

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Bear Paw Energy, LLC, a Delaware Limited Liability Company ("Bear Paw") and wholly owned by ONEOK Partners, L.P., 100 West Fifth St., Tulsa, OK 74103, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation DEQ Notices of Violation Docket Nos. 4074-07, 4075-07, 4077-07, 4078-07, 4079-07, 4080-07, 4081-07, 4082-07, 4083-07, 4084-07, 4087-07, and 4142-07 ("NOVs"), and an additional alleged violation discovered during settlement negotiations ("Additional Alleged Violation"), alleging violations of the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR"), and certain permit conditions as more fully set forth below. Generally, the NOVs allege that Bear Paw failed to obtain an air quality permit modification and failed to comply with certain initial and annual emission testing requirement at various Bear Paw facilities located in Campbell and Sheridan counties, Wyoming.

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

1. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued pursuant to such provisions.
2. 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."
3. WYO. STAT. ANN. § 35-11-801(c) states, "[a] permit to construct is required before the 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."
4. Chapter 6, § 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.
5. Chapter 6, Section 2(a)(i) of the WAQSR states, "[a]ny 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

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Wyoming, Department of Environmental Quality, before any actual work is begun on the facility.”

6. **NOV No. 4074-07.**

A. On or about November 13, 2001, the DEQ/AQD issued Permit CT-2581 to Crestone Midstream Services LLC for the Central Kitty Pod 1 Compressor Station facility (“Central Kitty Pod 1 Facility”) located in Campbell County, Wyoming. On or about May 21, 2003, Crestone Midstream Services LLC transferred ownership of the Central Kitty Pod 1 Facility to Bear Paw.

B. Condition No. 11 of Permit CT-2581 requires annual NO_x and CO emission testing of each engine to verify compliance with the permit limits.

C. NOV No. 4074-07 alleges in part that the DEQ/AQD did not receive annual NO_x and CO emission test results for a Caterpillar G3408TA engine (EPN-2, s/n: 6NB0-2289) at the Central Kitty Pod 1 Facility for the year 2005.

D. On or about November 13, 2001, the DEQ/AQD issued Permit CT-2582 to Crestone Midstream Services LLC for the Central Kitty Pod 2 Compressor Station facility (“Central Kitty Pod 2 Facility”) located in Campbell County, Wyoming. On or about May 21, 2003, Crestone Midstream Services LLC transferred ownership of the Central Kitty Pod 2 Facility to Bear Paw.

E. Condition No. 11 of Permit CT-2582 requires annual NO_x and CO emission testing of each engine to verify compliance with the permit limits.

F. NOV No. 4074-07 alleges in part that the DEQ/AQD did not receive annual NO_x and CO emission test results for a Caterpillar G3408TA engine (EPN-2, s/n: 6NB0-2339) at the Central Kitty Pod 2 Facility for the year 2005.

G. On June 5, 2007, the DEQ/AQD issued NOV No. 4074-07 to Bear Paw alleging that failure to conduct annual engine emission testing at the Central Kitty Pod 1 and 2 Facilities violated the Act, the WAQSR and Permits CT-2581 and CT-2582. Subsequently, Bear Paw provided information to the DEQ/AQD indicating that the Caterpillar G3408TA engine at the Central Kitty Pod 1 Facility had operated less than 14 days in 2005. Therefore, DEQ/AQD has concluded that annual emission testing for that engine was not required for 2005.

7. **NOV No. 4075-07**

A. On or about April 13, 2004, the DEQ/AQD issued Permit CT-3584 to Bear Paw for the Flat Broke Compressor Station facility ("Flat Broke Facility") located in Sheridan County, Wyoming.

B. Condition 11 of Permit CT-3584 limits the number of Caterpillar G3408 engines, E3-E8, at the Flat Broke Facility to a maximum of six.

C. NOV No. 4075-07 alleges in part that Bear Paw installed a seventh 400 Hp Caterpillar G3408 engine at the Flat Broke Facility on March 27, 2007.

D. Condition 8 of Permit CT-3584 requires initial performance tests by no later than ninety (90) days following initial startup.

E. NOV No. 4075-07 alleges in part that Bear Paw started initial operations of one Caterpillar G3408TA engine (Unit 5.2, s/n: 6NB0-2035) on July 20, 2006, but did not conduct the initial performance test until March 23, 2007, and started initial operations of a second Caterpillar G3408 TA engine (Unit 6, s/n: 6NB0-2064) on June 29, 2006, but did not conduct the initial performance test until September 29, 2006.

F. On June 5, 2007, the DEQ/AQD issued NOV No. 4075-07 to Bear Paw alleging that installing a seventh 400 HP Caterpillar G3408 engine and failing to perform initial performance tests on two Caterpillar G3408TA engines at the Flat Broke Facility violated the Act, the WAQSR and Permit CT-3584.

