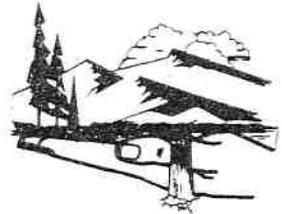




# Department of Environmental Quality



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

October 24, 2006

Mr. Alan E. Vrooman  
PRB CBM Permitting Director  
Petro-Canada Resources (USA) Inc.  
1099 18<sup>th</sup> St, Suite 400  
Denver, CO 80202-1904

*RE: Notice of Violation, Docket Number 3953-06*

Dear Mr. Vrooman:

Enclosed is a copy of Notice of Violation, Docket Number 3953-06, for the unauthorized discharge of coal bed methane (CBM) produced water into waters of the state by Petro-Canada Resources (USA) Inc. (Petro-Canada) for spills and reservoir seeps in Wyoming. The pipeline breaks, as reported by Petro-Canada, occurred on February 12 and September 6, 2006. Seeps were observed during a Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) inspection conducted on May 17, 2006. During a records review conducted subsequent to the inspection, it was determined that Petro-Canada had discharged CBM produced water into an on-channel reservoir prior to obtaining written ground water compliance approval. Additionally, Petro-Canada reported no discharge on the discharge monitoring reports (DMRs) and failed to conduct routine monthly monitoring as required by WYPDES permit WY0051985. These are violations of the Wyoming Environmental Quality Act (Act), the Wyoming Water Quality Rules and Regulations (WWQRR), and applicable permit conditions associated with WYPDES permit WY0051985.

While neither the attached Notice of Violation nor this letter constitutes an order, it is the recommendation of this office that you take action to eliminate the alleged violations as follows:

1. Petro-Canada should maintain compliance with all conditions established in applicable WYPDES permits.
2. Petro-Canada should totally contain all produced water in containment units to prevent produced water from reaching waters of the state unless authorized to do so by a permit. Petro-Canada should inform the Water Quality Division (WQD) in writing of the steps taken to eliminate the seeps. This information should be received by the WQD on or before November 17, 2006.
3. Petro-Canada should inform the Water Quality Division (WQD) in writing of the steps taken to ensure that groundwater containment approval is granted prior to discharging CBM produced water into reservoirs. This information should be received by the WQD on or before November 17, 2006.

Herschler Building • 122 West 25th Street • Cheyenne, WY 82002 • <http://deq.state.wy.us>

ADMIN/OUTREACH  
(307) 777-7758  
FAX 777-3610

ABANDONED MINES  
(307) 777-6145  
FAX 777-6462

AIR QUALITY  
(307) 777-7391  
FAX 777-5616

INDUSTRIAL SITING  
(307) 777-7369  
FAX 777-6937

LAND QUALITY  
(307) 777-7756  
FAX 777-5864

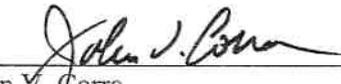
SOLID & HAZ. WASTE  
(307) 777-7752  
FAX 777-5973

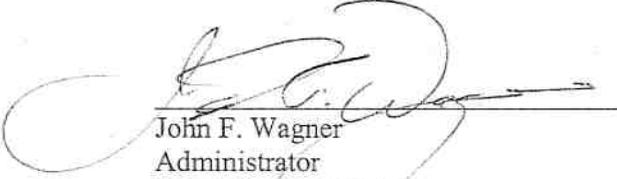
WATER QUALITY  
(307) 777-7781  
FAX 777-5973



4. Petro-Canada should inform the WQD of the steps taken to ensure water quality samples are collected and results reported on DMRs for every month that an outfall discharges. Additionally, Petro-Canada should submit corrected DMRs for the 1<sup>st</sup> half of 2006 for outfall 051 associated with WYPDES permit WY0051985 with available data. If data is not available, that information should be stated. The requested information should be received by the WQD on or before November 30, 2006.

