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

February 25, 2013

Mr. Jeffrey L. Ingerson
Manager, Corporate Air Permitting
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73118

RE: Notice of Violation

Dear Mr. Ingerson:

Enclosed you will find a Notice of Violation (NOV) issued to Chesapeake Operating, Inc., by the Department of Environmental Quality, Air Quality Division, for failing to comply with the permit requirements for controlling emissions and maintaining records for the Sims 33-71 26-1H PAD, Sims 33-71 25-1H PAD and Clausen Ranch Unit 34-70 16-1H PAD facilities located in Converse County, Wyoming. These violations of permits CT-12890, CT-12287 and CT-12357 were observed by Mr. Jeff Hancock on December 13, 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

Steven A. Dietrich
Administrator
Air Quality Division

cc: Robert Gill
Chris Hanify
Nancy Vehr
Keith Guille

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION	)
ISSUED TO CHESAPEAKE OPERATING INC.	) **DOCKET NO. 5130-13**
MR. JEFFREY L. INGERSON	)
P.O. BOX 18496	)
OKLAHOMA CITY, OK 73154-0496	)

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Chesapeake Operating, Inc. to be in violation of permits CT-12890, CT-12287 and CT-12357. 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 for the Sims 33-71 26-1H PAD, Sims 33-71 25-1H PAD and Clausen Ranch Unit 34-70 16-1H PAD facilities located in Converse 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-12890 was issued to Chesapeake Operating, Inc. on March 20, 2012 for the Sims 33-71 26-1H PAD facility. Condition 10 requires that emission control equipment be maintained and operated during any time the well is producing such that emissions are controlled at all times and that records be maintained as follows:

> "Emission control equipment, including the 60-MSCFD enclosed combustor and the 3-MMSCFD produced gas flare, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect and measure vapors and transport them to the emission control system or device, shall be maintained and operated during any time the Sims 33-71 26-1H well is producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit."

5. On December 13, 2012, Mr. Jeff Hancock, Air Quality Division Engineer/Inspector, noted that data for the combustor and flare for the months of June through November showed that emissions were not controlled at all times. It was also noted that the records did not present a true picture of the emissions during that time. Failure to control emissions and failure to maintain records demonstrating that collection equipment is not functioning to control emissions are violations of condition 10 of permit CT-12890.

6. Permit CT-12287 was issued to Chesapeake Operating, Inc. on January 3, 2012 for the Sims 33-71 25-1H PAD facility. Condition 16 requires that emission control equipment be maintained and operated during any time the well is producing such that emissions are controlled at all times and that records be maintained as follows:

> "Emission control equipment, including the 60 MSCFD enclosed combustor and the 3 MMSCFD produced gas flare, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect and measure vapors and transport them to the emission control system or device, shall be maintained and operated during any time the Sims 33-71 25-1H well is producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit."

7. On December 13, 2012, Mr. Jeff Hancock, Air Quality Division Engineer/Inspector, noted that data for the combustor and flare for the months of June through November showed that emissions were not controlled at all times. It was also noted that the records did not present a true picture of the emissions during that time. Failure to control emissions and failure to maintain records demonstrating that collection equipment is not functioning to control emissions are violations of condition 16 of permit CT-12287.

8. Permit CT-12357 was issued to Chesapeake Operating, Inc. on November 7, 2011 for the Clausen Ranch Unit 34-70 16-1H PAD facility. Condition 15 requires that emission control equipment be maintained and operated during any time the well is producing such that emissions are controlled at all times and that records be maintained as follows:

> "Emission control equipment, including the 60 MSCFD enclosed combustor and the 3 MMSCFD produced gas flare, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect and measure vapors and transport them to the emission control system or device, shall be maintained and operated during any time the Clausen Ranch Unit 34-70 16-1H well is producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit."

9. On December 13, 2012, Mr. Jeff Hancock, Air Quality Division Engineer/Inspector, noted that data for the combustor and flare for the months of June through November showed that emissions were not controlled at all times. It was also noted that the records did not present a true picture of the emissions during that time. Failure to control emissions and failure to maintain records demonstrating that collection equipment is not functioning to control emissions are violations of condition 15 of permit CT-12357.

10. Said violations consist of failure to control emissions and failure to maintain records demonstrating that collection equipment is not functioning to control emissions at the Sims 33-71 26-1H PAD, Sims 33-71 25-1H PAD and Clausen Ranch Unit 34-70 16-1H PAD facilities. Failure to control emissions and failure to maintain records are violations of permits CT-12890, CT-12287 and CT-12357.

11. 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.

12. 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 25th day of FEBRUARY, 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.)