

Keith Gulle

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BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE)
NOTICE OF VIOLATION ISSUED)
TO QUESTAR EXPLORATION & PRODUCTION CO.,) No. 4533-09
MR. CRAIG BROWN, GENERAL MANAGER EHS,)
1050 17th STREET, SUITE 500,)
DENVER, COLORADO 80265)

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Questar Exploration & Production Co. ("Questar"), 1050 17th Street, Suite 500, Denver, Colorado 80265 enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ/AQD Notice of Violation Docket No. 4533-09 ("NOV"). The NOV alleges that Questar failed to timely obtain construction permits prior to operating the following wet gas/condensate production facilities: Mesa 12-16 PAD, Mesa 10-16 PAD, Mesa 16-16 PAD, Mesa 3-17 PAD, Mesa 7-17 PAD, Mesa 8-17 PAD, Mesa 3 PAD, Mesa 9-16 PAD, Stewart Point 7-20 PAD, Stewart Point 2-20 PAD, Stewart Point 5-17 PAD, Stewart Point 6-32 PAD, Stewart Point 5-20 PAD, Stewart Point 1-30 PAD, Stewart Point 10-18 PAD, Stewart Point 9-33 PAD located in Sublette County, Haley Federal 4-4, Clifton Federal 28-4, Lansdale Federal 4-4, Bruff 12, and Clifton 34-4 and the Bruff 20 located in Uinta County, the Hagood 12-3, Canyon Creek 16C-9J, Canyon Creek 4, Canyon Creek 5, Canyon Creek 22, Canyon Creek 27, Canyon Creek 9, Canyon Creek 32, Canyon Creek 8, Leucite Hills Unit 4, Trail Unit 7A-3J, Trail Unit 3C-10J, Canyon Creek 26 (VW Hill 26), Canyon Creek 10, Trail Unit 17, Newberger 6, Red Lakes South 12-13 (RLS 12-3), Red Lakes South 12-17 (RLS 12-3), Red Lakes South 8-2 and Mountain Fuels 10-3 located in Sweetwater County, the Baldy Butte State 1-36, Blue Gap 12-9 and Baldy Butte State 16-36 located in Carbon County and the Reynard 12 located in Lincoln 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, Questar 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. § 35-11-801(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."
3. 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.
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

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

5. A DEQ/AQD review of Questar’s permit applications for the above listed facilities showed that Questar submitted permit applications for these facilities from approximately two months to nine months past the permit application due dates. By failing to provide timely permit applications, Questar has not complied with the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance and is in direct violation of the construction permitting requirements of Chapter 6, Section 2(a)(i) of the WAQSR.

6. Questar’s alleged violations consist of the failure to obtain construction permits prior to constructing and operating its wet gas/condensate production facilities as follows: Mesa 12-16 PAD, Mesa 10-16 PAD, Mesa 16-16 PAD, Mesa 3-17 PAD, Mesa 7-17 PAD, Mesa 8-17 PAD, Mesa 3 PAD, Mesa 9-16 PAD, Stewart Point 7-20 PAD, Stewart Point 2-20 PAD, Stewart Point 5-17 PAD, Stewart Point 6-32 PAD, Stewart Point 5-20 PAD, Stewart Point 1-30 PAD, Stewart Point 10-18 PAD, Stewart Point 9-33 PAD located in Sublette County, Haley Federal 4-4, Clifton Federal 28-4, Lansdale Federal 4-4, Bruff 12, and Clifton 34-4 and the Bruff 20 located in Uinta County, the Hagood 12-3, Canyon Creek 16C-9J, Canyon Creek 4, Canyon Creek 5, Canyon Creek 22, Canyon Creek 27, Canyon Creek 9, Canyon Creek 32, Canyon Creek 8, Leucite Hills Unit 4, Trail Unit 7A-3J, Trail Unit 3C-10J, Canyon Creek 26 (VW Hill 26), Canyon Creek 10, Trail Unit 17, Newberger 6, Red Lakes South 12-13 (RLS 12-3), Red Lakes South 12-17 (RLS 12-3), Red Lakes South 8-2 and Mountain Fuels 10-3 located in Sweetwater County, the Baldy Butte State 1-36, Blue Gap 12-9 and Baldy Butte State 16-36 located in Carbon County and the Reynard 12 located in Lincoln County, Wyoming, in violation of WYO. STAT. ANN. § 35-11-801(c) and Chapter 6, Section 2(a)(i) of the WAQSR.

7. DEQ/AQD and Questar agree that the total stipulated settlement amount to resolve the violations alleged in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii) is thirty-three thousand dollars and no cents (\$33,000.00) payable as follows:

A. In lieu of paying the thirty-three thousand dollars and no cents (\$33,000.00) to the DEQ/AQD, Questar agrees to complete the following Supplemental Environmental Project (“SEP”):

i. Questar agrees to contribute thirty three thousand dollars and no cents (\$33,000.00) to the University of Wyoming intern program by within thirty (30) days after Questar has been notified by DEQ/AQD that the final signature has been affixed to the Agreement unless Questar and the DEQ/AQD mutually agree to an extension of time.

ii. Questar shall provide proof of the contribution to the DEQ/AQD, to: Attn: Mr. Robert Gill, 122 West 25th Street, Cheyenne, WY 82002 within thirty (30) days after the completion of the SEP. The DEQ/AQD and Questar agree that if Questar does not complete the SEP by the SEP deadline, then Questar will pay the DEQ/AQD the full settlement amount of thirty three thousand dollars and no cents (\$33,000.00) by the SEP Completion Report deadline.

iii. Questar hereby certifies that as of the date it signs this Agreement, Questar is not required to perform or develop the SEP

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by any federal, state or local law or regulation; nor is Questar required to perform or develop the SEP pursuant to any other agreement or relief in any other case. Questar further certifies that it has not received and is not presently negotiating to receive credit for the SEP in any other pending action.

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

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

10. Questar 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 Questar fails to fulfill its obligations under this Agreement.

11. This Agreement shall be admissible by either Questar or DEQ/AQD (hereinafter Questar 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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

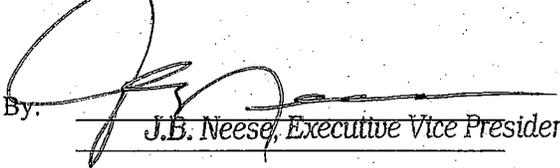
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Agreement shall have legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

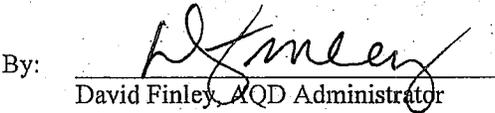
18. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

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:

QUESTAR EXPLORATION & PRODUCTION CO.

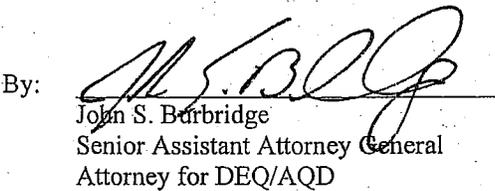
By:  J.B. Neese, Executive Vice President 1/28/10
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  David Finley, AQD Administrator 2/18/2010
Date

By:  John Corra, DEQ Director 2/2/10
Date

APPROVAL AS TO FORM:

By:  John S. Barbridge 2-2-10
Senior Assistant Attorney General
Attorney for DEQ/AQD
Date

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