

Keith Sulle

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and BP America Production Company (“BP”), 501 Westlake Park Blvd, Houston, TX 77079, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violation cited in DEQ Notice of Violation Docket No. 4167-07 (“NOV”). The NOV alleges that BP failed to obtain a DEQ/AQD construction permit prior to constructing the Chain Lakes 29-1 wet gas/condensate production facility (“Facility”) located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act (“Act”) and applicable Wyoming Air Quality Standards and Regulations (“WAQSR”).

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

1. The DEQ/AQD is responsible for enforcing the Act and the WAQSR.
2. WYO. STAT. ANN. § 35-11-801(c) states: “A permit to construct is required before construction or modification of any industrial facility capable of causing or increasing air or water pollution in excess of standards established by the department is commenced.”
3. 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.
4. Chapter 6, Section 2(a)(i) of the WAQSR states: “Any person who plans to construct any new facility or source, modify any existing facility or source, or to engage in the use of which may cause the issuance of or an increase in the issuance of air contaminants into the air of this state shall obtain a construction permit from the State of Wyoming, Department of Environmental Quality before any actual work is begun on the facility.”
5. The DEQ/AQD issued WAQSR Ch. 6 § 2 permitting guidance for Oil and Gas Production Facilities (“Guidance”) in June, 1997 with subsequent revisions in November 1998, January 2000, August 2001, July 2004, and August 2007. The Guidance indicates what DEQ/AQD accepts as meeting the intent of Wyoming’s regulatory requirement to obtain a construction permit prior to the construction or operation of new air emission sources. Pursuant to this Guidance, a facility is required to submit a complete “Notice of Installation” within 40 days of the first date of production, comply with the “presumptive BACT [Best Available Control Technology]” (install

storage tank controls within 120 days of the first date of production and/or install dehydration unit controls within 45 days of the first date of production and before "major source" levels are emitted), and submit a complete WAQSR Ch. 6, § 2 construction permit application within 180 days of the first date of production. The Guidance states that during the permitting process, facilities cannot emit regulated air pollutants at rates which equal or exceed major source levels.

6. The DEQ/AQD's file review indicated that BP constructed and began operating the Facility on March 31, 2007, but failed to control emissions of volatile organic compounds ("VOC") from the Facility to less than major source levels.

7. The DEQ/AQD and BP agree that BP will pay the DEQ/AQD seven thousand dollars and no cents (\$7,000.00) as a stipulated cash penalty to resolve this alleged violation in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii). BP, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of fault. BP shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty days after BP has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. BP shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

8. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against BP based on NOV Docket No. 4167-07, and solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against BP for this particular alleged violation.

9. BP waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket No. 4167-07 in the event that BP fails to fulfill its obligations under this Agreement.

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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

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17. 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:

BP AMERICA PRODUCTION COMPANY:

By: Patrick Cooke 9 Apr 08
Patrick Cooke, Asset Manager Date
Western Wyoming Overthrust

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: David A. Finley 4/16/08
David A. Finley, AQD Administrator Date

By: John Corra 4/23/08
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

Nancy E. Vehr 4/1/2008
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD