

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Ultra Resources, Inc. ("Ultra"), 370 Seventeenth Street, Suite 1700, Denver, CO 80202, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4463-09, 4467-09, 4483-09, 4485-09, 4565-09, 4566-09, 4567-09, 4568-09, 4580-09, and 4581-09 ("NOVs"). As more fully set forth below, the NOVs generally allege that Ultra: 1) failed to comply with permit conditions for controlling vapor emissions from condensate and/or storage tanks at the Stud Horse Butte ("SHB") 10-23 PAD facility, SHB 5-23 PAD facility, SHB 11-23 PAD, Warbonnet 3-10 wet gas/condensate well site facility, Warbonnet 6-4 wet gas/condensate facility, Warbonnet 16-4 wet gas/condensate well site facility, Warbonnet 7-3 PAD facility; 2) failed to obtain DEQ/AQD construction permits prior to constructing the Warbonnet 14-5 and Warbonnet 15A1-3 wet gas/condensate production facilities; and 3) failed to control fugitive dust emissions from the Warbonnet 8B-4D and 2D-4D facilities located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR"), and DEQ/AQD Permits MD-5864, MD-1575, MD-1508, CT-4178, CT-4033, CT-4032, and MD-7733.

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

1. Ultra is a Wyoming corporation that owns and/or operates various gas production wells and facilities, including those listed above.

2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including DEQ/AQD Permits MD-5864, MD-1575, MD-1508, CT-4178, CT-4033, CT-4032 and MD-7733.

3. Wyo. Stat. Ann. § 35-11-201 states, "[n]o 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, "[i]n 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. 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.”

6. 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.

7. Chapter 6, Section 2(a)(i) of the WAQSR states, “[a]ny 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.”

8. The DEQ/AQD issued permitting guidance for Chapter 6, Section 2 for Oil and Gas Production Facilities (“Guidance”) in June 1997, with subsequent revisions in November 1998, January 2000, August 2001, a revision specific to Jonah/Pinedale operations in July 2004, and a revision in August 2007. The Guidance indicates what DEQ/AQD accepts as meeting the intent of Wyoming’s regulatory requirement to obtain a construction permit prior to the construction or operation of new air emission sources. For facilities located in the Jonah/Pinedale Anticline Development Area, the August 2007 version of the Guidance requires that a complete DEQ/AQD permit application be filed within 60 days of the first date of production and flashing emissions from all new facilities be controlled upon the first date of production. The Guidance also requires that emissions control equipment, systems or devices, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, must be maintained and operated during any time a well is producing such that emissions are controlled at all times.

9. Chapter 3, Section 2(f) of the WAQSR specifies requirements for fugitive dust control. Chapter 3, Section 2(f)(ii)(A) states, “[a]ny person owning, operation or maintaining a new or existing material storage, handling and/or hauling operation shall minimize fugitive dust from such an operation. Such control measures may include the application of asphalt, oil, water or suitable chemicals on unpaved roads, material stockpiles and other surfaces which can give rise to airborne dusts. Control measures for material handling may also include installation of hoods, fans and fabric filters to enclose and vent dusty materials.”

10. NOV 4463-09. On or about August 21, 2007, the DEQ/AQD issued Permit MD-5864 to Ultra for the SHB 10-23 PAD facility. Condition 10 of Permit MD-5864 states in part that during any time the wells are producing, Ultra shall maintain and operate “emission control equipment, including the VOC [Volatile Organic Compound]

and HAP [Hazardous Air Pollutant] emission control systems or devices, reboiler overheads condenser and all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device . . . such that the emissions are controlled at all times [.]” On November 12, 2008, a DEQ/AQD Engineer/Inspector observed vapor emissions venting from two thief hatches on the condensate storage tanks. On March 17, 2009, the DEQ/AQD issued NOV 4463-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit MD-5864, by failing to maintain and operate emission control systems such that emissions from the condensate storage tanks were controlled at all times when the SHB 10-23 PAD facility wells were producing.

11. NOV 4467-09. On or about May 15, 2007, the DEQ/AQD issued Permit MD-1575 to Ultra for the SHB 5-23 PAD facility. Condition 12(A) of Permit MD-1575 requires the controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels be installed and operational. Condition 13 of Permit MD-1575 states in part that the emission control devices, “shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times.” On November 12, 2008, a DEQ/AQD Engineer/Inspector observed vapor emissions venting from four thief hatches on the condensate storage tanks. On March 26, 2009, the DEQ/AQD issued NOV 4467-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit MD-1575, by failing to route vapors from the condensate storage tanks to the emission control device such that emissions from the condensate storage tanks were controlled at all times when the SHB 5-23 PAD facility wells were producing.

12. NOV 4483-09. On November 19, 2008, a DEQ/AQD Engineer/Inspector observed excessive fugitive dust from three semi trucks pumping a flour-like substance into a reserve pit that did not contain any water at Ultra’s Warbonnet 8B-4D and 2D-4D facilities. The DEQ/AQD Engineer/Inspector did not observe any fugitive dust control measures being implemented. On April 1, 2009, the DEQ/AQD issued NOV 4483-09 to Ultra, alleging that Ultra violated the Act and Chapter 3, Section 2 of the WAQSR by failing to control fugitive dust emissions.

13. NOV 4485-09. On or about December 27, 2006, the DEQ/AQD issued Permit MD-1508 to Ultra for the SHB 11-23 PAD facility. Condition 13(A) of Permit MD-1508 requires the controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels be installed and operational. Condition 14 of Permit MD-1508 states in part that the emission control devices, “shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device.” On November 12, 2008, a DEQ/AQD Engineer/Inspector observed vapor emissions venting from one of the two thief hatches on the hydrocarbon liquid storage tank. On April 7, 2008, the DEQ/AQD issued NOV 4485-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit MD-1508,

by failing to route vapors from the hydrocarbon liquid storage tanks to the emission control device.

14. NOV 4565-09. On or about February 1, 2006, the DEQ/AQD issued Permit CT-4178 to Ultra for the Warbonnet 3-10 wet gas/condensate well site facility. Condition 12(A) of Permit CT-4178 requires the controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels be installed and operational. Condition 13 of Permit CT-4178 states in part that the emission control devices, "shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device." On June 23, 2009, a DEQ/AQD Engineer/Inspector observed an unlatched thief hatch on a condensate tank. On September 25, 2009, the DEQ/AQD issued NOV 4565-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit CT-4178, by failing to route vapors from the condensate tank to the emission control device.

15. NOV 4566-09. On or about August 30, 2005, the DEQ/AQD issued Permit CT-4033 to Ultra for the Warbonnet 6-4 wet gas/condensate facility. Condition 6 of Permit CT-4033 requires vapors from the condensate storage tanks to be routed to a combustion device. On June 23, 2009, a DEQ/AQD Engineer/Inspector observed continuous vapors venting from a thief hatch on the condensate storage tank. On September 25, 2009, the DEQ/AQD issued NOV 4566-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit CT-4033 by venting vapors and not routing vapors from the condensate storage tank to the combustion device.

16. NOV 4567-09. On or about August 30, 2005, the DEQ/AQD issued Permit CT-4032 to Ultra for the Warbonnet 16-4 wet gas/condensate well facility. Condition 12(A) of Permit CT-4032 requires the controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels to be installed and operational. Condition 13 of Permit 4032 states in part that the emission control devices, "shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device." On June 23, 2009, a DEQ/AQD Engineer/Inspector observed leaking vapors venting from 8 thief hatches and 3 Enardo valves on the condensate storage tanks. On September 25, 2009, the DEQ/AQD issued NOV 4567-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit CT-4032 by venting vapors and not routing vapors from the condensate tanks to the combustion device.

17. NOV 4568-09. On or about July 23, 2008, the DEQ/AQD issued Permit MD-7733 to Ultra for the Warbonnet 7-3 PAD wet gas/condensate facility. Condition 13 of Permit MD-7733 requires condensate tank vapors to be routed to a combustion device for at least one year following the date of installation of the combustion device. On June 23, 2009, a DEQ/AQD Engineer/Inspector observed continuous vapors venting from an Enardo valve on the condensate storage tank. On September 25, 2009, the DEQ/AQD

issued NOV 4568-09 to Ultra, alleging that Ultra violated the Act, the WAQSR, and Permit MD-7733 by venting vapors and not routing vapors from the condensate tank to the combustion device.

18. NOV 4580-09. On June 16, 2009, a DEQ/AQD Engineer/Inspector inspected the Warbonnet 14-5 production facility and observed continuous venting from an Enardo valve. DEQ/AQD subsequently determined that Ultra failed to comply with the Guidance or obtain a construction permit prior to constructing and operating the Warbonnet 14-5 production facility.

