



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

December 17, 2010

Mr. Robert Downey
President
Ciris Energy
9155 E. Nichols Ave., Ste. 200
Centennial, CO 80112

RE: Notice of Violation, Docket Number 4782-10

Dear Mr. Downey:

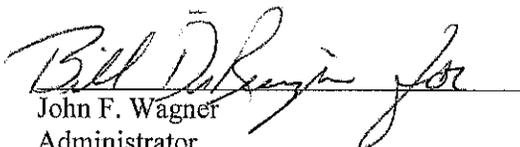
Enclosed is a Notice of Violation, Docket Number 4782-10, for the unauthorized injection of chemicals into waters of the state by Ciris Energy (Ciris). On November 18, 2010 you sent the Wyoming Department of Environmental Quality, Water Quality Division (WQD) correspondence confirming the unauthorized injection of chemicals into three different coal bed methane wells in Campbell County. These injections are violations of the Wyoming Environmental Quality Act.

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 insure that no further unauthorized injection activities occur.

The WQD has the authority to resolve violations with an out-of-court settlement agreement which may include the payment of a penalty by Ciris. If Ciris wishes to pursue resolution of the violation through such an agreement, please contact Mr. John Wagner, WQD Administrator, within 21 days of the date of this letter.



John V. Corra
Director
Department of Environmental Quality



John F. Wagner
Administrator
Water Quality Division

JVC/JFW/bb/rm/10-1083

Enclosure: Notice of Violation

- cc: Kevin Frederick, WQD Cheyenne
 John Passehl, WQD Cheyenne
 Brent Baumann, WQD Sheridan
 Don Fischer, WQD Sheridan
 IPS (for scanning) Docket 4782-10
 Keith Guille, DEQ Public Information Officer (PDF File Only)
 John Corra, DEQ Director
 Tom Doll, WOGCC Casper
 Janie Nelson, WOGCC Casper

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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BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF)
VIOLATION ISSUED TO:)
)
Mr. Robert Downey)
President)
Ciris Energy)
9155 E. Nichols Ave., Ste. 200)
Centennial, CO 80112)

DOCKET NUMBER 4782-10

NOTICE OF VIOLATION

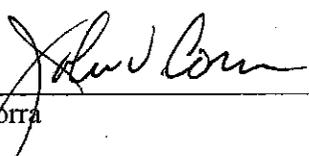
NOTICE IS HEREBY GIVEN THAT:

1. Ciris Energy (Ciris) has interest in the following coal bed methane (CBM) wells: Reno # 12-32-42-72C (API # 49-005-53687), LX Fee #7-2 CXLC (API # 49-005-41098), and LX Fee # 9-35CSLC (API # 49-005-36002). These wells are located in Campbell County, Wyoming;
2. On November 9, 2010, Mr. John Wagner, Administrator of the Water Quality Division (WQD), Wyoming Department of Environmental Quality, sent letters of inquiry regarding two of the above referenced wells to Mr. Robert Downey, President of Ciris, and to Ms. Carmen Goodman of Continental Production Company (Continental). Continental was known to also have interest in the above referenced wells;
3. Mr. Wagner's letter requested information regarding reports of injection of chemicals into two of the above referenced wells. The basis of Mr. Wagner's letter was an anonymous report of the injection of chemicals into these wells and a follow-up inspection by Mr. Brent Baumann of the WQD staff which provided evidence of such injection;
4. On November 16, 2010, Mr. Scott Chipperfield of Continental responded to Mr. Wagner's inquiry with a letter stating that Continental "...has no interest in the two referenced wells. These wells are owned and leased by USA Exploration & Production, LLC. Continental is a consultant to USA L&P, LLC.";
5. On November 18, 2010, Mr. Robert Downey responded to Mr. Wagner's letter with a letter acknowledging chemical injection into the three wells referenced in item 1 above. In his letter Mr. Downey referred to a "...letter agreement between Ciris Energy, Continental Production, and USA Exploration...". Mr. Downey also stated "... Ciris understood that Continental or USA Exploration, as operator, would file all necessary and appropriate sundry notices and permit applications with the Wyoming Oil and Gas Conservation Commission (WOGCC) for well stimulation treatments...";
6. Attached to Mr. Downey's letter of November 18, 2010 were copies of "subsequent" sundry notices filed with the WOGCC by Carmen Goodman of Continental. These sundry notices and attachments report chemical injections as follows: 27 days of injection at Reno #12-32-42-72C between 4/13/10 and 5/11/10, 13 days of injection at LX Fee # 9-35CXLC between 6/4/10 and 6/15/10, and 56 days of injection at LX Fee # 7-2CXLC between 6/28/10 and 10/27/10;
7. The chemical constituents described, and reported to have been injected, in Mr. Downey's November 18, 2010 letter constitute "pollution" as defined in W.S. 35-11-103(c)(i);
8. "Waters of the State" as defined in W.S. 35-11-103(c)(vi) includes all groundwater within Wyoming;
9. Under W.S. 35-11-301(a)(i) no person, except when authorized by permit, may cause threaten or allow the discharge of any pollution or wastes into waters of the state;

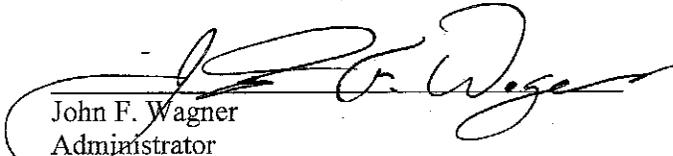
10. The State of Wyoming has no evidence that Ciris Energy or any other party with interest in the above referenced wells obtained permits prior to the injections described in the sundry notices and other attachments to Mr. Downey's letter of November 18, 2010;
11. Pursuant to W. S. 35-11-901(a), any 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 16 day of December, 2010



John V. Corra
Director
Department of Environmental Quality



John F. Wagner
Administrator
Water Quality Division

PLEASE DIRECT ALL INQUIRIES TO: John Wagner, Administrator, Water Quality Division, Wyoming Department of Environmental Quality, Herschler Building, 4th Floor West, 122 West 25th Street, Cheyenne, Wyoming 82002. Telephone 307-777-7072.

JVC/JFW/bb/10-1083

cc: Kevin Frederick, WQD Cheyenne
John Passehl, WQD Cheyenne
Brent Baumann, WQD Sheridan
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