

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002, and Anadarko E&P Onshore LLC (“Anadarko”), 1201 Lake Robbins Dr., The Woodlands, Texas, 77380, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in the DEQ Notices of Violation docket numbers 5399-14, 5400-14, 5401-14, 5403-14, and 5414-14 (“Notices of Violation”). The Notices of Violation alleged that Anadarko violated the Wyoming Air Quality Standards and Regulations (“Air Quality Rules”) by failing to control vapor emissions pursuant to Permits CT-12437A, CT 13789A, CT-13600A, and CT-10249 at the Heath/Adams PAD facility, Lister Federal 13-24D PAD facility, and PH Livestock 22-31 PAD facility, all located in Sweetwater County, Wyoming, and also at the Standard Draw 11-19D, 22-19D, 31-19D, 32-19, 42-19D PAD facility, located in Carbon County, Wyoming. Notice of Violation, docket number 5403-14 further alleged that Anadarko violated the Wyoming Air Quality Standards and Regulations by improperly controlling vapor emissions at Clyde Federal 42-26DPad, located in Sweetwater County. Anadarko had applied for, but has not yet received, a permit for this location.

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, Anadarko and the DEQ/AQD hereby agree as follows:

1. Anadarko is a Delaware limited liability company authorized to do business in Wyoming. Anadarko is the owner and operator of the Heath/Adams PAD facility, Lister Federal 13-24D PAD facility, PH Livestock 22-31 PAD facility, and Clyde Federal 42-26DPad all located in Sweetwater County, Wyoming, and the Standard Draw 11-19D, 22-19D, 31-19D, 32-19, 42-19D PAD facility, located in Carbon County, Wyoming.

2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.

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. 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.”

5. 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.

6. DEQ has issued the following permits to Anadarko:

- a. Permit CT-10249, issued on February 16, 2010 for the Standard Draw 11-19D, 22-19D, 31-19D, 32-19, 42-19D PAD facility;
- b. Permit CT-13789A, issued on May 16, 2013, for the Lister Federal 13-24D PAD facility;
- c. Permit CT-13600A, issued on May 16, 2013, for the PH Livestock 22-31 PAD facility; and
- d. Permit CT-12437A, issued on May 30, 2013 for the Heath/Adams PAD facility.

7. Each of the aforementioned permits included a condition that read:

Emission control equipment, including the VOC and HAP emission control system or device, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emissions control system or device, shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times.

8. DEQ/AQD subsequently observed the following apparent permit violations:

- a. On December 30, 2013, DEQ/AQD Inspector Mr. Jeff Wendt observed vapors venting from a leaking thief hatch at the Heath/Adams PAD facility, in apparent violation of Permit CT-12437A.
- b. On December 30, 2013, DEQ/AQD Inspector Mr. Jeff Wendt observed vapors venting from an Enardo valve at the Lister Federal 13-24 PAD facility, in apparent violation of Permit CT-13789A.
- c. On February 19, 2013, DEQ/AQD Inspector Mr. Travis Guthrie observed vapors venting from an Enardo valve at the PH Livestock 22-31 PAD facility, in apparent violation of Permit CT-13600A.
- d. On April 3, 2014, DEQ/AQD Inspector Mr. Jeff Wendt observed vapors venting from an Enardo valve at the Standard Draw 11-19D, 22-19D, 31-19D, 32-19, 42-19D PAD facility, in apparent violation of Permit CT-10249.

9. DEQ/AQD then issued the following Notices of Violation:

- a. On March 26, 2014, DEQ/AQD issued Notice of Violation 5399-14 to Anadarko. The Notice of Violation alleged that Anadarko was in violation of Condition 17 of Permit CT-12437A. The alleged violation was that Anadarko was allowing vapors to vent from a leaking thief hatch instead of properly routing the vapors to the emission control device.
- b. On March 26, 2014, DEQ/AQD issued Notice of Violation 5400-14 to Anadarko. The Notice of Violation alleged that Anadarko was in violation of Condition 17 of Permit CT-13789A. The alleged violation was that Anadarko was allowing vapors to vent from an Enardo valve instead of properly routing the vapors to the emission control device.
- c. On April 1, 2014, DEQ/AQD issued Notice of Violation 5401-14 to Anadarko. The Notice of Violation alleged that Anadarko was in violation of Condition 16 of Permit CT-13600A. The alleged violation was that Anadarko was allowing vapors to vent from an Enardo valve instead of properly routing the vapors to the emission control device.
- d. On May 7, 2014, DEQ/AQD issued Notice of Violation 5414-14 to Anadarko. The Notice of Violation alleged that Anadarko was in violation of Condition 9 of Permit CT-10249. The alleged violation was that Anadarko was allowing vapors to vent from an Enardo valve instead of properly routing the vapors to the emission control device.

10. On December 13, 2013, DEQ/AQD Inspector Mr. Jeff Wendt observed vapors venting from a tank thief hatch at the Clyde Federal 42-26DPAD facility, in apparent violation of the March 2010 Oil and Gas Production Facilities Permitting Guidance. The facility was not permitted at the time of inspection, but DEQ/AQD received a permit application on January 14, 2014 that complies with Chapter 6, Section 2(j) of the Air Quality Rules.

11. On April 3, 2014, DEQ/AQD issued Notice of Violation 5403-14 to Anadarko. The Notice of Violation alleged that Anadarko was in violation of the Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance. The alleged violation was that Anadarko was venting vapors from a tank thief hatch instead of routing them to an emission control device.

12. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Anadarko agrees to pay to the DEQ/AQD the amount of twenty-five thousand dollars and no cents (\$25,000.00) as a stipulated penalty to resolve the

violations alleged in the aforementioned Notices of Violation. Anadarko agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Anadarko has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Anadarko agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002.

13. Anadarko, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Anadarko may have against any entity.

14. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Anadarko arising from the allegations contained within the Notices of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Anadarko for these particular alleged violations. By this Agreement, the Parties intend to resolve with prejudice all allegations that are contained within the Notices of Violation and this Agreement.

15. In the event that Anadarko fails to fulfill its obligations under this Agreement, Anadarko 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 or otherwise set forth in this Agreement.

16. This Agreement shall be admissible by either Anadarko or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Anadarko relating to the violations alleged herein.

17. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor Anadarko shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

18. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

19. 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.

20. 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.

21. 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.

22. 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.

23. In the event that Anadarko assigns any or all of its proprietary interest in the Heath/Adams PAD facility, Lister Federal 13-24D PAD facility, PH Livestock 22-31 PAD facility, and Clyde Federal 42-26DPad all located in Sweetwater County, Wyoming, or the Standard Draw 11-19D, 22-19D, 31-19D, 32-19, 42-19D PAD facility, located in Carbon County, Wyoming, DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

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

[INTENTIONALLY LEFT BLANK]

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:

ANADARKO E&P ONSHORE LLC:

By:   Date 7/29/14

Operations Manager

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

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

8-25-14  
Date

By: Todd Parfitt  
Todd Parfitt, DEQ Director

8/25/14  
Date

APPROVAL AS TO FORM:

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

8/27/14  
Date

Julia Jones  
Julia Jones  
Attorney for Anadarko E&P Onshore LLC

8-13-14  
Date