



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 5, 2015

Mr. Andy Peterson
Peterson Energy Operating, Inc.
1805 Morning Drive
Loveland, CO 80538

RE: Notice of Violation

Dear Mr. Peterson:

Enclosed you will find a Notice of Violation (NOV) issued to Peterson Energy Operating, Inc. by the Department of Environmental Quality, Air Quality Division, for failure to permit and pay application fees for the Marquardt 31-4 Production Facility located in Laramie County, Wyoming. These are violations of Chapter 6, Sections 2(a)(i) and (o)(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 these violations 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. Ann Shed, 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 Ms. Ann Shed.

Sincerely,

Steven A. Dietrich
Administrator
Air Quality Division

cc: Fred DiLella
Ann Shed
Landon Brown
Elizabeth Lyon
Glenn Spangler



**BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO PETERSON ENERGY OPERATING, INC.) DOCKET NO. 5548-15
MR. ANDY PETERSON)
1805 MORNING DRIVE)
LOVELAND, CO 80538)

NOTICE OF VIOLATION

NOTICE IS HEREBY GIVEN THAT:

1. The Department of Environmental Quality, Air Quality Division, has found Peterson Energy Operating, Inc. (Peterson Energy) to be in violation of W.S. 35-11-801 of the Wyoming Environmental Quality Act, and Chapter 6, Sections 2(a)(i) and (o)(i) of the Wyoming Air Quality Standards and Regulations (WAQSR) in the construction and operation of the Marquardt 31-4 Production Facility 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 WAQSR 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 WAQSR). 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 May 2011, Bear Oil and Gas commenced production at the Marquardt 31-4 Production Facility. An initial permit application was received by the Division from Bear Oil and Gas on January 30, 2012. The permit application was submitted four (4) months late and was determined to be incomplete by the Division on March 15, 2012 and additional information was requested. A second letter requesting additional information was sent on March 23, 2012. The additional information for the application was not received by the Division and no permit was issued. Peterson Energy purchased the Marquardt 31-4 Production Facility on April 1, 2012.

On September 30, 2014, the Air Quality Division received an application from Peterson Energy for the Marquardt 31-4 Production Facility. By failing to permit the Marquardt 31-4 Production Facility, Peterson Energy 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.

7. Chapter 6, Section 2(o)(i) of the WAQSR states "A permit fee will be assessed on the owner or operator (applicant), based on the cost to the Department in reviewing and acting on permit applications submitted to the Division under this section."

8. On June 5, 2012 a final bill was issued by the Division to Bear Oil and Gas for the initial application submitted on January 30, 2012. The Division has not received payment of this bill. Failing to make payment of the fees assessed by the Division is a violation of Chapter 6, Section 2(o)(i) of the Wyoming Air Quality Standards and Regulations.

9. Said violations consist of the failure to obtain a permit to operate the Marquardt 31-4 Production Facility and failure to pay fees for review of a permit application as required by Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations.

10. 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.

11. 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 5th day of MARCH, 2015.



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.)