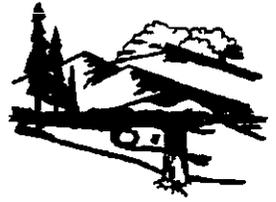




# Department of Environmental Quality



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**

September 2, 2008

Mr. Peter G. Schoonmaker  
CEO, President  
Pinnacle Gas Resources, Inc  
1 E Alger  
Sheridan, WY 82801

***RE: Notice of Violation, Docket Number 4347-08***

Dear Mr. Schoonmaker:

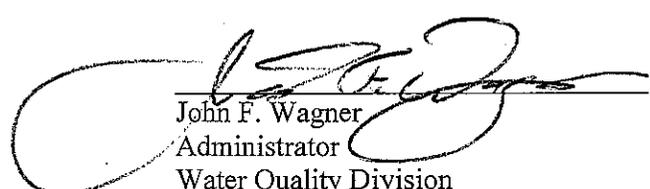
Enclosed is a copy of Notice of Violation, Docket Number 4347-08, for the unpermitted discharge of coal bed methane (CBM) produced water into waters of the state by Pinnacle Gas Resources, Inc. (Pinnacle). The unpermitted discharge occurred on August 20, 2008 under WYPDES permit WY0055204. This unpermitted discharge is a violation of the Wyoming Environmental Quality Act (Act), the Wyoming Water Quality Rules and Regulations (WWQRR), and applicable permit conditions associated with the WYPDES permit.

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. Pinnacle 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 within 21 days of the date of this letter.

The WQD appreciates Pinnacle's willingness for quickly responding to the unpermitted discharge which occurred. The WQD has the authority to resolve violations with an out-of-court settlement agreement through the payment of a penalty by Pinnacle. If Pinnacle wishes to pursue resolution of the previously noted violation 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, within 21 days of the date of this letter to set up a meeting to discuss this matter.

  
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 John V. Corra  
 Director  
 Department of Environmental Quality

  
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 John F. Wagner  
 Administrator  
 Water Quality Division

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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*Pinnacle Gas Resources, Inc.*

*August 28, 2008*

*Page 2*

JVC/JFW/KMW/bb/rm/8-0662

Enclosure: Notice of Violation  
8/25/08 WQD Initial Pollution Incident Report

cc: Lee Hanley, 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 (PDF)  
IPS (for scanning) ► Docket 4347-08  
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:**

**Pinnacle Gas Resources, Inc  
1 E Alger  
Sheridan, WY 82801**

**DOCKET NUMBER 4347-08**

**NOTICE OF VIOLATION**

**NOTICE IS HEREBY GIVEN THAT:**

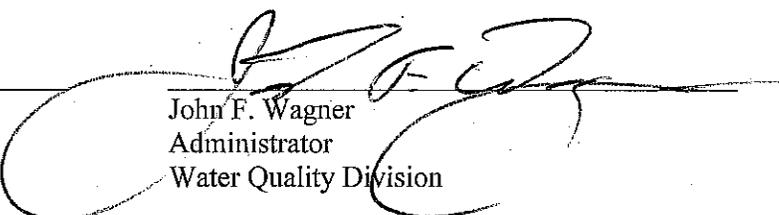
1. Pinnacle Gas Resources, Inc. (Pinnacle) operates a coal bed methane (CBM) production facility located in Section 31, Township 57 North, Range 76 West, in Campbell County, Wyoming. CBM produced water from this facility is discharged to an on-channel reservoir (class 3B) located in an unnamed ephemeral tributary (class 3B) to the Powder River (class 2ABWW). This facility is authorized to discharge under WYPDES permit WY0055204 issued by the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD).
2. On the afternoon of August 20, 2008 Pinnacle personnel observed water flowing from an irrigated field, over a cliff, and entering into the Powder River. Upon further investigation Pinnacle discovered that a sprinkler pivot using CBM produced water for irrigation malfunctioned resulting in an unpermitted discharge of CBM produced water. Pinnacle operations staff was contacted at this time and the flow of produced water was stopped. DEQ personnel were contacted on this same date and informed of the unpermitted discharge. Photographs of the affected site and confluence location where the CBM produced water entered the Powder River were provided to the DEQ by Pinnacle. The source of CBM produced water was from the Perry Stock reservoir which receives CBM produced water from outfall WY0055204-001. The Perry Reservoir is an on-channel reservoir and is not permitted to discharge except during a precipitation event allowing overtopping. DEQ personnel visited the site on August 25, 2008 to verify the information provided by Pinnacle.
3. CBM produced water is considered "pollution" as defined in W.S. 35-11-103 (c)(i);
4. The discharges referenced above entered "waters of the state" as defined under W.S. 35-11-103 (c)(vi) through an unpermitted discharge point;
5. By discharging pollution into waters of the state, Pinnacle 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;
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, 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 9 day of Sept., 2008.

  
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, 4<sup>th</sup> Floor West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002. Telephone 307-777-8669.

JVC/JFW/KMW/bb/rm/8-0662

cc: Lee Hanley, 8ENF-W-NP, EPA Region 8 (PDF)  
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