

Keith Gulle



# Office of the Attorney General

Governor  
Dave Freudenthal

Water and Natural Resources Division  
123 State Capitol  
Cheyenne, Wyoming 82002  
307-777-6946 Telephone  
307-777-3542 Fax

Chief Deputy Attorney General  
Elizabeth C. Gagen

Attorney General  
Bruce A. Salzburg

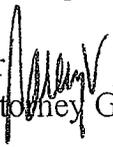
Division Deputy  
Jay A. Jerde

## ROUTING MEMO

TO: AQD file

THROUGH: Dave Finley  
Administrator

Bob Gill   
Compliance Program Manager

FROM: Nancy Vehr   
Sr. Asst. Attorney General

DATE: 11/29/07

RE: *In re DEQ NOV Docket Nos. 4018-07 and 4028-07 issued to Devon Energy  
Production Company, LP*

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Attached for the DEQ/AQD file is one original copy of the Settlement Agreement and a copy of the \$25,000.00 stipulated cash settlement check.

I have also sent EPA a copy of the Settlement Agreement.

I am closing my file on this matter. Please call me if you have any questions (7580).

CHECKS001003299959863

Devon Energy Production Company, L.P.  
20 N. Broadway  
Oklahoma City, OK 73102-8260  
PH: 405-228-4800

DATE 11/27/07

435471

NO. 0001691914

YOUR REFERENCE	OUR REFERENCE		NET AMOUNT
REQ000000000000008532	07/11/276511	SETTLMNT AGMNT YLLW PNT 11-1	25000.00
TOTAL AMOUNT			25000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

ANTI-FRAUD PROTECTION PATENTS 6,197,765/30

*devon*

Devon Energy Production Company, L.P.  
20 N. Broadway  
Oklahoma City, OK 73102-8260

Bank of America  
Bank of America Customer Connection  
Bank of America, N.A.  
Atlanta, DeKalb County, Georgia

64-1278  
611

11/27/07

VENDOR NO. 435471

NO. 0001691914

Original Payee: WYOMING DEPT OF ENVIRONMENTAL

PAY ONLY **25000000** CTSCS

PAY THIS AMOUNT

\*\*\*\*\*\$25,000.00

PAY **WYOMING DEPT OF ENVIRONMENTAL**  
TO THE QUALITY - AIR QUALITY DIVISION  
ORDER 122 WEST 25TH STREET  
OF CHEYENNE WY 82002

VOID AFTER 90 DAYS  
ONLY NEGOTIABLE AT FINANCIAL INSTITUTIONS

Void Over \$25,000.00

*[Signature]*  
AUTHORIZED SIGNATURE

THE ORIGINAL DOCUMENT HAS A WHITE REFLECTIVE WATERMARK ON THE BACK. HOLD AT AN ANGLE TO SEE THE MARK WHEN CHECKING THE ENDORSEMENTS.

⑈0001691914⑈ ⑆061112788⑆ 329 995 9892⑈ ⑆000002500000⑆

435471

*devon*

Devon Energy Production Company, L.P.  
20 N. Broadway  
Oklahoma City, OK 73102-8260

WYOMING DEPT OF ENVIRONMENTAL  
QUALITY - AIR QUALITY DIVISION  
122 WEST 25TH STREET  
CHEYENNE WY 82002

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, WY 82002, and Devon Energy Production Company, L.P. (“Devon”), 20 North Broadway, Suite 1500, Oklahoma City, OK 73102, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4018-07 and 4028-07 (“NOVs”). As more fully set forth below, the NOVs generally alleged that Devon failed to comply with permit conditions for the control of vapor emissions from condensate tanks and dehydration units at the Yellow Point 11-1 PAD and the Yellow Point 9-1-28-109 PAD facilities (“Facilities”) located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (“Act”), applicable Wyoming Air Quality Standards and Regulations (“WAQSR”) and DEQ/AQD permit nos. CT-4275 and CT-4270.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2007) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Devon and the DEQ/AQD hereby stipulate and agree as follows:

1. Devon is an Oklahoma Limited Partnership that owns and/or operates various gas production wells and facilities.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permits CT-4270 and CT-4275.
3. WYO. STAT. ANN. § 35-11-801(a) states: “In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards.”
4. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
5. NOV No. 4018-07. On or about May 10, 2006, the DEQ/AQD issued permit no. CT-4275 to Devon for the production unit at the Yellow Point 11-1 PAD facility located in Sublette County, Wyoming. Condition no. 10(B) of permit no. CT-4275 required vapors from any dehydration units be routed to an emission control device (combustion device). On January 8, 2007, DEQ/AQD inspector Ms. Jennifer Frazier observed visible emissions from a dehydration unit. The DEQ/AQD alleges Devon’s failure to route vapors from one of the dehydration units to the combustion device violated the Act, the WAQSR, and permit no. CT-4275. Devon’s April 30, 2007 letter

indicated all ancillary piping, fittings and valves were checked for leaks on April 11, 2007 and no leaks were reported from this equipment in the study results.

