

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and BP America Production Company (BP), 501 West Lake Park Boulevard, Houston, TX 77079, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4974-12, 5012-12, 5037-12, 5050-12 and 5134-13 (Notices of Violation), and an additional alleged violation (Additional Alleged Violation). As more fully set forth below, the Notices of Violation and the Additional Alleged Violation generally allege that BP vented vapors, failed to route vapors to emission control devices, or failed to combust vapors at the Eight Mile 13-10D PAD, Latham Draw 29-40D PAD, Red Wash 11-40D PAD, Tierney II 28-120 PAD, Frewen Unit 17-10D PAD, Frewen Unit 14-110 PAD, Frewen Unit 8-1, 2, 3 facility, Sourdough 25-1, and CG Road 2-110 PAD facilities (Facilities) located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), Condition No. 11 of Permit CT-9430, Condition No. 9 of Permit CT-7999, Condition No. 9 of Permit CT-9774, Condition No. 9 of Permit CT-7454, Condition No. 17 of Permit CT-12774, Condition No. 17 of Permit CT-12404, Condition No. 5 of Permit CT-4457, and Condition No. 7 of Permit MD-1547.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2012) 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 Facilities.
2. The DEQ/AQD is the executive branch agency of Wyoming government that is responsible for enforcing the Act, the Air Quality Rules, and permits issued thereunder, including the permits listed above.
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 Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.

6. Permits CT-9430, CT-7999, CT-9774, CT-7454 and Notice of Violation No. 4974-12.

A. Eight Mile 13-10D PAD facility. On July 28, 2009, the DEQ/AQD issued Permit CT-9430 to BP for the Eight Mile 13-10D PAD facility located in Sweetwater County, Wyoming. Condition No. 11 of Permit CT-9430 requires: "Emission control equipment, including the VOC and HAP emission control system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times[.]" BP's emission control equipment at this facility includes a combustor.

B. Latham Draw 29-40D PAD facility. On August 26, 2008, the DEQ/AQD issued Permit CT-7999 to BP for the Latham Draw 29-40D PAD facility located in Sweetwater County, Wyoming. Condition No. 9 of Permit CT-7999 requires: "Emission control equipment, including the VOC and HAP emission control system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times[.]" BP's emission control equipment at this facility includes a combustor.

C. Red Wash 11-40D PAD facility. On October 6, 2009, the DEQ/AQD issued Permit CT-9774 to BP for the Red Wash 11-40D PAD facility located in Sweetwater County, Wyoming. Condition No. 9 of Permit CT-9774 requires: "Emission control equipment, including the VOC and HAP emission control system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times[.]" BP's emission control equipment at this facility includes a combustor.

D. Tierney II 28-120 PAD facility. On May 6, 2008, the DEQ/AQD issued Permit CT-7454 to BP for the Tierney II 28-120 PAD facility located in Sweetwater County, Wyoming. Condition No. 9 of Permit CT-7454 requires: "Emission control equipment, including the VOC and HAP emission control

system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times[.]” BP’s emission control equipment at this facility includes a combustor.

E. Notice of Violation No. 4974-12. On March 14, 2012, the DEQ/AQD issued Notice of Violation No. 4974-12 to BP alleging that the combustor pilot flame was unlit at the Eight Mile 13-10D PAD, Latham Draw 29-40D PAD, Red Wash 11-40D PAD and Tierney II 28-120 PAD facilities at various times in 2011. The DEQ/AQD’s subsequent review of the pilot flame records provided by BP indicated that the combustor pilot flame at each of these facilities was not functional for various amounts of time during 2011. Finally, the DEQ/AQD alleged that BP’s failure to route vapors through properly maintained and operated combustors and venting those vapors to atmosphere during various periods of time during 2011, violated the Act, the Air Quality Rules, and certain conditions of Permits CT-9430, CT-7999, CT-9774, and CT-7454.

7. Permit CT-12774 and Notice of Violation No. 5012-12.

A. Permit MD-7221. On March 5, 2012, the DEQ/AQD issued Permit CT-12774 to BP for the Frewen Unit 17-10D PAD facility located in Sweetwater County, Wyoming. Condition No. 17 of Permit CT-12774 requires: “Emission control equipment, including the VOC and HAP emission control system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit.”

