



# 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**

November 13, 2006

Mr. Charles B. Davis  
President  
DNR Oil & Gas, Inc.  
12741 E. Caley, Unit 142  
Englewood, Colorado 80111

***RE: Notice of Violation, Docket Number 3963-06***

Dear Mr. Davis:

Enclosed is a Notice of Violation, Docket Number 3963-06, for the unpermitted discharge of produced water from an oil production facility into waters of the state by DNR Oil & Gas, Inc. (DNR) in Albany County, Wyoming. The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of the Rex Lake Oil Filed on September 27, 2006 and observed the unpermitted discharge. This is a violation of the Wyoming Environmental Quality Act (Act) and the Wyoming Water Quality Rules and Regulations (WWQRR).

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. DNR should immediately stop discharging from the unpermitted discharge point located in the SE ¼ of the NE ¼, Sec. 27, T16N, R77W, Albany County, Wyoming. Any well routing produced water to this facility should be shut in until either a WYPDES discharge permit has been issued, or until all produced water can be routed to the Coughlin Lease Tank Battery, the only permitted discharge point for DNR in the Rex Lake Oil Field. Based on information obtained from the Wyoming Oil and Gas Conservation Commission (WOGCC), the Union Pacific 1-27 oil well is located in the same area as the unpermitted discharge.
2. DNR should inform the WQD in writing of the steps taken or that will be taken to eliminate the unpermitted discharge. This information should be received by the WQD on or before December 15, 2006.
3. DNR should inform the WQD in writing of the steps to be taken to ensure all produced water from the Rex Lake Oil Field is either re-injected or routed through a permitted discharge point. This information should be received by the WQD on or before December 15, 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



Mr. Charles B. Davis  
November 13, 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 DNR. If DNR 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 December 1, 2006 to set up a meeting to discuss this matter.

  
\_\_\_\_\_  
John V. Corra  
Director  
Department of Environmental Quality

  
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John F. Wagner  
Administrator  
Water Quality Division

JVC/JFW/BRB/bb/6-1071.LTR

Enclosure: Notice of Violation  
9/27/06 Inspection Report - unpermitted discharge point  
9/27/06 Inspection Report - Coughlin Lease Tank Battery

cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8  
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator  
Bill DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
IPS (for scanning) ► Docket 3963-06  
Keith Guille, DEQ Public Information Officer (PDF File Only)  
DEQ Director

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

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

DNR Oil & Gas, Inc. )  
12741 E. Caley, Unit 142 )  
Englewood, Colorado 80111 )

DOCKET NUMBER 3963-06

**NOTICE OF VIOLATION**

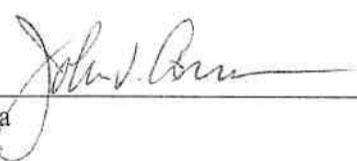
**NOTICE IS HEREBY GIVEN THAT:**

1. DNR Oil & Gas, Inc. (DNR) is the owner of a seven (7) producing conventional oil wells and two (2) producing conventional gas wells within the Rex Lake Oil Field located in portions of Sections 23, 26 and 27, Township 16 North, Range 77 West (Sec. 23, 26 and 27, T16N, R77W), Albany County, Wyoming;
2. On September 27, 2006, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of DNR's Coughlin Lease Tank Battery in the Rex Lake Oil Field. While conducting the inspection of the Rex Lake Oil Field, the WQD found an oil production facility located in the SE ¼ of the NE ¼, Sec. 27, T16N, R77W, Albany County, Wyoming discharging produced water into a water of the state. There were no signs at the facility identifying the operator, well name, or WYPDES permit number;
3. The Coughlin Lease Tank Battery has had a discharge at least since June, 1985 when the first documented inspection was conducted at the facility. Prior to the inspection on September 27, 2006, the Coughlin Lease Tank Battery was last inspected on June 16, 2005. There is no indication on the inspection report for the inspection conducted on June 16, 2005, or any other reports for inspections conducted prior to this date, of any other discharge occurring in the Rex Lake Oil Field other than the permitted discharge at the Coughlin Lease Tank Battery;
4. A review of the Wyoming Oil & Gas Conservation Commission (WOGCC) database indicates there are two operators in the Rex Lake Oil Field. JW Gibson is the owner of six (6) oil or gas wells, all which have been permanently abandoned. DNR is the owner of the remaining ten (10) oil or gas wells within the Rex Lake Oil Filed, of which one (1) well has been permanently abandoned. The WOGCC database also indicates that ownership of the 10 DNR wells was transferred from JW Gibson to DNR on July 1, 1991, including the Union Pacific 1-27 oil well located in the SE ¼ of the NE ¼, Sec. 27, T16N, R77W, Albany County, Wyoming;
5. Produced water from a conventional oil well is considered "pollution" as defined in W.S. 35-11-103 (c)(i);
6. The discharge from the Union Pacific 1-27 oil well referenced above entered a "water of the state" as defined under W.S. 35-11-103 (c)(vi);

7. The Department of Environmental Quality has no record of permits authorizing the discharge to waters of the state from the location of the Union Pacific 1-27 oil well referenced in the case described above;
8. By discharging pollution into a water of the state, DNR 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. 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 14 day of Nov, 2006.

  
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John V. Corra  
Director  
Department of Environmental Quality

  
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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/6-1071.NOV

cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8  
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator  
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