8. **NOV No. 4077-07**

A. On or about October 18, 1999, the DEQ/AQD issued Permit CT-1625 to Enron Capital & Trade Resources Corporation for the Box Draw Pod 3 Compressor Station facility ("Box Draw Pod 3 Facility") located in Campbell County, Wyoming. On or about August 1, 2001, Bear Paw acquired ownership of the Box Draw Pad 3 Facility.

B. Condition 8 of Permit CT-1625 requires annual performance testing.

C. NOV No. 4077-07 alleges in part that Bear Paw did not conduct annual performance testing for a Waukesha H24GL engine (Unit #1, s/n: 12856/1) at the Box Draw Pod 3 Facility for the year 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4077-07 to Bear Paw alleging that failure to conduct annual performance tests on the Waukesha H24GL engine

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at the Box Draw Pod 3 Facility for the year 2005 violated the Act, the WAQSR, and Permit CT-1625. Subsequently, Bear Paw provided information to the DEQ/AQD indicating that Bear Paw had not operated the engine during 2005. Therefore, DEQ/AQD has concluded that annual emission testing for that engine was not required for 2005.

9. **NOV No. 4078-07**

A. On or about March 15, 2000, the DEQ/AQD issued Permit CT-1788 to Enron Capital & Trade Resources Corporation for the Haracz Compressor Station facility ("Haracz Facility") located in Campbell County, Wyoming. On or about August 1, 2001, Bear Paw acquired ownership of the Haracz Facility.

B. Condition 10 of Permit CT-1788 requires annual performance testing

C. NOV No. 4078-07 alleges in part that Bear Paw did not conduct annual performance testing for a Waukesha L7044GSI engine (Unit #1, s/n: 61654/1) at the Haracz Facility for the year 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4078-07 to Bear Paw alleging that failure to conduct annual performance tests on the Waukesha L7044GSI engine at the Haracz Facility for the year 2005 violated the Act, the WAQSR, and Permit CT-1788. Subsequently, Bear Paw provided information to the DEQ/AQD indicating that Bear Paw had not operated the engine during 2005. Therefore, DEQ/AQD has concluded that annual emission testing for that engine was not required for 2005.

10. **NOV No. 4079-07**

A. On or about September 13, 2005, the DEQ/AQD issued Permit CT-4060 to Bear Paw for the House Creek #24 Compressor Station facility ("House Creek #24 Facility") located in Campbell County, Wyoming.

B. Condition 9 of Permit CT-4060 requires initial performance test by no later than ninety (90) days following initial startup.

C. NOV No. 4079-07 alleges that Bear Paw started operation of the two Cummins-KTA19-GC engines (Unit 1, s/n: 37203022 and Unit 2, s/n: 377209079) on April 17, 2006 but did not conduct the initial performance test until December 19, 2006.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4079-07 to Bear Paw alleging that failure to perform initial performance tests on two Cummins-KTA19-GC

engines within ninety (90) days of start up at the House Creek Facility violated the Act, the WAQSR and Permit CT-4060.

11. **NOV No. 4080-07**

A. On or about September 3, 2003, the DEQ/AQD issued Permit CT-3261A to Bear Paw for the Prairie Dog Pod EE Compressor Station facility ("Prairie Dog Pod EE Facility") located in Sheridan County, Wyoming.

B. Condition 7 of Permit CT-3261A requires initial performance test by no later than ninety (90) days following initial startup.

C. NOV No. 4080-07 alleges that Bear Paw started operation of a Caterpillar G3408TA engine (Unit #2, s/n: 6NB0-2112) on September 30, 2004 but did not conduct the initial performance test until March 29, 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4080-07 to Bear Paw alleging that failure to perform initial performance tests on a Caterpillar G3408TA engine within ninety (90) days of start up at the Prairie Dog Pod EE Facility violated the Act, the WAQSR and Permit CT-3261A.

12. **NOV No. 4081-07**

A. On or about January 17, 2001 the DEQ/AQD issued Permit CT-2185 to Bear Paw for the Prairie Dog Pod I Compressor Station facility ("Prairie Dog Pod I Facility") located in Sheridan County, Wyoming.

B. Condition 7 of Permit CT-2185 requires an initial performance test by no later than ninety (90) days following initial startup.

C. NOV No. 4081-07 alleges that Bear Paw started operation of a Caterpillar G3408TA engine (EPN-4, s/n: 6NB0-2064) on October 26, 2004, but did not conduct the initial performance test until August 19, 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4081-07 to Bear Paw alleging that failure to perform the initial performance test on the Caterpillar G3408TA engine within ninety (90) days of start up at the Prairie Dog Pod I Facility violated the Act, the WAQSR and Permit CT-2185.

