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

July 16, 2008

Mr. Michael R. Kennedy
Team Lead Jonah
EnCana Oil & Gas (USA)
370 17th Street, Suite 1700
Denver, CO 80202

RE: Notice of Violation

Dear Mr. Kennedy:

Enclosed you will find a Notice of Violation (NOV) issued to EnCana Oil & Gas (USA) by the Department of Environmental Quality, Air Quality Division, for failing to comply with the permit requirement for routing vapors to the combustor for the Stud Horse Butte 13-35 PAD Facility located in Sublette County, Wyoming. This violation of permit MD-1238 was observed by Ms. Jennifer Frazier on March 24, 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 307-777-3774 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 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 ENCANA OIL AND GAS (USA), INC.	)	**DOCKET NO.** 4326-08
MR. MICHAEL R. KENNEDY,	)	
TEAM LEAD, JONAH,	)	
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 and Gas (USA), Inc. to be in violation of permit MD-1238 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 13-35 PAD 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-1238 was issued to McMurry Oil Company, Inc. on February 6, 2006. The permit was subsequently transferred to EnCana Oil & Gas (USA), Inc. Permit MD-1238 dictates control of vent vapors from tanks through conditions 12 & 13 as follows:

Condition 12(A.) states:

> "Upon the First Date of Production of an additional well at the Stud Horse Butte 13-35 PAD or upon the date production associated with a well from a separate location is tied into the Stud Horse Butte 13-35 PAD, 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 13 states:

> "Emission control devices installed under condition twelve (12), 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 March 24, 2008, Ms. Jennifer Frazier, Air Quality Division Engineer/Inspector, observed continuous significant amounts of vapors venting from two thief hatches. One thief hatch was wide open and the other thief hatch was unlatched. Venting vapors from thief hatches and not routing vapors from the condensate tanks to the combustion device is a violation of conditions 12 & 13 of permit MD-1238.

6. Said violation consists of venting vapors from thief hatches and not routing vapors from the condensate tanks to the combustion device.

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 28th day of July, 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.)