

BEFORE THE ENVIRONMENTAL QUALITY COUNCIL
STATE OF WYOMING

FILED

SEP 10 2009

Jim Ruby, Executive Secretary
Environmental Quality Council

In the Matter of the Appeal of Clabaugh)
Ranch, Inc. from Permit WY0049697) Docket Nos. 08-3802

JOINT STIPULATION FOR MODIFICATION OF WYPDES PERMIT NO. WY0049697

The Wyoming Department of Environmental Quality (DEQ) renewed WYPDES Permit Nos. WY0049697 on March 26, 2008 authorizing Lance Oil and Gas Company, Inc. ("Lance") to discharge water produced from its coal bed methane operations into the Wild Horse Creek drainage. Clabaugh Ranch, Inc. (Clabaugh) filed a Petition requesting the Wyoming Environmental Quality Council (Council) to reverse DEQ's decision to grant this permit. DEQ, Lance, and Clabaugh (the Parties) are the only parties to this contested case before the Council.

Chapter 1, Section 11(a) of the DEQ Rules of Practice and Procedure provides for disposition of contested cases by stipulation of the parties upon approval of the Council. For purposes of this case, W.S. § 35-11-112(c)(ii) authorizes the Council to order that a permit be modified, subject to applicable state and federal law.

The Parties have reached agreement on terms for disposition of this matter prior to hearing. The parties further agree that the Joint Stipulation and Order in this case is not intended to be considered as precedent or binding on DEQ, Lance Oil and Gas Company, Inc., or Anadarko Petroleum Corporation in future permit applications or appeals. The Parties jointly stipulate to the entry of the attached Proposed Order by the Council:

1. Approving and binding the parties, their successors and assigns to the terms of this Joint Stipulation, including the following modifications to WYPDES Permit No. WY0049697:

a. Replacing the paragraph that begins at the bottom of page 2 and the top of page 3 of the Permit under Part I.A.1 a. to read as follows:

The permittee is required to contain all effluent from outfalls 001-012 in a series of on-channel reservoirs at this facility. The following containment requirements will apply at the reservoirs: the permittee will be required to contain all produced water within a series of on-channel reservoir(s) during "dry" operating conditions. The permittee is authorized to release discharge from upstream on-channel reservoir(s) only. Water released from the upstream reservoir(s) will be allowed to cascade down to the lowermost on-channel reservoir, identified as follows: "Rick's," "Boone," "N & S Lacy," "004," "Chad," "Rick's Little," "James," "Ty," "Jason," "Ryan," "Bull Pen," and "Willow Tree." This permit prohibits discharge of effluent from the lowermost reservoir except during periods of time in which natural precipitation causes the lowermost reservoir to overtop and spill. Intentional or draw-down type releases from the lowermost reservoir will constitute a violation of this permit. Discharge from the reservoir(s) is limited by the permit to natural overtopping and shall not extend beyond a 48 hour period following commencement of natural overtopping. It is the responsibility of the permittee to adequately demonstrate the circumstances in which reservoir discharges occurred, if requested to do so by the WYPDES program.

b. Inserting the following formula in place of the current formula in the Permit, Part I.A.1b.:

$$\text{SAR} < 6.67 \times \text{EC} - 3.33$$

c. Changing the effluent limit of 2560 micromhos/cm for specific conductance for discharges from Outfall 013 (Direct-discharging Outfall) to 2000 micromhos/cm for specific conductance for discharges from Outfall 013.

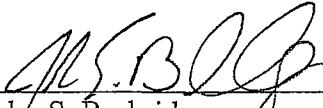
2. Ordering that Renewed Permit WY0049697 should be modified as set forth above;
3. Dismissing Clabaugh's pending Petition with prejudice; and
4. Providing that each party shall bear its own costs and attorney fees through the

Council's entry of such order.

Respectfully submitted September 10, 2009.



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