



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

July 2, 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 controlling vapors at the Lovatt Draw State 36-13.5, Lovatt Draw State 36-14.5 and Lovatt Draw 36-11 facilities located in Sublette County, Wyoming. These violations of permits CT-8378, CT-7141 and CT-4258A were observed by Ms. Brandi O'Brien on April 23, 2013.

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: Karen Godman
Brandi O'Brien
Tony Hoyt
Jeremiah Williamson



**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. 5176 -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-8378, CT-7141 and CT-4258A. 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 Lovatt Draw State 36-13.5, Lovatt Draw State 36-14.5 and Lovatt Draw 36-11 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-8378 was issued to Rosetta Resources on November 15, 2010 for the Lovatt Draw State 36-13.5 facility. This facility and applicable permits transferred to Caerus Oil and Gas, LLC on or about January 5, 2011. Condition 16 requires that emission control equipment be maintained and operated during any time the wells are producing such that emissions are controlled at all times as follows:

"Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers 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 April 23, 2013, Ms. Brandi O'Brien, Air Quality Division Engineer/Inspector, observed that the thief hatch on the middle tank was venting. Venting vapors from the tank and not routing vapors to the emission control device is a violation of condition 16 of permit CT-8378.

6. Permit CT-7141 was issued to Rosetta Resources on November 2, 2010 for the Lovatt Draw State 36-14.5 facility. This facility and applicable permits transferred to Caerus Oil and Gas, LLC on or about January 5, 2011. Condition 16 requires that emission control equipment be maintained and operated during any time the wells are producing such that emissions are controlled at all times as follows:

"Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers 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 wells are producing such that the emissions are controlled at all times..."

7. On April 23, 2013, Ms. Brandi O'Brien, Air Quality Division Engineer/Inspector,

observed that the thief hatch on the last tank was venting. Venting vapors from the tank and not routing vapors to the emission control device is a violation of condition 16 of permit CT-7141.

8. Permit CT-4258A was issued to Caerus Oil and Gas, LLC on May 27, 2011 for the Lovatt Draw 36-11 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 as follows:

Condition 9:

“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 April 23, 2013, Ms. Brandi O’Brien, Air Quality Division Engineer/Inspector, observed that the combustor was not lit. Venting vapors and not routing vapors to the emission control device is a violation of condition 9 of permit CT-4258A.

10. Said violations consist of venting vapors to the atmosphere from tanks and not routing vapors to emission control systems at the Lovatt Draw State 36-13.5, Lovatt Draw State 36-14.5 and Lovatt Draw 36-11 facilities. Venting vapors and not routing vapors to control devices are violations of permits CT-8378, CT-7141 and CT-4258A.

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 2nd day of JULY, 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.)