

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and BreitBurn Management Company, LLC, 1165 Elkview Drive, Gaylord, MI 49735 (BreitBurn) enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4951-12 and 4953-12 (NOVs). As more fully set forth below, the NOVs allege that Cabot Oil & Gas Corporation (Cabot), the prior owner of the facilities defined below, failed to route condensate tank vapors to a combustion device and failed to maintain and operate the combustion device during well site operation at the Lookout Wash Unit 40-8L and 20-8V facilities (Facilities) located in Carbon County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (WAQSR), and various conditions of DEQ/AQD Permit Nos. CT-4080 and CT-4081.

Wyo. Stat. Ann. § 35-11-901(a)(ii)(West 2011) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, BreitBurn and the DEQ/AQD hereby stipulate and agree as follows:

1. BreitBurn is a Delaware limited liability company that owns and/or operates the Facilities.

2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permits CT-4080 and CT-4081.

3. 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.”

4. 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.

5. NOV 4951-12.

A. On or about October 18, 2005, the DEQ/AQD issued Permit No. CT-4080 to Cabot Oil & Gas Corporation for the Lookout Wash Unit 40-8L facility located in Carbon County, Wyoming. On September 1, 2011, BreitBurn acquired responsibility for the Lookout Wash Unit 40-8L facility from Cabot and Cabot transferred Permit No. CT-4080 to BreitBurn. Condition No. 5 of Permit CT-4080 requires condensate storage tank vapors to be routed to a combustion device.

B. On September 21, 2011, a DEQ/AQD Engineer/Inspector observed the storage tank vent line routed to atmosphere.

C. On February 3, 2012, the DEQ/AQD issued NOV No. 4951-12 to Cabot, alleging that venting vapors to atmosphere and failing to route vapors to the combustion device violated the Act, the WAQSR, and Condition 5 of Permit CT-4080.

6. NOV 4953-12.

A. On or about October 18, 2005, the DEQ/AQD issued Permit No. CT-4081 to Cabot for the Lookout Wash Unit 20-8V facility located in Carbon County, Wyoming. On September 1, 2011, BreitBurn acquired responsibility for the Lookout Wash Unit 20-8V facility from Cabot and Cabot transferred Permit No. CT-4081 to BreitBurn. Condition No. 5 of Permit CT-4081 requires condensate storage tank vapors to be routed to a combustion device. Condition No. 7 requires the combustion device to be operated during all periods of active well site operation.

B. On September 21, 2011, a DEQ/AQD Engineer/Inspector observed the flare had no pilot flame and no gas line was connected to the pilot flame. In addition, a Cabot representative stated that the flare was never used.

C. On February 3, 2012, the DEQ/AQD issued NOV No. 4953-12 to Cabot, alleging that venting vapors to atmosphere instead of routing vapors to the combustion device and failing to operate the combustion device during all periods of active well site operation violated the Act, the WAQSR, and Conditions 5 and 7 of Permit CT-4081.

7. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), BreitBurn agrees to resolve the alleged violations described above and also set forth in the NOV's for a total amount of two thousand five hundred dollars and no cents (\$2,500.00) payable as a stipulated civil penalty. BreitBurn shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after BreitBurn has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. BreitBurn shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

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

9. Full compliance with this Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against BreitBurn based on the NOV's and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against BreitBurn for these particular alleged violations.

10. In the event that BreitBurn fails to fulfill its obligations under this Agreement, BreitBurn 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.

11. This Agreement shall be admissible by either BreitBurn or the DEQ/AQD (hereinafter BreitBurn 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 BreitBurn of liability or fault.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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. 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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18. 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.

BREITBURN MANAGEMENT CO., LLC:

By:   
Brian J. Door, Northern Division Manager

Date: 4-30-12

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

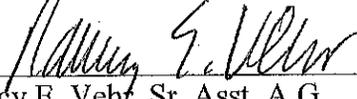
By:   
Steven A. Dietrich, AQD Administrator

Date: 5-7-12

By:   
John Corra, DEQ Director

Date: 5/15/12

APPROVAL AS TO FORM:

  
Nancy E. Vehr, Sr. Asst. A.G.  
Attorney for DEQ/AQD

Date: 4/23/2012