13. **NOV No. 4082-07.**

A. On or about August 26, 2002, the DEQ/AQD issued Permit CT-2186A to Bear Paw for the Prairie Dog Pod J (formerly Station 21) Compressor Station Facility ("Prairie Dog Pod J Facility") located in Sheridan County, Wyoming.

B. Condition No. 10 of Permit CT-2186A requires annual NO_x and CO emission testing of each engine to verify compliance with the permit limits.

C. NOV No. 4082-07 alleges in part that the DEQ/AQD did not receive annual NO_x and CO emission test results for the Caterpillar G3408TA (Unit EPN-1, s/n: 6NB0-2283) and Waukesha F18GL (Unit EPN-2, s/n: 13663/1) engines at the Prairie Dog Pod J Facility for the year 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4082-07 to Bear Paw alleging that failure to conduct annual engine emission testing at the Prairie Dog Pod J Facility violated the Act, the WAQSR and Permit CT-2186A. Subsequently, Bear Paw provided documentation that annual NO_x and CO emission test results had been submitted in a timely fashion to the DEQ/AQD for 2005. Therefore, DEQ/AQD has concluded that Bear Paw did not violate Condition 10 of Permit CT-2186A at the Prairie Dog Pod J Facility for 2005.

14. **NOV No. 4083-07**

A. On or about October 4, 2002, the DEQ/AQD issued Permit CT-2794 to Bear Paw for the Prairie Dog Pod P Compressor Station facility ("Prairie Dog Pod P Facility") located in Sheridan County, Wyoming.

B. Condition 7 of Permit CT-2794 requires an initial performance test by no later than ninety (90) days following initial startup.

C. NOV No. 4083-07 alleges that Bear Paw started operation of a Caterpillar G3408 engine (Unit 1-2, s/n: 6NB0-2052) on October 18, 2004, but did not conduct the initial performance test until March 28, 2005.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4083-07 to Bear Paw alleging that failure to perform the initial performance test on the Caterpillar G3408 engine within ninety (90) days of start up at the Prairie Dog Pod P Facility violated the Act, the WAQSR and Permit CT-2794.

15. **NOV No. 4084-07.**

A. On or about January 7, 2003, the DEQ/AQD issued Permit MD-842 to J.M. Huber Corporation for the Stones Throw Main Pod 2 Compressor Station Facility ("Stones Throw Main Pod 2 Facility") located in Campbell County, Wyoming. On or about November 18, 2004, Permit MD-842 was transferred to Bear Paw.

B. Condition No. 11 of Permit MD-842 requires annual NO_x and CO emission testing of each engine to verify compliance with the permit limits.

C. NOV No. 4084-07 alleges that the DEQ/AQD did not receive annual NO_x and CO emission test results for the Caterpillar 3516LE (Unit E2, s/n: 4EK-02352) and 3412LE (Unit 5C-A, s/n: 62M-00314) engines at the Stones Throw Main Pod 2 Facility for the year 2006.

D. On June 5, 2007, the DEQ/AQD issued NOV No. 4084-07 to Bear Paw alleging that failure to conduct annual engine emission testing at the Stones Throw Main Pod 2 Facility violated the Act, the WAQSR and Permit MD-842.

16. **NOV No. 4087-07.**

A. On or about September 19, 2005, the DEQ/AQD issued Permit CT-4061 to Nance Petroleum for the River Compressor Station No. 1 facility ("River Compressor Station No. 1 Facility") located in Campbell County, Wyoming. On or about January 2006, Permit CT-4061 was transferred from Nance Petroleum to Bear Paw.

B. Condition No. 11 of Permit CT-4061 limits the engine configuration for the River Compressor Station No. 1 Facility to engines equipped with a catalyst.

C. NOV No. 4087-07 alleges that Bear Paw started operation of a Waukesha H24GL engine (Unit E9, s/n: C-12858/4) on September 6, 2006 without a catalyst being installed until March 6, 2007.

D. Condition 8 of Permit CT-4061 requires initial performance tests by no later than ninety (90) days following initial startup.

E. NOV No. 4087-07 alleges in part that Bear Paw started initial operations of a Waukesha H24GL engine (Unit E9, s/n: C-1285814) on September 6, 2006, but did not conduct the initial performance test until March 22, 2007. Additionally, NOV No. 4087-

07 alleges in part that Bear Paw started initial operations of a Waukesha H24GL engine (Unit E8, s/n: C-1285913) on March 3, 2006, but did not conduct the initial performance test until January 5, 2007.

F. On June 5, 2007, the DEQ/AQD issued NOV No. 4087-07 to Bear Paw alleging that operating a Waukesha H24GL engine (E9) without a catalyst, and failing to timely conduct initial performance tests of two Waukesha H24GL engines (E8 and E9) at the River Compressor Station No. 1 Facility violated the Act, the WAQSR and Permit CT-4061.

