

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Ultra Resources, Inc. (Ultra Resources), 400 North Same Houston Parkway East, Houston, Texas, 77060, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in Notice of Violation Docket Number 5505-14 (Notice of Violation). The Notice of Violation alleged that Ultra Resources violated the Wyoming Air Quality Standards and Regulations (Air Quality Rules) and Permit MD-14779 by improperly controlling vapors at the Boulder 10-31 PAD facility, located in Sublette County, Wyoming (Facility).

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

1. Ultra Resources is a Wyoming corporation with corporate headquarters in Texas.
2. Ultra Resources owns and operates the Facility.
3. Ultra Resources is a “person” within the definition of the Wyoming Environmental Quality Act. Wyo. Stat. Ann. § 35-11-103(vi).
4. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.
5. The Wyoming Environmental Quality Act 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.” Wyo. Stat. Ann. § 35-11-201
6. The Wyoming Environmental Quality Act 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.” Wyo. Stat. Ann. § 35-11-801
7. Chapter 6, Section 2 of the Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
8. On August 24, 2013, DEQ/AQD issued Permit MD-14779 (Permit) to Ultra Resources for the Facility. Conditions 15 and 17 requires control of emissions as follows:

Condition 15: “All natural gas-operated pneumatic process controllers (temperature control, pressure control, level control, flow control, etc.) shall be low or no-bleed controllers, with low bleed defined as less than six (6) cubic feet per hour vent or bleed rate, or the controller discharge streams shall be routed into

a closed loop system so there are no volatile organic compound or hazardous air pollutants emitted to the atmosphere.”

Condition 17: “Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers and all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit.”

9. On August 13, 2014, DEQ/AQD Inspector Jamie Brewer observed vapors venting from the controller on the blowcase of the BR 10C1-31 dehydration unit at the Facility.

10. On December 5, 2014, DEQ/AQD issued Notice of Violation 5505-14 to Ultra Resources. The Notice of Violation alleged that Ultra Resources was in violation of Condition 17 of the Permit.

11. Upon further investigation, DEQ/AQD determined that Ultra Resources was not in violation of Condition 17 of the Permit. DEQ/AQD subsequently alleged that Ultra Resources was in violation of Condition 15 of the Permit.

12. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Ultra Resources agrees to pay DEQ/AQD the amount of seven thousand dollars (\$7,000) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation and this Agreement. Ultra Resources agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Ultra Resources has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Ultra Resources agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

13. Ultra Resources, 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 Ultra Resources may have against any entity.

14. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Ultra Resources arising from the allegations contained within the Notice of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Ultra Resources 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.

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

16. This Agreement shall be admissible by either Ultra Resources or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Ultra Resources 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 Ultra Resources 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 four (4) 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 Ultra Resources assigns any or all of its proprietary interest in the Facility, 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.

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:

ULTRA RESOURCES COMPANY:

By: Brad Johnson
Brad Johnson
Senior Vice President, Operations

17 JUL 15
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

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

7-24-15
Date

By: Todd Parfitt
Todd Parfitt, DEQ Director

7/27/15
Date

APPROVAL AS TO FORM:

Elizabeth Lyon
Elizabeth Lyon
Assistant Attorney General
Attorney for DEQ/AQD

7/28/15
Date