

## 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 Frontier Refining LLC (Frontier), 2828 N. Harwood, Suite 1300, Dallas, TX 75201, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4931-11 (Notice of Violation). As more fully set forth below, the Notice of Violation generally alleges that Frontier did not follow inspection and recordkeeping requirements for certain units; did not replace the carbon canister systems on certain equipment in accordance with timeframes specified by permit; did not follow the monitoring and maintenance plan for an iron sponge bed and carbon canister system in accordance with permit requirements; and exceeded permitted operating hours for one backup compressor engine.

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

1. Frontier Refining LLC is a Delaware limited liability company that owns and/or operates the facility.

2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing Article 2 of the Wyoming Environmental Quality Act and the Air Quality Rules, and permits issued thereunder. Wyo. Stat. Ann. § 35-11-110.

3. Wyo. Stat. Ann. § 35-11-201 provides, “[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 [environmental quality] council.”

4. Chapter 5, Section 2 of the Wyoming Air Quality Standards and Regulations includes the general provisions for and adopts certain New Source Performance Standards (NSPS) for New Stationary Sources by reference, including 40 CFR Part 60, Subpart QQQ, Standards of Performance for VOC Emissions From Petroleum Distillery Wastewater Systems (§§ 60.690 through 60.699). The Crude Unit De-Salter, Distillate Hydrotreater Unit (DHDS), #3 Amine Unit, Gasoline Desulfurization Unit (Scanfiner Unit) are affected facilities under NSPS Subpart QQQ and are subject to the general provision requirements of Chapter 5, Section 2 and the requirements of NSPS Subpart QQQ.

5. 40 CFR Part 60, Subpart QQQ, paragraph § 60.697(b)(1) to (3) requires that affected facilities, and more specifically, individual drain systems, junction boxes and sewer lines comply with visual and physical inspection requirements of § 60.692-2 and recordkeeping requirements.

6. During the FY 2010-1 inspection and record review of the Frontier Refinery, Air Quality Engineer, Mr. Glenn Spangler noted concerns including missing inspection records, undocumented inspection dates and personnel, inspection results inconsistent with expected inspection results, source inspections inconsistent between inspections, and missed source inspections. These concerns were noted at the Amine Treaters (A-2, A-9, A-12, A-14, A-16, A-17, A-18, CB #1-#7), DHDS, and the Scanfiner Unit.

7. Wyo. Stat. Ann. 35-11-801 states, "In 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."

8. Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.

9. Permit MD-8082 was issued to Frontier on November 20, 2008. Conditions 7 and 8 require Frontier to install, maintain and monitor the Dissolved Air Flotation (DAF) Units carbon canister, and the Oily Sludge Tanks and Vacuum Truck Transfer Operation iron sponge and carbon canister for breakthrough.

Condition 7 states:

"Frontier Refining Inc. shall install and maintain a dedicated activated carbon canister system capable of treating the maximum air flow rate through the Dissolved Air Flotation (DAF) Units. The DAF Units shall be sealed to prevent the escape of emissions and the air leaving the unit shall be routed through a carbon canister system. The carbon canister system controlling the DAF shall be monitored to determine when it becomes saturated and replaced within one working day of reaching saturation."

Condition 8 states:

"Frontier Refining Inc. shall install and maintain a dedicated iron sponge bed and activated carbon canister system capable of treating vapors from the Oily Sludge Tanks and Vacuum Truck Transfer Operation. The iron sponge bed shall be sealed to prevent the escape of emissions and the air leaving the unit shall be routed through a carbon canister system. The carbon canister and iron sponge controlling this system shall be monitored to determine when it becomes saturated and replaced before breakthrough occurs."