6. NOV No. 4028-07. On or about May 10, 2006, the DEQ/AQD issued permit no. CT-4270 to Devon for the production unit at the Yellow Point 9-1-28-109 PAD facility located in Sublette County, Wyoming. Condition no. 10(A) of permit no. CT-4270 required vapors from hydrocarbon liquid storage tanks and pressure vessels be routed to an emission control device (combustion device). On January 2, 2007, DEQ/AQD inspector Ms. Jennifer Frazier observed one of the Enardo valves propped open with a bolt. The DEQ/AQD alleged Devon's failure to route vapors from the condensate tank to a combustion device violated the Act, the WAQSR and permit no. CT-4270. However, after reviewing the Enardo valve issue further, the DEQ/AQD determined that it may be possible for the valve to operate in this manner without leaking and emissions were not observed from the Enardo valve during the January 2, 2007 inspection.

7. DEQ/AQD and Devon agree that to resolve the alleged violations described above and more fully set forth in the NOV's in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), Devon will pay the DEQ/AQD twenty five thousand dollars and no cents (\$25,000.00) as a stipulated cash settlement. Devon shall pay the stipulated cash settlement by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Devon has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Devon shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

8. Based on concerns with the effectiveness of the Volatile Organic Compound (VOC) control systems for production facilities in the Jonah/Pinedale area, the DEQ/AQD and operators in the Jonah/Pinedale area embarked on an effort to evaluate and correct problems which were observed in the field by DEQ/AQD inspectors. Such problems included leaking Enardo valves, leaking thief hatches, leaking piping connections, and inoperable combustors. Operators were to develop a plan addressing these problems which included an evaluation of deficiencies observed during field inspections (a root cause analysis), a schedule to correct any deficiencies found during the evaluation, and a requirement to inspect all their existing facilities and demonstrate that the control systems at these existing facilities were functioning correctly. Devon has represented to the DEQ/AQD that all necessary review and corrective actions have been completed and Devon's VOC collection and control systems at the Jonah/Pinedale production sites are operating correctly and in compliance with all permit requirements.

9. Devon, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of liability or fault.

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Devon based on NOV Docket Nos. 4018-07 and 4028-07 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Devon for these particular violations.

11. Devon waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket Nos. 4018-07 and 4028-07 in the event that Devon fails to fulfill its obligations under this Agreement.

12. This Agreement shall be admissible by either Devon or DEQ/AQD (hereinafter Devon and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party only in an action between these Parties relating to the violations alleged herein; provided, however, that nothing herein constitutes an admission by Devon of liability or fault.

13. Neither Party hereto shall have any claim against the other for attorneys' fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of this Agreement. Each Party shall bear its own attorney fees and costs, if any, incurred through the date this Agreement is signed by both Parties. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend or indemnify the other.

14. Any changes, modifications, revisions or amendments to this Agreement which are mutually agreed upon by the Parties shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

15. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the Parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

16. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

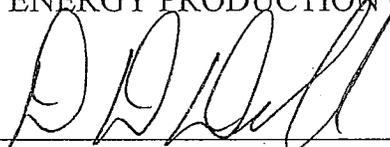
17. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to WYO. STAT. ANN. § 1-39-104(a) and all other state law.

18. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, and shall inure solely to the benefit of the Parties to this Agreement. The Parties to this Agreement intend and expressly agree that only Parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

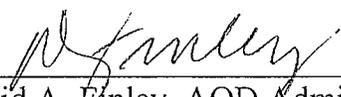
19. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

DEVON ENERGY PRODUCTION COMPANY, L.P.

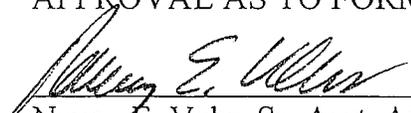
By:  10/26/07  
Don DeCarlo, V.P. and General Manager Date  
Western Division

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By:  11/7/07  
David A. Binley, AQD Administrator Date

By:  11/11/07  
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 10/25/2007  
Nancy E. Vehr, Sr. Asst. Attorney General Date  
Attorney for DEQ/AQD