19. NOV 4581-09. On June 23, 2009, a DEQ/AQD Engineer/Inspector inspected the Warbonnet 15A1-3 well and observed continuous venting from an Enardo valve. DEQ/AQD subsequently determined that Ultra failed to comply with the Guidance or obtain a construction permit prior to constructing and operating the Warbonnet 15A1-3 well.

20. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Ultra agrees to resolve the alleged violations described above and set forth in the associated NOV's as follows:

A. Ultra agrees to pay the DEQ/AQD nineteen thousand two hundred fifty dollars and no cents (\$19,250.00) as a stipulated civil penalty (Stipulated Civil Penalty). Within thirty (30) days after Ultra has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement, Ultra shall make full payment by check made payable to the DEQ/AQD. Ultra shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In addition to paying the Stipulated Civil Penalty, Ultra agrees to implement the Leak Detection and Repair Program attached hereto as Attachment A. Ultra agrees to submit permit modification applications to the DEQ/AQD incorporating this Program for all production equipment at Ultra's Central Gathering Facilities and all single well facility locations within the Pinedale Anticline and Jonah Production areas that exceed eight (8) tons per year fugitive VOC emissions.

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

22. Full compliance with this signed Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against Ultra based on the alleged violations described above and set forth in the associated NOV's and, solely in

reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Ultra for these particular alleged violations.

23. In the event that Ultra fails to fulfill its obligations under this Agreement, Ultra waives any statute of limitation claims which may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the NOV's.

24. This Agreement shall be admissible by either Ultra or the DEQ/AQD (hereinafter Ultra and the 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 specific NOV's herein; provided, however, that nothing herein constitutes an admission by Ultra of liability or fault.

25. 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 liability arising from its own conduct. Neither Party agrees to insure, defend or indemnify the other.

26. 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.

27. 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.

28. This Agreement, consisting of seven (7) pages, and Attachment A, consisting of three (3) pages, represents the entire and integrated agreement with respect to the subject matter of this Agreement between the Parties and supercedes all prior negotiations, representations, and agreements, whether written or oral.

29. 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.

30. 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.

31. Each Party represents that they are authorized to enter 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.

ULTRA RESOURCES, INC.:

By: W.R. Picquet 2/10/12
Print name: William R. Picquet Date
Title: Senior Vice President - Operations CBS

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich 2-17-12
Steven A. Dietrich, AQD Administrator Date

By: John Coira 2/21/12
John Coira, DEQ Director Date

APPROVAL AS TO FORM:

Nancy E. Vehr 2/3/2012
Nancy E. Vehr, Sr. Asst. Atty. Gen. Date
Attorney for DEQ/AQD

Ultra Petroleum

Leak Detection and Repair Program

August 16, 2011

Monitoring Plan

Frequency:

On a semi-annual basis, all production equipment at the Central Gathering Facilities and all single well facility locations that exceed BACT (8 TPY VOC – Fugitive Emissions) will be monitored following the procedure listed in the 'Monitoring Protocol' section of this Plan. The PAPA locations consist of Secs. 8 & 16, T33N, R109W, Secs. 18, 21, 22, 27, 28, 33, 34, 35, T32N, R109W, Secs. 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 23, 24, 25, T31N, R109W, Secs. 7, 18, 19, 28, 30, 31, 32, 33, 34, T31N, R108W, Secs. 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 21, 23, 24, 25, 26, T30N, R108W, and Sec. 30, T30N, R107W. Ultra's Jonah locations consist of Secs. 14, 21, 23, 24, T29N, R108W.

Leak Repair Schedule:

Leaks identified through periodic monitoring will be tagged using a numbered weather resistant tag, documented on a 'Field Inspection' form, and a video recording of what was observed will be made and retained on file. Additionally still photographs of the location of the leak may be taken to assist field personnel in identifying leaking components. All findings (leaks) identified during an inspection with the infrared camera will be communicated to field personnel so that they may be repaired. Large leaks will be immediately communicated to field personnel so that they may be repaired immediately.

For all leaks the following schedule should be followed to repair leaks identified with the infrared camera.

