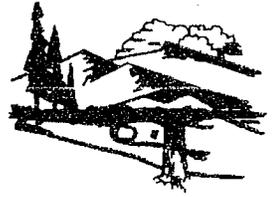




Department of Environmental Quality



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

December 14, 2007

Mr. Michael Brinkmeyer
Operations Manager/Northern Region
Mountain Gas Resources, Inc.
1099 18th Street
Denver, CO 80202

Re: Notice of Violation

Dear Mr. Brinkmeyer:

Enclosed you will find a Notice of Violation (NOV) issued to Mountain Gas Resources, Inc. by the Department of Environmental Quality, Air Quality Division for the Red Desert Gas Plant located in Sweetwater County, Wyoming. Said violations are failing to: 1) obtain a construction permit for the condensate flaring process, 2) conduct the NO_x and CO testing during the initial performance test for the Waukesha L7044GSI compressor engine (C-3) as required, 3) install thermocouples and devices to measure pressure drop across the catalysts and record these measurements on a monthly basis, 4) install and use a vapor recovery unit or flare for the Truck Loadout L, and 5) comply with 40 CFR, Part 60, Subpart KKK for the Red Desert Gas Plant.

As the Department and this Division consider the failure to comply with air quality permitting requirements and 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 Ms. Karen Godman, Air Quality Compliance Program Principal, at 307-777-8601 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 Ms. Karen Godman.

Sincerely,

for David A. Finley
Administrator
Air Quality Division

cc: Nancy Vehr
Tony Hoyt
Robert Gill
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 777-6462	AIR QUALITY (307) 777-7391 FAX 777-5616	INDUSTRIAL SITING (307) 777-7369 FAX 777-5073	LAND QUALITY (307) 777-7756 FAX 777-5864	SOLID & HAZ. WASTE (307) 777-7752 FAX 777-5073	WATER QUALITY (307) 777-7781 FAX 777-5073
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**BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

**IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO MOUNTAIN GAS RESOURCES, INC.,)
MR. MICHEAL BRINKMEYER,)
OPERATIONS MANAGER/NORTHERN REGION,)
1099 18TH STREET, SUITE 1200)
DENVER, COLORADO 80202)**

**DOCKET NO.
4198-07**

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Mountain Gas Resources, Inc. to be in violation of W.S. 35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2 (a) of the Wyoming Air Quality Standards and Regulations, and permit MD-1143 issued in accordance with W.S. 35-11-801(a) of the Wyoming Environmental Quality Act and Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations at the Red Desert Gas Plant located in Sweetwater County, Wyoming.

2. W.S. 35-11-801(c) states, "A permit to construct is required before 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(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."

4. During the inspection on October 9, 2007, Mr. Carl Diesel, Air Quality Division Compliance Engineer, noted the Emergency Flare F-1 began flaring creating clouds of black smoke. It was explained that the water that was dumped to the flare pit ran out and condensate was sent to the flare by mistake. This is a maintenance activity which was not permitted and would cause the issuance of air contaminants.

5. Said violation consists of the failure to obtain a construction permit for the condensate flaring at the Red Desert Gas Plant 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.

6. 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."

7. Chapter 6, Section 2 of the Air Quality Standards and Regulations prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.

8. Permit MD-1143 was issued to Mountain Gas Resources, Inc. on April 14, 2005. Condition 8 of permit MD-1143 states:

“Caterpillar G3606LE and Waukesha L7044GSI Engines:

- i. NO_x and CO Emissions: Compliance tests for NO_x and CO emissions. Compliance tests for the first engine in operation shall consist of 3-1 hour tests following EPA Reference Methods 1-4, 7E and 10. Compliance testing for subsequent engines shall consist of one (1)-twenty-one (21) minute test following EPA Reference Methods 3, 7E, 10 and 19.”

9. On August 21, 2007, Oasis Emission Consultants conducted the initial performance test on the Waukesha L7044GSI compressor engine (C-3). The Division received the test results on October 12, 2007. One 21 minute test was conducted utilizing Methods 3, 7E, 10 & 19 to measure NO_x and CO emissions. Permit MD-1143 condition 8(i)(a) requires NO_x and CO emissions testing utilizing 3-1 hour tests following Methods 1-4, 7E, and 10. The testing conducted was not conducted as required by permit MD-1143.

10. Said violation consists of not conducting NO_x and CO testing during the initial performance test for the Waukesha L7044GSI compressor engine (C-3) as required by permit MD 1143. This is a direct violation of Condition 8(i)(a) of permit MD-1143.

11. Condition 15 of permit MD-1143 requires the installation of thermocouples to measure the inlet catalyst temperatures and the installation of devices to measure the pressure drop across the catalysts for compressor engines C-2 and C-3. The inlet temperature and the pressure drop is required to be recorded monthly.

12. Inspection of the engines during the site visit conducted by Mr. Carl Disel, Division Air Quality Engineer, on October 9, 2007 showed the thermocouples and the devices to measure the pressure drop across the catalysts have not been installed.

13. Said violation consists of failure to install thermocouples and devices to measure pressure drop across the catalysts and record these measurements on a monthly basis. This is a direct violation of Condition 15 of permit MD-1143.

14. Condition 20 of permit MD-1143 requires that Volatile Organic Compound (VOC) and Hazardous Air Pollutants (HAP) emissions associated with loading trucks be controlled with a vapor recovery unit routed to a flare for combustion.

15. Inspection of the Truck Loadout L during the site visit conducted by Mr. Carl Disel, Division Air Quality Engineer, on October 9, 2007 showed that no vapor recovery unit or flare has been installed.

16. Said violation consists of failure to install and use a vapor recovery unit or flare for the Truck Loadout L. This is a direct violation of Condition 20 of permit MD-1143.

17. Condition 28 of permit MD-1143 requires that Mountain Gas Resources comply with 40 CFR, Part 60, Subpart KKK for the Red Desert Gas Plant.

18. The Red Desert Gas Plant was re-started in August, 2006. Subpart KKK requires semiannual VOC monitoring reports. Upon review of Division files, no record of semi annual tests for second-half 2006 or first-half 2007 were available.

19. Said violation consists of failure to comply with 40 CFR, Part 60, Subpart KKK for the Red Desert Gas Plant. This is a direct violation of Condition 28 of permit MD-1143.

20. Said violations consist of failing to: 1) obtain a construction permit for the condensate flaring process, 2) conduct the NO_x and CO testing during the initial performance test for the Waukesha L7044GSI compressor engine (C-3) as required, 3) install thermocouples and devices to

measure pressure drop across the catalysts and record these measurements on a monthly basis, 4) install and use a vapor recovery unit or flare for the Truck Loadout L, and 5) comply with 40 CFR, Part 60, Subpart KKK for the Red Desert Gas Plant.

21. 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.

22. 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 19 day of December, 2007.

for Michael Stoll
David A. Finley
Administrator
Air Quality Division

John Corra
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, 4th Floor, 122 W. 25th Street, Cheyenne, Wyoming 82002. (Telephone: 307/777-7393.)