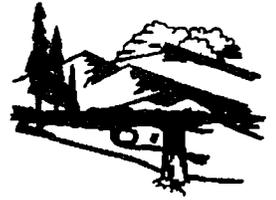




Department of Environmental Quality



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 26, 2010

Mr. J. Timothy Fagley
M-I, LLC
PO BOX 42842
Houston, TX 77002

Re: Notice of Violation

Dear Mr. Fagley:

Enclosed you will find a Notice of Violation (NOV) issued to M-I, LLC by the Department of Environmental Quality, Air Quality Division, for the M-I Greybull Bentonite Processing Plant located in Big Horn County, Wyoming. The violation consists of failing to comply with particulate emission limits for the ESP Stack (Unit 2). This is a violation of condition 10 of permit MD-658.

As the Department and this Division consider the failure to comply with air quality permit conditions to be a serious matter, I am 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 action on the 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: Bob Gill
Greg Meeker
Nancy Vehr
Keith Guille



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

**IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO M-I, LLC)
MR. J. TIMOTHY FAGLEY, SENIOR OPERATIONS MANAGER)
P.O. BOX 42842,)
HOUSTON, TX 77002)**

DOCKET NO. 4628-10

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found M-I, LLC (M-I) to be in violation of MD-658 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 in the operation of the M-I Greybull Bentonite Processing Plant located in Big Horn 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-658 was issued to M-I on August 21, 2001. Permit MD-658 was issued to modify operations at the M-I Greybull Bentonite Processing Plant to include a granular bentonite product line, to reduce potential particulate emissions from the existing sources to reflect the control equipment in place, and to route the #2 drier exhaust from the ESP to a new 35,000 SCFM baghouse.

5. Condition 10 of permit MD-658 establishes emission limits for particulate from the ESP Stack (Unit 2). The particulate emission limit for the ESP Stack (Unit 2) is set at 0.02 gr/dscf and 12.2 lb/hr.

6. Stack testing conducted September 16, 2009 for the ESP Stack (Unit 2) showed a result of 0.044 gr/dscf and 24.83 lb/hr for particulate emissions (120% of the 0.02 gr/dscf and 104% above the 12.2 lb/hr limit). The ESP Stack (Unit 2) was retested on November 20, 2009 and results again exceeded permitted limits with results of 0.035 gr/dscf and 17.33 lb/hr for particulate emissions (75% of the 0.02 gr/dscf and 42% above the 12.2 lb/hr limit). Failure to meet emission limits for particulate constitutes a violation of condition 10 of permit MD-658.

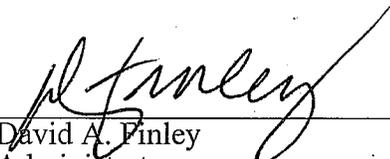
7. Said violation consists of failing to meet particulate emission limits from the ESP Stack (Unit 2) as required in MD-658. This is a violation of condition 10 of permit MD-658.

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

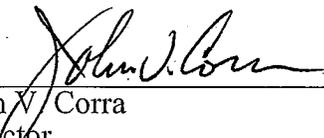
injunction, or both a penalty and an injunction.

9. This notice is being sent to you pursuant to W.S. 35-11-701(c), which requires that, in any case of 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 29 day of JAN, 2010.



David A. Finley
Administrator
Air Quality Division



John V. 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)