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

March 19, 2014

Mr. Will Wallace
Vice President of Operations
Abraxas Petroleum Corporation
500 N Loop 1604 E, Suite 100
San Antonio, TX 78270-1007

RE: Notice of Violation

Dear Mr. Will Wallace:

Enclosed you will find a Notice of Violation (NOV) issued to Abraxas Petroleum Corporation by the Department of Environmental Quality, Air Quality Division, for Prairie Falcon 3H oil/gas well site, located in Niobrara County, Wyoming. The NOV was issued for the failure to obtain a permit to operate the Prairie Falcon 3H oil/gas well site as required in Chapter 6, Sections 1 & 2 of the Wyoming Air Quality Standards and Regulations.

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 Mr. Fred Di Lella, Air Quality Compliance Program Manager, at 307-777-3774 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 Mr. Fred Di Lella.

Sincerely,

Steven A. Dietrich

Steven A. Dietrich
Administrator
Air Quality Division

cc: Fred Di Lella
Glenn Spangler
Jeremiah Williamson
Keith Guille

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION ISSUED TO ABRAXAS PETROLEUM CORPORATION MR. WILL WALLACE, VICE PRESIDENT OF OPERATIONS 500 N LOOP 1604 E, SUITE 100 SAN ANTONIO, TX 78270-1007	))))))	DOCKET NO. 5386-14

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Division of Air Quality, has found Abraxas Petroleum Corporation to be in violation of W.S. 35-11-801 of the Wyoming Environmental Quality Act and Chapter 6, Sections 1 & 2 of the Wyoming Air Quality Standards and Regulations at the Prairie Falcon 3H oil/gas well site, located in Niobrara 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, Sections 1 & 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:

Chapter 6, Sections 1 and 2:

> "Chapter 6 establishes permitting requirements for all sources constructing and/or operating in the State of Wyoming. Section 2 covers general air quality permitting requirements for construction and modification as well as minor source permits to operate."

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 construction permit from the State of Wyoming, Department of Environmental Quality before any actual work is begun on the facility.

5. Said violation consists of the failure to obtain a permit to operate the Prairie Falcon 3H oil/gas well site as required in Chapter 6, Sections 1 & 2 of the Wyoming Air Quality Standards and Regulations. The Prairie Falcon 3H oil/gas well site first produced in November, 2011. As of November, 2013 the Prairie Falcon 3H well had produced 9,984 Bbls. of oil and 24,194 Mcf. of gas without having obtained or applied for an air quality permit.

6. 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.

7. 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 19th day of March, 2014.

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.)