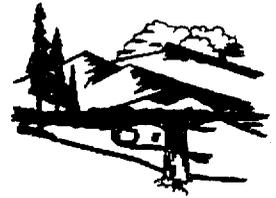


Department of Environmental Quality



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

January 29, 2007

Ms. Belinda Salinas
Manager, Environmental, Safety and Regulatory Affairs
Ultra Resources, Inc.
PO Box 1768
Pinedale, WY 82941

RE: Notice of Violation

Dear Ms. Salinas:

Enclosed you will find a Notice of Violation (NOV) issued to Ultra Resources, Inc. by the Department of Environmental Quality, Air Quality Division, for failing to comply with the permit requirement for routing vapors from a condensate tank and a dehydrator to the combustor for the Stud Horse Butte 13-23 facility located in Sublette County, Wyoming. This violation of permit MD-1509 was observed by Ms. Jennifer Frazier on January 3, 2007.

Two other issues, not currently addressed in this Notice of Violation, but of great concern were observed during this inspection. The Enardo valve was observed to vent vapors when the condensate tanks dumped and one of the dehydrator combustors was not operational during the site visit. At this point, I'm deferring further action on these two issues pending a review and proposal of measures to correct these problems by each Jonah/Pinedale operator.

As the Department and this Division consider the failure to comply with air quality permit conditions 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
Jennifer Frazier
Tony Hoyt
Nancy Vehr
Keith Guille

Herschler Building • 122 West 25th Street • Cheyenne, WY 82002 • <http://deq.state.wy.us>

ADMIN/OUTREACH (307) 777-7758 FAX 777-3610	ABANDONED MINES (307) 777-6145 FAX 777-6162	AIR QUALITY (307) 777-7391 FAX 777-5616	INDUSTRIAL SITING (307) 777-7369 FAX 777-5072	LAND QUALITY (307) 777-7756 FAX 777-5861	SOLID & HAZ. WASTE (307) 777-7752 FAX 777-5073	WATER QUALITY (307) 777-7781 FAX 777-5073
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**IN THE MATTER OF THE NOTICE OF VIOLATION
ISSUED TO ULTRA RESOURCES, INC,
MS. BELINDA SALINAS,
ENVIRONMENTAL, SAFETY & REGULATORY AFFAIRS,
PO BOX 1768
PINEDALE, WYOMING 82941**

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) **DOCKET NO. 4029-07**
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NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Ultra Resources, Inc. to be in violation of permit MD-1509 issued in accordance with W.S. 35-11-801 of the Wyoming Environmental Quality Act and Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations at the Stud Horse Butte 13-23 facility located in Sublette County, Wyoming.

2. W.S. 35-11-801(a) states, "In granting permits, the Director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards."

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. Permit MD-1509 was issued to Ultra Resources, Inc. on December 27, 2006. Condition 7 states:

"Vapors from the two 300-barrel condensate tanks, including tank flash and S/W/B vapors, shall be routed to a combustion device to reduce the mass content of VOCs in the tank flash and S/W/B vapors vented to the device by at least ninety-eight percent (98%) by weight for at least one (1) year following the date of installation of the control device, after which time the control may be removed provided it can be demonstrated that the previous thirty (30)-day, uncontrolled, annualized VOC emission rate is less than twenty (20) tons per year. No prior authorization or permit modification is required by the Division for control device removal however, the applicant must notify the Division of removal date and certify the uncontrolled emission rate, including method of calculation, within thirty (30)-days of removal"

5. On January 3, 2007, Ms. Jennifer Frazier, Air Quality Division Engineer/Inspector, observed condensate tanks erupting and leaking condensate and vapors when the separator dumped into the tanks. Not routing vapors from the condensate tank to the combustion device is a violation of Condition 7 of permit MD-1509.

6. Permit MD-1509 also dictates control of vent vapors from Tri-Ethylene Glycol (TEG) dehydration units through condition 8.

Condition 8 states:

“For the three 4.0 MMCFD TEG dehydration unit with reboiler overheads condensers, reboiler still vent vapors shall be directed to the condensers. Condensed still vent liquids shall be collected and routed to a liquids storage tank. Non-condensable reboiler vapors shall be routed to the two combustion devices for incineration. The three condensers and three combustion devices shall reduce the mass content of total HAPs and VOCs in the vapors vented to the devices by at least ninety-five (95%) percent by weight.”

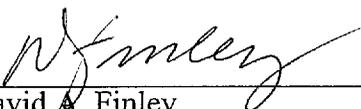
7. On January 3, 2007, Ms. Jennifer Frazier, Air Quality Division Inspector, observed visible emissions from one of the dehydration units. The valve was observed open and continuously venting vapors to the atmosphere. It was also noted the barrel used to catch condensed liquids was overfilled, indicating venting had occurred for quite some time. Not routing vapors from the dehydrator units to the combustion device is a violation of conditions 8 of permit MD-1509.

8. Said violations consist of 1) not routing vapors from the condensate tank to the combustion device, and 2) not routing vapors from the dehydration unit to the combustion devices.

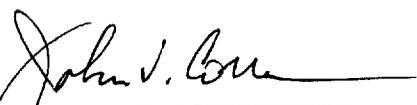
9. Under W.S. 35-11-901(a), any person who violates any provision of Article 2 of [the Environmental Quality Act] ... or any rule, regulation, standard or permit adopted pursuant to those provisions, or who violates any determination or order of the council pursuant to Article 2 of [the Environmental 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.

10. 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 15th day of Feb, 2007.



David A. Finley
Administrator
Air Quality Division



John Corra
Director
Department of Environmental Quality

Please direct all inquiries to David A. Finley, Administrator, Division of Air Quality, Department of Environmental Quality, Herschler Building, 2nd Floor, 122 W. 25th Street, Cheyenne, Wyoming 82002. (Telephone: 307/777-7393.)