



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

Todd Parfitt, Director

January 3, 2013

Mr. Matthew A. Wurtzbacher
President
Caerus Oil and Gas
600 17th Street, Suite 1600N
Denver, CO 80202

RE: Notice of Violation

Dear Mr. Wurtzbacher:

Enclosed you will find a Notice of Violation (NOV) issued to Caerus Oil and Gas, LLC, by the Department of Environmental Quality, Air Quality Division, for failing to comply with the permit requirements for routing vapors to the combustor for the Lovatt Draw State 36-4, Lovatt Draw State 36-5 PAD, Lovatt Draw State 36-12, Lovatt Draw State 36-12.5 and Lovatt Draw State 36-12.2 PAD facilities located in Sublette County, Wyoming. These violations of permits CT-4259A, MD-8384, CT-3741A, CT-7140 and CT-7525 were observed by Ms. Brandi O'Brien on November 12, 2012.

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,

Steven A. Dietrich
Administrator
Air Quality Division

cc: Robert Gill
Brandi O'Brien
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 CAERUS OIL AND GAS LLC,) DOCKET NO. 5100-13
MR. MATTHEW A. WURTZBACHER, PRESIDENT)
600 17TH STREET, SUITE 1600N)
DENVER, COLORADO 80202)**

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Caerus Oil and Gas, LLC, to be in violation of permits CT-4259A, MD-8384, CT-3741A, CT-7140 and CT-7525. These permits were 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 Lovatt Draw 36-4, Lovatt Draw State 36-5 PAD, Lovatt Draw State 36-12, Lovatt Draw State 36-12.5 and Lovatt Draw State 36-12.2 PAD facilities 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-4259A was issued to Caerus Oil and Gas, LLC on May 27, 2011 for the Lovatt Draw 36-4 facility. Condition 9 requires that emission control equipment be maintained and operated during any time the wells are producing such that emissions are controlled at all times:

"Emission control equipment, including VOC and HAP emission control systems or devices and all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times..."

5. On November 12, 2012, Ms. Brandi O'Brien, Air Quality Division Engineer/Inspector, observed continuously venting vapors from the Enardo valve. Venting vapors from the Enardo valve and not routing vapors to the emission control device is a violation of condition 9 of permit CT-4259A.

6. Permit MD-8384 was issued to Rosetta Resources on November 15, 2010 for the Lovatt Draw State 36-5 PAD. This facility and applicable permits transferred to Caerus Oil and Gas LLC on January 5, 2011. Condition 13 requires that emissions from dehydration units be controlled at all times:

"For the two (2) TEG dehydration units with reboiler still vent condensers, reboiler still vent vapors shall be routed to the condensers. Condensed reboiler still vent liquids shall be collected and routed to a liquids storage tank. The non-condensable reboiler still vent vapors shall be routed to the combustion device..."

7. On November 12, 2012, Ms. Brandi O'Brien, Air Quality Division Engineer/Inspector, observed one dehydration unit continuously venting and dripping on the ground and the other dehydration unit continuously venting into a drip pot. Venting vapors from the dehydration units and not routing vapors to the combustion device is a violation of condition 13 of permit MD-8384.

8. Permit CT-3741A was issued to Caerus Oil and Gas, LLC on May 27, 2011 for the Lovatt Draw State 36-12 facility. Condition 9 requires that emission control equipment be maintained and operated during any time the wells are producing such that emissions are controlled at all times:

“Emission control equipment, including VOC and HAP emission control systems or devices and all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times...”

9. On November 12, 2012, Ms. Brandi O’Brien, Air Quality Division Engineer/Inspector, observed continuously venting from a thief hatch. Venting vapors from the thief hatch and not routing vapors to the emission control device is a violation of condition 9 of permit CT-3741A.

10. Permit CT-7140 was issued to Rosetta Resources on November 2, 2010 for the Lovatt Draw State 36-12.5 facility. This facility and applicable permits transferred to Caerus Oil and Gas LLC on January 5, 2011. Condition 13 requires that emissions from the dehydration unit be controlled at all times:

“For the TEG dehydration unit with a condenser, reboiler still vent vapors shall be routed to the condenser. Condensed reboiler still vent liquids shall be collected and routed to a liquids storage tank. The non-condensable reboiler still vent vapors shall be routed to the combustion device...”

11. On November 12, 2012, Ms. Brandi O’Brien, Air Quality Division Engineer/Inspector, observed the dehydration unit continuously venting and routed to a drip pot. Venting vapors from the dehydration unit and not routing vapors to the emission control device is a violation of condition 13 of permit CT-7140.

12. Permit CT-7525 was issued to Rosetta Resources on November 2, 2010 for the Lovatt Draw State 36-12.2 PAD. This facility and applicable permits transferred to Caerus Oil and Gas LLC on January 5, 2011. Condition 13 requires that emissions from the dehydration unit be controlled at all times:

“For the TEG dehydration units with condensers, reboiler still vent vapors shall be routed to the condensers. Condensed reboiler still vent liquids shall be collected and routed to a liquids storage tank. The non-condensable reboiler still vent vapors shall be routed to the combustion devices...”

13. On November 12, 2012, Ms. Brandi O’Brien, Air Quality Division Engineer/Inspector, observed one dehydration unit continuously venting and dripping into a drip pot. Venting vapors from the dehydration unit and not routing vapors to the emission control device is a violation of condition 13 of permit CT-7525.

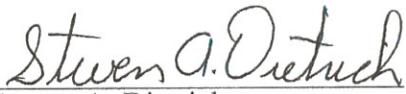
14. Said violations consist of venting vapors to the atmosphere from tanks and/or dehydration units and not routing vapors to emission control systems at the Lovatt Draw State 36-4, Lovatt Draw State 36-5 PAD, Lovatt Draw State 36-12, Lovatt Draw State 36-12.5 and Lovatt Draw State 36-12.2 PAD facilities. Venting vapors during well production are violations of permits CT-4259A, MD-8384, CT-3741A, CT-7140 and CT-7525.

15. 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.

16. 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.

Caerus Oil and Gas, LLC
Notice of Violation
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DATED this 3rd day of JANUARY, 2013.



Steven A. Dietrich
Administrator
Air Quality Division



Todd Parfitt
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.)