17. NOV No. 4142-07

A. On or about May 12, 2005, the DEQ/AQD issued Permit MD-1155 to Bear Paw for the Prairie Dog Booster (Station 9) facility ("Prairie Dog Pod Booster Station 9 Facility") located in Sheridan County, Wyoming.

B. Condition 9 of Permit MD-1155 requires initial performance tests for NO_x and CO emissions using specific EPA Reference Methods for the Waukesha L7044GSI engines by no later than ninety (90) days following initial startup.

C. NOV No. 4142-07 alleges that Bear Paw started operation of a Waukesha L7044GSI engine (Unit 10, s/n: 13742/1) on February 9, 2005 and performed a test using EPA Reference Method 19 but did not conduct the remaining EPA Reference Method tests.

D. On September 10, 2007, the DEQ/AQD issued NOV No. 4142-07 to Bear Paw alleging that failure to perform the required initial performance tests on the Waukesha L7044GSI engine at the Prairie Dog Booster Station 9 Facility violated the Act, the WAQSR and Permit MD-1155. Bear Paw had conducted performance tests using EPA Reference Methods 7E and 10, but not Methods 1-4.

18. Additional Alleged Violation

During the course of settlement negotiations and pursuant to a review of the DEQ/AQD's June 4, 2008 Inspection Report, the DEQ/AQD discovered that Bear Paw failed to timely complete initial performance tests on three engines at the Flat Broke Facility and also failed to timely conduct catalyst pressure drop monitoring of those engines (Unit E1, s/n: 6NB0-1872; Unit E2, s/n: 6NB0-2026); and Unit E3, s/n: 6NB0-2119).

19. DEQ/AQD and Bear Paw agree to resolve the violations alleged in these NOV's and the Additional Alleged Violation in lieu of litigation as follows:

A. Bear Paw agrees to pay the DEQ/AQD, seventeen thousand two hundred fifty dollars and no cents (\$17,250.00) as a stipulated civil penalty ("Stipulated Civil Penalty"). Bear Paw shall make full payment of the Stipulated Civil Penalty by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Bear Paw has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Bear Paw shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In addition to paying the Stipulated Civil Penalty, Bear Paw agrees to complete the following Supplemental Environmental Project ("SEP"):

i. A SEP is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders. This SEP will benefit the environment through activities conducted by the University of Wyoming Environmental Engineering Internship Program (EEIP).

ii. Bear Paw agrees to complete the University of Wyoming Environmental Engineering Internship Program SEP ("UW SEP") by submitting a check made payable to the University of Wyoming in the amount of seventeen thousand two hundred fifty dollars and no cents (\$17,250.00) for the University of Wyoming Environmental Engineering Internship program, Account WYDEQ6867. Bear Paw shall make full payment of the SEP within thirty (30) days after Bear Paw has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Bear Paw shall submit the SEP payment to Christy Rickard, University of Wyoming, Department 3355, Contracts and Grants, Old Main, Laramie, Wyoming 82071. Bear Paw shall provide DEQ/AQD with SEP expenditure documentation within thirty days after completing the SEP.

iii. Bear Paw certifies that as of the date it signed this Settlement Agreement, Bear Paw was not required to perform or develop the UW SEP by any federal, state, or local law or regulation; nor was Bear Paw required to perform or develop the UW SEP pursuant to any other agreement or relief in any other case. Bear Paw further certifies that it has not received and is not negotiation to receive credit for this UW SEP in any other pending action.

iv. In the event that Bear Paw does not complete the SEP according to the dates and amounts set forth above, or does not provide the DEQ/AQD with

adequate SEP expenditure documentation, Bear Paw agrees to pay the DEQ/AQD an additional Stipulated Civil Penalty ("Additional Stipulated Civil Penalty") within ninety days after Bear Paw has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement.

20. Bear Paw, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of fault or noncompliance.

21. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Bear Paw based on NOV Docket Nos. 4074-07, 4075-07, 4077-07, 4078-07, 4079-07, 4080-07, 4081-07, 4082-07, 4083-07, 4084-07, 4087-07, 4142-07, and the Additional Alleged Violation, and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Bear Paw for these particular violations.

22. Bear Paw 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. 4074-07, 4075-07, 4077-07, 4078-07, 4079-07, 4080-07, 4081-07, 4082-07, 4083-07, 4084-07, 4087-07, 4142-07, and the Additional Alleged Violation, in the event that Bear Paw fails to fulfill its obligations under this Agreement.

23. This Agreement shall be admissible by either Bear Paw or the DEQ/AQD (hereinafter Bear Paw and 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.

24. 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.

25. 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.

26. 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.

27. This Agreement, consisting of twelve (12) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

28. 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.

29. 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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30. 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:

BEAR PAW ENERGY LLC:

By: Craig Forsander 12/26/08
Craig Forsander, VP Operations Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

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

By: John Corra 1/19/09
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

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