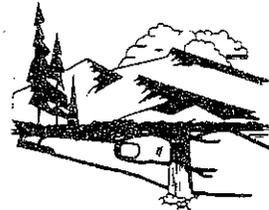




Department of Environmental Quality



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 30, 2006

Mr. Brad Holyoak
Director
Zephyr Production, Inc.
P.O. Box 625
Moorcroft, Wyoming 82721

RE: Notice of Violation, Docket Number 3986-06

Dear Mr. Holyoak:

Enclosed is a copy of a Notice of Violation, Docket Number 3986-06, issued to Zephyr Production, Inc. (Zephyr) for oil staining in the channel downstream of the current discharge point for the "T" Federal #10-16 crude oil production facility, and moving the permitted discharge point without first modifying WYPDES permit WY0047295. The violations were noted during an inspection on October 23, 2006 conducted by the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD).

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

1. Zephyr should inform the WQD in writing of the steps taken to or to be taken to ensure oil is not discharged to waters of the state in the future.
2. Zephyr should maintain compliance with all conditions listed in WYPDES permit WY0047295.
3. Zephyr should submit a permit application to the WQD to modify WYPDES permit WY0047295 to reflect the change in location of the permitted discharge point.
4. Information requested above should be received by the WQD on or before December 29, 2006.

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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

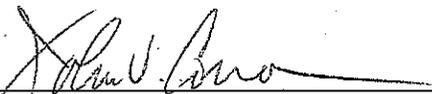
SOLID & HAZ. WASTE
(307) 777-7752
FAX 777-5973

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

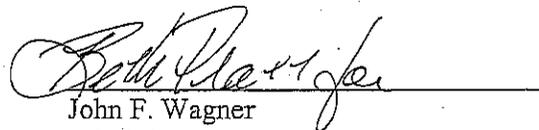


Dock 3986-06
November 30, 2006
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The WQD has the authority to resolve violations with an out-of-court settlement agreement through the payment of a penalty by Zephyr. If the Zephyr wish to pursue resolution of the previously noted violations through 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 31, 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/6-1118.LTR

Enclosure: Notice of Violation

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
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 3986-06
Keith Guile, 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:)

DOCKET NUMBER 3986-06

Zephyr Production, Inc.)
P.O. Box 625)
Moorcroft, Wyoming 82721)
)
)
)

NOTICE OF VIOLATION

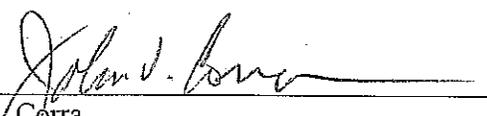
NOTICE IS HEREBY GIVEN THAT:

1. Zephyr Production, Inc. (Zephyr) is the owner of the "T" Federal #10-16 crude oil production facility located in the Southeast Quarter of the Southeast Quarter of Section 10, Township 53 North, Range 68 West (SE ¼ SE ¼ Sec. 10, T53N,R68W), in Crook County, Wyoming. On December 4, 2004, the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) issued WYPDES renewal permit WY0047295 to Fancher Oil, LLC (Fancher). Effective January 1, 2006, permit WY0047295 was transferred from Fancher to Zephyr;
2. The WQD conducted an inspection of the "T" Federal #10-16 crude oil production facility in response to a landowner complaint on October 23, 2006. Concerns noted during the inspection of the "T" Federal #10-16 crude oil production facility include staining on the ground at a storage tank as a result of an oil spill, deposition of a light brown colored precipitate at the original discharge point location, and the staining of the ground and receiving stream from the discharge of oil at the current location of the discharge point. These are violations of Part I.A. of WYPDES permit WY0047295, and Chapter 1, Section 15 of the Wyoming Water Quality Rules & Regulations (WWQRR);
3. WYPDES permit WY0047295 authorizes discharge from the "T" Federal #10-16 crude oil facility is located in the SE ¼ SE ¼ Sec. 10, T53N, R68W, Crook County. The discharge point has been moved to the NW ¼ SW ¼ Sec. 11, T53N, R68W, Crook County. This is approximately 2,400 feet from the permitted discharge point and 3,200 feet from the "T" Federal #10-16 crude oil facility. This is a violation of Chapter 2, Section 12(d)(xi) of the WWQRR for moving a discharge point without first modifying the WYPDES permit;
4. The WQD conducted a second inspection of the "T" Federal #10-16 crude oil production facility on November 3, 2006. A representative of Zephyr was present during this inspection. The WQD inspector noted oil stained soil below the storage tank and the unauthorized discharge point had been removed. Concerns noted during the second inspection of the "T" Federal #10-16 crude oil production facility still include the deposition of a light brown colored precipitate at the original discharge point location, and the moving of the discharge point 2,400 feet without modifying the WYPDES permit;
5. An additional concern noted during the second WQD inspection on November 3, 2006, was the lack of a free fall for sample collection from the unauthorized discharge point. As part of the cleanup of the oil stained soils below the current discharge point, Zephyr constructed a crushed stone flow path. In the process of constructing the flow path, the discharge point was buried under the crushed stone. This is a violation of Part I.B.11. of WYPDES permit WY0047295 and Chapter 2, Appendix H of the WWQRR;

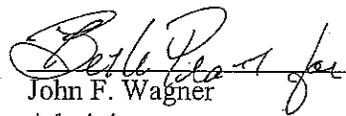
6. This Notice is being sent to you pursuant to W.S. 35-11-701(c)(i), which requires that in any case of the failure to correct or remedy an alleged violation, the director of the Department of Environmental Quality shall cause a written notice to be issued and served upon the person alleged to be responsible;
7. 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 30th day of November, 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.

JVC/JFW/BRB/bb/06-1118.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, WQD - Sheridan
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DEQ Director