



Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

CERTIFIED MAIL

March 23, 2006

Mr. David H. Stephens
Senior Environmental Engineer
Western Gas Resources, Inc.
1099 18th Street, Suite 1200
Denver, Colorado 80202

RE: Notice of Violation, Docket Number 3852-06

Dear Mr. Stephens:

Enclosed is a copy of a Notice of Violation, Docket Number 3852-06, issued to Lance Oil & Gas Company, Inc. (Lance), a wholly owned subsidiary of Western Gas Resources, Inc. (WGR), for the unpermitted discharge of coal bed methane (CBM) produced water into a water of the state. The violation was noted during an inspection on January 20, 2006 conducted by the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) in response to a landowner complaint.

While neither the attached Notice of Violation nor this letter constitute an order, this office strongly urges you to take action to immediately eliminate the violation as follows:

1. Lance should inform the WQD in writing of the steps taken to ensure that the unpermitted discharge of CBM produced water noted in NOV Docket Number 3852-06 does not happen again. This information should be received by the WQD on or before April 14, 2006.
2. Lance should ensure that all discharges to waters of the state are permitted in accordance with Chapter 2 of the Wyoming Water Quality Rules and Regulations (WWQRR).

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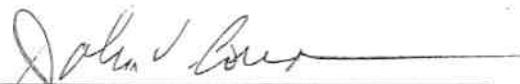


Mr. David H. Stephens

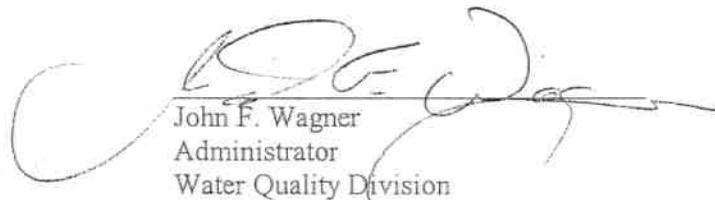
March 23, 2006

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The WQD has the authority to resolve violations with an out-of-court settlement agreement through the payment of a penalty by Lance. If Lance wishes to pursue resolution of the previously noted violation through such an agreement, please contact Mr. Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator, at (307) 777-8669 on or before April 7, 2006 to set up a meeting to discuss this matter.



John V. Corra
Director
Department of Environmental Quality



John F. Wagner
Administrator
Water Quality Division

JVC/JFW/BRB/bb/6-0222.LTR

Enclosure: Notice of Violation
1/26/06 Inspection Report

cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator
James B. Eisenhauer, WYPDES Inspection Coordinator, WQD - Sheridan
Brian K. Lovett ▶ Leah J. Krafft
NOV Docket 3852-06

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF)
VIOLATION ISSUED TO:)

Lance Oil & Gas Company, Inc.)
1099 18th Street, Suite 1200)
Denver, Colorado 80202)

DOCKET NUMBER 3852-06

NOTICE OF VIOLATION

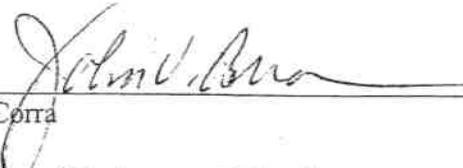
NOTICE IS HEREBY GIVEN THAT:

