

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., 304 Inverness Way South, Suite 295, Englewood, CO 80112, (hereinafter referred to individually as “Party” and collectively as “Parties”) enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket Number 5162-13 (Notice of Violation). As more fully set forth below, the Notice of Violation alleged that Ultra Resources, Inc., failed to monitor and operate the combustion unit at the Boulder 4-33 PAD facility located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), Wyoming Air Quality Standards and Regulations (Air Quality Rules), and Air Quality Permit CT-9361.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (West 2012) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Ultra Resources, Inc., and the DEQ/AQD hereby stipulate and agree as follows:

1. Ultra Resources, Inc., is a Wyoming corporation that owns and/or operates various oil and gas production wells and facilities, including the Boulder 4-33 PAD facility.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Act and the Air Quality Rules.
3. Wyo. Stat. Ann. § 35-11-201 states that “[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) provides that “[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. 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. Chapter 6, Section 2(f) of the Air Quality Rules provides that the DEQ/AQD, “may impose any reasonable conditions upon an approval to construct, modify or operate[.]”

7. Notice of Violation Docket No. 5162-13

A. On February 17, 2010, DEQ issued air quality permit CT-9361 to Ultra Resources, Inc., for its Boulder 4-33 PAD facility. Pursuant to Wyo. Stat. Ann. § 35-11-801(a), DEQ imposed Condition number 14 on Ultra's permit, which provides that "[t]he presence of the combustion device pilot flames shall be monitored using thermocouples and continuous recording devices or any other equivalent devices to detect and record the presence of the flames." DEQ also imposed Condition number 15 on Ultra's permit, which provides that "[e]mission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers 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 wells are producing such that the emissions are controlled at all times."

B. On April 12, 2013, DEQ noted that the large combustion device at the facility was not lit and the exhaust from the heat trace pump was operating without controls. As a result, Ultra violated Conditions 14 and 15 of permit CT-9361.

C. On May 14, 2013, DEQ issued Notice of Violation docket number 5162-13 to Ultra alleging Ultra violated the Act, the Air Quality Rules, and permit CT-9361 by failing to light the combustion device and operating the heat trace pump without controls.

8. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Ultra agrees to pay to the DEQ/AQD a total amount of seventeen thousand five-hundred dollars and no cents (\$17,500.00) as a stipulated penalty to resolve the violations described above and alleged in the Notice of Violation. Ultra agrees to make full payment by check made payable to the Wyoming DEQ/AQD within thirty (30) days after Ultra has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Ultra agrees to mail the payment to Jeremiah Williamson, Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. By entering into this Agreement, Ultra does not concede or admit to any liability or fault. This Agreement does not constitute an 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 of all claims by the DEQ/AQD against Ultra based on the Notice of Violation. Solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement

action against Ultra for these particular alleged violations. By this Settlement Agreement, the Parties intend to resolve all allegations asserted in the Notice of Violation.

11. In the event Ultra fails to fulfill its obligations under this Agreement, Ultra waives any statute of limitation claims that might 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 Ultra or the DEQ/AQD without objection by the other Party only in an action between these Parties relating to the violations alleged herein.

13. Neither Party shall have any claim against the other for attorneys' fees or other costs incurred with the allegation 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 mutually agreed upon by the Parties shall be incorporated by written instrument 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 four (4) 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 law.

18. The Parties do not intend to create in any other individual or entity the status of third party beneficiary. 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:

ULTRA RESOURCES, INC.:

By: W. F. Picquet 9/18/13
William R. Picquet Date
Senior Vice President of Operations

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich 9-26-13
Steven A. Dietrich, AQD Administrator Date

By: Todd Parfitt 9/27/13
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

Jeremiah I. Williamson 9/23/13
Jeremiah I. Williamson, Asst. Attorney General Date
Attorney for DEQ/AQD