

**BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

**IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO CHEVRON MINING, INC.,) No. 4687-10
MR. JUSTIN D. VINEYARD,)
P.O. BOX 950, KEMMERER, WY 83101)**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler building, 122 West 25th Street, Cheyenne, WY 82002, and Chevron Mining Inc., (Chevron), P.O. Box 950, Kemmerer, Wyoming, 83101 enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the violations cited in DEQ/AQD Notice of Violation Docket No. 4687-10 (“NOV”). The NOV alleges that Chevron failed to adequately operate and maintain its early warning system and control fugitive dust emissions at its Kemmerer Mine located in Lincoln County, Wyoming, in violation of air quality permit MD-7467 and the Environmental Quality Act (“Act”).

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

1. The DEQ/AQD is responsible for enforcing the Act and Wyoming Air Quality Rules and Regulations (“WAQRR”).

2. 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 [the Act] which are not inconsistent with the existing rules, regulations and standards.”

3. Various permits, including Permit No. MD-7467, issued for the Kemmerer Mine require implementation of fugitive dust control measures and installation and operation of an ambient particulate monitoring network.

4. A DEQ/AQD review of Chevron’s ambient particulate monitoring data for the 800-2A Tapered Element Oscillating Microbalance (TEOM) monitoring site associated with the Kemmerer Mine identified that there were two exceedences of the 24-hour PM₁₀ standard at the Kemmerer Mine on May 18, 2009 and December 28, 2009. The final PM₁₀ 24-hour concentration for the 800-2A TEOM on May 18, 2009, was measured at 169.0 µg/m³. The final PM₁₀ 24-hour concentration for the 800-2A TEOM on December 28, 2009, was measured at 186.5 µg/m³. The PM₁₀ 24-hour average concentration limit is 150 µg/m³. Based on a review of this monitoring data and information provided by Chevron, DEQ/AQD alleges that Chevron failed to maintain its early warning system as required by the Air Quality Action Plan incorporated in condition 29 of permit MD-7467.

5. Since these monitored events in 2009, Chevron has purchased new software to insure the proper functioning of the early warning system. In addition, Chevron has taken steps to control dust emissions, including updating its fleet of water trucks in 2010. To address compliance with its obligations to control fugitive dust emissions, Chevron applied 93 million gallons of water and 1774 tons of dust suppressant for dust control in 2010.

6. The DEQ/AQD and Chevron agree that in order to resolve the alleged violations within NOV Docket No. 4687-10 and in paragraph 4 above in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), Chevron shall pay the DEQ/AQD twenty thousand dollars and no cents (\$20,000.00) as a stipulated settlement amount. The stipulated settlement amount has been reduced to five thousand dollars and no cents (\$5,000.00) based on Chevron's completion of the requirements listed in paragraphs 6(a) through 6(d) set forth below. Chevron shall make payment of the \$5,000.00 settlement amount by check made payable to the DEQ/AQD within thirty (30) days after Chevron has been notified that the final signature has been affixed to the Settlement Agreement. Chevron shall mail the payment to Luke J. Esch, Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

(a) Chevron installed a downwind TEOM monitor at the SB-V site which was operational by April 1, 2011.

(b) Chevron replaced the upwind monitor at the SB III site with a TEOM monitor and this monitor was functioning properly by April 1, 2011.

(c) Chevron repaired its Early Warning System so that notification of increases in ambient monitoring levels at or above trigger levels as detailed in the Air Quality Action Plan attached to permit MD-7467 are sent and received by the proper individuals at the time of monitor installation and assure that the Early Warning System is functioning as required by Permit No. MD-7647.

(d) Chevron has updated and re-submitted a Quality Assurance Project Plan to reflect the changes to the monitoring network.

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

8. Full compliance with the signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Chevron alleged in NOV Docket No. 4687-10 and raised in paragraph 4 above, and solely in reliance on the Agreement, the DEQ/AQD will refrain from taking further enforcement action against Chevron for the particular violations set forth in the NOV and paragraph 4 above.

9. Chevron 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 Chevron fails to fulfill its obligations under this Agreement.

10. This Agreement shall be admissible by either Chevron or the DEQ/AQD (hereinafter Chevron 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 the Parties that are a 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.

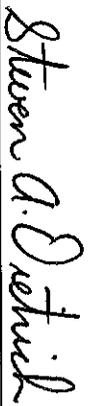
17. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

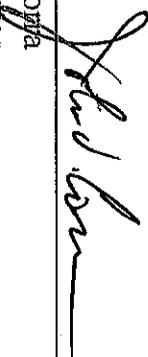
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

CHEVRON MINNING INC.:

By:  Aug 8, 2011
MARK S. PREMIO, PRES. Date

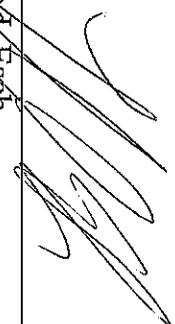
STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  8-18-11
Steven A. Dietrich Date
AQD Administrator

By: 
John V. Corra
DEQ Director

8/19/11
Date

APPROVAL AS TO FORM:

By: 
Luke J. Esch
Assistant Attorney General
Attorney for DEQ/AQD

8/24/11
Date

By: 
Mary A. Thron
Attorney for Chevron Mining Inc.

8-15-11
Date