

DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

RECEIVED

MAR 07 2011

WATER QUALITY DIVISION
WYOMING

IN THE MATTER OF THE NOTICE)
OF VIOLATION ISSUED TO:)

Mr. Robert Downey)
President)
Ciris Energy)
9155 E. Nichols Ave., Ste. 200)
Centennial, CO 80112)

DOCKET NO. 4782-10

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Ciris Energy (Ciris) a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violation alleged in **Notice of Violation (NOV) Docket Number 4782-10 dated December 16, 2010. 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 and corrective actions, in lieu of litigation. To that end, Ciris 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. NOV Docket Number 4782-10 was issued for alleged unpermitted injection into the following USA Exploration & Production LLC wells: Reno No. 12-32-42-72X, LX Fee No. 7-2 CXLC, and LX Fee No. 9-35 CXLC. It is acknowledged that Ciris has no legal interests in or rights to these wells.
3. As a condition to this Settlement Agreement, Ciris agrees to make every reasonable effort to obtain permission from the owner of the three subject wells for a DEQ approved professional to access the wells to collect groundwater samples and to provide water quality analyses of those samples in accordance with a sampling and analysis plan (SAP) developed in accordance with DEQ requirements. Ciris further agrees to make every reasonable effort to obtain permission from the owner of the three subject wells for DEQ to access the sampling locations in order to observe sampling procedures and to collect split samples if desired.
4. Ciris agrees to arrange for samples to be collected within 30 days of DEQ's approval of the final SAP and laboratory results shall be provided to DEQ within 45 days of sample collection.
5. Ciris agrees to provide DEQ verbal notice of the date and time of sample collection at least seven days prior to sample collection. Notice shall be provided to Mr. Don Fischer in DEQ's Sheridan office: 307-675-5640.
6. Ciris agrees to pay a total of twenty five thousand nine hundred and twenty dollars and no cents (\$25,920.00) as a stipulated penalty. Payment to the DEQ is due within thirty (30) days of the full execution of this Settlement Agreement and shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division. Payment should be sent to Mr. Kevin Frederick, Ground Water Program Manager, Department of Environmental Quality, Water Quality Division, Herschler Building, 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002. **The check should reference NOV Docket Number 4782-10.** Pursuant to W.S. 8-1-109, DEQ shall pay this amount over to the state treasurer to be credited to the public school fund in Campbell County, the county in which the alleged violations in NOV docket number 4782-10 occurred.
7. This Settlement Agreement represents a good faith settlement and resolution of the NOV in lieu of litigation. The Settlement Agreement or any actions taken in accordance with its provisions does not constitute an admission by Ciris to any allegations, findings, determinations, or conclusions contained in this agreement, nor is this a retraction by the DEQ of the specific

SETTLEMENT AGREEMENT BETWEEN DEQ/WQD AND CIRIS ENERGY.

allegations in NOV Docket number 4782-10. Except as specifically provided for herein, nothing in this agreement shall prejudice, waive, or impair any right, remedy, or defense that Ciris may have against any entity.

8. Ciris' full compliance with the terms of this signed Settlement Agreement shall constitute full satisfaction for and resolution of all claims by DEQ against Ciris based on the specific allegations in NOV Docket Number 4782-10. Contingent upon Ciris' compliance with the terms of this Settlement Agreement and the outcome of the sampling referenced above, the DEQ will refrain from taking further enforcement action against Ciris for these particular violations. By this Settlement Agreement the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4782-10.
9. Ciris waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 4782-10 in the event that Ciris fails to fulfill its obligations under this Settlement Agreement.
10. Nothing in this agreement precludes DEQ from taking additional enforcement action; including the issuance of a NOV, Order, and/or pursuing additional penalties, should Ciris violate the Act, applicable rules and regulations, or UIC permit requirements in the future.
11. 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.
12. 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 Ciris and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
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.
14. Ciris 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 Ciris, its successors and assigns, and upon the DEQ.

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15. 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 CIRIS ENERGY:

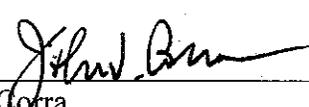
Signed: 

Typed: ROBERT A. DOWNEY

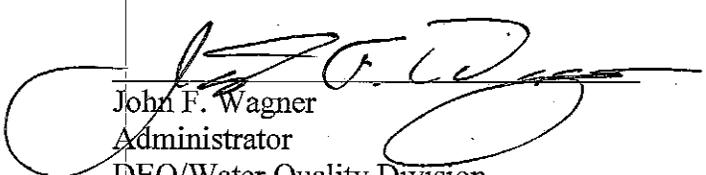
Title: PRESIDENT

Date: MARCH 7, 2011

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:


John V. Gorra
Director
Department of Environmental Quality

Date: 3/3/11


John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 3/3/11

JVC/JFW/KDF/bb/11-0208

- cc: Kevin Frederick, DEQ Cheyenne
- Don Fischer, DEQ Sheridan
- IPS (for scanning) ► Docket 4782-10
- Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)