10. During the FY 2010-1 inspection and record review of the Frontier Refinery, Air Quality Engineer, Mr. Glenn Spangler reviewed maintenance and replacement records of the DAF Unit and the Oily Sludge Tanks and Vacuum Truck Transfer Operation from the refinery EMPAC tracking system from November 2009 through July 2010. Frontier's records included the following required change-out dates

and closeout dates for carbon canister replacements: 1/6/10 and 2/11/10, 3/11/10 and 3/17/10, 3/31/10 and 5/17/10, 5/14/10 and 5/19/10, 6/15/10 and 6/15/10, and 7/8/10 and 7/9/10. Additionally, documented monitoring results for five weekly monitoring events completed from January 8, 2010 to February 5, 2010 show high hydrocarbon concentrations and noted that the east bed was waiting for replacement.

11. Permit MD-8082 was issued to Frontier on November 20, 2008. Condition 9 of Permit MD-8082 requires development of a monitoring and maintenance plan as follows:

Condition 9 states:

“Frontier Refining Inc. shall submit a monitoring and maintenance plan for the iron sponge bed and carbon canister system within 90 days of startup.”

12. During the FY 2010-1 inspection and record review of the Frontier Refinery, Air Quality Engineer, Mr. Glenn Spangler noted that an initial monitoring and maintenance plan for the DAF Unit carbon canister change-outs was submitted on October 7, 2009. The plan calls for weekly monitoring for breakthrough. Hardcopy and database information provided by Frontier during the inspection did not include records for carbon canister monitoring for breakthrough for seven weeks during the period from January 8, 2010 to August 8, 2010. These weeks include the weeks of February 14, March 21, April 4, May 23, May 30, June 27 and July 11, 2010.

13. WV-3449 was issued to Frontier on June 15, 2005. Condition 2 of WV-3449 limits hours of operation for the 525 hp Caterpillar 3406DITA backup air compressor engine as follows:

Condition 2 states:

“Hours of operation for the engine shall be limited to 2,160 hours per year. Frontier Refining, Inc. shall document and maintain a record of hours of operation for a period of at least five (5) years and shall be made available to the Division upon request.”

14. During the FY 2010-1 inspection and record review of the Frontier Refinery, Air Quality Engineer, Mr. Glenn Spangler noted that the compressor engine operated 3,623 hours during 2009.

15. The DEQ/AQD issued the Notice of Violation on December 5, 2011 alleging violations of certain inspection and recordkeeping requirements of 40 CFR Part 60, Subpart QQQ; failure to replace the carbon canister systems on certain equipment in accordance with timeframes specified by Permit MD-8082; failure to follow the monitoring and maintenance plan for an iron sponge bed and carbon canister system in accordance with requirements of Permit MD-8082; and operating one backup compressor engine in excess of operating hours authorized by Permit WV-3449.

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

17. Frontier, 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 Frontier may have against any entity.

18. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Frontier and its contractors based on the Notice of Violation and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Frontier and its contractors for these particular alleged violations. With this Agreement, the Parties intend to resolve with prejudice all allegations that were asserted in the Notice of Violation and otherwise set forth in this Agreement.

19. In the event that Frontier fails to fulfill its obligations under this Agreement, Frontier 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 and otherwise set forth in this Agreement.

20. This Agreement shall be admissible by either Frontier or the DEQ/AQD without objection by the other only in an action between DEQ/AQD and Frontier relating to the violations alleged herein; provided however, that nothing herein constitutes an admission by Frontier of liability, fault, or non-compliance.

21. Neither DEQ/AQD nor Frontier 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.

22. 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.

23. 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.

24. This Agreement, consisting of six (6) pages represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

25. 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. Amt. § 1-39-104(a) and all other state law.

26. 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.

27. 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:

FRONTIER REFINING LLC:

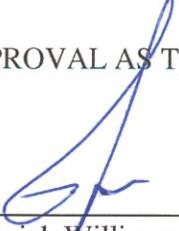
By:  3/25/14  
Kevin Burke, Refinery Manager Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By:  4-1-14  
Steven A. Dietrich, AQD Administrator Date

By:  4/2/14  
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 3/26/14  
Jeremiah Williamson, Assistant Attorney General Date  
Attorney for DEQ/AQD

 3/25/14  
Matt Micheli, Holland & Hart LLP Date  
Attorney for Frontier Refining LLC

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