

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, WY 82002, and Linn Operating, Inc. (Linn), 600 Travis Street, Suite 5100, Houston, TX 77002, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 5119-13 & 5136-13 (Notices of Violation). The Notices of Violation alleged that Linn violated permits MD-9806 for the Stud Horse Butte 16-20 well site, MD-7145 for the Corona 1-30 PAD facility, MD-13606 for the Stud Horse Butte 15-17 well site, and Permit CT-9358 for the Stud Horse Butte 51-16 PAD facility, all located in Sublette County, Wyoming. Violation of the permits is also violation of the Wyoming Environmental Quality Act (Act) and applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules). The four production facilities that are the subject of this Agreement are referred to herein collectively as “the 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, Linn and the DEQ/AQD hereby agree as follows:

1. Linn is a Texas corporation that owns and/or operates the Facilities.
2. The DEQ/AQD is responsible for enforcing the Act and the Air Quality Rules.

### Notice of Violation 5119-13

3. On March 25, 2008, DEQ/AQD issued permit MD-7145 to BP America Production Company (BP America) for the Corona 1-30 PAD facility. On September 7, 2010, DEQ/AQD issued permit MD-9806 to BP America for the Stud Horse Butte 16-20 well site. BP America later transferred the sites and applicable permits to Linn.

4. Both permits contain condition 17, which requires the permittee to maintain and operate emission control equipment during any time the wells are in production such that emissions are controlled at all times.

5. On November 30, 2012, DEQ/AQD staff visited both the Corona 1-30 PAD and the Stud Horse Butte 16-20 locations. DEQ/AQD staff observed venting vapors from the thief hatches on the first, second, fourth, and fifth condensate tanks at the Corona 1-30 PAD and detected an audible leak from the oil tank thief hatch at Stud Horse Butte 16-20. Venting vapors from the tanks and not routing vapors to the emission control device are violations of condition 17 of both permit MD-9806 and permit MD-7145.

6. On January 30, 2013, DEQ/AQD issued Notice of Violation Docket No. 5119-13 to Linn alleging failure to comply with permit requirements for controlling vapors.

### **Notice of Violation 5136-13**

7. On September 7, 2010, DEQ/AQD issued permit CT-9358 to BP America Production Company for the Stud Horse Butte 51-16 PAD facility. On September 18, 2012, DEQ/AQD issued permit MD-13606 to BP America for the Stud Horse Butte 15-17 well site. BP America transferred the sites and applicable permits to Linn on December 31, 2012.

8. Both permits contain a condition that requires the permittee to maintain and operate emission control equipment during any time the wells are in production such that emissions are controlled at all times. This condition is condition 17 in permit MD-13606 and condition 18 in permit CT-9358.

9. On January 23, 2013, DEQ/AQD staff visited both the Stud Horse Butte 51-16 PAD and the Stud Horse Butte 15-17 locations. DEQ/AQD staff observed venting vapors from the thief hatches on the first condensate tank on the left at the Stud Horse Butte 51-16 PAD and detected venting from an Enardo valve at the Stud Horse Butte 15-17 site. Venting vapors from the tanks and not routing vapors to the emission control device are violations of condition 17 of permit MD-13606 and condition 18 of permit CT-9358.

10. On March 1, 2013, DEQ/AQD issued Notice of Violation Docket No. 5136-13 to Linn alleging failure to comply with permit requirements for controlling vapors.

### **Settlement**

11. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Linn agrees to pay to the DEQ/AQD the amount of ten thousand dollars and no cents (\$10,000.00) as a stipulated penalty to resolve the violations alleged in the Notices of Violation. Linn agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Linn has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Linn agrees to mail the payment to Jeremiah Williamson, Assistant Attorney General, 123 State Capitol, Cheyenne, WY 82002.

12. Linn, 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. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Linn may have against any entity.

13. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Linn based on the Notices of Violation. Solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Linn 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.

14. In the event that Linn fails to fulfill its obligations under this Agreement, Linn 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.

15. This Agreement shall be admissible by either Linn or the DEQ/AQD without objection by the other party only in an action between DEQ/AQD and Linn relating to the violations alleged herein.

16. Neither DEQ/AQD nor Linn 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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:

LINN OPERATING, INC.:

By:  1-7-14  
Candice J. Wells Date   
Vice President, General Counsel  
and Corporate Secretary  
Linn Operating, Inc.

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By:  1-27-14  
Steven A. Dietrich, AQD Administrator Date

By:  1/28/14  
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 1/24/14  
Jeremiah Williamson Date  
Assistant Attorney General  
Attorney for DEQ/AQD