

## 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 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 violations cited in DEQ Notices of Violations Docket Nos. 4322-08, 4323-08, and 4327-08 (“NOVs”). As more fully set forth below, the NOVs generally alleged that BP vented portions of the total vapors from Enardo valves, thief hatches and dehydration unit and not routed these vapors from the condensate tanks and the dehydration unit to the combustion devices at the Cabrito 9-25 PAD, Corona 70-31 PAD, and Cabrito 3-31 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. MD-1409, CT-6741A, and CT-1708.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2008) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, BP and the DEQ/AQD hereby stipulate and agree as follows:

1. BP is a Delaware corporation 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 Permit Nos. MD-1409, CT-6741A, and CT-1708.

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. 4322-08**

A. On or about July 25, 2006, the DEQ/AQD issued Permit MD-1409 to BP for the Cabrito 9-25 PAD facility (“Cabrito 9-25 PAD Facility”) located in Sublette County, Wyoming.

B. Condition 13 of Permit MD-1409 requires control of tank vent vapors and dehydration unit vent vapors via emission control systems or devices.

C. Condition 14 of Permit MD-1409 requires emission control devices installed pursuant to Condition 13, be maintained and operated as effective viable emission control devices during all periods of active well site operation.

D. On March 24, 2008, DEQ/AQD Engineer/Inspector Ms. Jennifer Frazier observed a portion of the Cabrito 9-25 PAD Facility's total vapors venting from two thief hatches and the dehydration unit and not being routed from the condensate tanks and the dehydration unit to the combustion device.

E. On July 28, 2008, the DEQ/AQD issued NOV No. 4322-08 to BP alleging that venting vapors from the thief hatches and the dehydration unit and not routing such vapors to the combustion device violated the Act, the WAQSR, and Permit MD-1409.

**6. NOV No. 4323-08**

A. On or about February 25, 2008, the DEQ/AQD issued Permit CT-6741A to BP for the Corona 70-31 PAD facility ("Corona 70-31 PAD Facility") located in Sublette County, Wyoming.

B. Condition 12 of Permit CT-6741A requires control of tank vent vapors via emission control systems or devices.

C. Condition 13 of Permit CT-6741A requires emission control devices installed pursuant to Condition 12 to control emissions.

D. On March 25, 2008, DEQ/AQD Engineer/Inspector Ms. Jennifer Frazier observed a portion of the Corona 70-31 PAD Facility's total vapors venting from an Enardo valve and not being routed from the condensate tanks to the combustion device.

E. On July 28, 2008, the DEQ/AQD issued NOV No. 4323-08 to BP alleging that venting vapors from the Enardo valve and not routing such vapors to the combustion device violated the Act, the WAQSR, and Permit CT-6741A.

**7. NOV No. 4327-08**

A. On or about February 8, 2000, the DEQ/AQD issued Permit CT-1708 to Amoco Production Company and subsequently on March 25, 2008, to BP for the Cabrito 3-31 facility ("Cabrito 3-31 Facility") located in Sublette County, Wyoming.

B. Condition 5 of Permit CT-1708 required VOC emissions from the 400-barrel condensate storage tanks to be controlled by a smokeless combustion device.

C. On March 25, 2008, DEQ/AQD Engineer/Inspector Ms. Jennifer Frazier observed a portion of the Cabrito 3-31 Facility's total vapors venting from two thief hatches and not being routed from the condensate tanks to the combustion device.

D. On July 28, 2008, the DEQ/AQD issued NOV 4327-08 to BP alleging that venting vapors from the thief hatches and not routing such vapors to the combustion device violated the Act, the WAQSR, and Permit CT-1708.

8. In lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), the DEQ/AQD and BP agree that BP will pay the DEQ/AQD twenty thousand dollars and no cents (\$20,000.00) as a stipulated cash penalty to resolve the violations alleged above and in the NOVs. 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.

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

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against BP based on NOV Docket Nos. 4322-08, 4323-08, and 4327-08, and solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against BP for these particular alleged violations.

11. BP waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in the NOVs in the event that BP fails to fulfill its obligations under this Agreement.

12. 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.

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 five (5) 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.

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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.

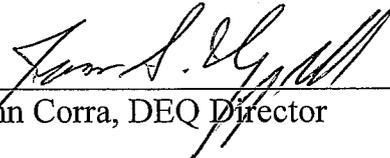
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement.

BP AMERICA PRODUCTION COMPANY:

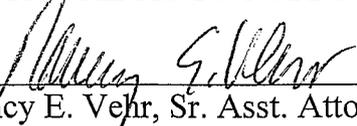
By:  1/7/09  
Robert J. Button Date  
Vice-President Wyoming Performance Unit  
North American Strategic Gas Performance Unit

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  1/16/09  
David A. Finley, AQD Administrator Date

By:  1/12/09  
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 12/15/08  
Nancy E. Vehr, Sr. Asst. Attorney General Date  
Attorney for DEQ/AQD