

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Wexpro Company, PO Box 45003, Salt Lake City, UT 84145-0003, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the violations alleged in DEQ Notice of Violation Docket No. 5098-13. As more fully set forth below, the Notice of Violation alleges that Wexpro Company violated permit requirements by venting vapors and failing to route the vapors to the emission control devices at Wexpro Company's Canyon Creek 7-B-25W PAD, Trail Unit PAD 3 and Trail Unit 12 production site facility (Facility) located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), and various conditions of Air Quality Permit Nos. CT-12807, CT-12133, and MD-12645.

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

1. Wexpro Company is a Utah corporation that owns and operates the Facilities.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Act, the Air Quality Rules, and permits issued thereunder.
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 Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.
5. On March 20, 2012, the DEQ/AQD issued Permit No. CT-12807 to Wexpro Company for the Canyon Creek 7B-25W PAD production site facility. Condition No. 17 of Permit No. CT-12807 requires emission control equipment to be “maintained and operated during any time the wells are producing such that the emissions are controlled at all times.” On November 6, 2012, a DEQ/AQD Inspector observed vapors venting from a valve on the facility's southernmost active produced water tank. On January 8, 2013, the DEQ/AQD issued the Notice of Violation to Wexpro Company alleging in part that by venting vapors and not routing the vapors to the emission control device at the facility,

Wexpro Company violated the Act, the Air Quality Rules, and Condition No. 17 of Permit No. CT-12807.

6. On September 23, 2011, the DEQ/AQD issued Permit No. CT-12133 to Wexpro Company for the Trail Unit PAD 3 production site facility. Condition No. 15 of Permit No. CT-12133 requires emission control equipment to be “maintained and operated during any time the wells are producing such that the emissions are controlled at all times.” On November 6, 2012, a DEQ/AQD Inspector observed vapors venting from leaking thief hatches on the facility’s tank nos. 2548 and 2461. On January 8, 2013, the DEQ/AQD issued the Notice of Violation to Wexpro Company alleging in part that by venting vapors and not routing the vapors to the emission control device at the facility, Wexpro Company violated the Act, the Air Quality Rules, and Condition No. 15 of Permit No. CT-12133.

7. On January 24, 2012, the DEQ/AQD issued Permit No. MD-12645 to Wexpro Company for the Trail Unit 12 production site facility. Condition No. 15 of Permit No. MD-12645 requires emission control equipment to be “maintained and operated during any time the wells are producing such that the emissions are controlled at all times.” On November 6, 2012, a DEQ/AQD Inspector observed vapors venting from the Enardo valve on the facility’s tank no. 872. On January 8, 2013, the DEQ/AQD issued the Notice of Violation to Wexpro Company alleging in part that by venting vapors and not routing the vapors to the emission control device at the facility, Wexpro Company violated the Act, the Air Quality Rules, and Condition No. 15 of Permit No. MD-12645.

8. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Wexpro Company agrees to resolve the violations alleged above and also set forth in the Notice of Violation as follows:

A. Stipulated Civil Penalty Payment. Wexpro Company agrees to pay ten thousand five hundred dollars and no cents (\$10,500.00) to the DEQ/AQD as a stipulated civil penalty within thirty (30) days after Wexpro has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Wexpro Company shall make full payment by check made payable to the Wyoming DEQ/AQD. Wexpro Company shall mail the payment to Jeremiah Williamson, Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. Supplemental Environmental Project. In addition to paying the stipulated civil penalty, Wexpro Company agrees to complete the following supplemental environmental project.

i. A supplemental environmental project is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders. Wexpro Company’s supplemental

environmental project (Project) will benefit the environment through activities conducted by the University of Wyoming Environmental Engineering Internship Program.

ii. Wexpro Company agrees to complete this Project by submitting a check made payable to the University of Wyoming in the amount of ten thousand five hundred dollars and no cents (\$10,500.00) for the University of Wyoming Environmental Engineering Internship Program account WYDEQ6867. Wexpro Company shall make full payment for this Project within thirty (30) days after Wexpro Company has been notified that the final signature has been affixed to this Agreement. Wexpro Company shall submit the payment to Shannyn Adkins, University of Wyoming, Sponsored Programs, 1000 East University Avenue, Dept. 3355, Laramie, WY 82071.

iii. Within thirty (30) days after completing this Project, Wexpro Company shall submit evidence that it completed this Project to DEQ/AQD, Attention: Ms. Karen Godman, DEQ/AQD Compliance Program, Herschler Building - 2 East, 122 West 25th Street, Cheyenne, WY 82002.

iv. Wexpro Company certifies that as of the date it signs this Agreement, it was not required to perform or develop this Project by any federal, state, or local law or regulation; nor was Wexpro Company required to perform or develop this Project pursuant to any other agreement or relief in any other case. Wexpro Company further certifies that it has not received and is not negotiating to receive credit for this project in any other pending action.

9. Wexpro Company, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of liability, fault or noncompliance with any allegations, findings, determinations or conclusions contained in this Agreement or in the Notice of Violation.

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Wexpro Company based on the Notice of Violation, and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Wexpro Company for the violations set forth in the Notice of Violation. By this Settlement Agreement, the Parties intend to resolve all allegations that were asserted in the Notice of Violation.

11. In the event that Wexpro Company fails to fulfill its obligations under this Agreement, Wexpro Company waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation.

12. This Agreement shall be admissible by either Wexpro Company or the DEQ/AQD (hereinafter Wexpro Company 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 violations alleged herein.

13. 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.

14. Any changes, modifications, revisions or amendments to this Agreement shall be mutually agreed upon by the Parties and shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

15. 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.

16. This Agreement, consisting of five (5) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

17. 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.

18. 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.

19. 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:

WEXPRO COMPANY:

By: ^{AMS} Justin Woody ^{JD Lopez} 6/26/13
Justin Woody, VP Engineering & GeoScience Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: Steven A. Dietrich 7-10-13
Steven A. Dietrich, AQD Administrator Date

By: Todd Parfitt 7/11/13
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

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