Please contact me if you wish to discuss this offer of settlement. We remain willing to consider any information you wish to submit related to the violation. Please be advised, however, that the offer of settlement contained in this letter is predicated on resolving this matter within fifteen (15) days of the date of this settlement proposal letter. If you elect to continue the negotiation of this matter beyond that date, this offer shall be deemed withdrawn, and any penalty mitigation built into this settlement proposal may be revoked. If you require additional time to evaluate this settlement proposal or discuss remaining issues with the Division, however, please contact me regarding your request for an extension of the offer. Any extension of the offer, if agreed to by the Division, must be confirmed, in writing, by the Division.

If the above terms are acceptable to you, please have the appropriate person sign and return this letter and send a check in the sum of \$41,300.00, made payable to the Colorado Department of Public Health and Environment, to

**Air Pollution Control Division
Attn: Heather Wuollet
4300 Cherry Creek Drive South
APCD-SS-B1
Denver, Colorado 80246-1530**

This offer of settlement, upon being fully endorsed by both the Division and SandRidge, shall constitute full and final resolution of the noncompliance issues identified herein and in the Compliance Advisory issued to SandRidge.

You may write or call to request a settlement conference if you wish to discuss the matter with representatives of the Division's compliance staff. If we do not receive a response from you within fifteen (15) days of the date of this letter, we will assume that you are not interested in resolving this matter as outlined above. Please call Heather Wuollet, at 303-692-3198, if you have any further questions regarding this matter.

Sincerely,



Shannon McMillan
Compliance and Enforcement Program Manager



I certify that I am authorized by SandRidge Exploration and Production, LLC to execute this settlement agreement and bind SandRidge Exploration and Production, LLC, and any affiliated entities, to the terms and conditions of this agreement. I have read the above settlement and agree to the terms and conditions of this offer.

Name: Spence Laird

Title: EHS+R Manager


Signature

465-429-6518
Telephone Number

2/25/20
Date

cc: Shannon McMillan, APCD
Jennie Morse, APCD
Heather Wuollet, APCD
Chris Laplante, APCD
Tom Roan, Attorney General's Office

Craig Giesecke, APCD
Jen Mattox, APCD
Tom Lovell, APCD
Michael Stovern, EPA (Region VIII)
File

