

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Windsor Energy Group, LLC (Windsor Energy), c/o PRB Operations Management, 511 East 4th Street, Suite 4, Gillette, WY 82716, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 5120-13 (Notice of Violation). As more fully set forth below, the Notice of Violation alleges that Windsor Energy failed to: 1) conduct initial performance tests within the permitted time frames; 2) submit initial performance test results within the permitted time frames; 3) comply with permitted NOx and or CO limits; 4) submit annual test results within the permitted time frames; 5) submit maintenance or corrective action records; and 6) maintain flare outage duration records for the Bennett Creek Central Station facility (Facility) located in Park County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), and Condition Nos. 7, 8, 9, 11, 12, and 20 of DEQ/AQD Permit No. CT-3854.

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

1. Windsor Energy is an Oklahoma limited liability company that owns and/or operates the Facility.

2. The DEQ/AQD is responsible for enforcing the Act, the Air Quality Rules and permits issued thereunder, including Permit CT-3854.

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 or about March 23, 2005, the DEQ/AQD issued Permit CT-3854 to Windsor Energy for this Facility. In part, Permit CT-3854 authorized Windsor Energy to construct three engines (E1, E2, and E3).

6. Condition No. 7 of Permit CT-3854 required Windsor Energy to conduct initial performance tests for each of the three engines within 30 days of achieving a maximum design rate but not later than 90 days following initial start-up. On November 29, 2012, a DEQ/AQD Engineer/Inspector conducted an inspection and records review of the Facility and determined that: a) engine E2’s startup date was January 25, 2008, and Windsor Energy conducted the initial performance test for E2 on January 8, 2009, approximately eight months late; b) engine E3’s startup date was August 21, 2008, and Windsor Energy conducted the initial performance test for E3 on January 8, 2009, approximately one month late.

7. Condition No. 8 of Permit CT-3854 required Windsor Energy to submit the initial performance test results for the three engines within thirty days of completion. On November 29, 2012, a DEQ/AQD Engineer/Inspector conducted an inspection and records review of the Facility and determined that Windsor Energy's initial performance test results conducted on January 8, 2009 for engines E2 and E3 were not received by the DEQ/AQD until July 13, 2009, approximately five months late.

8. Condition No. 9 of Permit CT-3854 limits the nitrogen oxide (NO<sub>x</sub>) and carbon monoxide (CO) emissions from each of the three engines to 1.0 gram per horse power - hour (g/hp-hr) and 1.1 pound per hour (lb/hr). On November 29, 2012, a DEQ/AQD Engineer/Inspector conducted an inspection and records review of the Facility and determined that Windsor Energy's conducted annual NO<sub>x</sub> and CO engine emission tests for engines E2 and E3 on December 22, 2010. The test results for engine E2 indicated that the NO<sub>x</sub> emission rates of 2.94 g/hp-hr and 3.24 lb/hr exceeded the limits of Condition No. 9 of Permit CT-3854. The test results for engine E3 indicated that the NO<sub>x</sub> emission rates of 6.74 g/hp-hr and 7.42 lb/hr and CO emission rates of 4.96 g/hp-hr and 5.46 lb/hr exceeded the limits of Condition No. 9 of Permit CT-3854.

9. Condition No. 11 of Permit CT-3854 requires Windsor Energy to annually test the engine emissions and submit the test results to DEQ/AQD within 30 days after completing the tests. Windsor Energy submitted the December 22, 2010 annual engine emissions tests to DEQ/AQD on December 15, 2011, approximately ten months late.

10. Condition No. 12 of Permit CT-3854 requires Windsor Energy to keep, maintain, and make available to the DEQ/AQD upon request, records of catalyst inlet temperature, pressure drop, and any maintenance or corrective actions for a period of five years. Windsor Energy did not make these records available to DEQ/AQD when requested because they had not been maintained.

11. Condition No. 20 of Permit CT-3854 requires Windsor Energy to maintain records noting the date and duration of time when the pilot flame is not present during active operation of the glycol dehydration units or stabilized liquid tanks. On March 21, 2013, Windsor Energy submitted flare monitoring data to DEQ/AQD.

12. On February 6, 2013, the DEQ/AQD issued the Notice of Violation to Windsor Energy, alleging that Windsor Energy's failure to: 1) conduct initial performance tests within the permitted time frames; 2) submit initial performance test results within the permitted time frames; 3) comply with permitted NO<sub>x</sub> and or CO limits; 4) submit annual test results within the permitted time frames; 5) submit maintenance or corrective action records; and 6) maintain flare outage duration records for the Facility violated the Act, applicable Air Quality Rules, and Condition Nos. 7, 8, 9, 11, 12, and 20 of DEQ/AQD Permit No. CT-3854.

13. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Windsor Energy agrees to pay to the DEQ/AQD a stipulated civil penalty in the amount of twelve thousand dollars and no cents (\$12,000.00) to resolve the violations alleged in the Notice of Violation. Windsor Energy shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days

Settlement Agreement between DEQ/AQD and Windsor Energy Group, LLC

DEQ NOV No. 5120-13

October 2013 - Page 2 of 4

after Windsor Energy has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Windsor Energy shall mail the payment to Jeremiah Williamson, Assistant Attorney General, 123 State Capitol, Cheyenne, WY 82002.

14. By entering into this Agreement, Windsor Energy neither admits nor denies the validity of any allegation contained in this Agreement or in the Notice of Violation, nor does it concede or admit to any liability, fault, or non-compliance.

15. Full compliance with this Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Windsor Energy based on the Notice of Violation and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Windsor Energy for these particular alleged violations.

16. In the event that Windsor Energy fails to fulfill its obligations under Section 13 of this Agreement, Windsor Energy waives any statute of limitation claims which may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation.

17. This Agreement shall be admissible by either Windsor Energy or the DEQ/AQD (hereinafter Windsor Energy 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 Notice of Violation; provided, however, that nothing herein constitutes an admission by Windsor Energy of liability, fault, or non-compliance.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

WINDSOR ENERGY GROUP, LLC:

By: Earl Welter  
Earl Welter, Operations Manager

Date: 10-2-2013

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich  
Steven A. Dietrich, AQD Administrator

Date: 10-11-13

By: Todd Parfitt  
Todd Parfitt, DEQ Director

Date: 10/11/13

APPROVAL AS TO FORM:

Jeremiah Williamson  
Jeremiah Williamson, Assistant Attorney General  
Attorney for DEQ/AQD

Date: 10/10/13