

## 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 Sinclair Wyoming Refining Company (“SWRC”), P.O. Box 277, Sinclair, WY 82334, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4635-10 (“NOV”). As more fully set forth below, the NOV alleges that over a 13.75 hour period of time on May 26, 2009, SWRC released approximately 1,080 pounds of hydrogen sulfide from the #1 Sulfur Recovery Unit (“SRU”) at SWRC’s Refinery Facility (“Facility”) located in Carbon County, Wyoming, without having first obtained a permit for the release, thereby violating the Wyoming Environmental Quality Act (“Act”) and Chapter 6, Section 2(a)(i) of the Wyoming Air Quality Standards and Regulations (“WAQSR”).

WYO. STAT. ANN. § 35-11-901(a)(ii)(West 2009) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, SWRC and the DEQ/AQD hereby stipulate and agree as follows:

1. SWRC is a Wyoming corporation that owns and operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act and the WAQSR.
3. 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.”
4. 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 [environmental quality] council.”
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 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 .”

6. Based on a review of various information provided by SWRC, the DEQ/AQD determined SWRC released 1080 pounds of hydrogen sulfide due to the improper operation of the #2 SRU incinerator (also referred to as the #2 SRU by-pass incinerator). On February 10, 2010, the DEQ/AQD issued the NOV to SWRC alleging SWRC's unpermitted release of approximately 1,080 pounds of hydrogen sulfide over a 13.75 hour period of time on May 26, 2009, caused an increase in the issuance of air contaminants into Wyoming's air, thereby violating the Act and the WAQSR.

7. DEQ/AQD and SWRC agree that to resolve the alleged violations, described above and more fully set forth in the NOV, in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), SWRC will pay the DEQ/AQD ten thousand dollars and no cents (\$10,000.00) as a stipulated civil penalty. SWRC shall pay the stipulated civil penalty by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after SWRC has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. SWRC shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

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

9. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against SWRC based on NOV Docket No. 4635-10 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against SWRC for these particular violations.

10. In the event that SWRC fails to fulfill its obligations under this Agreement, SWRC waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the allegations in the NOV.

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

12. 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.

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.

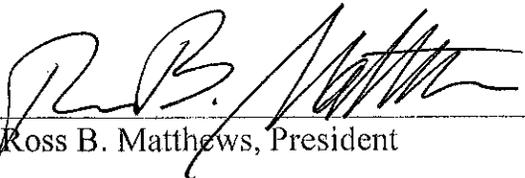
17. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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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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.

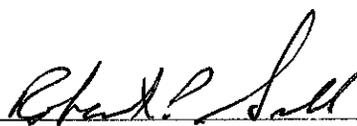
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

SINCLAIR WYOMING REFINING COMPANY:

   
\_\_\_\_\_  
Ross B. Matthews, President

6/11/10  
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

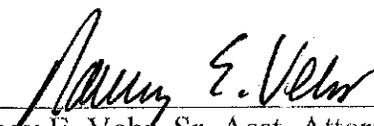
  
\_\_\_\_\_  
Chad P. Sall, AQD Administrator

6/9/10  
Date

  
\_\_\_\_\_  
John Corra, DEQ Director

6/11/10  
Date

APPROVAL AS TO FORM:

  
\_\_\_\_\_  
Nancy E. Vehr, Sr. Asst. Attorney General  
Attorney for DEQ/AQD

5/27/2010  
Date