The WQD appreciates Petro-Canada's willingness to proactively identify and reduce the spills within the State of Wyoming, and recognizes Petro-Canada's efforts for quickly responding to spills which have occurred. The WQD has the authority to resolve violations with an out-of-court settlement agreement through the payment of a penalty by Petro-Canada. If Petro-Canada wishes to pursue resolution of the previously noted violations through such an agreement, please contact Mr. Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator at (307) 777-8669, or Mr. Brian K. Lovett, WYPDES Inspection & Compliance Supervisor at (307) 777-5630, on or before November 10, 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/6-0978.LTR

Enclosure: Notice of Violation  
2/16/06 Inspection Report  
5/17/06 Inspection Report  
10/2/06 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, Sheridan DEQ Office  
Mike Barrash, Senior Assistant Attorney General  
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
IPS (for scanning) ► Docket 3953-06  
Keith Guille, DEQ Public Information Officer (PDF File Only)  
DEQ Director

Mr. Keith S. Burron  
Associated Legal Group, LLC  
1807 Capital Avenue, Suite 203  
Cheyenne, Wyoming 82001

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

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

**Petro-Canada Resources (USA) Inc. )  
1099 18<sup>th</sup> St, Suite 400 )  
Denver, Colorado 80202-1904 )**

**DOCKET NUMBER 3953-06**

**NOTICE OF VIOLATION**

**NOTICE IS HEREBY GIVEN THAT:**

1. Petro-Canada Resources (USA) Inc. (Petro-Canada) is the owner of a coal bed methane (CBM) pipeline located in the Southeast Quarter of the Southwest Quarter of Section 20, Township 49 North, Range 76 West (SE ¼ SW ¼ Sec. 20, T49N, R76W), Johnson County, Wyoming;
2. On February 12, 2006, Petro-Canada had a spill of CBM produced water due to a broken pressure relief valve. This resulted in the unpermitted discharge of CBM produced water to an unnamed ephemeral tributary draw, Class 3B water, which is a tributary to Dead Horse Creek, Class 3B water, which is a tributary to the Powder River, Class 2AB water. The discharge occurred in Johnson County;
3. Petro-Canada is the owner of a CBM pipeline located in the NE ¼ NE ¼ Sec. 30, T49N, R76W, Johnson County, Wyoming;
4. On September 6, 2006, Petro-Canada had a spill of CBM produced water due to a broken poly pipe water line. This resulted in the unpermitted discharge of CBM produced water to an unnamed ephemeral tributary draw, Class 3B water, which is a tributary to Dead Horse Creek, Class 3B water, which is a tributary to the Powder River, Class 2AB water. The discharge occurred in Johnson County;
5. CBM produced water is considered "pollution" as defined in W.S. 35-11-103 (c)(i);
6. The discharges referenced above entered "waters of the state" as defined under W.S. 35-11-103 (c)(vi) and were not through permitted discharge points;
7. The Department of Environmental Quality has no record of permits authorizing the discharge to waters of the state from the locations referenced in the cases described above;
8. By discharging pollution into waters of the state, Petro-Canada Energy Inc. is in violation of W.S. 35-11-301 (a)(i) and Chapter 2 of the Wyoming Water Quality Rules and Regulations which state that no person, except when authorized by a permit issued by the Department of Environmental Quality, shall cause, threaten or allow the discharge of any pollution or wastes into the waters of the state;
9. Petro-Canada is the owner/operator of the Wild Horse Creek Portion of the Kingsbury AMI Unit located in portions of Sections 2 and 10, T51N, R75W, Campbell County, Wyoming. WYPDES major modification permit WY0051985 was issued to Petro-Canada on June 8, 2005 and expires on December 31, 2008. As noted in the statement of basis, the permit was being modified to include thirty-two (32) additional outfalls numbered 032 through 063;

