

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Kaiser-Francis Oil Company (Kaiser-Francis), 6733 South Yale Avenue, Tulsa, Oklahoma 74136, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation docket numbers 5168-13 and 5197-13 (Notices of Violation). The Notices of Violation alleged that Kaiser-Francis violated the Wyoming Air Quality Standards and Regulations (Air Quality Rules) by failing to obtain construction permits required after installing 80-horsepower Arrow engines at the Houlihan 1-27H, Radar 1-21, Trapper 1-2AH, and Joss. No. 1 facilities.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Kaiser-Francis and the DEQ/AQD hereby agree as follows:

1. Kaiser-Francis is a Delaware corporation authorized to conduct business in the State of Wyoming that owns and/or operates the facilities.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.
3. Chapter 6, Section 2(a)(i) of the Air Quality Rules requires a person to obtain a permit from DEQ/AQD prior to constructing, modifying, or using a facility or source that “may cause the issuance of or an increase in the issuance of air contaminants[.]”
4. DEQ/AQD’s March 2010 Oil and Gas Production Facilities Permitting Guidance requires submission of an application for a Chapter 6, Section 2(a)(i) permit for production facility engines greater than 50-horsepower within ninety days of the first date of production.
5. On June 17, 2013, DEQ/AQD issued Notice of Violation number 5168-13 to Kaiser-Francis. The Notice of Violation alleged that Kaiser-Francis installed 80-horsepower Arrow A-62/VRG 380 engines at the Houlihan 1-27H, Radar 1-21, and Trapper 1-2AH facilities and failed to submit permit applications within the required 90-day timeframe after commencing production.
6. On September 25, 2013, DEQ/AQD issued Notice of Violation number 5197-13 to Kaiser-Francis. The Notice of Violation alleged that Kaiser-Francis installed an 80-horsepower Arrow A-62/VRG 380 engine at the Joss. No. 1 facility and failed to

submit a permit application within the required 90-day timeframe after commencing production.

7. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Kaiser-Francis agrees to pay to the DEQ/AQD the amount of twenty thousand dollars and no cents (\$20,000.00) as a stipulated penalty to resolve the violations alleged in the aforementioned Notices of Violation. Kaiser-Francis agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Kaiser-Francis has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Kaiser-Francis agrees to mail the payment to Jeremiah Williamson, Assistant Attorney General, 123 State Capitol, Cheyenne, WY 82002.

8. Kaiser-Francis, 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 Notices of Violation. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Kaiser-Francis may have against any entity.

9. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Kaiser-Francis based on the Notices of Violation. Solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Kaiser-Francis for these particular alleged violations. By this Settlement Agreement, the Parties intend to resolve with prejudice all allegations that DEQ/AQD asserted in the Notices of Violation and otherwise set forth in this Agreement.

10. In the event that Kaiser-Francis fails to fulfill its obligations under this Agreement, Kaiser-Francis waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notices of Violation and otherwise set forth in this Agreement.

11. This Agreement shall be admissible by either Kaiser-Francis or the DEQ/AQD without objection by the other party only in an action between DEQ/AQD and Kaiser-Francis relating to the violations alleged herein. This Agreement shall not be used or offered into evidence by either Party in any other proceeding.

12. Neither DEQ/AQD nor Kaiser-Francis 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 that both parties sign this Agreement. 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 that are mutually agreed upon by the parties shall be incorporated by written instrument, executed, and signed by all parties to this Agreement.

14. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. 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 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.

18. Each party represents that they are authorized to enter into this Agreement, agree to comply with and to be bound by the terms of this Agreement, and further agree that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed by all parties.

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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:

KAISER-FRANCIS OIL COMPANY:

By: Thomas R. Redman 1-13-2014
[Insert Name] Thomas R. Redman, Date
[Insert Title] Executive Vice President

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich 1-16-14
Steven A. Dietrich, AQD Administrator Date

By: Todd Parfitt 1-17-14
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

Jeremiah Williamson 1-15-14
Jeremiah Williamson Date
Assistant Attorney General
Attorney for DEQ/AQD