

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

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (WDEQ) and Petro-Canada Resources (USA) Inc. (PCR) enter into this Settlement Agreement to fully and finally resolve without litigation the alleged violation in the WDEQ Notice of Violation (NOV), Docket Number 4374-08, dated October 10, 2008. The NOV alleges construction of a reverse osmosis treatment facility at Mitchell Draw, located in north half of the southeast quarter, Section 20, Township 52 North, Range 77 West, Johnson County, Wyoming without first obtaining a permit to construct.

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

- 1 of 12 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 12 PCR is the owner of the Mitchell Draw reverse osmosis facility and permit holder for the permit to construct the facility.
- 3 of 12 PCR and WDEQ have met and resolved the permitting matters relative to the Mitchell Draw reverse osmosis facility, which has resulted in approval of the "Mitchell Draw Pilot Project Permit No. 08-814," issued on December 16, 2008.
- 4 of 12 PCR agrees to pay a total of five thousand five hundred dollars (\$5,500.00) 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 and shall be sent to: Lou Harmon, Water and Wastewater Program Manager, Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4 Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.
- 5 of 12 This signed Settlement Agreement, as specified above, shall constitute full satisfaction for and resolution of all claims by the WDEQ/WQD against PCR based on the allegations in NOV Docket Number 4374-08. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were or could have been asserted in NOV Docket Number 4374-08.
- 6 of 12 Nothing in this agreement precludes WDEQ from taking additional enforcement action, including the issuance of a Notice of Violation, Order and/or pursuing additional penalties, should PCR violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.

- 7 of 12 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.
- 8 of 12 Neither this Settlement Agreement nor any actions taken in accordance with its provisions shall constitute or be construed as an admission by PCR of any allegations, findings, determinations or conclusions contained in NOV Docket No. 4374-08 or this Settlement Agreement, nor is this Settlement Agreement a retraction by WDEQ of the specific allegations in NOV Docket No. 4374-08. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy or defense that PCR may have against any entity.
- 9 of 12 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 PCR and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
- 10 of 12 Each party shall bear its own attorney fees, expenses and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
- 11 of 12 This Settlement Agreement is binding upon PCR, its successors and assigns, and upon the WDEQ.
- 12 of 12 The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR PETRO-CANADA RESOURCES (USA) INC. ^{SA}

Signed: Edward L. McLaughlin Date: 01-20-09

Typed: Edward L. McLaughlin

Title: President

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra Date: 1/27/09
John V. Corra, Director
WDEQ

John F. Wagner Date: 1/26/09
John F. Wagner, Administrator
WDEQ/WQD

JVC/JFW/LBH/rm/8-0788

cc: Lou Harmon, WDEQ, Cheyenne
Dennis Lamb, WDEQ, Casper
Docket Number 4374-08