

Office of the Attorney General

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Chief Deputy Attorney General
Elizabeth C. Gagen

Division Deputy
Jay A. Jerde

ROUTING MEMO

TO: AQD file

THROUGH: Steve Dietrich, AQD Administrator *SD*

Bob Gill, Compliance Program Manager *BG*

FROM: Nancy Vehr, Sr. Asst. Attorney General *Nancy V.*

DATE: 11/4/10

RE: *In re NOV issued to Western Gas Resources, Inc. - DEQ DN 4733-10*

Attached for the DEQ/AQD file is one original copy of the Settlement Agreement. In accordance with paragraph 8, Western Gas is to submit the stipulated civil penalty to my attention by 12/8/2010.

I have sent EPA a copy of the Settlement Agreement.

I am keeping my file on this matter until Western Gas has submitted the payment. Please call me if you have any questions (7580).

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Western Gas Resources, Inc. P.O. Box 173779, Denver, CO 80217-3779 ("Western Gas"), enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4733-10. The NOV alleges that Western Gas failed to comply with the engine catalyst requirement for a Waukesha L5794GSI engine at the Westwind-Astra Compressor station ("Facility") located in Johnson County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and DEQ/AQD Permit MD-9042.

WYO. STAT. ANN. § 35-11-901(a)(ii)(West 2010) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Western Gas and the DEQ/AQD hereby stipulate and agree as follows:

1. Western Gas is a Delaware corporation that owns and/or operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including DEQ/AQD Permit MD-9042.
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 the DEQ/AQD's construction and modification permitting program.
5. On or about June 23, 2009, the DEQ/AQD issued Permit MD-9042 to Western Gas. Condition No. 12 limited the Facility's engine configuration for E14-E15 to: "Any combination of Caterpillar G3516LE engines equipped with oxidation catalysts or Waukesha L5794GSI engines equipped with AFRC and NSCR catalysts[.]"
6. In a voluntary disclosure letter dated August 12, 2010, Western Gas disclosed that it had operated Waukesha L5794GSI engine (Astra #3, ID E15) for 1,522 hours without a catalyst.

7. On August 30, 2010, the DEQ/AQD issued the NOV to Western Gas alleging that Western Gas operated the Waukesha L5794GSI engine without a catalyst thereby violating Condition No. 12 of DEQ/AQD Permit MD-9042.

8. The DEQ/AQD and Western Gas agree that, in lieu of litigation, Western Gas will pay the DEQ/AQD three thousand five hundred dollars and no cents (\$3,500.00) as a stipulated civil penalty to resolve the alleged violation cited in the NOV. Western Gas shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division within thirty (30) days after Western Gas has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Western Gas shall mail this payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. Western Gas, by entering into this Agreement, neither admits nor denies the validity of any allegation contained in the NOV, nor does Western Gas concede or admit to any liability or fault, and this Agreement constitutes no admission of fault or non-compliance.

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

11. Western Gas 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 Western Gas fails to fulfill its obligations under this Agreement.

12. This Agreement shall be admissible by either Western Gas or DEQ/AQD (hereinafter Western Gas 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 Western Gas 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 four (4) 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 sovereign pursuant to WYO. STAT. ANN. § 1-39-104(a) and all other state law.

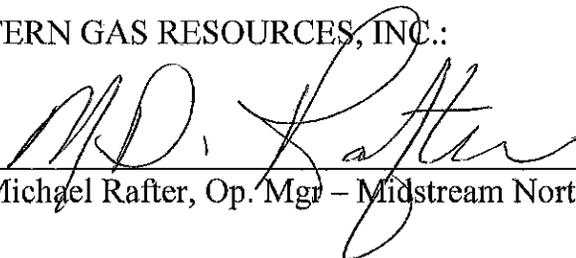
18. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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 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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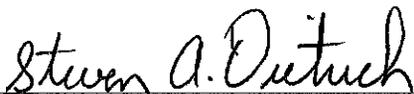
19. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

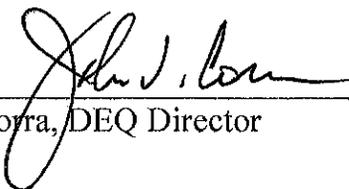
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

WESTERN GAS RESOURCES, INC.:

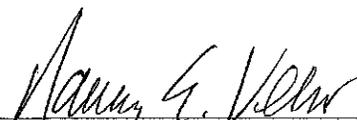
By:  Date: 10/26/10
Michael Rafter, Op. Mgr - Midstream Northern

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  Date: 11-2-10
Steven A. Dietrich, AQD Administrator

By:  Date: 11/2/10
John Corra, DEQ Director

APPROVAL AS TO FORM:

 Date: 10/15/10
Nancy E. Vehr, Sr. Asst. Attorney General
Attorney for/DEQ/AQD