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7/18/08
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SETTLEMENT AGREEMENT

JUL 18 2008

WATER QUALITY DIVISION

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Barrett Corporation (Barrett), a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in **Notice of Violation (NOV) Docket Number 4244-08 dated April 16, 2008. These violations occurred in Campbell County, Wyoming.**

W.S. §35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Barrett and the DEQ hereby stipulate and agree as follows:

1. The DEQ, 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. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act (Act) including all provisions of the Wyoming Water Quality Rules and Regulations (WWQRR).

2. Barrett Corporation (Barrett) operates coal bed methane production facilities in Wyoming. Barrett holds numerous Wyoming Pollution Discharge Elimination System (WYPDES) permits in Wyoming. The WYPDES permits were issued by the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD).

3. Barrett shall provide the WQD with documentation indicating actions taken or scheduled to be taken to maintain compliance with WYPDES permit requirements. This documentation shall include schedules for completion and type of documentation to be provided for compliance verification (photos, multiple laboratory samples, etc.). This information shall be received by the WQD within 30 days of receipt of this letter. Based on information submitted by Barrett the DEQ has opted to waive any penalty associated with this NOV if the stipulations regarding the required actions to achieve compliance are met.

4. This signed Settlement Agreement shall constitute full satisfaction for and resolution of all claims by the DEQ against Barrett based on the violations alleged in NOV Docket Number 4244-08. Contingent upon Barrett's full compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Barrett for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4244-08.

5. Barrett waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 4244-08 in the event that Barrett fails to fulfill its obligations under this Settlement Agreement.

6. Nothing in this agreement precludes the DEQ from taking additional enforcement action; including the issuance of a NOV, Order, and/or pursuing additional penalties, should Barrett violate the Act, applicable rules and regulations, or WYPDES permit requirements in the future.

7. This Settlement Agreement or any actions taken in accordance with its provisions, does not constitute an admission by Barrett to any allegations, findings, determinations or conclusions contained in this Agreement, nor is this a retraction by the DEQ of the specific allegations in NOV Docket Number 4244-08. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Barrett may have against any entity.

8. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties to enforce its terms.

9. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Barrett and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

10. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.

11. Barrett and the DEQ agree to comply with and be bound by the terms of this agreement and further agree they will not contest the basis or validity of this Settlement Agreement in any action taken by the DEQ to enforce the terms of this Settlement Agreement. Therefore, this Settlement Agreement is binding upon Barrett, its successors and assigns, and upon the DEQ.

12. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement. Full execution of this Settlement Agreement shall be determined by the latest date of all parties signing.

FOR: BILL BARRETT CORPORATION

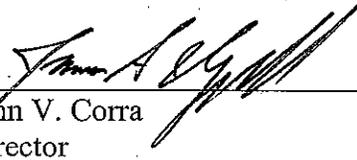
Signed: Paul McElvery

Typed: Paul McElvery

Title: Water Resources Engineer

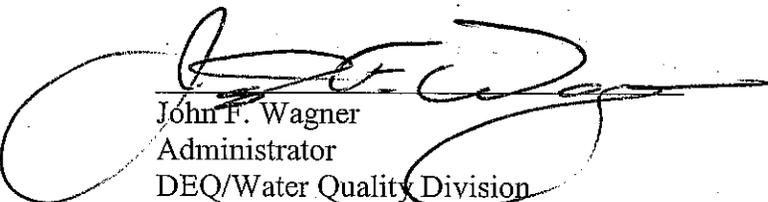
Date: 7/15/08

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:



John V. Corra
Director
Department of Environmental Quality

Date: 6/15/08



John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 6/16/08

JVC/JFW/KMW/bb/8-0473

cc: Lee Hanley, 8ENF-W-NP, EPA Region 8 (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 4244-08
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)