

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Frontier Refining (Frontier), 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 Violations Docket Number 4208-08 dated February 15, 2008, Docket Number 4252-08 dated May 12, 2008, Docket Number 4278-08 dated May 27, 2008, and Docket Number 4291-08 dated July 16, 2008 (NOVs)**. These violations occurred in Laramie 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, Frontier 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).

**The Settlement Agreement between the parties executed on January 23, 2009, paragraph 2, is amended to read as follows:**

2. Frontier agrees to pay a total of eight hundred fifty thousand dollars and no cents (\$850,000.00) as a settlement to resolve the above referenced NOVs. The amount shall be paid as follows: (#1) Frontier agrees to pay a penalty of six hundred fifty thousand dollars and no cents (\$650,000.00) to the DEQ to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). (#2) Frontier shall donate two hundred thousand dollars and no cents (\$200,000.00) in accordance to the DEQ Supplemental Environmental Project (SEP) program, whereas, one hundred thousand dollars and no cents (\$100,000.00) will be earmarked for the City of Cheyenne to assist in proposed SEP activities to include the Storm Water Basin Park project, habitat improvement along the Norris Viaduct project, or environmental improvement to Crow Creek. **Such projects and their agreed upon value must be approved by the DEQ Director and comply with the DEQ SEP policy.** The remaining one hundred thousand dollars and no cents (\$100,000.00) will be utilized by the DEQ for contractual costs associated with hiring a contractor to review Frontier Refining's underground injection disposal well proposal. All payments to DEQ are due and payable within thirty (30) days of the full execution of this Settlement Agreement. Frontier shall provide verification to the DEQ when the payment(s) have been made to Cheyenne. Payment to DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Kevin M. Wells, Compliance & Enforcement Coordinator, Department of Environmental Quality, Water Quality Division, Herschler Building 4<sup>th</sup> Floor-West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002. The check should reference NOV Docket Numbers 4208-08, 4252-08, 4278-08, and 4291-08.

3. This signed Settlement Agreement and payment by Frontier as cited in the NOVs shall constitute full satisfaction for and resolution of all claims by the DEQ against Frontier based on the violations alleged in the NOVs stated above. Contingent upon Frontier's full compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Frontier for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in the NOVs.

4. Frontier waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in the NOVs in the event that Frontier fails to fulfill its obligations under this Settlement Agreement.

6. Nothing in this agreement precludes DEQ from taking additional enforcement action; including the issuance of a NOV, Order, and/or pursuing additional penalties, should Frontier 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 Frontier to any allegations, findings, determinations, or conclusions contained in this Agreement, nor is this a retraction by the DEQ of specific allegations in the NOVs. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Frontier 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 Frontier 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. Frontier 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 DEQ to enforce the terms of this Settlement Agreement. Therefore, this Settlement Agreement is binding upon Frontier, 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: FRONTIER REFINING, INC.

Signed: G B Faudel

Date: 03/09/2009

Typed: Gerald B. Faudel

Title: VP, Government Relations & Environmental Affairs

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra  
John V. Corra  
Director  
Department of Environmental Quality

Date: 2/26/09

John F. Wagner  
John F. Wagner  
Administrator  
DEQ/Water Quality Division

Date: 2/26/09

JVC/JFW/KMW/bb/rm/9-0011

- cc: Lee Hanley, 8ENF-W-NP, EPA Region 8 (PDF)  
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft (PDF)  
IPS (for scanning) ► Docket 4208-08, 4252-05, 4278-08, 4291-08  
Keith Guille, DEQ Public Information Officer (PDF)