

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and J-W Operating Company ("J-W"), P.O. Box 12340, Longview, Texas 75607 enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ Notice of Violation Docket No. 4502-09 ("NOV"). The NOV alleges that J-W failed to obtain a construction permit prior to constructing a second compressor engine and a second dehydration unit at its Battle Compressor Site # 2 ("Facility"), located in Sweetwater County, Wyoming, in violation of the Air Quality Act ("Act") and applicable Wyoming Air Quality Standards and Regulations ("WAQSR").

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, J-W and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act and WAQSR.
2. WYO. STAT. ANN. § 35-11-201 states: "No person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the council."
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 of increasing air or water pollution in excess of standards established by the department is commenced."
4. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under DEQ/AQD's construction and modification permitting program.
5. 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 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."
6. Air quality waivers AP-4889 and AP-4896 were issued for the J-W's Facility on or about July 25, 2006. The waivers allowed the construction of the Facility to include one Waukesha compressor engine and one dehydration unit.
7. Both waivers require the DEQ/AQD to be notified by J-W prior to any modification of the Facility.
8. On October 23, 2008, a DEQ/AQD inspector observed that a second compressor engine and a second dehydration unit had been installed at J-W's Facility. The installation of the engine and operation of the dehydration unit are modifications to the Facility requiring J-W to obtain a construction permit from the DEQ/AQD.
9. Based on the October 23, 2008 inspection, the DEQ/AQD determined that J-W failed to obtain a construction permit prior to constructing a second compressor engine and a second dehydration unit at the Facility in

violation of WYO. STAT. ANN. § 35-11-802(c) and Chapter 6, Section 2 of the WAQSR.

10. J-W agrees to pay the DEQ/AQD seven thousand dollars and no cents (\$7,000.00) as a stipulated settlement amount. J-W shall make full payment of the settlement amount by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after J-W has been notified by DEQ/AQD that the final signature has been affixed to the Agreement. J-W shall mail the payment to John S. Burbridge, Senior Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

11. J-W, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of fault or noncompliance.

12. Full compliance with the signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against J-W based on the NOV and, solely in reliance on the Agreement, the DEQ/AQD will refrain from taking further enforcement action against J-W for that particular violation.

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

14. This Agreement shall be admissible by either J-W or DEQ/AQD (hereinafter J-W 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.

15. Neither Party hereto shall have any claim against the other for attorney's fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of the 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.

16. 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.

17. 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.

18. This Agreement, consisting of three (3) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

19. 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.

20. 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 the 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 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.

21. 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.

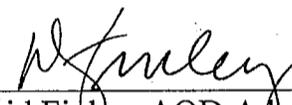
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

J-W OPERATING COMPANY

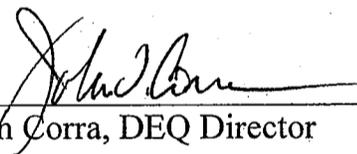
By: 
VICE PRESIDENT

8/18/09
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

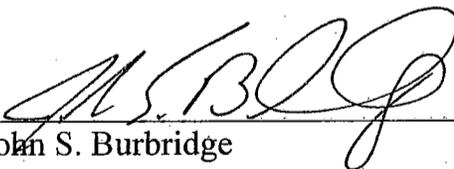
By: 
David Finley, AQD Administrator

8/21/09
Date

By: 
John Corra, DEQ Director

8/31/09
Date

APPRVAL AS TO FORM:

By: 
John S. Burbridge
Senior Assistant Attorney General
Attorney for DEQ/AQD

8.31.09
Date