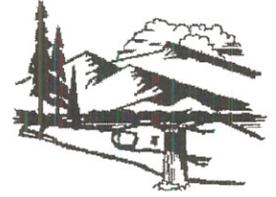




Department of Environmental Quality

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

June 17, 2013

Mr. Charles W. Lock
Kaiser-Francis Oil Company
6733 South Yale Street
Tulsa, OK 74136

RE: Notice of Violation

Dear Mr. Lock:

Enclosed you will find a Notice of Violation (NOV) issued to Kaiser-Francis Oil Company by the Department of Environmental Quality, Air Quality Division, for failing to obtain construction permits prior to constructing and operating the 80-hp Arrow VRG 380/A62 engines and submit facility applications within 90 days of commencing production at the Houlihan 1-27H, Radar 1-21 and Trapper 1-2AH facilities located in Laramie County, Wyoming. By failing to permit the engines and the facilities, Kaiser-Francis Oil Company 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.

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
Administrator
Air Quality Division

cc: Karen Godman
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 KAISER-FRANCIS OIL COMPANY) DOCKET NO. 5168-13
MR. CHARLES W. LOCK)
6733 SOUTH YALE STREET)
TULSA, OK 74136)**

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Kaiser-Francis Oil Company to be in violation of W.S. §35-11-801 of the Wyoming Environmental Quality Act and Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations (WAQSR) in the construction and operation of the Houlihan 1-27H, Radar 1-21 and Trapper 1-2AH production facilities located in Laramie 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. Chapter 6, Section 2(a)(i) of the WAQSR 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 the Chapter 6, Section 2 Permitting Guidance for Oil and Gas Production Facilities in June 1997 with revisions in November 1998, January 2000, August 2001, August 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. A permit application must be filed within 90 days after the first date of production.

6. In accordance with the March 2010 Oil and Gas Production Facilities Permitting Guidance and Chapter 6, Section 2 of the WAQSR, engines greater than 50 horsepower must be permitted prior to construction. For production facilities, the Chapter 6, Section 2 Permitting Guidance for Oil and Gas Production Facilities allows for submittal of a permit application within 90 days of the first date of production. On April 22, 2013, applications were received by the Division for the Houlihan 1-27H, Radar 1-21 and Trapper 1-2AH production facilities.

- (i) An 80-hp Arrow A-62/VRG 380 engine was installed at the Houlihan 1-27H facility on November 5, 2012 without a permit. Production began at the facility November 12, 2012. A facility permit application was due by February 12, 2013. The application received April 22, 2013 was approximately two months late.
- (ii) An 80-hp Arrow A-62/VRG 380 engine was installed at the Radar 1-21 facility on August 16, 2012 without a permit. Production began at the facility August 21, 2012. A facility permit application was due by November 21, 2012. The application received April 22, 2013 was approximately five months late.
- (iii) An 80-hp Arrow A-62/VRG 380 engine was installed at the Trapper 1-2AH facility on November 5, 2012 without a permit. Production began at the facility September 21, 2012. A facility permit application was due by December 21, 2012. The application received April 22, 2013 was approximately four months late.

7. Said violations consists of the failure to obtain construction permits prior to constructing and operating the 80-hp Arrow VRG 380/A62 engines and submit facility applications within 90 days of commencing production at the Houlihan 1-27H, Radar 1-21 and Trapper 1-2AH facilities in violation of W.S. 35-11-801(c) of the Wyoming Environmental Quality Act and Chapter 6, Section 2(a) 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 17th day of JUNE, 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)