

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO MOUNTAIN GAS RESOURCES, LLC,) DOCKET NO. 4656-10
ENVIRONMENTAL & REGULATORY SUPERVISOR)
PO BOX 173779, DENVER, CO 80217-3779)

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Mountain Gas Resources, LLC (now known as WGR Operating LP), ("MGR"), PO Box 173779, Denver, Colorado 80217-3779, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ Notice of Violation Docket No. 4656-10 ("NOV"). The NOV alleges that MGR failed to: 1) maintain records of pilot flame monitoring with a thermocouple at the Jonah Compressor Station in violation of both conditions 18 and 20 of permit MD-1557 and, 2) maintain records of pilot flame monitoring with a thermocouple at the Storm Shelter Compressor Station in violation of both conditions 11 and 12 of permit MD-935, (hereinafter collectively referred to as "Facilities"), in Sweetwater and Sublette Counties, Wyoming, in violation of the Air Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and the above listed permits.

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

1. The DEQ/AQD is responsible for enforcing the Act, WAQSR and its permits.

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 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 DEQ/AQD's construction and modification permitting program.

5. Permit MD-1557 was issued to MGR for the Jonah Compressor Station on April 17, 2007, and contains conditions 18 & 20 which require that the presence of a pilot flame be monitored using a thermocouple and continuous recording device or any equivalent device to detect the presence of a flame and that these records be maintained for a period of five years.

6. Permit MD-935 was issued to MGR for the Storm Shelter Compressor Station on September 25, 2003, and contains conditions 11 & 12 which require that the presence of a pilot flame be monitored using a thermocouple and continuous recording device or any equivalent device to detect

the presence of a flame and that these records be maintained for a period of five years.

7. In a voluntary disclosure letter dated September 3, 2009, MGR disclosed that pilot flame data for the Facilities existed with data gaps. Continuous data was being recorded but overwritten on a monthly basis.

8. Failure to monitor the presence of a pilot flame using a thermocouple and continuous monitoring device or any equivalent device and maintain these records for a period of five years are violations of conditions 18 & 20 of permit MD-1557, conditions 11& 12 of permit MD-935, the WAQSR and the Act.

9. MGR agrees to pay the DEQ/AQD fourteen thousand dollars and no cents (\$14,000.00) as a stipulated settlement amount. MGR 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 MGR has been notified by DEQ/AQD that the final signature has been affixed to the Agreement. MGR shall mail the payment to John S. Burbridge, Senior Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

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

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

12. MGR 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 MGR fails to fulfill its obligations under this Agreement.

13. This Agreement shall be admissible by either MGR or DEQ/AQD (hereinafter MGR 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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:

WGR Operating, LP.

By: David J. Owens 5/10/10 (10)
Associate General Counsel Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: [Signature] 5/21/10
A/QD Administrator Date

By: John V. Corra 5/19/10
John V. Corra, DEQ Director Date

APPROVAL AS TO FORM:

By: [Signature] 5.19.10
John S. Burbridge Date
Senior Assistant Attorney General
Attorney for DEQ/AQD