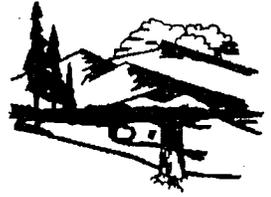




Department of Environmental Quality



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

April 21, 2008

Ms. Lisa Norton
Environmental Division Director
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

RE: Notice of Violation

Dear Ms. Norton:

Enclosed you will find a Notice of Violation (NOV) issued to Yates Petroleum Corporation by the Department of Environmental Quality, Air Quality Division, for failing to operate emission control devices during any time wells are producing such that the emissions are controlled at all times for the Cacklin Lou State 2,7,15 Production Facility located in Sublette County, Wyoming. This violation of permit CT-4442 was observed by Ms. Jennifer Frazier on February 20, 2008.

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 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,

David A. Finley
Administrator
Air Quality Division

cc: Robert Gill
Jennifer Frazier
Tony Hoyt
Nancy Vehr
Keith Guille



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

**IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO YATES PETROLEUM CORPORATION)
MS. LISA NORTON,)
ENVIRONMENTAL DIVISION DIRECTOR,)
105 SOUTH FOURTH STREET)
ARTESIA, NM 88210)**

**DOCKET NO.
4256-08**

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Yates Petroleum Corporation to be in violation of permit CT-4442 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 Cacklin Lou State 2, 7, 15 Production 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 CT-4442 was issued to Yates Petroleum Corporation on October 31, 2006. Condition 14(A.) & 15 require vapors not be vented to open atmosphere. Condition 14(A.) states:

"Upon the First Date of Production of an additional well at the Cacklin Lou State Production Facility or upon the date production associated with a well from a separate location is tied into the Cacklin Lou State Production Facility, controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels (flashing, standing/working/breathing losses and any separator flash gas not collected for sales) shall be installed and operational. Emission control systems or devices installed under this condition shall be designed and operated to reduce the mass content of VOCs in the gases vented to the device by at least ninety-eight percent (98%) by weight, and shall meet the requirements of the Chapter 6, Section 2 Oil and Gas Production Facilities Permitting Guidance."

Condition 15 follows this with:

"Emission control devices installed under condition fourteen (14) shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device. Records shall be maintained noting dates and durations of times during active well site operation when any emission control device is not operational."

5. On February 20, 2008, Ms. Jennifer Frazier, Air Quality Division Engineer/Inspector, observed chattering Enardo valves, an indication of vapors venting through the Enardo valves to the atmosphere. Venting vapors from Enardo valves during well production are a failure of control devices and a violation of condition 15 of permit CT-4442.

Yates Petroleum Corporation
Notice of Violation
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6. Said violation consists of venting vapors from the Enardo valves to the atmosphere. Venting vapors from Enardo valves during well production are a failure of control devices and a violation of condition 15 of permit CT-4442.

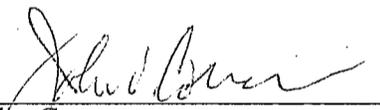
7. Under W.S. 35-11-901(a), any person who violates any provision of Article 2 of [the Environmental Quality Act] ... or any rule, regulation, standard or permit adopted pursuant to those provisions, or who violates any determination or order of the council pursuant to Article 2 of [the Environmental 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 25th day of April, 2008.



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.)