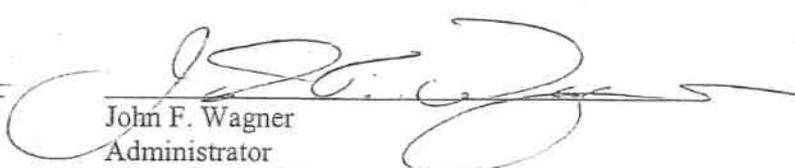
1. Lance Oil & Gas Company, Inc. (Lance), a wholly owned subsidiary of Western Gas Resources, Inc. (WGR), is the owner/operator of the coal bed methane (CBM) Spotted Horse facility located in the Sections 4, 5, 7, 8, and 9, Township 55 North, Range 75 West (T55N, R75W), and Sections 32 and 33, T56N, R75W, Campbell County, Wyoming;
2. On January 18, 2006, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) received a landowner complaint stating water was flowing down South Prong Spotted Horse Creek;
3. On January 20, 2006, WQD inspectors met with the landowner to investigate the source of water in South Prong Spotted Horse Creek. Two (2) CBM wells operated by Lance, State 43-7-5575C which produces from the Canyon coal seam and State 43-7-5575LC which produces from the Lower Canyon coal seam, were located in the NE ¼ SE ¼ of Sec. 7, T55N, R75W, in Campbell County. Approximately one thousand feet (1,000') downstream of the Lance CBM wells, water was discharging into a tire tank. Overflow from the tire tank entered a buried pipe and discharges into the side of a culvert in South Prong Spotted Horse Creek. The location of the culvert is the SE ¼ NE ¼ of Sec. 7, T55N, R75W, in Campbell County;
4. On January 23, 2006 the WQD contacted Lance concerning the unpermitted discharge into South Prong Spotted Horse Creek. As noted in their March 3, 2006 letter, Lance determined that the CBM produced water being discharged into the creek from the overflow line of a stock tank was from the 43-7 wells. A valve near the well was closed on January 23, 2006 which stopped the unpermitted discharge. Additionally, Lance's March 3, 2006 letter indicated that at the time of the unpermitted discharge, only eighteen (18) wells were connected to a gathering system for Lance's Spotted Horse Creek facility. All CBM produced water was then routed through outfall 001 of WYPDES permit WY0053236;
5. The Department of Environmental Quality had no record of permits authorizing the discharge to waters of the state from the location referenced for the pipe in the culvert in the case described previously;

9. According to information obtained from the Wyoming Oil & Gas Conservation Commission (WOGCC), CBM wells State 43-7-5575C and State 43-7-5575 began producing water in June of 2003. Effective November 1, 2003, the CBM wells were transferred from Williams Production RMT Company (Williams) to Lance. Additionally, substantial plant growth on the ground over the buried pipe line and the lack of surface scarring from installing the pipe line indicates that the pipe leading to the unpermitted discharge has been in place for several years;
10. Notice of Violation (NOV) Docket 3712-05 was issued to Lance by the DEQ on March 4, 2005 for the unpermitted discharge of CBM produced water from frac tanks. To improve the water management for Lance's Spotted Horse facility along with increasing the number of CBM wells from eighteen (18) to one hundred sixty-five (165), Lance applied for three (3) WYPDES discharge permits. These applications have been assigned permit numbers WY0053228, WY0053236 and WY0054143. WYPDES permit WY0053228 was issued to Lance on February 1, 2006 while WYPDES permit WY0053236 was issued on January 19, 2006. WYPDES permit WY0054143 has not been issued at this time;
11. This Notice is being sent to you pursuant to W.S. 35-11-701(c)(i), 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;
12. Pursuant to Wyoming Statute 35-11-901(a), any person who violates, or any director, officer or agent of a corporate permittee who willingly and knowingly authorizes, orders or carries out the violation of any provision of the Environmental Quality Act (Act), or any rule, regulation, standard, or permit adopted hereunder or who violates any determination or order of the council pursuant to this act or any rule, regulation, standard, permit, license, or variance is subject to a penalty not to exceed ten thousand dollars and no cents (\$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. The penalty may be recovered in a civil action brought by the Attorney General in the name of the People of the State of Wyoming. Nothing herein shall preclude the department from negotiating stipulated settlements involving the payment of a penalty, implementation of compliance schedules or other settlement conditions, as appropriate, in lieu of litigation.

NOTHING IN THIS NOTICE OF VIOLATION (NOV) shall be interpreted to in any way limit or contravene any other remedy available under the Environmental Quality Act, nor shall this NOV be interpreted as being a condition precedent to any other enforcement action.

Signed this 23rd day of March, 2006.


John V. Corra
Director
Department of Environmental Quality


John F. Wagner
Administrator
Water Quality Division

PLEASE DIRECT ALL INQUIRIES TO: Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator, Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4th Floor West, 122 West 25th Street, Cheyenne, Wyoming 82002. Telephone 307-777-8669.