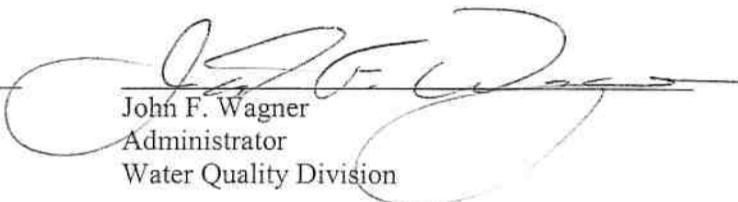
10. On May 17, 2006, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of Petro-Canada's facility located in SE ¼ SE ¼ Sec. 10, T51N, R75W. During the inspection CBM produced water was seeping out of the P10-5 reservoir which received CBM produced water from outfall 048 associated with WYPDES permit WY0051985. This resulted in the unpermitted discharge of CBM produced water to an unnamed ephemeral tributary draw, Class 3B water, which is tributary to Scotty Draw, Class 3B, which is a tributary to Wild Horse Creek, Class 3B water, which is a tributary to the Powder River, Class 2AB water. The seep occurred in Campbell County;
11. On May 17, 2006, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of Petro-Canada's facility located in SW ¼ SW ¼ Sec. 2, T51N, R75W. During the inspection CBM produced water was seeping out of the P2-2 reservoir which received CBM produced water from outfall 051 associated with WYPDES permit WY0051985. This resulted in the unpermitted discharge of CBM produced water to an unnamed ephemeral tributary draw, Class 3B water, which is tributary to Scotty Draw, Class 3B, which is a tributary to Wild Horse Creek, Class 3B water, which is a tributary to the Powder River, Class 2AB water. The seep occurred in Campbell County;
12. Part I.A.1.a. of WYPDES permit WY0051985 concerning discharges from reservoirs states the following: "**... Reservoirs may discharge in response to storm events or upstream reservoir overflows only. ...**" The discharges from the P10-5 and P2-2 reservoirs receiving CBM produced water from outfalls 048 and 051, respectively, of WYPDES permit WY0051985 were not due to storm events which exceeded reservoir capacities, but due to seeps which developed within the reservoirs' berms. Therefore, Petro-Canada is in violation of Part I.A.1.a. of WYPDES permit WY0051985;
13. As noted during the May 17, 2006 inspection by the WQD, the P2-2 reservoir which received CBM produced water from outfall 051 associated with WYPDES WY0051985 contained a substantial amount of water which led to the development of the seep. Even though outfall 051 was not discharging during the inspection, iron staining on the discharge pipe and in the flow path from the discharge pipe into the P2-2 reservoir, and the amount of water in the P2-2 reservoir indicates that CBM produced water had previously been discharged into the P2-2 reservoir. A review of records indicated that a written groundwater compliance approval from the WQD had not been issued to Petro-Canada for the P2-2 reservoir at the time of the inspection;
14. Part I.C.1. of WYPDES permit WY0051985 concerning groundwater monitoring beneath impoundments states the following: "**... These specified outfalls are not authorized to discharge until a written groundwater compliance approval has been granted by the Groundwater Pollution Control Program of the Water Quality Division. ... Any discharge into an impoundment which has not been granted the required groundwater compliance approval will constitute a violation of this permit ...**". Therefore, Petro-Canada is in violation of Part I.C.1. of WYPDES permit WY0051985 for discharging CBM produced water into the P2-2 reservoir associated with outfall 051 of the permit without first obtaining the required ground water compliance approval;
15. In a letter dated July 26, 2006 from the Groundwater Pollution Control Program of the WQD, Petro-Canada was informed that a written groundwater compliance approval had not been issued for the P2-2 reservoir. The letter required Petro-Canada to either supply the necessary information to the WQD or discontinue the use of the P2-2 reservoir and reclaim the site;
16. The WQD has reviewed the discharge monitoring reports (DMRs) submitted by Petro-Canada associated with outfall 051 of WYPDES permit WY0051985. Petro-Canada reported no discharge from outfall 051 for every month from June 2005 through May, 2006, with discharges starting in June, 2006. As previously stated, the presence of water in the P2-2 reservoir, iron staining on the discharge pipe and the flow path from the pipe into the P2-2 reservoir, and the development of a seep as a result of water in the P2-2 reservoir was noted during the May 17, 2005 inspection. Therefore, this indicates that Petro-Canada reported false information on the DMRs by stating no discharge from outfall 051 into the P2-2 reservoir occurred prior to June, 2006. Petro-Canada is in violation of Part I.A.2.b of WYPDES permit WY0051985 for failing to conduct the required monitoring at outfall 051;
17. 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;

18. 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, 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 24 day of OCTOBER, 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 at the Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4<sup>th</sup> Floor West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002. Telephone 307-777-8669.

JVC/JFW/BRB/bb/6-0978.NOV

cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8  
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator  
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office  
Mike Barrash, Senior Assistant Attorney General  
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
IPS (for scanning) ► Docket 3953-06  
Keith Guille, DEQ Public Information Officer (PDF File Only)  
DEQ Director

Mr. Keith S. Burron  
Associated Legal Group, LLC  
1807 Capital Avenue, Suite 203  
Cheyenne, Wyoming 82001