B. Notice of Violation No. 5012-12. On June 25, 2012, the DEQ/AQD issued Notice of Violation No. 5012-12 to BP alleging that on May 31, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from a thief hatch at the Frewen Unit 17-10D PAD facility. The DEQ/AQD further alleges that BP’s failure to route the thief hatch vapors to the combustion device and venting those vapors to atmosphere violated the Act, the Air Quality Rules, and Condition No. 17 of Permit CT-12774.

8. Permit CT-12404 and Notice of Violation No. 5037-12.

A. Permit CT-12404. On April 17, 2012, the DEQ/AQD issued Permit CT-12404 to BP for the Frewen Unit 14-110 PAD facility located in Sweetwater County, Wyoming. Condition No. 17 of Permit CT-12404 requires: "Emission control equipment, including the VOC and HAP emission control system or device, 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, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit."

B. Notice of Violation No. 5037-12. On August 21, 2012, the DEQ/AQD issued Notice of Violation No. 5037-12 to BP alleging that on June 20, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from an open thief hatch at the Frewen Unit 14-110 PAD facility. The DEQ/AQD further alleges that BP's failure to route the thief hatch vapors to the combustion device and venting those vapors to atmosphere violated the Act, the Air Quality Rules, and Condition No. 17 of Permit CT-12404.

9. Permit CT-4457 and Notice of Violation No. 5050-12.

A. Permit CT-4457. On November 21, 2006, the DEQ/AQD issued Permit CT-4457 to BP for the Frewen Unit 8-1, 2, 3 facility located in Sweetwater County, Wyoming. Condition No. 5 of Permit CT-4457 requires: "Vapors from the one (1) 400-barrel condensate storage tank, including tank flash and S/W/B vapors, shall be routed to a combustion device to reduce the mass content of VOCs in the tank flash and S/W/B vapors vented to the device by at least ninety-eight percent (98%) by weight[.]"

B. Notice of Violation No. 5050-12. On August 28, 2012, the DEQ/AQD issued Notice of Violation No. 5050-12 to BP alleging that on June 5, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from condensate tank thief hatches at the Frewen Unit 8-1, 2, 3 facility. The DEQ/AQD further alleges that BP's failure to route the thief hatch vapors to the combustion device and venting those vapors to atmosphere violated the Act, the Air Quality Rules, and Condition No. 5 of Permit CT-4457.

10. Permit MD-1547 and Notice of Violation No. 5134-13.

A. Permit CT-1547. On March 20, 2007, the DEQ/AQD issued Permit MD-1547 to BP for the Sourdough 25-1 facility located in Sweetwater County, Wyoming. Condition No. 7 of Permit MD-1547 requires: "Emission control equipment, including the VOC and HAP emission control systems or devices 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, shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times[.]"

B. Notice of Violation No. 5134-13. On February 27, 2013, the DEQ/AQD issued Notice of Violation No. 5134-13 to BP alleging that on December 18, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from an Enardo valve at the Sourdough 25-1 facility. The DEQ/AQD further alleged that BP's failure to route the vapors to the emission control device and venting those vapors to atmosphere violated the Act, the Air Quality Rules, and Condition No. 7 of Permit MD-1547.

C. After the DEQ/AQD issued Notice of Violation No. 5134-13, BP provided a copy of its letter dated January 5, 2010 notifying the DEQ/AQD that emissions from this facility were below the threshold for control removal. Because controls would no longer be required, the DEQ/AQD determined that it issued this Notice of Violation in error.

11. Additional Alleged Violation.

A. The DEQ/AQD issued permitting guidance for Oil and Gas Production Facilities (Guidance) in June 1997 with the most recent revision in August 2010. The Guidance indicates what DEQ/AQD accepts as meeting the intent of Wyoming's Air Quality Rules for sources to obtain a construction permit prior to the construction or operation of new air emission sources. The Guidance establishes that the Best Available Control Technology requirement for all new PAD facilities located within Concentrated Development Areas (CDAs), upon First Date of Production, is to control all Volatile Organic Compound (VOC) and Hazardous Air Pollutant (HAP) flashing emissions by at least 98%.

B. The DEQ/AQD alleges that on March 19, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from a condensate tank thief hatch at the CG Road 2-110 PAD facility. The DEQ/AQD further alleges that BP's failure to route the vapors from the condensate tank thief hatch to the emission

control/combustion device and venting those vapors to atmosphere violated the Act, the Air Quality Rules, and the Guidance.

