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, Direct

February 13, 2007

Mr. Richard L. Blankenship
EH & S Group Lead
EnCana Oil & Gas (USA)
370 17th Street, Suite 1700
Denver, CO 80202

RE: Notice of Violation

Dear Mr. Blankenship:

Enclosed is a Notice of Violation issued to EnCana Oil & Gas (USA) for failing to obtain a construction permit prior to constructing or modifying the Stud Horse Butte 1-34 facility. This violation was discovered during an inspection of this facility on January 8, 2007 conducted by Ms. Jennifer Frazier, Air Quality Division Inspector. During the inspection, it was noted by Ms. Frazier that the valve on the drip tank was observed open and continuously venting vapors to the atmosphere. Also noted during the inspection, valves from both dehydration units were open and vapors were observed venting. By failing to control emissions from the Stud Horse Butte 1-34 facility, EnCana Oil & Gas (USA) has not followed the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance and is in direct violation of the construction permitting requirements of Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations.

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

As the Department and this Division consider the failure to comply with air quality permitting 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: Bob Gill, Tony Hoyt, Jennifer Frazier, Cynthia Madison, Nancy Vehr

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION	)	
ISSUED TO ENCANA OIL & GAS (USA)	)	**DOCKET NO. 4034-07**
MR. RICHARD L. BLANKENSHIP,	)	
EH & S GROUP LEAD,	)	
370 17TH STREET, SUITE 1700	)	
DENVER, COLORADO 80202	)	

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found EnCana Oil & Gas (USA) to be in violation of W.S. 35-11-801 of the Wyoming Environmental Quality Act and Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations in the construction and operation of the wet gas/condensate production facility Stud Horse Butte 1-34 multiple wellsite facility located in Sublette 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. The Air Quality Division issued Chapter 6, Section 2 permitting guidance for Oil and Gas Production Facilities in June 1997 with a revision in November 1998, a revision in January 2000, a revision in August 2001, and a revision related to the Jonah/Pinedale area operations dated July 2004. This guidance was developed to familiarize oil and gas production facilities with the Wyoming air quality regulations and to provide guidance to these facilities on what the Air Quality Division would accept as meeting the intent of Wyoming's regulatory requirement to obtain a construction permit prior to the construction or operation of new air emission sources (Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations). Companies may follow the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance, or must, prior to construction of a new air emission source, obtain a Chapter 6, Section 2 permit. The Jonah and Pinedale Anticline, Addendum to C6 S2 Oil and Gas Production Facilities Permitting Guidance, July 28, 2004, states, "For all multiple well or PAD facilities, a complete C6 S2 permit application must be filed within 40 days of the First Date of Production of an additional well producing to or at the PAD and within 40-days of production associated with an additional well(s) being tied into new or existing equipment at the PAD. The P-BACT/NOI process will no longer apply to these facilities since installation of controls for all new and all existing flashing and dehydration unit emissions are required to be installed and operational upon First Date of Production..."

6. On January 8, 2007, Ms. Jennifer Frazier, Air Quality Division Inspector, observed visible emissions from the drip tank at this facility. The valve on the drip tank was observed open and continuously venting vapors to the atmosphere. Also noted during the inspection, valves from both dehydration units were open and vapors were observed venting. In accordance with the Jonah and Pinedale Anticline, Addendum to C6 S2 Oil and Gas Production Facilities Permitting Guidance, July 28, 2004, emissions from the hydrocarbon liquid storage tanks, pressure vessels and new dehydration units should have been controlled upon first date of production, not vented through the open valves on the drip tank, or dehydration units. By failing to control emissions from the wells listed above, EnCana Oil & Gas (USA) has not followed the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance and is in direct violation of the construction permitting requirements of Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations.

7. Said violation consists of the failure to obtain a construction permit prior to constructing or modifying Stud Horse Butte 1-34 facility 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.

8. 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.

9. 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 2nd day of Mar, 2007.

David A. Finley
Administrator
Air Quality Division

Please direct all inquiries to D
Environmental Quality, Hers
82002. (Telephone: 307/777-

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:

Mr. Richard Blankenship
EH&S Group Lead
Encana Oil & Gas (USA)
370 17th Street Ste 1700
Denver CO 80202

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery 3 6 7

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

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☑ Certified Mail ☐ Express Mail
☐ Registered ☑ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 1820 0005 1470 4378

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540