



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
SAGINAW BAY DISTRICT OFFICE



DAN WYANT
DIRECTOR

December 12, 2013

Ms. Ashley Clements
Aaron Elek III Estate
3950 Wheeler Road
Bay City, Michigan 48706

SRN: P0485, Bay County
OOGM Well Permit 36808

Dear Ms. Clements:

VIOLATION NOTICE

Staff from the Michigan Department of Environmental Quality (MDEQ) Air Quality Division (AQD) and Office of Oil, Gas and Minerals (OOGM) reviewed existing OOGM data to determine your facility's compliance with the requirements of the federal Clean Air Act as well as Part 55, Air Pollution Control, and Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (Act 451). Subsequently, on November 19, 2013, AQD and OOGM staff visited your Lozo 1-34 crude oil production facility located at NE1/4, NE1/4, Sec 34, T15N R4E, in Kawkawlin, Michigan.

During the data review and resulting site visit, staff determined the following:

Process Description	AQD Rule/Permit Condition Violated	Comments
Lozo 1-34 crude oil production facility	R336.1201 (Rule 201)	Based upon existing OOGM data, an air use permit to install (PTI) is required.
	R336.1403 (Rule 403)	A flare pilot light or automatic ignition system is not present.

Process Description	OOGM Rule Violated	Comments
Lozo 1-34 crude oil production facility	R324.1002 (Rule 1002) R324.1006 (Rule 1006)	Contaminated material inside dike.
	R324.1002 (Rule 1002) R324.1006 (Rule 1006)	Oily soil by flare.
	R324.701 (Rule 701)	Loadout containment full and nonfunctional.
	R324.1012 (Rule 1012)	Well I.D. on ground, needs to be reposted.

We recognize the wells' condition and operation may have changed since the last data was submitted. Current conditions may result in different requirements. However, without updated data, the old data must be the guide in determining applicable AQD and OOGM regulations. Therefore, OOGM R324.1105(6) (Rule 1105) comes into play. The rule requires recent H2S concentration and gas volume information to be performed and submitted when requested. The request is now being made so MDEQ staff can observe the testing to ensure accurate information is obtained.

A schedule should be submitted for conducting appropriate testing of produced gas flow and concentration for subsequent use in air permitting activities. Please submit a written response to this Violation Notice by January 3, 2014.

Also, the AQD has not received a PTI application for the Lozo 1-34 crude oil production facility in violation of Rule 201. Once appropriate H2S concentrations and gas volume testing results are obtained, the necessity of an air use permit will be reviewed. If the review indicates an air use permit is still required then an administratively complete air use permit application should be filed with the MDEQ-AQD.

An application form is available by request, or at the following website:

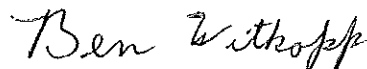
http://www.deq.state.mi.us/aps/nsr_information.shtml#AUP

Be advised that Rule 201 requires that a permit be obtained prior to installation, construction, operation, reconstruction, relocation, or alteration of any process or process equipment which may be a source of an air contaminant.

If the Aaron Elek III Estate believes the above observations or statements are inaccurate or do not constitute violations of the applicable legal requirements cited, please provide appropriate factual information to explain your position.

Thank you for your attention to resolving the violations cited above. If you have any questions regarding the violations or the actions necessary to bring this facility into compliance, please call me at the number listed below.

Sincerely,



Ben Witkopp
Environmental Engineer
Air Quality Division
989-894-6219

baw/ajl

cc/via email: Ms. Teresa Seidel, DEQ
Mr. Thomas Hess, DEQ
Mr. Chris Hare, DEQ
Ms. Vicki Barnard, DEQ