



# Department of Environmental Quality

*To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.*



Matthew H. Mead, Governor

John Corra, Director

March 8, 2012

Ms. Jennifer Knowlton  
Environmental Engineer  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210

RE: Notice of Violation

Dear Ms. Knowlton:

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 obtain a construction permit prior to constructing and operating the K-Bar State #27H production facility in Campbell County, Wyoming 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. By failing to control emissions from the K-Bar State #27H production facility, Yates Petroleum Corporation did not follow 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.

As the Department and this Division consider the failure to comply with air quality permitting 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,

Steven A. Dietrich  
Administrator  
Air Quality Division

cc: Robert Gill  
Tanner Shatto  
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 ) DOCKET NO. 4952-12  
MS. JENNIFER KNOWLTON, )  
ENVIRONMENTAL ENGINEER, )  
105 SOUTH FOURTH STREET )  
ARTESIA, NEW MEXICO 88210 )**

**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 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 K-Bar State #27H located in Campbell 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, a revision in August 2007 and a revision in March 2010. 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 BACT for Flashing Emissions within C6 S2 Oil and Gas Production Facilities Permitting Guidance, March, 2010, states, "Total emissions from any facility or source shall not exceed major source levels prior to emission control installation. Major source levels are 10 TPY of any single HAP, 25 TPY of any combination of HAP or 100 TPY of any regulated pollutant. Flash emissions prior to control installation will be determined using approved emission models or methods based on actual reported production and operating conditions. Reported production includes that sold during well completion activities which are reported to WOGCC.

Flash emissions are directly proportional to production rates, provided operational parameters remain consistent, so it is acceptable to prorate emissions based on production.”

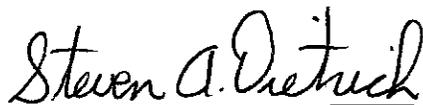
6. On January 11, 2012, the Air Quality Division conducted the Permit Application Analysis for the K-Bar State #27H production facility. Included in this analysis are the calculations of VOCs and HAPs emitted prior to control installation using data submitted by Yates Petroleum Corporation and E & P Tanks V2.0 software. The VOC and HAP emissions were 279.1 tons and 2.9 tons, respectively. The VOC emissions prior to control installation are above major source and Prevention of Significant Deterioration (PSD) limits of 100 TPY VOC and 250 TPY VOC, respectively. While Yates Petroleum Corporation installed the control device prior to the 60-day requirement, the guidance requires controls be installed prior to the source becoming major regardless of the control installation deadline. By failing to control emissions from the K-Bar State #27H production facility, Yates Petroleum Corporation 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 and operating the K-Bar State #27H production 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.

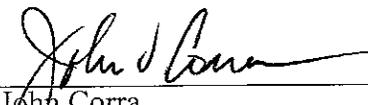
8. Under W.S. 35-11-901(a), any person who violates any provision of Article 2 of [the Environmental Quality Act] ... or any rule, regulation, standard or permit adopted pursuant to those provisions, or who violates any determination or order of the council pursuant to Article 2 of [the Environmental 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 8<sup>th</sup> day of MARCH, 2012.



Steven A. Dietrich  
Administrator  
Air Quality Division



John Corra  
Director  
Department of Environmental Quality

Please direct all inquiries to Steven A. Dietrich, Administrator, Division of Air Quality, Department of Environmental Quality, Herschler Building, 2nd Floor, 122 W. 25th Street, Cheyenne, Wyoming 82002. (Telephone: 307/777-7393.)