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

August 20, 2012

Mr. Thomas Strawser
Senior Operations Engineer
Recovery Energy Inc.
1515 Wynkoop, Suite 200
Denver, CO 80202

RE: Notice of Violation

Dear Mr. Strawser,

Enclosed you will find a Notice of Violation (NOV) issued to Recovery Energy Inc. for the Wenzel 12-34 and Holgerson 33A-33 production facilities located in Laramie County, Wyoming by the Department of Environmental Quality, Air Quality Division, for: 1) the installation and operation of 80-hp Arrow VRG 380/A62 pumping unit engines without a permit and without controls at these production facilities and 2) the failure to obtain a construction permit prior to constructing and operating the production facilities, 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.

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

Steven A. Dietrich
Administrator
Air Quality Division

cc: Robert Gill
Glenn Spangler
Nancy Vehr
Keith Guille

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION	)	
ISSUED TO RECOVERY ENERGY INC	)	**DOCKET NO. 5035-12**
MR. THOMAS STRAWSER,	)	
SENIOR OPERATIONS ENGINEER,	)	
1515 WYNKOOP, SUITE 200	)	
DENVER, COLORADO 80202	)	

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Recovery Energy Inc. 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 80-hp Arrow VRG 380/A62 pumping unit engines and Wenzel 12-34 and Holgerson 33A-33 wet gas/condensate production facilities located in Laramie 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. On June 28, 2012, the Air Quality Division conducted the Permit Application Analysis for the Wenzel 12-34 and Holgerson 33A-33 production facilities. During the analysis process it was found that an 80-hp Arrow VRG 380/A62 pumping unit engine was installed at each of these facilities without a permit and without controls. Installation of pumping unit engines greater than 50 hp is not allowed under the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance and must be permitted prior to construction under Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations. Recovery Energy Inc. did not permit the 80-hp Arrow VRG 380/A62 pumping unit engines prior to construction in violation of the construction permitting requirements of Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations.

6. 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 2001August 2007 and 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 Concentrated Development Area (CDA) section specifically covers facilities within Carbon County, Wyoming. The March 2010 revision requires that for all CDA facilities, unless a permit is issued prior to start up, a C6 S2 Oil & Gas Production Facilities permit application shall be filed within 90 days of the First Date of Production for a new facility or Date of Modification of an existing facility. New CDA PAD facilities and modified facilities require installation and operation of controls for all new and all existing flashing unit emissions upon First Date of Production. Recovery Energy Inc. filed Chapter 6, Section 2 permit applications for these facilities on March 11, 2011. The Air Quality Division's review of the permit applications for the above listed facilities showed that Recovery Energy Inc. submitted the permit application for the Wenzel 12-34 facility approximately eleven (11) months and the Holgerson 33A-33 facility approximately ten (10) months past the permit application due date. By failing to provide timely permit applications, Recovery Energy Inc. has not complied with 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 violations consist of 1) the installation and operation of 80-hp Arrow VRG 380/A62 pumping unit engine without a permit and without controls at the Wenzel 12-34 and Holgerson 33A-33 production facilities and 2) the failure to obtain a construction permit prior to constructing and operating the Wenzel 12-34 and Holgerson 33A-33 production facilities, 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 20th day of AUGUST, 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.)