

## 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 BP America Production Company ("BP"), 501 Westlake Park Blvd., Houston, TX 77079, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4741-10 ("NOV"). As more fully set forth below, the NOV generally alleged that BP failed to comply with permit requirements for controlling VOC emissions and routing condensate tank vapors to combustion devices at the Coal Bank 17-1,2,3,4 PAD, Coal Bank 21-3,4,5 PAD and Frewen 19-04 facility ("Facility") located in Carbon and Sweetwater Counties, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR"), and DEQ/AQD Permit Nos. CT-1346, CT-1414, and CT-2935.

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, BP and the DEQ/AQD hereby stipulate and agree as follows:

1. BP 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 Permit Nos. CT-1346, CT-1414, and CT-2935.
3. 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."
4. 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."
5. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.
6. On February 3, 1998, Permit CT-1346 was issued for the Coal Bank 21-3, 4, 5 PAD to Amoco Production Company which changed its name to BP on January 25, 2002. Condition 4 of Permit CT-1346 requires condensate tank VOC emissions to "be controlled by a smokeless combustion chamber until such time that uncontrolled VOC

emissions are below 15 tons per year. Approval from the Division shall be required prior to removing the control device.”

7. On September 23, 1998, Permit CT-1414 was issued for the Coal Bank 17-1, 2, 3, 4 PAD to Amoco Production Company which changed its name to BP on January 25, 2002. Condition 4 of Permit CT-1414 requires condensate storage tank VOC emissions to “be controlled by a smokeless combustion chamber, at least until such time the total amount of uncontrolled VOC emissions from the tanks is below 15 tons per year. Approval from the Division shall be required prior to removing the control device.”

8. On July 30, 2002, Permit CT-2935 was issued for the Frewen 19-04 facility to BP. Condition 5 of Permit CT-2935 requires condensate storage tank vapors “be routed to a smokeless combustion device for 98 percent control of VOC emissions for at least one year following the date of installation of the control device, after which time the control may be removed provided it can be demonstrated that the previous 30-day, uncontrolled, annualized VOC emission rate is less than 30 tons per year. No prior authorization or permit modification is required by the Division for control device removal, however, the applicant must notify the Division of removal date and certify the uncontrolled emission rate, including method of calculation, within 30-days of removal.”

9. In a letter dated August 30, 2010, BP disclosed that it had removed the smokeless combustion chamber from: 1) the Coal Bank 17-1,2,3,4 PAD when it had a 30 day annualized uncontrolled VOC emission rate of 48.04 tons per year; 2) the Coal Bank 21-3,4,5 PAD when it had a 30 day annualized uncontrolled VOC emission rate of 39.84 tons per year; and 3) the Frewen 19-04 facility when it had a 30 day annualized uncontrolled VOC emission rate of 46.04 tons per year.

10. On September 29, 2010, the DEQ/AQD issued the NOV to BP alleging that failing to control VOC emissions and not routing the condensate tank vapors to combustion devices at the Facilities violated the Act, the WAQSR and Permits CT-1346, CT-1414, and CT-2935.

11. In lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), the DEQ/AQD and BP agree that BP will pay the DEQ/AQD twenty five thousand dollars and no cents (\$25,000.00) as a stipulated penalty to resolve the violations alleged above and in the NOV. BP shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after BP has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. BP shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

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

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

14. BP 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 BP fails to fulfill its obligations under this Agreement.

15. This Agreement shall be admissible by either BP or the DEQ/AQD (hereinafter BP and the 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; provided, however, that nothing herein constitutes an admission by BP of liability or fault.

16. Neither Party hereto shall have any claim against the other for attorney 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.

17. 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.

18. 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.

19. 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.

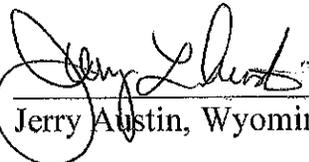
20. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to WYO. STAT. ANN. § 1-39-104(a) and all other state law.

21. 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 and their successors 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.

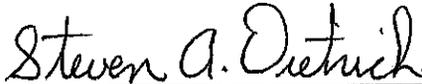
22. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

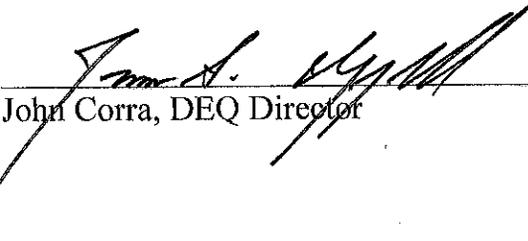
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement.

BP AMERICA PRODUCTION COMPANY:

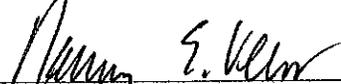
By:  11-30-10  
Jerry Austin, Wyoming Area Operations Manager Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  12-3-10  
Steven A. Dietrich, AQD Administrator Date

By:  12/7/10  
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 11/15/2010  
Nancy E. Vehr, Sr. Asst. Attorney General Date  
Attorney for DEQ/AQD