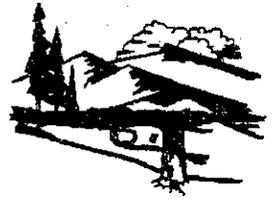




Department of Environmental Quality



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

April 30, 2007

Mr. Michael Onstott
President
Majestic Petroleum Operations, LLC
PO Box 580
Story, WY 82842

RE: Notice of Violation, Docket Number 4054-07

Dear Mr. Onstott:

Enclosed is a copy of Notice of Violation, Docket Number 4054-07, for the unpermitted discharge of coal bed methane (CBM) produced water into waters of the state by Majestic Petroleum Operations, LLC (Majestic). The unpermitted discharges occurred between January 1, 2007 and March 27, 2007 under expired WYPDES permits WY0036340, WY0038130, and WY0052876. These are violations of the Wyoming Environmental Quality Act (Act), the Wyoming Water Quality Rules and Regulations (WWQRR), and applicable permit conditions associated with the WYPDES permits.

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. Majestic should inform the Water Quality Division (WQD) in writing of the steps taken to ensure that there will be no further discharge of CBM produced water without proper permit authorization. This information should be received by the WQD on or before May 15, 2007.

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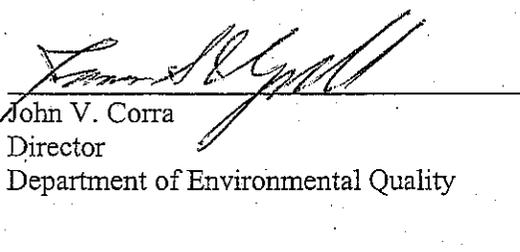
Herschler Building • 122 West 25th Street • Cheyenne, WY 82002 • <http://deq.state.wy.us>

ADMIN/OUTREACH (307) 777-7937 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 777-5973	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
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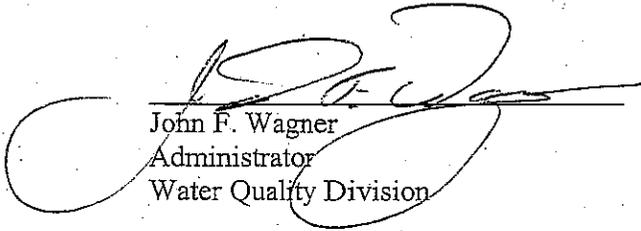


Mr. Michael Onstott
April 30, 2007
Page 2

The WQD appreciates Majestic's willingness for quickly responding to the unpermitted discharges 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 Majestic. If Majestic wishes to pursue resolution of the previously noted violations through such an agreement, please contact Mr. Kevin M. Wells, WYPDES Compliance & Enforcement Coordinator at (307) 777-8669, or Mr. Brian K. Lovett, WYPDES Inspection & Compliance Supervisor at (307) 777-5630, on or before May 30, 2007 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/KMW/bb/7-0355.LTR

Enclosure: Notice of Violation
4/2/07 WQD Initial Pollution Incident Report

cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF)
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 4054-07
Keith Guille, DEQ Public Information Officer (PDF)
DEQ Director

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION ISSUED TO:

**Majestic Petroleum Operations, LLC
PO Box 580
Story, WY 82842**

DOCKET NUMBER 4054-07

NOTICE OF VIOLATION

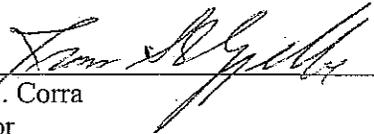
NOTICE IS HEREBY GIVEN THAT:

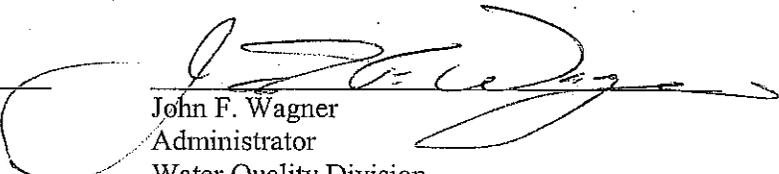
1. Majestic Petroleum Operations, LLC (Majestic) operates numerous coal bed methane (CBM) production facilities located in Sections 13, 24, 25, & 36, Township 52 North, Range 73 West, and Sections 7, 8, 18, 19, 30, & 31, Township 52 North, Range 72 West, Campbell County, Wyoming;
2. On March 26, 2007 the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD) conducted an inspection of WYPDES permits WY0036340, WY0038130, and WY0052876. During the inspection CBM produced water was observed discharging from outfalls associated with the identified permits which expired on December 31, 2006. The discharge from outfalls 001 and 002 under WY0036340 resulted in the unpermitted discharge of CBM produced water to Spring draw, Class 3B water, which is a tributary to Rawhide Creek, Class 3B, which is a tributary to the Little Powder River, Class 2ABww. The discharge from outfall 002 under WY0038130 resulted in the unpermitted discharge of CBM produced water to an unnamed draw, Class 3B water, which is tributary to Hay Creek, Class 3B water, which is tributary to Horse Creek, Class 3B, which is a tributary to the Little Powder River, Class 2ABww. It was noted during the inspection that the reservoir for outfall 002 had breached. The discharge from outfalls 001 and 011 under WY0052876 resulted in the unpermitted discharge of CBM produced water to an unnamed ephemeral draw, Class 3B water, which is tributary to Rawhide Creek, Class 3B, which is a tributary to the Little Powder River, Class 2ABww;
3. The above referenced WYPDES permits were terminated on December 31, 2006 and a letter was sent to Majestic on January 17, 2007 informing Majestic the permits were terminated and any further discharge would require coverage under an active WYPDES permit. Subsequent to WQD inspections WQD was informed by Majestic the outfalls ceased discharge on March 27, 2007, and were verified by a WQD inspector as not discharging on March 30, 2007
4. CBM produced water is considered "pollution" as defined in W.S. 35-11-103 (c)(i);
5. The discharges referenced above entered "waters of the state" as defined under W.S. 35-11-103 (c)(vi) through previously permitted discharge points;
6. By discharging pollution into waters of the state, Majestic 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;
7. 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;

8. 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 30th day of April, 2007.


John V. Corra
Director
Department of Environmental Quality


John F. Wagner
Administrator
Water Quality Division

PLEASE DIRECT ALL INQUIRIES TO: Kevin M. Wells., WYPDES Compliance & Enforcement Coordinator at the 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/KMW/bb/7-0355.NOV

cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF)
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 4054-07
Keith Guille, DEQ Public Information Officer (PDF File Only)
DEQ Director