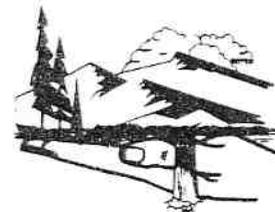




# Department of Environmental Quality



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 16, 2006

Mr. Alan Williams  
Environmental Health & Safety Manager  
Anadarko Petroleum Corporation  
1999 Broadway, Suite 3700  
Denver, Colorado 80202

***RE: Notice of Violation, Docket Number 3987-06***

Dear Mr. Williams:

Enclosed is a copy of Notice of Violation, Docket Number 3987-06, for the unauthorized discharge of coal bed methane (CBM) produced water into waters of the state by Lance Oil & Gas Company, Inc. (Lance), a wholly owned subsidiary of Anadarko Petroleum Corporation (Anadarko). On November 7, 2006, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of the Nicholas-Stadfeld 34-1 on-channel reservoir. A concern noted during the inspection was the discharge of CBM produced water from the Nicholas-Stadfeld 34-1 on-channel reservoir associated with outfall 011 of WYPDES permit WY0049158. The discharge from the Nicholas-Stadfeld 34-1 on-channel reservoir was not due to the natural overtopping of the reservoir due to an upstream precipitation event, but to make room in the reservoir for CBM produced water. This is a violation of the Wyoming Environmental Quality Act (Act), the Wyoming Water Quality Rules and Regulations (WWQR), and Part I.A.1. of WYPDES permit WY0049158.

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 violation as follows:

1. Lance should immediately stop discharging CBM produced water from outfall 011 associated with WYPDES permit WY0049158 into the Nicholas-Stadfeld 34-1 on-channel reservoir, if this has not already been done. Discharges from outfall 011 should not resume until there is sufficient freeboard capacity within the reservoir to comply with the containment requirement in the permit
2. Lance should submit a permit application to the WQD to modify WYPDES permit WY0049158 to allow CBM produced water from the Nicholas-Stadfeld 34-1 on-channel reservoir to be discharged into the Simmons on-channel reservoir.
3. Lance should inform the WQD of the steps taken to prevent this type of an unauthorized discharge from occurring again in the future. This information should be received by the WQD on or before December 22, 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

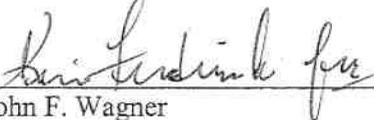
WATER QUALITY  
(307) 777-7781  
FAX 777-5973



Mr. Alan Williams  
November 16, 2006  
Page 2

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, or Mr. Brian K. Lovett, WYPDES Inspection & Compliance Supervisor at (307) 777-5630, on or before December 6, 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/61089.NOV-

Enclosure: Notice of Violation  
11/8/06 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 DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
IPS (for scanning) ► Docket 3987-06  
Keith Guille, DEQ Public Information Officer (PDF File Only)  
DEQ Director

Mr. Richard Waters  
Senior Counsel  
Anadarko Petroleum Corporation  
1999 Broadway, Suite 3700  
Denver, Colorado 80202

BEFORE THE  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
STATE OF WYOMING

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

Lance Oil & Gas Company, Inc. )  
1999 Broadway, Suite 3700 )  
Denver, Colorado 80202 )

DOCKET NUMBER 3987-06

NOTICE OF VIOLATION

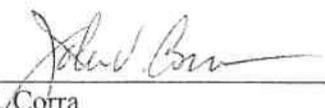
NOTICE IS HEREBY GIVEN THAT:

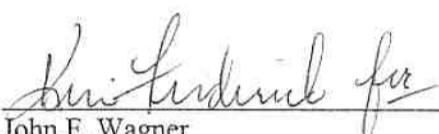
1. Lance Oil & Gas Company, Inc. (Lance), a wholly owned subsidiary of Anadarko Petroleum Corporation (Anadarko), is the owner/operator of the Cat Creek CBM facility located in the Northeast Quarter of the Southeast Quarter of Section 34, Township 49 North, Range 79 West (NE ¼ SE ¼ Sec. 34, T49N, R79W), Johnson County, Wyoming. WYPDES renewal permit WY0049158 for the Cat Creek CBM facility was issued on May 6, 2006. This permit was transferred from Kennedy Oil to Lance on March 15, 2006;
2. The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), conducted an inspection of Lance's coal bed methane (CBM) Cat Creek facility on November 7, 2006. The inspection was conducted in response to a landowner complaint on November 6, 2006, of CBM produced water flowing down an un-named ephemeral tributary of Cat Creek. Upon arriving at the location, CBM produced water was discharging from outfall 011 of WYPDES permit WY0049158 into the Nicholas-Stadfeld 34-1 on-channel reservoir. The Nicholas-Stadfeld 34-1 on-channel reservoir was at capacity and CBM produced water was being discharged. All CBM produced water from the Nicholas-Stadfeld 34-1 on-channel reservoir is discharged directly into the Simmons on-channel reservoir;
3. As documented in the report for the November 7, 2006 inspection and also shown by photos, the Simmons on-channel reservoir was also at capacity and discharging CBM produced water. CBM produced water then continued to flow down the un-named ephemeral tributary of Cat Creek for approximately 600 yards. The flow of CBM produced water stopped prior to reaching the confluence of the ephemeral drainage with Cat Creek;
4. Part I.A.1. of WYPDES permit WY0049158 concerning discharges from reservoirs which states the following: "*... The permit does not authorize intentional releases or draw-down of the reservoirs to downstream channels at any time. ... The permit does allow for natural overtopping of the reservoirs in response to upstream precipitation events. It is the responsibility of the permittee to maintain sufficient freeboard capacity within the reservoirs in order to comply with the containment requirement in this permit. ...*" The discharge of CBM produced water from the Nicholas-Stadfeld 34-1 on-channel reservoir was not due to a storm event which caused the reservoir to overtop, but an intentional release of CBM produced water from the reservoir. Thus, Lance is in violation of Part I.A.1. of WYPDES permit WY0049158 for the intentional release of CBM produced water from the Nicholas-Stadfeld 34-1 on-channel reservoir;
5. 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;

6. 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 21 day of Nov, 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/6-1089.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 DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
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