

## 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 SWEPI LP (SWEPI), 150 N. Dairy Ashford, Building C, Houston, Texas, 77079, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in Notice of Violation Docket Number 5463-14 (Notice of Violation). The Notice of Violation alleged that SWEPI violated the Wyoming Air Quality Standards and Regulations (Air Quality Rules) and Permit MD-13783 by exceeding permitted NO<sub>x</sub> limits with the Waukesha F18GSI engine (Engine) located at the Warbonnet 5 PAD facility, in Sublette County, Wyoming.

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

1. SWEPI is a Delaware limited partnership authorized to do business in Wyoming. SWEPI was the owner and operator of the Warbonnet 5 PAD facility, located in Sublette County, Wyoming.
2. 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. 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.
5. 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.”
6. On November 20, 2012, DEQ/AQD issued Permit MD-13783 to SWEPI for the Warbonnet 5 PAD facility. Condition 11 of the permit limits NO<sub>x</sub> emissions from the Engine to 0.5 grams per brake horsepower-hour (g/hp-hr) and 0.4 pounds per hour (lb/hr).
7. On February 20, 2014, DEQ/AQD Inspector Jon Walker observed stack testing of the Engine at the Warbonnet 5 PAD facility.

8. Mr. Walker reviewed the March 28, 2014 stack test results for the Engine and discovered that the Engine emitted NO<sub>x</sub> at 1.920 g/hp-hr and 0.92 lb/hr.

9. On September 24, 2014, DEQ/AQD issued Notice of Violation 5463-14 to SWEPI. The Notice of Violation alleged that SWEPI had violated Permit MD-13783 by exceeding NO<sub>x</sub> limits at the Engine, located at the Warbonnet 5 PAD facility.

10. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), SWEPI agrees to pay to DEQ/AQD the amount of twelve thousand dollars (\$12,000) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation. SWEPI agrees to make full payment by check made payable to Wyoming DEQ/AQD, within thirty (30) days after SWEPI has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. SWEPI agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002.

11. SWEPI, 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 SWEPI may have against any entity.

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

13. In the event that SWEPI fails to fulfill its obligations under this Agreement, SWEPI waives any statute of limitation claims that may apply in an enforcement action by DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

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

15. 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 SWEPI shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

16. 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.

17. 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.

18. 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.

19. The State of Wyoming and 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.

20. 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.

21. DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

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22. 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. Shell Exploration and Production Company hereby represents and warrants that it is authorized to bind SWEPI to this Agreement and, in the alternative, that it assumes all liability created by this Agreement and the related Notice of Violation.

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:

SWEPI LP:

By: Richard W. Lewis 1-7-2015  
Richard W. Lewis Date  
Regulatory & Environmental Team Lead  
Shell Exploration & Production Company  
Power of Attorney for SWEPI LP

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich 1-12-15  
Steven A. Dietrich, AQD Administrator Date

By: Todd Parfitt 1/13/15  
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

Elizabeth Lyon 1/14/15  
Elizabeth Lyon Date  
Assistant Attorney General  
Attorney for DEQ/AQD

Lance Tolson 1/7/15  
Lance Tolson Date  
Senior Legal Counsel  
Shell Oil Company