12. In lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), the DEQ/AQD and BP agree that to resolve the violations alleged in the Notices of Violation and the Additional Alleged Violation, BP shall maintain controls on all of the facilities and permits listed in Attachment A for their production sites in the Wamsutter area of Sweetwater County that have the potential to emit more than 15 tons per year of volatile organic compounds. The DEQ/AQD estimates that by requiring BP to maintain these controls, approximately 948.7 tons of potential future volatile organic compound emissions will not be released from these facilities. By no later than August 31, 2013, BP agrees to submit a letter to the DEQ/AQD requesting that the DEQ/AQD administratively modify the permits listed in Attachment A, to lower the control removal threshold for each facility and permit to 15 TPY to reflect this requirement.

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

14. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against BP based on the Notices of Violation and the Additional Alleged Violation and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against BP for these particular alleged violations.

15. In the event that BP fails to fulfill its obligations under this Agreement, BP waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters alleged in the Notices of Violation and the Additional Alleged Violation.

16. 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, fault or noncompliance.

17. Neither Party shall have any claim against the other for attorney fees or other costs incurred with the resolution of these allegations, 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.

18. 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.

19. 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.

20. This Agreement consisting of eight (8) pages, and Attachment A, consisting of one (1) page, represents the entire and integrated Agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

21. 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.

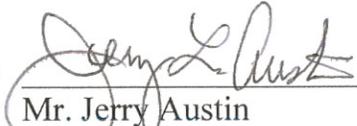
22. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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

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23. 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:

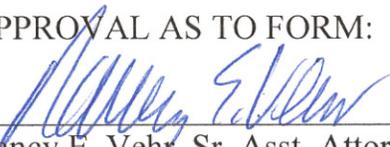
By:  6-27-13
Mr. Jerry Austin Date
North America Gas West Area Operations Mgr.

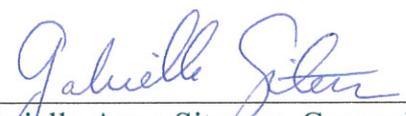
STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  7-8-13
Steven A. Dietrich, AQD Administrator Date

By:  7/8/13
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 6/19/13
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD

 6/26/13
Gabrielle Anne Sitomer, Counsel - HSSE Date
BP America, Inc.

ATTACHMENT A to Settlement Agreement

Facility Name	Permit No.	Facility Name	Permit No.
Frewen 16-4	CT-3095	CG Road 15-4	CT-3189
Champ 261 A 11	CT-4546	Chain Lakes 29-1	CT-6787
Frewen 5-50	CT-6854	Latham Draw 7-3	CT-6025
Tierney 23-4	CT-3282	Frewen 12-1	CT-4314
Champ 261 A 9	CT-4479	CG Road Unit 11-3	CT-3250
CB 15-5	CT-6853	Delaney Rim 23-40	CT-6927
Frewen 16-3	CT-3106	Tierney II Unit 22-3	CT-3149
CB 1-1	CT-6786	Two Rim 29-5	CT-3533
Tierney II Unit 28-2	CT-3058	Latham Draw 5-1	CT-3926
Delaney Rim 27-2	CT-4545	Champ 337 A 13	CT-4460
Frewen 7-3	CT-2898	Monument 19-1	CT-1548
Two Rim Unit 29-10	CT-6615	Tierney II Unit 33-70	CT-6926
Monument 29-2	CT-2827	Luman 9-1	CT-3307
Monument 29-1	CT-2876	Creston 3-3	CT-6498
Tierney II Unit 22-5	CT-4238	Delaney Rim 23-2	CT-4253
Two Rim 35-60	CT-6821	Champ 237 A 7	CT-6273
Wamsutter Rim 1-7	CT-4293	Luman 15-3	CT-4239
CG Road 9-3	CT-4480	Champ 293 A 11	CT-4466
Divide 17-1	CT-3902	Champ 254 D 2	CT-3989
Horseshoe Bend 3-1	CT-4330	Buck Draw 29-2	CT-4452
Tierney II Unit 33-160	CT-7069	Two Rim 29-7	CT-3498
Eight Mile 11-11	CT-4362	Tierney 23-2	CT-3310
Champ 292 A 4	CT-4439		