Repair Attempt	Timing
1 st Attempt	A 1 st attempt to repair a leak will be made within 7-days. This will consist of typical basic repairs (i.e., tightening packing, tightening tubing ferrels). After a repair attempt has been made, verification that the leak has been repaired shall consist of observing the component using an IR camera, Gas Alert MCXT (or similar gas detector). Otherwise, visual and/or olfactory inspections shall be conducted to ensure the leak has been repaired. The leak tag may only be removed once repair of the leak has been verified using either an Infrared Camera, Sensit Detector, or Snoop.
2 nd Attempt	If a 1 st attempt is not successful, a 2 nd attempt will be made within 7 days of the 1 st attempt. If the facility must be shut down to repair a leak or if additional time is needed to procure parts or equipment, the leak will be tracked on a delayed repair list. After a repair attempt has been made, verification that the leak has been repaired shall consist of observing the component using an IR camera, Gas Alert MCXT (or similar gas detector). Otherwise, visual and/or olfactory inspections shall be conducted to ensure the leak has been repaired. The leak tag may only be removed once repair of the leak has been verified using either an Infrared Camera, or Gas Alert MCXT.

Delay Repair	<p>If the facility must be shutdown to attempt the repair of a leak or if additional time is needed to procure parts or equipment, or the 2nd repair attempt is not successful, it may be put on a delayed repair list. Repairs will be conducted during the next scheduled shutdown or prior to the next LDAR inspection.</p> <p>Repair verification associated with a delayed repair will follow the same procedure as for a 1st attempt.</p>
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Recordkeeping & Reporting:

The 'Monitoring Documentation' Section of this Plan includes the semi-annual records and documentation associated with the infrared monitoring inspections performed as part of this LDAR program. Each semi-annual inspection will include a brief discussion of the inspections that were performed, any anomalies in the procedure, a list of the facilities included in each LDAR inspection as well as CD's and DVD's that contain the electronic file documentation.

The electronic files include but are not limited to:

- List of facilities included in the inspection
- List of findings and leaks for each inspection
- MS Excel Spreadsheet that details leaks, repairs, delay repairs, and LDAR applicable facilities
- Scanned copies of the Field Surveillance Forms and Repair Tracking Forms
- Electronic files containing infrared inspection videos

Records of semi-annual inspections, repairs and electronic video files will be maintained for a period of five (5) years and can be made available upon request.

Monitoring Protocol

On-Site Procedure:

- Using an infrared imaging camera, a visual inspection of all equipment and facility piping will be conducted. All tanks, piping, equipment and ancillary devices will be observed and the observations recorded.
- Each facility inspected will be documented using the Field Surveillance Form. During each inspection the following information will be recorded:
 - Facility Name, Location, Date, and Time
 - Temperature, Wind Speed, Cloud Cover
 - Observations seen by the Infrared Camera will be documented on field surveillance forms
 - Infrared Camera videos of all equipment and leaks will be recorded
 - Site Security Diagram

- If the Infrared Camera images indicate fugitive leaks (a leak is defined as any emissions imaged by the infrared camera) the equipment will be tagged and the leak documented on the Field Surveillance Forms. Leaks will be tagged with sequentially numbered tags.
 - Some pieces of equipment found at these facilities bleed by design, and their emissions will be visible to the IR camera. Pneumatically actuated devices such as liquid level controllers and pressure controllers use field supplied natural gas and depending on their design, they may continuously emit or emit as they are actuated. The images associated with these sources are considered on a case-by-case basis to determine if the emissions are significantly above 'normal' operating conditions.

Sensitivity Check:

A daily IR camera sensitivity check will be performed before each day of camera use. The daily sensitivity check will consist of observing some type of natural gas vapor emission to ensure the camera is working and an image is registered by the camera.

Monitoring will occur only if the wind speeds are less than 12 miles per hour and all components screened with the IR camera are at a distance of 10 feet or less.

Follow-Up Procedure:

- Following the inspection, a spreadsheet will be prepared detailing the location information, inspection date, leaks detected, and the associated tag numbers.
- Repair forms will be completed with the following information for every leak noted within the spreadsheet:
 - Facility name
 - Date leak was reported
 - Description of leak and associated tag number
- The remaining information on the repair form will be completed within 15 days of the inspection. The forms will be completed with the following information about the repair:
 - Description of repair (or attempt at repair) and date repair (or attempt to repair) was made
 - Name of person performing repair
 - Reason for delay if repair is delayed beyond 15-days