

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY
WATER QUALITY DIVISION**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (WDEQ) and Nabors Drilling USA LP (NDUSA) enter into this Settlement Agreement to fully and finally resolve without litigation the violation alleged in the WDEQ Notice of Violation (NOV), Docket Number 4185-07, dated January 16, 2008. The NOV alleges the construction of a public water supply without a permit. This is a violation of the Wyoming Environmental Quality Act. The location of the violation is in the SE ¼ Section 5 T16N R92W in Carbon County, Wyoming.

Wyoming Statute (W.S.) 35-11-901 (a) (ii) authorizes the WDEQ to negotiate a stipulated settlement in lieu of litigation. To that end, NDUSA and the WDEQ hereby stipulate and agree as follows:

- 1 of 13 The WDEQ, pursuant to W.S. 35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. WDEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the WDEQ rules.
- 2 of 13 NDUSA is owner and operator of a public water supply system serving a mancamp located in the SE ¼ Section 5 T16N R92W in Carbon County, Wyoming.
- 3 of 13 Construction of public water supply system without a permit to construct is a violation of W.S. 35-11-301(a) (v).
- 4 of 13 NDUSA agrees to pay a total of two thousand dollars (\$2,000.00) as a stipulated settlement condition to resolve this matter in lieu of litigation. Payment to the WDEQ shall be by check and made payable to the Wyoming Department of Environmental Quality/Water Quality Division, Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4 West, 122 West 25th Street, Cheyenne, Wyoming 82002.
- 5 of 13 A permit to construct including as-built information prepared by a Wyoming licensed engineer shall be submitted to WDEQ at the time of this agreement. The WDEQ is agreeable to NDUSA continuing to operate the public water supply subject to the US EPA Region 8 direct implementation of the Safe Drinking Water Act in Wyoming. Any construction proposed by the permit shall be completed within 180 days after the permit is issued by WDEQ.
- 6 of 13 This signed Settlement Agreement, as specified above, shall constitute full satisfaction for and resolution of all claims by the WDEQ/WQD against NDUSA based on the violations alleged in NOV Docket Number 4185-07. Contingent upon NDUSA's compliance with the terms of this Settlement Agreement, the WDEQ will refrain from taking further enforcement action against NDUSA for the violation cited in this Settlement Agreement. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4185-07.
- 7 of 13 NDUSA waives any statute of limitations which may apply to an enforcement action by the WDEQ involving the specific matters described in NOV Docket Number 4185-07 in the event that NDUSA fails to fulfill its obligations under this Settlement Agreement.
- 8 of 13 Nothing in this agreement precludes WDEQ from taking additional enforcement action, including the issuance of a Notice of Violation, Order or pursuing additional penalties, should NDUSA violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.

SETTLEMENT AGREEMENT BETWEEN WDEQ AND NDUSA

- 9 of 13 This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
- 10 of 13 Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and WDEQ do not waive sovereign immunity by entering into this Settlement Agreement with NDUSA, and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
- 11 of 13 Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
- 12 of 13 This Settlement Agreement is binding upon NDUSA, its successors and assigns, and upon the WDEQ.
- 13 of 13 The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR Nabors Drilling USA LP:

Corporate Officer Nabors Drilling USA LP

Signed: Rodney R. Foreman

Date: January

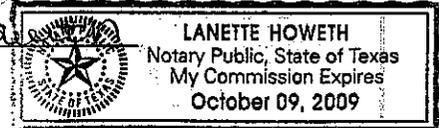
Typed: Rodney R. Foreman

Title: Director HSE

The foregoing instrument was acknowledged before me by this 21st day of January, 2008.

Witness my hand and official seal.

Lanette Howeth
(Notary Public)



My Commission Expires: 10/9/09

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra
John V. Corra, Director
WDEQ

Date: 1/20/08

John F. Wagner
John F. Wagner, Administrator
WDEQ/WQD

Date: 1/28/08

JVC/JFW/LBH/bb/7-1039
xc: Lou Harmon, WDEQ, Cheyenne
Docket Number 4185-07