

Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

September 27, 2006

Ms. Arlene Valliquette
Land Regulatory Manager
Merit Energy Company
13727 Noel Road
Dallas, TX 75251

RE: Notice of Violation

Dear Ms. Valliquette:

Enclosed you will find a Notice of Violation (NOV) issued to Merit Energy Company by the Department of Environmental Quality, Air Quality Division, for the failure to obtain an air quality permit prior to constructing and operating the 2.5 MMSCFD TEG dehydrator with a 0.35 MMBtu/hr regenerator heater in violation of W.S. 35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations. This violation was determined based on the 2006 inspection of the facility and a review of the information provided.

As the Department and this Division consider the failure to comply with air quality permitting and regulatory requirements to be a serious matter, I am considering recommending the Department refer this violation to the State Attorney General's office requesting a suit be filed in District Court to recover appropriate penalties. If you would like to discuss settlement of this Notice of Violation prior to referral to the Attorney General's office, please contact Mr. Robert Gill, Air Quality Compliance Program Manager, at 307-777-3774 no later than ten (10) days after receipt of this letter.

Should you have any questions or comments regarding this matter, please feel free to contact me or Mr. Robert Gill.

Sincerely,

David A. Finley
Administrator
Air Quality Division

cc: Robert Gill
Chris Hanify
Nancy Vehr



**BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

**IN THE MATTER OF THE NOTICE OF VIOLATION
ISSUED TO MERIT ENERGY COMPANY,
MS. ARLENE VALLIQUETTE,
LAND/REGULATORY MANAGER,
13727 NOEL ROAD,
DALLAS, TEXAS 75251**

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) **DOCKET NO. 3954-06**
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NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Merit Energy Company, to be in violation of W.S. 35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations in the operation of the Sage Grouse Compressor Station, located in Converse County, Wyoming.
2. W.S. 35-11-801(c) states, "A permit to construct is required before the construction or modification of any industrial facility capable of causing or increasing air or water pollution in excess of standards established by the department is commenced."
3. Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.
4. Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations states: "Any person who plans to construct any new facility or source, modify any existing facility or source, or to engage in the use of which may cause the issuance of or an increase in the issuance of air contaminants into the air of this state shall obtain a construction permit from the State of Wyoming, Department of Environmental Quality, before any actual work is begun on the facility."
5. Mr. Jeff Hancock, Air Quality Division Inspector, conducted an inspection of Merit Energy's operations at the Sage Grouse Compressor Station on July 26, 2006. As a result of the inspection and previous inspections of this compressor station, Mr. Jeff Hancock identified potential problems with permitting of equipment located at the compressor station. Based on the Air Quality Division's review of the information provided by Merit Energy and a review of the available file information, the Air Quality Division has determined that the 2.5 Million Standard Cubic Foot per Day (MMSCFD) Tri-Ethylene Glycol (TEG) dehydrator with a 0.35 Million British Thermal Unit per Hour (MMBtu/hr) regenerator heater, which was observed at the compressor station during the 2006 inspection, did not have the required air quality permits in accordance with W.S.

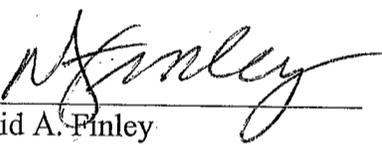
35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations.

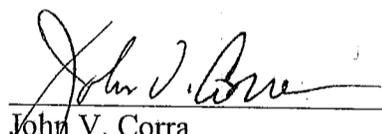
6. Said violation consists of the failure to obtain an air quality permit prior to constructing and operating the 2.5 MMSCFD TEG dehydrator with a 0.35 MMBtu/hr regenerator heater, at the Sage Grouse Compressor Station in violation of W.S. 35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations.

7. Under W.S. 35-11-901(a), any person who violates any provision of Article 2 of [the Environmental Quality Act] ... or any rule, regulation, standard or permit adopted pursuant to those provisions, or who violates any determination or order of the council pursuant to Article 2 of [the Environmental Quality Act] ... is subject to a penalty not to exceed ten thousand dollars (\$10,000.00) for each violation for each day during which the violation continues, a temporary or permanent injunction, or both a penalty and an injunction.

8. This notice is being sent to you pursuant to W.S. 35-11-701(c), which requires that, in any case of the failure to correct or remedy an alleged violation, the Director of the Department of Environmental Quality shall cause a written notice to be issued and served upon the person alleged to be responsible.

DATED this 2 day of OCTOBER, 2006.


David A. Finley
Administrator
Air Quality Division


John V. Corra
Director
Department of Environmental Quality

Please direct all inquiries to
Department of Environmental
Cheyenne, Wyoming 82002

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

ARLENE VALLIQUETTE
LAND REGULATORY MANAGER
MERIT ENERGY COMPANY
13727 NOEL ROAD
DALLAS TX 75251

NOV ltr dated 9/27/06

2. Article Number
(Transfer from se)

7005 0390 0001 7760 1516

COMPLETE THIS SECTION ON DELIVERY

A. Signature  Agent
 Addressee

B. Received by (Printed Name) C. Date of Delivery
10-6

D. Is delivery address different from item 1? Yes
if YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes