

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 and)
)
 STATE OF COLORADO,)
)
 Plaintiff-Intervenor,)
)
 v.) Civil Action No.
)
 KERR-McGEE CORPORATION,)
)
 Defendant.)
 _____)

CONSENT DECREE

TABLE OF CONTENTS

I.	JURISDICTION AND VENUE	4
II.	APPLICABILITY	5
III.	DEFINITIONS.....	5
IV.	EMISSION REDUCTION REQUIREMENTS.....	9
V.	ADMINISTRATIVE REQUIREMENTS	26
VI.	LIMITS ON POTENTIAL TO EMIT	28
VII.	AMBIENT AIR MONITORING.....	29
VIII.	MULTI-PHASE PIPING/TANKLESS WELL-SITE PILOT PROJECT	30
IX.	PERFORMANCE OPTIMIZATION REVIEW	34
X.	CIVIL PENALTY	38
XI.	ENVIRONMENTAL PROJECTS.....	40
XII.	REPORTING REQUIREMENTS	43
XIII.	STIPULATED PENALTIES	46
XIV.	FORCE MAJEURE	56
XV.	DISPUTE RESOLUTION	59
XVI.	INFORMATION COLLECTION AND RETENTION	61
XVII.	EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS.....	64
XVIII.	EMISSION REDUCTION CREDIT GENERATION	66

XIX.	COSTS	66
XX.	NOTICES.....	67
XXI.	SALES OR TRANSFERS OF OWNERSHIP/OPERATOR INTERESTS	68
XXII.	EFFECTIVE DATE.....	70
XXIII.	RETENTION OF JURISDICTION.....	70
XXIV.	MODIFICATION	70
XXV.	TERMINATION.....	71
XXVI.	PUBLIC PARTICIPATION	72
XXVII.	SIGNATORIES/SERVICE.....	72
XXVIII.	INTEGRATION	73
XXIX.	FINAL JUDGMENT	74
XXX.	APPENDICES	74

WHEREAS, Plaintiff, the United States of America, (the “United States”) on behalf of the United States Environmental Protection Agency (“EPA”), has simultaneously with lodging this Consent Decree filed a Complaint alleging that Kerr-McGee Corporation, or one or more of its wholly-owned subsidiaries, (collectively “Defendant” or “Kerr-McGee” and as more specifically defined below), violated requirements of the Clean Air Act (the “Act”) and the federal and state regulations implementing the Act applicable to: (i) five compressor stations referred to herein as the Hudson Facility, Dougan Facility, Frederick Facility, Fort Lupton Facility, and Platteville Facility, which are located in the Denver-Julesburg Basin in and near Adams and Weld Counties, Colorado (the “D-J Basin”), (which facilities are among those later defined as the “D-J Basin Facilities”); and (ii) three compressor stations referred to herein as the Cottonwood Wash Facility, Ouray Facility, and Bridge Station Facility which are in the Uinta Basin located near Vernal, Utah (the “Uinta Basin”) (collectively the “Uinta Basin Facilities”);

WHEREAS, EPA administers the Act’s programs for the Prevention of Significant Deterioration (“PSD”), National Emission Standards for Hazardous Air Pollutants (“NESHAP”), and federal operating permits under Title V with respect to the Uinta Basin Facilities, and the Colorado Department of Public Health and Environment (“CDPHE”) as well as EPA, through the Colorado State Implementation Plan (“SIP”), are authorized to administer the PSD, NESHAP, and Title V programs with respect to the D-J Basin Facilities;

WHEREAS, on September 9, 2004, Kerr-McGee disclosed to EPA, pursuant to EPA’s policy titled “Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations” published at 65 Fed. Reg. 19,618 - 27 (April 11, 2000), that both the Cottonwood Wash Facility and Ouray Facility, which Kerr-McGee acquired as part of a June 2004 merger

with Westport Resources Corporation, had the potential to emit greater than major source thresholds and were subject to the federal operating permit requirements of Title V of the Act. Kerr-McGee subsequently submitted applications for Title V permits for both facilities to EPA, removed the conventional dehydrators at those facilities and replaced them with new “low-emission dehydrators” (as defined herein) incorporating integral vapor recovery capabilities and emitting insignificant amounts of Volatile Organic Compounds (“VOC”) or other pollutants regulated under the Act;

WHEREAS, Plaintiff-Intervenor, the State of Colorado (“State”), on behalf of CDPHE, has simultaneously with lodging this Consent Decree, filed a Complaint in Intervention joining in the claims alleged by the United States to have occurred at the D-J Basin Facilities and additionally citing violations of the Colorado Air Pollution Prevention and Control Act (the “Colorado Act”) and its implementing regulations. CDPHE previously issued to Kerr-McGee Rocky Mountain Corporation¹: (i) a Notice of Violation (“NOV”) on or about November 4, 2005 for failure to install pollution control equipment on compressor engines (“RICE” as further defined below) at four of the D-J Basin Facilities; (ii) a Compliance Advisory on or about May 5, 2005 for violations of Operating Permit No. 95OPWE013 and Construction Permit No. 00WE0583 for the Fort Lupton Facility; (iii) a NOV on or about June 15, 2005 for violations of CDPHE Permit No. 02WE0126 Initial Approval, and Modification 1 thereof applicable to the Thermal Oxidizer at the Platteville Station’s Amine Unit; (iv) its findings that Kerr-McGee’s records for 2005, maintained pursuant to Regulation No. 7, indicated Kerr-McGee’s failure to achieve required emission reductions for 9 days between May 1, 2005, and September 30, 2005;

¹ Kerr-McGee Rocky Mountain Corporation no longer exists, and its former operating facilities in Colorado are now owned by Kerr-McGee Oil and Gas Onshore LP, a wholly-owned subsidiary of Kerr-McGee Corporation.

and (v) the preliminary findings of CDPHE on or about November 10, 2006, based on inspections during the 2006 Ozone Season of Kerr-McGee facilities with condensate storage tanks at which flares were installed to control VOC emissions pursuant to Colorado Air Quality Control Commission Regulation No. 7, Section XII, which findings indicated certain violations;

WHEREAS, Kerr-McGee does not admit the violations occurred and further does not admit any liability for civil penalties, fines, or injunctive relief to the United States or the State arising out of the transactions or occurrences alleged in the Complaint, the Complaint in Intervention, or the NOV's and Compliance Advisory issued by CDPHE;

WHEREAS, Kerr-McGee has worked cooperatively with the Plaintiff and Plaintiff-Intervenor (collectively referred to as Plaintiffs) to settle this matter and committed to reduce or avoid annual emissions in the Uinta Basin and the D-J Basin by an estimated 1,750 tons of nitrogen oxides ("NO_x"), 1,156 tons of carbon monoxide ("CO"), 686 tons of sulfur dioxide (SO₂), and 2,195 tons of VOCs, and also to undertake various projects to conserve and return to the market place an estimated 456 million standard cubic feet of natural gas in the first twelve (12) months following full implementation of the Pneumatic Controller (defined herein) retrofits made pursuant to this Consent Decree;

WHEREAS, Kerr-McGee previously developed plans to extensively use electric power for a portion of its natural gas compression needs in the future development of its Uinta Basin operating assets, which if implemented will avoid the emission of significant quantities of air pollutants otherwise produced by natural gas-fired engines used for natural gas compression, and has already implemented "green completion" practices and procedures for completing new wells

in both its Uinta Basin and D-J Basin operations to prevent or minimize the flaring and/or venting of natural gas during well completion;

WHEREAS, the United States, the State, and Kerr-McGee (the “Parties”) recognize, and the Court by entering this Consent Decree finds, that this Consent Decree has been negotiated by the Parties in good faith and at arm’s length, will avoid litigation among the Parties, and that this Consent Decree is fair, reasonable, consistent with the goals of the Act, the Colorado Act, and their implementing regulations, and that its entry is in the best interests of the Parties and is in the public interest;

NOW, THEREFORE, before the taking of any testimony, without the adjudication or admission of any issue of fact or law except as provided in Section I (Jurisdiction and Venue), and with the consent of the Parties,

IT IS HEREBY ADJUDGED, ORDERED, AND DECREED as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this action and the Parties pursuant to 28 U.S.C. §§ 1331, 1345, and 1355, and Sections 113(b), 167, and 304 of the Act, 42 U.S.C. §§ 7413(b), 7477 and 7604. Venue lies in this District pursuant to Sections 113(b) and 304(c) of the Act, 42 U.S.C. §§ 7413(b) and 7604(c), and 28 U.S.C. §§ 1391(b) & (c) and 1395(a), because some of the violations alleged in the Complaint and the Complaint in Intervention are alleged to have occurred in, and Kerr-McGee conducts business in, this judicial district. The Uinta Basin Facilities are located on “Indian country” lands as defined at 18 U.S.C. § 1151 in Uintah County. For purposes of this Consent Decree, or any action to enforce this Consent Decree, Kerr-McGee consents to and will not contest the jurisdiction of the Court over

this matter. For purposes of this Consent Decree, Kerr-McGee agrees that the Complaint and the Complaint in Intervention state claims upon which relief may be granted pursuant to Sections 113, 167, and 304(a) of the Act, 42 U.S.C. §§ 7413, 7477 and 7604(a) and Sections 115, 121, and 122 of the Colorado Act, §§ 25-7-115, 121, and 122 C.R.S.

II. APPLICABILITY

2. The obligations of this Consent Decree apply to and are binding upon the United States and the State, and upon Kerr-McGee, as defined herein, and any of its successors and assigns.

3. Kerr-McGee shall ensure that any of its corporate subsidiaries or affiliates that now or in the future may own or operate any of the Uinta Basin Facilities, the D-J Basin Facilities, or other natural gas production or gathering facilities subject to any work or compliance requirements of this Consent Decree, take all necessary and appropriate actions and provide EPA and/or the State access to facilities, equipment, and information as may be required to enforce this Consent Decree so that Kerr-McGee may fully and timely comply with all requirements of this Consent Decree.

4. In any action to enforce this Consent Decree, Kerr-McGee shall not raise as a defense the failure by any of its officers, directors, employees, agents, contractors, or corporate affiliates or subsidiaries to take any actions necessary to comply with the provisions of this Consent Decree.

III. DEFINITIONS

5. Terms used in this Consent Decree that are defined in the Act or in regulations promulgated pursuant to the Act shall have the meanings assigned to them in the Act or such

regulations, unless otherwise provided in this Decree. Whenever the terms set forth below are used in this Consent Decree, the following definitions shall apply:

- a. “CDPHE” shall mean the Colorado Department of Public Health and Environment and any of its successor agencies or departments.
- b. “Consent Decree” or “Decree” shall mean this Consent Decree and all appendices attached hereto (listed in Section XXX).
- c. “Day” shall mean a calendar day unless expressly stated to be a business day. In computing any period of time under this Consent Decree, where the last day would fall on a Saturday, Sunday, or federal holiday, the period shall run until the close of business of the next business day.
- d. “D-J Basin Facilities” shall collectively mean the Hudson Facility, Dougan Facility, Frederick Facility, Fort Lupton Facility, Brighton Facility, Hambert Facility, and Platteville Facility, all located in the D-J Basin in Weld and Adams Counties, Colorado, as more specifically described in Appendix A. These facilities do not include wellhead facilities.
- e. “EPA” shall mean the United States Environmental Protection Agency and any of its successor departments or agencies.
- f. “HAP” shall mean hazardous air pollutant.
- g. “Kerr-McGee” shall mean Kerr-McGee Corporation, a Delaware corporation, and the wholly-owned subsidiary of Anadarko Petroleum Corporation as of August 10, 2006, and any of its corporate subsidiaries or

affiliates that own or operate any of the Uinta Basin Facilities or the D-J Basin Facilities (each as defined herein), or any other natural gas production or gathering facilities subject to any work or compliance requirements of this Consent Decree, and for which Kerr-McGee Corporation certifies pursuant to Paragraph 112 that it has authority to legally bind such entity to take all actions necessary for Kerr-McGee Corporation to comply with the provisions of this Consent Decree, including but not limited to: Kerr-McGee Oil and Gas Onshore LP, Westport Field Services LLC, Kerr-McGee (Nevada) LLC, and Kerr-McGee Gathering LLC.

- h. “Low-Emission Dehydrator” shall be defined as set forth in Paragraph 6 of this Consent Decree.
- i. “Paragraph” shall mean a portion of this Decree identified by an Arabic numeral.
- j. “Performance Optimization Review” shall mean an evaluation of energy efficiency and the potential for product recovery at certain facilities for purposes of conserving natural gas and returning it to the marketplace.
- k. “Plaintiffs” shall mean the United States and the State.
- l. “Pneumatic Controller” shall mean a natural gas-driven pneumatic controller.
- m. “Potential to Emit” or “PTE” shall mean the maximum capacity of a stationary source to emit a pollutant regulated under the Act under its

physical and operational design. Any physical or operational limitation on the capacity of the source to emit a pollutant regulated under the Act, including air pollution control equipment and restrictions on hours of operation or on the type or amount of material combusted, stored, or processed, shall be treated as part of its design if the limitation or the effect it would have on emissions is federally enforceable and, as applicable, also legally and practicably enforceable by a state or local air pollution control agency.

- n. “Regulation No. 7” shall mean Colorado Air Quality Control Commission (“AQCC”) Regulation No. 7, 5 Colo. Code Regs. § 1001-9 (2007).
- o. “RICE” shall mean one or more stationary, natural gas-fired reciprocating internal combustion engines.
- p. “Section” shall mean a portion of this Decree identified by a Roman numeral.
- q. “Title V Permit” shall mean a permit issued pursuant to the federal operating permit program established by Title V of the Act, 42 U.S.C. §§ 7661 - 7661f, and as implemented by 40 C.F.R. Parts 70 (applicable to states) or 71 (applicable to EPA).
- r. “TPY” shall mean tons per year.
- s. “Uinta Basin Facilities” shall collectively mean the Cottonwood Wash Facility, Ouray Facility, and Bridge Station Facility each located in the

Uinta Basin near Vernal, Utah, as more specifically described in Appendix B.

- t. “VOC” shall mean volatile organic compounds as defined in 40 C.F.R. § 51.100(s).

IV. EMISSION REDUCTION REQUIREMENTS

A. LOW-EMISSION DEHYDRATORS

6. “Low-Emission Dehydrator.” For purposes of this Consent Decree, a “Low-Emission Dehydrator” shall meet the specifications set forth in Appendix C and shall mean a dehydration unit that:

- a. incorporates an integral vapor recovery function such that the dehydrator cannot operate independent of the vapor recovery function;
- b. either returns the captured vapors to the inlet of the facility where such dehydrator is located or routes the captured vapors to that facility’s fuel gas supply header; and
- c. has a PTE less than 1.0 TPY of VOCs, inclusive of VOC emissions from the reboiler burner.

Existing Uinta Basin Facilities

7. Kerr-McGee shall continue to operate and maintain Low-Emission Dehydrators for all gas dehydration performed at its existing Uinta Basin Facilities.

8. By no later than 30 Days after the date of lodging of this Consent Decree, Kerr-McGee shall provide a written notice to EPA and certify that each Low-Emission Dehydrator

installed at Kerr-McGee's existing Uinta Basin Facilities meets the criteria set forth in Paragraph 6.

New Facilities in the Uinta Basin

9. Beginning as of the date of lodging of this Consent Decree, and continuing for so long as this Consent Decree is in effect, Kerr-McGee shall install and operate Low-Emission Dehydrators at all compressor stations or other facilities utilizing equipment to dehydrate natural gas in the Uinta Basin.

10. Kerr-McGee shall provide written notice to EPA within 60 Days of each installation under Paragraph 9, and include a description of the equipment installed and a certification pursuant to Paragraph 112 that the Low-Emission Dehydrator meets the criteria set forth in Paragraph 6.

11. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV.A., and shall report the status of its compliance with these requirements in its Annual Reports submitted pursuant to Section XII (Reporting Requirements).

B. CONDENSATE STORAGE TANKS

Cottonwood Wash and Ouray Facilities in the Uinta Basin

12. Within 180 Days after the date of lodging of this Consent Decree, Kerr-McGee shall install and operate enclosed flares at the Cottonwood Wash Facility and Ouray Facility or install a non-flare alternative pursuant to Paragraph 18 to meet a 95% or greater reduction of VOC emissions from all condensate storage tanks located at each facility.

13. Kerr-McGee shall design, install, and operate each enclosed flare required pursuant to this Section IV.B. in accordance with the requirements of 40 C.F.R. § 60.18(c)-(e) and the manufacturer's written instructions or procedures necessary to achieve the emission reductions listed in Paragraph 12. Kerr-McGee shall submit to EPA a worksheet setting forth the design calculations for each proposed enclosed flare, including heat content determination, exit velocity determination, and flow rate estimates, within 60 Days after the lodging this Consent Decree.

14. Upon startup of each enclosed flare, Kerr-McGee shall operate and maintain an auto-ignition device equipped with a thermocouple that reignites the pilot flame whenever it goes out.

15. No later than 60 Days following the start-up of each enclosed flare, Kerr-McGee shall submit a certification pursuant to Paragraph 112 to EPA that Kerr-McGee has complied with the requirements of Paragraphs 12 through 14.

16. Kerr-McGee shall inspect each enclosed flare weekly and document whether the pilot light on each enclosed flare was lit or the enclosed flare was bypassed at the time of the inspection.

17. Kerr-McGee shall notify EPA of all instances that a pilot light on each enclosed flare was not lit or the enclosed flare was bypassed, and the duration of each incident, with each Annual Report submitted pursuant to Section XII (Reporting Requirements).

18. Instead of designing, operating, maintaining, and monitoring an enclosed flare in accordance with the applicable requirements of this Section IV.B., or as a future replacement of, or preferred primary means of emission control over, an enclosed flare installed to comply with

this Section IV.B., Kerr-McGee may elect to control emissions from condensate storage tanks at these facilities by installing and operating a vapor recovery unit (“VRU”), system for cascading stabilization of condensate, or any other system to capture and beneficially use or prevent VOC emissions from condensate tanks. No later than 30 Days prior to installation, Kerr-McGee shall submit to EPA a monitoring plan to ensure the non-flare alternative meets a 95% or greater reduction in VOC emissions.

19. By no later than 60 Days after the start-up of any such enclosed flare and/or non-flare alternative, Kerr-McGee shall, where applicable, obtain all necessary federally-enforceable, non-Title V permits and amend its Title V Permit applications for the Cottonwood Wash and Ouray Facilities, as appropriate, to incorporate all enclosed flare and/or non-flare alternative installation, operation, monitoring and reporting requirements as set forth in this Section IV.B.

Brighton Facility in the D-J Basin

20. By no later than June 30, 2007, Kerr-McGee shall install and operate an enclosed flare at the Brighton Facility to meet a 95% destruction efficiency for VOC emissions from all condensate storage tanks located at the Brighton Facility.

21. Kerr-McGee shall design, install and operate the enclosed flare in accordance with the requirements of “Regulation No. 7”, and the manufacturer’s written instructions or procedures necessary to achieve the emission reductions listed in Paragraph 20.

22. By no later than June 1, 2007, Kerr-McGee shall have submitted a worksheet to CDPHE setting forth its design calculations for the proposed enclosed flare, including heat content determination, exit velocity determination, and flow rate estimates.

23. Upon startup of the enclosed flare, Kerr-McGee shall operate and maintain an auto-ignition device equipped with a thermocouple that reignites the pilot flame whenever it goes out.

24. By no later than 60 Days following start-up of the enclosed flare, Kerr-McGee shall submit a certification pursuant to Paragraph 112 to CDPHE that it has complied with the requirements of Paragraphs 20-23.

25. Kerr-McGee shall inspect the enclosed flare and document whether the pilot light on the enclosed flare was lit or the enclosed flare was bypassed at the time of the inspection, as required by Regulation No. 7.

26. Kerr-McGee shall notify CDPHE of all instances that a pilot light on the enclosed flare was not lit or the enclosed flare was bypassed, and the duration of each incident, with each Annual Report submitted pursuant to Section XII (Reporting Requirements), and any other reports required to be submitted to CDPHE under Regulation No. 7.

27. By no later than 60 Days after the start-up of such enclosed flare, Kerr-McGee shall apply to CDPHE for a construction permit and to amend its Title V Permit, as appropriate, to incorporate all enclosed flare installation, operation, monitoring and reporting requirements as set forth in this Section IV.B., or to request that CDPHE rescind its Title V Permit, as appropriate.

28. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV.B., and shall report the status of its compliance with these requirements in its Annual Reports submitted pursuant to Section XII (Reporting Requirements).

C. COMPRESSOR ENGINES IN THE D-J BASIN

29. Kerr-McGee shall install, operate and maintain emission control equipment to reduce: (i) NO_x, CO and VOC emissions from seven existing two-stroke, lean-burn (“2SLB”) RICE located at the Frederick, Dougan, and Hudson Facilities; and (ii) CO and VOC emissions from four existing 2SLB RICE located at the Fort Lupton Facility, in accordance with the control requirements of this Section IV.C. Alternatively, Kerr-McGee may permanently remove from service any of these existing eleven 2SLB RICE located at the Frederick, Dougan, Hudson or Fort Lupton Facilities either before or after meeting the additional control requirements of this Section IV.C., and it may also replace one or more such existing 2SLB RICE with new RICE subject to all applicable permitting requirements then in effect, in accordance with the schedule in Paragraphs 30 and 31. Any such new RICE shall meet the requirements of Regulation No. 7, § XVII regardless of whether such new RICE is relocated from a site within the State. Such new RICE shall have a manufacture date no earlier than January 1, 2004.

30. The emission control equipment for the seven 2SLB RICE located at the Frederick, Dougan, and Hudson Facilities shall consist of: (i) new or remanufactured turbochargers; (ii) pre-combustion chambers; (iii) after-coolers with auxiliary water cooling, as needed; (iv) high-pressure fuel injection; and (v) oxidation catalysts. All such equipment shall be installed and operational, or one or more of the 2SLB RICE shall be replaced, in accordance with the following schedule:

- a. One Clark TLAD engine at the Hudson Facility - no later than January 4, 2008;

- b. A second Clark TLAD engine at the Hudson Facility - no later than February 22, 2008;
- c. A third Clark TLAD engine at the Hudson Facility - no later than April 11, 2008;
- d. The fourth and last Clark TLAD engine at the Hudson Facility - no later than May 30, 2008;
- e. One Cooper-Quad engine at the Frederick Facility - no later than November 14, 2008 or certify by November 14, 2008 pursuant to Paragraph 112 that one Cooper-Quad RICE, specifically identified by AIRS Identification Number and serial number, will be replaced no later than January 16, 2009;
- f. The second and last Cooper-Quad engine at the Frederick Facility - no later than January 16, 2009 or replace the Cooper-Quad RICE, specifically identified by AIRS Identification Number and serial number, no later than January 16, 2009; and
- g. Dougan Engine 21 (a Cooper-Quad) - no later than March 20, 2009 or replace the Cooper-Quad RICE no later than March 20, 2009.

31. The emission control equipment for the 2SLB RICE at the Fort Lupton Facility shall consist of oxidation catalysts. The oxidation catalysts shall be installed and operational, or the 2SLB RICE shall be replaced, in accordance with the following schedule:

- a. One Fairbanks-Morse MEP engine at the Fort Lupton Facility - no later than January 4, 2008 or certify by January 4, 2008 pursuant to Paragraph

112 that one Fairbanks-Morse MEP RICE, specifically identified by AIRS Identification Number and serial number, will be replaced no later than May 30, 2008;

- b. A second Fairbanks-Morse MEP engine at the Fort Lupton Facility - no later than February 22, 2008 or certify by February 22, 2008 pursuant to Paragraph 112 that one Fairbanks-Morse MEP RICE, specifically identified by AIRS Identification Number and serial number, will be replaced no later than May 30, 2008;
- c. A third Fairbanks-Morse MEP engine at the Fort Lupton Facility - no later than April 11, 2008 or certify by April 11, 2008 pursuant to Paragraph 112 that one Fairbanks-Morse MEP RICE, specifically identified by AIRS Identification Number and serial number, will be replaced no later than May 30, 2008; and
- d. The fourth and last Fairbanks-Morse MEP engine at the Fort Lupton Facility - no later than May 30, 2008 or replace the Fairbanks-Morse MEP RICE, specifically identified by AIRS Identification Number and serial number no later than May 30, 2008.

32. The emission control equipment for each existing 2SLB RICE at the Frederick, Dougan and Hudson Facilities shall meet the following control requirement for NO_x: 2.0 grams/hp-hr., or an equivalent lbs./MMBTU limit, when the RICE is operating at a 90% load or higher.

33. The emission control equipment for each existing 2SLB RICE shall have a control requirement of 58% destruction efficiency for CO when the RICE is operating at a 90% load or higher.

34. All emission control equipment shall be appropriately sized for each existing 2SLB RICE. Immediately following installation of each emission control device, Kerr-McGee shall operate and maintain each existing 2SLB RICE and associated emission control and related equipment according to all manufacturer's written instructions or procedures necessary to achieve the emission reductions listed in Paragraphs 32 and/or 33. Oxidation catalysts shall be operated in accordance with Regulation No. 7, Section XVI.

35. Kerr-McGee shall conduct an initial emission test on each existing 2SLB RICE to demonstrate compliance with the control requirements of Paragraphs 32 and/or 33 pursuant to the Test Protocols set forth in Appendix D. Such initial emission tests shall be conducted no later than 60 Days after installation of the emission control equipment and startup of each existing 2SLB RICE.

36. If any emission control equipment fails to meet the control requirements of Paragraphs 32 and/or 33, Kerr-McGee shall take appropriate steps to correct such non-compliance and retest the emission control equipment no later than 30 Days after the initial emission test. Kerr-McGee shall submit a report to CDPHE no later than 30 Days after each such retest. The retest report will include a summary of the steps taken to comply with the control requirements of Paragraphs 32 and/or 33, and the retest results.

37. Upon successful demonstration that the emission control equipment has met the control requirements of Paragraphs 32 and/or 33, Kerr-McGee shall thereafter operate and

maintain the emission control equipment to meet those requirements in accordance with the Operation and Maintenance Plan (“O&M Plan”) Kerr-McGee submits for approval to CDPHE. Kerr-McGee shall submit a proposed O&M Plan to CDPHE no later than 60 Days after a successful test or retest.

38. Kerr-McGee shall apply to CDPHE for a construction permit and amend its existing Title V Permit for each facility to incorporate the use of the emission control equipment required by this Section IV.C., as well as the applicable performance, monitoring and reporting requirements. Kerr-McGee shall submit such applications for each facility no later than 60 Days after the date of the last compliance demonstration for the last affected 2SLB RICE at each such facility.

39. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV.C., and any applicable regulatory requirements, and shall report the status of its compliance with these requirements in its Annual Reports, submitted pursuant to Section XII (Reporting Requirements).

D. COMPRESSOR ENGINES IN THE UINTA BASIN

Existing RICE in the Uinta Basin

40. By no later than December 15, 2007, Kerr-McGee shall install and operate oxidation catalysts on each RICE operating in the Uinta Basin with a nameplate rating of 500 horsepower (“hp”) or greater listed in Appendix E (all of which Kerr-McGee represents are located at HAP minor sources).

41. The oxidation catalysts installed on each RICE listed in Appendix E shall achieve a 93% destruction efficiency for CO when each RICE is operating at a 90% load or higher.

42. Immediately following installation of each oxidation catalyst, Kerr-McGee shall operate and maintain each RICE and oxidation catalyst according to the catalyst manufacturer's written instructions or procedures necessary to achieve the emission reductions listed in Paragraph 41.

43. Kerr-McGee shall conduct an initial emissions test of each oxidation catalyst to demonstrate compliance with the CO destruction efficiency specified in Paragraph 41 using a portable analyzer in accordance with the Test Protocol set forth in Appendix F. An initial emissions test on each oxidation catalyst installed pursuant to the requirements of Paragraph 40 shall be completed no later than 60 Days after the last oxidation catalyst installation on the RICE listed in Appendix E.

44. If any oxidation catalyst fails to meet the destruction efficiency specified in Paragraph 41, Kerr-McGee shall take appropriate steps to correct such non-compliance and retest the oxidation catalysts within 30 Days after the initial test(s). Kerr-McGee shall submit a report to EPA no later than 30 Days after each retest. The retest report will include a summary of the steps taken to comply with the control requirement in Paragraph 41 and the retest results.

45. Upon successful demonstration that an oxidation catalyst has met the destruction efficiency as specified in Paragraph 41, Kerr-McGee shall thereafter test the oxidation catalyst emission control efficiency on a semi-annual calendar-year basis using a portable analyzer in accordance with the Test Protocol set forth in Appendix F.

46. Kerr-McGee shall report to EPA in writing concerning all activities completed pursuant to the preceding Paragraphs 40 through 45. Such report shall be submitted no later than 60 Days after the initial test deadline contained in Paragraph 43. The report shall contain the following information applicable to each RICE:

- a. RICE make, model, nameplate hp rating, location, installation date (when available) and manufacturer emission data;
- b. catalyst make, model, installation date and manufacturer emission data;
- c. initial emission test results including dates and times of test runs, names of employee(s) or contractor(s) who conducted the test, and oxygen (O₂) and CO concentration results at the inlet and outlet of the oxidation catalyst for each run; the percent reduction of CO achieved for each test run after normalizing CO concentration to a dry basis and to 15% oxygen; length of run times, and average percent engine load during each run;
- d. a catalyst maintenance log (e.g., date of last catalyst replacement, number of engine operating hours since last catalyst replacement, and date and description of any catalyst maintenance activities); and
- e. a certification pursuant to Paragraph 112 of the information contained in the report in accordance with Section XII (Reporting Requirements).

47. All subsequent semi-annual test results shall be included in Annual Reports to be submitted by Kerr-McGee regarding the RICE listed in Appendix E, as required by Section XII (Reporting Requirements), and shall include the information set forth in the preceding Paragraph 46.

48. If otherwise required by applicable regulations implementing the Act, Kerr-McGee shall apply for a permit for any RICE in Appendix E prior to termination of the Consent Decree.

New RICE in the Uinta Basin at HAP Minor Sources

49. Beginning on the date of the lodging of this Consent Decree, and continuing for so long as this Consent Decree is in effect, any new RICE with a nameplate rating of 500 hp or greater installed by Kerr-McGee at any facility in the Uinta Basin shall be lean-burn or achieve comparable emission reductions, and be equipped with catalyst controls.

50. For those RICE installed by Kerr-McGee in the Uinta Basin, the oxidation catalysts that are required to be installed pursuant Paragraph 49 shall achieve a 93% destruction efficiency for CO when each RICE is operating at a 90% load or higher.

51. By no later than 60 Days following the installation of a catalyst on any new RICE pursuant to Paragraph 49, Kerr-McGee shall conduct an initial emissions test of such catalyst to demonstrate compliance with the destruction efficiency specified in Paragraph 50, using a portable analyzer in accordance with the Test Protocol set forth in Appendix F.

52. If the catalyst fails to meet the destruction efficiency as specified in Paragraph 50, Kerr-McGee shall take appropriate steps to correct such non-compliance and retest the oxidation catalyst within 30 Days after the initial test. Kerr-McGee shall submit a report to EPA no later than 30 Days after each retest. The retest report shall include a summary of the steps taken to comply and the retest results.

53. Upon successful demonstration that the catalyst has met the destruction efficiency specified in Paragraph 50, Kerr-McGee shall thereafter test the oxidation catalyst emission

control efficiency on a semi-annual calendar-year basis using a portable analyzer in accordance with the Test Protocol set forth in Appendix F.

54. Kerr-McGee shall submit a report to EPA within 60 Days after each initial test is performed pursuant to Paragraph 51. The report shall contain the initial test results and the following information applicable to each RICE:

- a. RICE make, model, nameplate hp rating, location, installation date and manufacturer emission data;
- b. catalyst make, model, installation date and manufacturer emission data;
- c. initial emission test results including date and times of test runs, name(s) of employee(s) or contractor(s) who conducted the test, and O₂ and CO concentration results at the inlet and outlet of the oxidation catalyst for each run; the percent reduction of CO achieved for each test run after normalizing CO concentration to a dry basis and to 15% oxygen; length of run times, and percent engine load at each run;
- d. a certification pursuant to Paragraph 112 of the information contained in the report in accordance with Section XII (Reporting Requirements).

55. Kerr-McGee shall include all subsequent semi-annual results in the Annual Report submitted pursuant to Section XII (Reporting Requirements), as well as the information gathered pursuant to the preceding Paragraph 54, and a catalyst maintenance log (e.g., date of last catalyst replacement, number of engine operating hours since last catalyst replacement, and date and description of any catalyst activities).

56. If otherwise required by applicable regulations implementing the Act, Kerr-McGee shall apply for a permit for any new RICE subject to this Section IV.D. prior to termination of the Consent Decree.

57. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV. D., and shall report the status of its compliance with these requirements in its Annual Reports submitted pursuant to Section XII (Reporting Requirements).

E. PNEUMATIC CONTROLLERS

Existing High-Bleed Pneumatic Controllers

58. Retrofits: Kerr-McGee shall retrofit all “high-bleed” Pneumatic Controllers listed in Appendices G and H, with “low-bleed” Pneumatic Controllers, in accordance with the requirements of this Section IV.E. For purposes of this Consent Decree, a “high-bleed” Pneumatic Controller is any Pneumatic Controller that has the capacity to bleed in excess of six standard cubic feet of natural gas per hour (50,000 scf/year) in normal operation. During the performance of such work Kerr-McGee shall, to the extent practicable, repair or replace leaking gaskets, tubing fittings and seals, and all work will be completed so as to minimize potential emissions associated with the retrofitting project.

59. By no later than September 30, 2007, Kerr-McGee shall install retrofit “low-bleed” Pneumatic Controllers on at least one-half of the high-bleed Pneumatic Controllers listed in Appendix G, and on at least one-half of the high-bleed Pneumatic Controllers listed in Appendix H.

60. Kerr-McGee shall install retrofit “low-bleed” Pneumatic Controllers on the remainder of the high-bleed Pneumatic Controllers listed in Appendices G and H by no later than May 31, 2008.

61. Replacements: By no later than two years after the date of lodging of this Consent Decree, Kerr-McGee shall replace no less than 370 additional high-bleed Pneumatic Controllers that were not amenable to retrofit with low or no-bleed Pneumatic Controllers in the Wattenberg Gas Gathering System, and as many more such high-bleed Pneumatic Controllers as may be replaced at a total cost of \$500,000 (inclusive of both capital and installation costs).

62. Within 60 Days after the retrofit of Pneumatic Controllers listed in Appendices G and H is completed, and within 60 Days after the replacement of Pneumatic Controllers required by Paragraph 61, Kerr-McGee shall provide EPA, and as applicable CDPHE, a report that certifies the completion of each such project and an accompanying spreadsheet that identifies each unit retrofitted or replaced, its site location, its service, the date the retrofit or replacement was completed, the estimated bleed rate reductions and corresponding estimates of both annual VOC reductions (on a calendar-year basis) and the amount of natural gas conserved, and the approximate cost of each retrofit and replacement.

New Construction

63. Beginning on the date of the lodging of this Consent Decree, and continuing through January 1, 2017, Kerr-McGee shall install and operate low or no-bleed Pneumatic Controllers to conserve natural gas at all newly constructed facilities in the Uinta Basin and D-J Basin, where instrument air is not otherwise available. Kerr-McGee need not, however, install

low or no-bleed controllers at sites for which Kerr-McGee can demonstrate that the use of low or no-bleed pneumatic devices would not be technically or operationally feasible.

64. Kerr-McGee shall have implemented the mandatory management directive (Appendix I) which requires the use of low-bleed Pneumatic Controllers at all newly constructed facilities in the D-J and Uinta Basins.

65. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV. E., and shall report the status of its compliance with these requirements, in its Annual Reports submitted pursuant to Section XII (Reporting Requirements).

F. SULFUR REMOVAL TECHNOLOGY IN THE UINTA BASIN

66. Beginning on the date of lodging of this Consent Decree and continuing for so long as this Consent Decree is in effect, Kerr-McGee shall install and operate solid-bed or liquid-bed sulfur removal processes when necessary to remove hydrogen sulfide (“H₂S”) from natural gas in the Uinta Basin, in lieu of amine-based sulfur removal with flaring of removed H₂S.

67. Kerr-McGee shall provide written notice to EPA no later than 60 Days following each installation and startup of a liquid-bed sulfur removal unit under Paragraph 66. Such notice shall include a description and the location of all liquid-bed sulfur removal equipment installed, an estimate of the annual amount of SO₂ emissions to be avoided (on a calendar-year basis), and a summary spreadsheet showing service conditions and actual capital costs.

68. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section IV. F.,

and shall report the status of its compliance with these requirements in its Annual Reports submitted pursuant to Section XII (Reporting Requirements).

V. ADMINISTRATIVE REQUIREMENTS

A. PLATTEVILLE FACILITY

69. Within 30 Days after the date of lodging of this Consent Decree, Kerr-McGee shall submit for CDPHE's approval and incorporation as a requirement of Colorado Construction Permit No. 02WE0126 an operation and maintenance ("O&M") plan for the reboiler that controls VOC emissions from the amine gas treatment system at the Platteville Facility.

70. Kerr-McGee's O&M plan shall:

- a. Provide a routine program to minimize soot build-up of the reboiler burner;
- b. Incorporate the burner manufacturer's written instructions or procedures necessary to ensure proper combustion; and
- c. Conform to applicable requirements of CDPHE's AQCC Common Provisions Regulation, AQCC's Regulation Nos. 1, 2, 3, and 6, and 40 C.F.R. Part 60, Subparts A and Dc.

71. CDPHE shall either approve Kerr-McGee's plan or provide written comments and requested changes within 30 Days of submission of the plan. Kerr-McGee shall have an additional 30 Days from receipt of CDPHE's written response to either amend the plan and resubmit it to CDPHE, or to begin implementation of O&M in accordance with the approved plan. Upon CDPHE's approval, the O&M plan shall become an enforceable requirement of Colorado Construction Permit No. 02WE0126.

B. FORT LUPTON FACILITY

72. Within 30 Days after the date of lodging of this Consent Decree, Kerr-McGee shall propose to CDPHE a consolidated annual allowable VOC emission limit for equipment leaks from components at the Fort Lupton Facility that are in VOC hydrocarbon service as described at 40 C.F.R. § 60.632(f). The following sources of VOC emissions shall be subject to such consolidated emission limit:

- a. Equipment leaks from those components of the Fort Lupton Facility subject to Condition 6.1 of CDPHE Operating Permit No. 95OPWE013 (30.8 TPY); and
- b. Equipment leaks from components of the natural gas liquids (“NGL”) extraction unit subject to Condition 2 of CDPHE Construction Permit No. 00WE0583 (46.4 TPY).

73. Kerr-McGee’s proposal to CDPHE shall be made as an application to amend the Title V Permit for the Fort Lupton facility. The Parties agree that incorporation of this requirement into the Title V Permit for the Fort Lupton facility may be made by “administrative amendment” under 40 C.F.R. § 70.7(d) and corresponding State Title V rules, where allowed by State law. CDPHE shall administer Kerr-McGee’s application as a routine application for a Title V permit amendment. Until such time as CDPHE has taken final agency action with regard to such application, Kerr-McGee shall comply with the following interim emission limit for the Fort Lupton Facility, consistent with applicable EPA guidance on appropriate emission factors and control percentages for components in hydrocarbon service at facilities with quarterly leak detection and repair (“LDAR”) programs in place: 77.2 TPY of VOCs during any 12-month

period (on a rolling basis) from equipment leaks at the Fort Lupton Facility subject to the requirements of 40 C.F.R. Part 60, Subpart KKK and Regulation No. 7. For the purpose of demonstrating compliance with this interim emission limit, emissions shall be calculated in accordance with the methodology contained in Appendix J.

VI. LIMITS ON POTENTIAL TO EMIT

74. The control requirements established in Sections IV.A. (Low-Emission Dehydrators), IV.B. (Condensate Storage Tanks), IV.C. (Compressor Engines in the D-J Basin), IV.D. (Compressor Engines in the Uinta Basin) and IV.E. (Pneumatic Controllers), under this Consent Decree shall be considered “federally enforceable” and, as applicable, “legally and practicably enforceable” for purposes of calculating the PTE of a source or facility as may be applicable under the Act and the Colorado Act and any implementing federal or Colorado regulations.

75. The PTE for VOCs from Low-Emission Dehydrators installed and certified pursuant to this Consent Decree at any facility in the Uinta or D-J Basins shall be limited by the control requirements set forth in Section IV.A. (Low-Emission Dehydrators), and shall be federally enforceable on that basis.

76. The PTE for VOC emissions from condensate storage tanks at the Cottonwood Wash Facility and Ouray Facility shall be limited by the requirement that such emissions will be controlled by a flare, VRU, or other non-flare alternatives pursuant to the criteria set forth in Section IV.B. (Condensate Storage Tanks) and shall be federally enforceable on that basis.

77. The PTE for CO and formaldehyde for all RICE in the Uinta Basin with a nameplate rating of 500 hp or greater shall be limited by the requirement that emissions be

controlled by catalysts which meet a destruction efficiency for CO set forth in Paragraphs 41 and 50 and shall be federally enforceable on that basis.

78. The PTE for CO for the eleven 2SLB RICE in the D-J Basin shall be limited by the requirements of Section IV.C. (Compressor Engines in the D-J Basin) that such emissions will be controlled by oxidation catalysts which meet the control requirements set forth in Paragraph 33 and shall be federally enforceable on that basis.

79. The PTE for NO_x for the 2SLB RICE at the Frederick, Dougan and Hudson Facilities shall be limited by the requirement that equipment be upgraded for purposes of reducing emissions which meet the control requirements set forth in Paragraph 32 and shall be federally enforceable on that basis.

VII. AMBIENT AIR MONITORING

80. By no later than six months after entry of this Consent Decree, Kerr-McGee shall fund the purchase, installation and initial operation of ambient air quality and meteorological monitoring station(s) in and/or adjacent to the Uinta Basin, subject to a \$300,000 cap on Kerr-McGee's total expenditures to comply with this Section VII. The ambient air quality monitor(s) shall be designed to monitor ozone, NO_x and PM_{2.5} concentrations. The meteorological station(s) shall have a 10 meter tower and be designed to monitor wind speed, wind direction, temperature and solar radiation. The station(s) shall be designed to gather multilevel meteorological data necessary for use in air quality monitoring under current federal and state laws and regulations.

81. Kerr-McGee shall work cooperatively with EPA, the Utah Department of Environmental Quality (UDEQ) and the Ute Indian Tribe of the Uintah and Ouray Reservation

(the “Northern Ute Tribe”) regarding the location of monitor(s), schedule for project implementation and coordination of their initial operation. The station(s) shall meet the siting, methodology and operational requirements of 40 C.F.R. Part 58, and shall be sited in a representative location upwind of the Uinta Basin and/or a representative central location within the Uinta Basin. Additional guidance for meteorological monitoring is contained in “Quality Assurance Handbook for Air Pollution Measurement Systems,” Vol. IV, “Meteorological Measurements.” Actual monitoring site selection shall be subject to approval by EPA and Kerr-McGee, after review and comment on proposed locations by the UDEQ and the Northern Ute Tribe. All monitoring data shall be collected in a manner reasonably calculated to meet EPA’s quality assurance/quality control (“QA/QC”) requirements of 40 C.F.R. Part 58, App. A. Additional guidance is provided in “Quality Assurance Handbook for Air Pollution Measurement Systems.”

82. Subject to a \$300,000 cost cap, Kerr-McGee shall fund the operation and maintenance of up to two (2) stations, and the collection and distribution of monitoring data for the station(s) until Kerr-McGee has expended \$300,000 in capital, installation, operation and maintenance costs. Kerr-McGee shall certify in accordance with Paragraph 112 that it has expended \$300,000 in capital, installation, operation and maintenance costs for up to two (2) stations.

VIII. MULTI-PHASE PIPING/TANKLESS WELL-SITE PILOT PROJECT

83. Kerr-McGee shall complete a study of the technical and operational feasibility of using a system to gather multi-phase fluids (liquid and gas constituents) from multiple producing natural gas well-sites for collection, separation and metering at a central facility in the Uinta

Basin (“Feasibility Study”), and if technically and operationally feasible, shall implement a pilot project to demonstrate such technology in the Uinta Basin (“Multi-Phase Pilot”), in accordance with the requirements of this Section VIII. The Feasibility Study and Multi-Phase Pilot shall focus on a proposed system to: (i) eliminate the storage of hydrocarbon liquids and produced water at individual wellhead facilities within the system; and (ii) reduce emissions of VOCs from condensate storage tanks to be located at a central collection point. Subject to the cost cap set forth in Paragraph 86, the Multi-Phase Pilot shall include: (i) at least sixteen new or existing well pads and multi-phase piping from those well pads to a central collection point; and (ii) separation, liquid storage, gas metering equipment, and VOC emission control or capture, to the extent emissions are not otherwise prevented through process changes.

84. Feasibility Study: Kerr-McGee shall complete the Feasibility Study in accordance with the scope of work (“FS SOW”) attached as Appendix K. No later than 90 Days after the date of lodging this Consent Decree, Kerr-McGee shall submit a written report of the conclusions of the Feasibility Study to EPA for review and concurrence. In the event the Feasibility Study concludes that the Multi-Phase Pilot is not technically or operationally feasible to implement, Kerr-McGee shall have no further obligations under this Section VIII.

85. Multi-Phase Pilot: If the Multi-Phase Pilot is found to be technically and operationally feasible in the Feasibility Study, Kerr-McGee shall submit to EPA for review and approval a proposed scope of work (“Multi-Phase Pilot SOW”) to implement the Multi-Phase Pilot in a manner consistent with the conclusions of the Feasibility Study. The Multi-Phase Pilot SOW shall include an estimate of “Added Incremental Costs,” which for purposes of this Section VIII, are defined as the total costs over and above the costs of conventional well-site

development, accounting for normal construction. EPA shall either approve the Multi-Phase Pilot SOW or provide written comments on requested changes within 30 Days of receipt of such Multi-Phase Pilot SOW. Kerr-McGee shall have an additional 30 Days from receipt of EPA's written response to either amend the Multi-Phase Pilot SOW and resubmit it to EPA, or to invoke the dispute resolution procedures set forth in Section XV (Dispute Resolution), and EPA shall have an additional 30 Days from resubmission to comment upon or approve such revised Multi-Phase Pilot SOW.

86. In the event that Kerr-McGee can document to EPA's satisfaction, in accordance with Paragraph 85, that the Added Incremental Costs of the Multi-Phase Pilot to be implemented pursuant to the EPA-approved Multi-Phase Pilot SOW will exceed \$750,000, Kerr-McGee shall implement the Multi-Phase Pilot at as many well pads as can be funded for \$750,000 in Added Incremental Costs. In the event that EPA and Kerr-McGee disagree on the total Added Incremental Costs, Kerr-McGee shall bear the burden of demonstrating by a preponderance of evidence that such costs exceed the \$750,000 cost cap.

87. Kerr-McGee shall provide EPA with semi-annual, calendar-year progress reports, beginning 180 Days following EPA's approval of the Multi-Phase Pilot SOW, documenting progress on the Multi-Phase Pilot. The progress report shall include a description of the schedule status for engineering, procurement, construction and start up of the Multi-Phase Pilot, and an updated estimate of "Added Incremental Costs."

88. By no later than 18 months following EPA's approval of the Multi-Phase Pilot SOW, Kerr-McGee shall have installed and begun operation of the Multi-Phase Pilot in accordance with the approved Multi-Phase Pilot SOW.

89. Within 90 Days of the installation and startup of the Multi-Phase Pilot, Kerr-McGee shall provide EPA a final report that includes the following information:

- a. A description of the project as completed, including: (i) a topographic area map showing the well pads, multi-phase pipelines, and central liquids gathering; (ii) a process description with a summary of gas, condensate and water production rates since project startup; (iii) process flow diagrams for a typical well pad and for central liquids gathering equipment; (iv) a representative condensate liquids sample analysis from a well pad and from the outlet of central liquid separation; and (v) the API gravity and RVP for such required condensate samples;
- b. A discussion of the operating challenges presented by the Multi-Phase Pilot and their means of resolution;
- c. An itemization of the Added Incremental Costs of the project as completed;
- d. An itemized estimate of both incremental added and saved operating costs compared to conventional gas gathering methods; and
- e. A description of air quality and other environmental benefits attributable to the project, together with any calculations and process simulations used to estimate air emission reductions and natural gas conserved.

90. General Record-Keeping Requirement: Kerr-McGee shall maintain records and information adequate to demonstrate its compliance with the requirements of this Section VIII, and any applicable regulatory requirements, and shall report the status of its compliance with

these requirements in its Annual Reports until the Multi-Phase Pilot is fully implemented and operating, as set forth in Section XII (Reporting Requirements).

IX. PERFORMANCE OPTIMIZATION REVIEW

91. Within one year after the date of lodging of this Consent Decree, Kerr-McGee shall complete a Performance Optimization Review (“POR”) to increase energy efficiency and enhance product recovery at five facilities in the Uinta Basin and five facilities in the D-J Basin in accordance with the Scope of Work attached as Appendix L. The five facilities in the Uinta Basin shall consist of four well-site facilities (two shall be at least five years old, one shall be less than five years old, and one shall be a new drill) and one (1) compressor station. The five facilities in the D-J Basin will consist of four well-site facilities (two shall be at least ten years old, one shall be less than ten years old, and one shall be a new drill) and the Platteville Facility.

92. Kerr-McGee’s POR shall be performed by third-party consultants acceptable to EPA and CDPHE. Performance of the POR may be temporarily suspended during entry pursuant to Paragraph 140.

93. The scope of the POR is expressly limited to the following activities, as set forth in the POR SOW:

- a. Pressure Relief Devices - repair or replace components, as appropriate, to specifically reduce product losses;
- b. Pneumatic Controllers - evaluate for use of low-bleed devices or instrument air;
- c. Production Separators - identify optimal pressures and temperatures, and reset as needed;

- d. Dehydrators - evaluate for use of condensers, flares, flash tanks and electric pumps to reduce product losses;
- e. Internal Combustion Engines - evaluate maintenance practices and planned shutdown procedures to minimize product losses from blow down and the use of starter gas;
- f. Flare and Vent Systems - evaluate flare and vent system components and associated operating procedures to reduce the loss of product, where possible;
- g. Producing Wells - install plunger lifts and perform “green completion” practices on new wells, as appropriate;
- h. Operating Pressures - review and optimize, where possible; and
- i. Component Inspections and Repairs - perform component inspections using OVA, TVA, or other CDPHE-approved leak detection field equipment and repair or replace leaking components, as appropriate, to enhance product recovery.

94. POR Reports. Within 60 Days of completion of the POR, Kerr-McGee shall submit a POR Report to EPA for the Uinta Basin and a POR Report to CDPHE for the D-J Basin which shall include:

- a. the contractor(s) used to conduct the POR;
- b. the name, location and original construction date of each of the well-site facilities and the compressor station at which the POR was completed;

- c. a general description of the components by type and service that were inspected, how they were inspected, a summary and description of any repairs made, an estimate of natural gas conserved as a result of the repairs to the extent quantifiable, and the repair cost;
- d. a general description of the pressure relief devices that were inspected, how they were inspected, a summary description of any repairs made, an estimate of natural gas conserved as a result of the repairs to the extent quantifiable, and the repair cost;
- e. an evaluation of pneumatic devices for use of low-bleed devices or instrument air, and potential product losses avoided;
- f. a description of the review of production separators, identification of those for which optimal pressures and temperatures were calculated and how that was done; a comparison of those values to prior separator operating conditions, a summary of the adjustments to pressures or temperatures that were made, an estimate of the amount of natural gas conserved as a result, and the cost if significant, to adjust pressures and temperatures;
- g. a description of the evaluation of dehydrators for the use of condensers, flares, flash tanks, and electric pumps; a summary of the projects identified as a result of such review for possible future implementation by Kerr-McGee on a voluntary basis; if sufficient data exists to prepare an estimate, an estimate of the amount of natural gas potentially conserved if such projects were implemented, and the cost to implement such projects;

- h. a description of the review of RICE shutdown procedures to reduce blow down and the use of starter gas; a summary of any changes that were made based on such review; an estimate of product losses avoided as a result of any changes made, if reasonably capable of estimation; and the cost to implement such changes;
- i. a description of the review of flare and vent systems, a summary of the repairs made, if any; an estimate of the amount of natural gas conserved as a result of repairs made, and the cost to implement such repairs;
- j. a list of well names and locations at which plunger lift systems were installed, if any, or at which green completion procedures were followed; a description of any plunger lift system(s) used and the well condition(s) that made such system(s) practicable or how new well completion procedures were “green”; an estimate of the amount of natural gas conserved as a result of POR evaluations of certain producing wells, and the cost to implement any such systems and/or procedures; and
- k. a description of how operating pressures were evaluated and, where possible, optimized; an estimate of the amount of natural gas conserved as a result of such evaluation, and an estimate of the cost, if non-negligible, to optimize operating pressures.

95. Within 120 Days of completion of the POR, Kerr-McGee may identify in writing to EPA, and as applicable CDPHE, any areas of non-compliance with the Act and the Colorado Act (including federal and state implementing regulations) that are discovered during the POR.

Under this Paragraph, for other than PSD/NSR, Kerr-McGee shall include in its written submission: (1) a certification pursuant to Paragraph 112 that it has subsequently complied with all applicable statutory and regulatory requirements, or it shall propose a schedule for coming into compliance; (2) a description of the corrective measures taken, or proposed to be taken; and (3) a proposed calculation of any economic benefit pursuant to the EPA Stationary Source Civil Penalty Policy and BEN Model. EPA and/or CDPHE will review Kerr-McGee's certifications, and/or proposed schedule for compliance, corrective measures, and economic benefit calculation(s), and will respond with written concurrence or comments. In the event that EPA and/or CDPHE do not approve of the proposed corrective measures or economic benefit calculation(s), each, as applicable, will respond with written comments. Should EPA and/or CDPHE still not agree with the economic benefit calculation(s), EPA and/or CDPHE's independent economic benefit calculations shall be final and payable. If necessary, the Parties will address any PSD/NSR violations as a new and separate enforcement action. Kerr-McGee's release from liability as specified in Section XVII (Effect of Settlement/Reservation of Rights) for the areas of non-compliance identified and corrected pursuant to this Section IX will take effect upon the Plaintiffs' written concurrence with Kerr-McGee's certification and its payment in full of any economic benefit. Any areas of non-compliance discovered by EPA or CDPHE, and any disclosures by Kerr-McGee beyond this specific 120-Day period, are not covered by this provision.

X. CIVIL PENALTY

96. Within 30 Days after the Effective Date of this Consent Decree, Kerr-McGee shall pay to the Plaintiffs a total civil penalty pursuant to Section 113 of the Act, 42 U.S.C. §

7413, in the amount of \$200,000, with interest accruing from the date on which the Consent Decree is entered by the Court at the rate specified in 28 U.S.C. § 1961 as of the date of entry.

97. Federal Payment Instructions: Of the total amount of the civil penalty, Kerr-McGee shall pay \$150,000 to the United States. Kerr-McGee shall make payment by Electronic Funds Transfer (“EFT”) to the United States Department of Justice (“DOJ”), in accordance with current EFT procedures, referencing the United States Attorney’s Office (“USAO”) File Number and DOJ Case Number 90-5-2-1-08656. Payment shall be made in accordance with instructions provided by the USAO for the District of Colorado. Any funds received after 11:00 a.m. (EST/EDT) shall be credited on the next business Day. Kerr-McGee shall provide notice of payment, referencing the USAO File Number, DOJ Case Number 90-5-2-1-08656 and the civil case name and case number, to DOJ and to EPA, as provided in Section XX (Notices).

98. State Payment Instructions: Of the total amount of the civil penalty, Kerr-McGee shall pay \$50,000 to the State. Kerr-McGee shall make payment by certified, corporate or cashier’s check drawn to the order of “Colorado Department of Public Health and Environment” and delivered to the attention of Legal Administrative Specialist, Air Pollution Control Division, 4300 Cherry Creek Drive South, APCD-SS-B1, Denver, CO 80246-1530. Kerr-McGee shall provide notice of payment, referencing USAO File Number and DOJ Case Number 90-5-2-1-08656, and the civil case name and case number, to CDPHE, as provided in Section XX (Notices).

99. No amount of the civil penalty to be paid by Kerr-McGee shall be used to reduce its federal or Colorado tax obligations.

XI. SUPPLEMENTAL ENVIRONMENTAL PROJECTS

A. Uintah County Road Dust SEP

100. Subject to approval by the Uintah County Commissioners, Kerr-McGee shall implement a Supplemental Environmental Project (“SEP”), to improve a portion of a County Road in Uintah County, Utah, in the Uinta Basin, to reduce particulate matter (road dust), in accordance with the provisions of Appendix M (the “Road Dust SEP”). The Road Dust SEP shall be completed within 12 months after entry of this Decree. In implementing the Road Dust SEP, Kerr-McGee shall spend not less than \$100,000 in eligible Road Dust SEP costs. Eligible Road Dust SEP costs include the costs of planning and implementing the Road Dust SEP, or contracting for the work through the Uintah County Roads Department.

101. Kerr-McGee is responsible for the satisfactory completion of the Road Dust SEP in accordance with the requirements of this Consent Decree. Kerr-McGee may use contractors or consultants in planning and implementing the Road Dust SEP or coordinating such planning and implementation by the Uintah County Roads Department. “Satisfactory completion” means completion of the work in accordance with all work plans and specifications for the project and expenditure of not less than \$100,000.

B. Accelerated Vehicle Retirement State SEP

102. No later than 30 Days after the Effective Date of this Consent Decree, Kerr-McGee shall implement a SEP to reduce air pollution from high-emitting vehicles in the Denver metropolitan area (the “Accelerated Vehicle Retirement State SEP”) by transferring \$150,000 (“SEP Funds”) to the Regional Air Quality Council (“RAQC”). The criteria, terms and procedures for the Accelerated Vehicle Retirement State SEP are described in Appendix N. The

transfer of funds to the RAQC shall be by certified, corporate or cashiers check made payable to the Regional Air Quality Council and delivered to the attention of Steve McCannon, Program Manager, Regional Air Quality Council, 1445 Market St., Suite 260, Denver, CO 80202. Prior to transferring the funds, Kerr-McGee shall obtain a written statement from the RAQC acknowledging and agreeing that the RAQC will expend the SEP Funds to implement the Accelerated Vehicle Retirement State SEP in accordance with the criteria, terms and procedure described in Appendix N. Within 10 days of transferring the SEP Funds, Kerr-McGee will provide a copy of the check and the RAQC's written statement to CDPHE.

C. General Requirements

103. With regard to both the Road Dust SEP and the Accelerated Vehicle Retirement State SEP, Kerr-McGee certifies the truth and accuracy of each of the following:

- a. that, as of the date of executing this Decree, Kerr-McGee was not required to perform or develop either SEP by any federal, state, or local law or regulation and was not required to perform or develop the SEPs by prior agreement, grant, or as injunctive relief awarded in any other action in any forum;
- b. that neither SEP is a project that Kerr-McGee was planning or intending to construct, perform, or implement other than in settlement of the claims resolved in this Decree;
- c. that Kerr-McGee has not received and will not receive credit for either SEP in any other enforcement action by a government entity; and

- d. that Kerr-McGee will not receive any reimbursement for any portion of the SEP costs from any other person.

104. SEP Completion Reports: Within 30 Days after the date set for completion of each SEP, Kerr-McGee shall submit a SEP Completion Report to the United States, and with regard to the Accelerated Vehicle Retirement State SEP also to CDPHE, in accordance with Section XIX (Notices) of this Consent Decree. The SEP Completion Reports shall contain the following information:

- a. a detailed description of the SEP, as implemented;
- b. a description of any problems encountered in completing the SEP and the solutions thereto;
- c. an itemized list of all eligible SEP costs;
- d. certification pursuant to Paragraph 112 that the SEP has been fully implemented pursuant to the provisions of this Decree; and
- e. a description of the air quality benefits resulting from implementation of the SEP, including an estimate of associated emission reductions.

105. EPA, or as applicable CDPHE, may require information in addition to that described in the preceding Paragraph 104, which is reasonably necessary to determine satisfactory completion of the SEPs or eligibility of SEP costs. Kerr-McGee shall provide such additional information to which it has access.

106. Within 60 Days after receiving each SEP Completion Report, the United States and/or CDPHE shall notify Kerr-McGee whether the SEP at issue has been satisfactorily completed. If a SEP has not been satisfactorily completed in accordance with all applicable

work plans and schedules, or if the amount expended on performance of a SEP is less than the amount set forth in Paragraphs 100 and 102, stipulated penalties may be assessed under Section XIII (Stipulated Penalties) of this Consent Decree.

107. Disputes concerning the satisfactory completion of a SEP and the amount of eligible SEP costs may be resolved under Section XV (Dispute Resolution) of this Consent Decree. No other disputes arising under this Section shall be subject to Dispute Resolution.

108. Each submission required under this Section shall be signed by an official with knowledge of the SEP and shall bear the certification language set forth in Paragraph 112.

109. Any public statement by Kerr-McGee making reference to either SEP, whether oral or written, in print, film, or other media, shall include the following language: “This project was undertaken in connection with the settlement of an enforcement action taken on behalf of the U.S. Environmental Protection Agency and/or the State of Colorado for alleged violations of the Clean Air Act and/or the Colorado Air Pollution Prevention and Control Act.”

XII. REPORTING REQUIREMENTS

110. Kerr-McGee shall submit the following reports:

- a. All initial performance test results, retest reports, initial status reports, progress reports, final reports, notices, and monitoring data pursuant to any specific requirement of this Consent Decree for each annual reporting period (not a cumulative requirement).
- b. By no later than March 1 of each year, Kerr-McGee shall submit an Annual Report for the preceding calendar year to EPA, and for any matters involving the D-J Basin also to CDPHE. Kerr-McGee shall

provide a paper and electronic copy of each Annual Report to EPA and, as applicable, CDPHE. The Annual Report shall: (i) describe all work or other activities that Kerr-McGee performed pursuant to any requirement of this Consent Decree during the applicable reporting period; (ii) transmit any specific (non-annual) reports to be included in an Annual Report; (iii) describe compliance status; and (iv) describe any non-compliance with the requirements of this Consent Decree and explain the likely cause(s) of the violation(s) and the remedial steps taken, or to be taken, to prevent or minimize such violation(s).

- c. If Kerr-McGee violates, or has reason to believe that it may violate, any requirement of this Consent Decree, Kerr-McGee shall notify EPA, and as applicable CDPHE, of such violation(s), and its likely duration, in writing, within 10 Days of the Day Kerr-McGee first becomes aware of the violation(s), or potential violation(s), with an explanation of the likely cause of such violation(s) and the remedial steps taken, or to be taken, to prevent or minimize such violation(s) should it occur. If the cause of a violation cannot be fully explained at the time the notification is due, Kerr-McGee shall state this in the notice, investigate the cause of each such violation in the event that it occurs, and submit a full written explanation of the cause of the violation within 30 Days of the date that Kerr-McGee determines such cause. Nothing in this Paragraph relieves

Kerr-McGee of its obligation to provide the notice required by Section XIV (Force Majeure).

111. All reports shall be submitted to the persons designated in Section XIX (Notices) of this Consent Decree.

112. Each Annual Report submitted by Kerr-McGee shall be signed by a Responsible Official. All other reports or submissions may be signed by a delegated employee representative, unless otherwise required by applicable statute or regulation. All reports and submissions shall include the following certification:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate and complete.

113. The reporting requirements of this Section shall continue until termination of this Consent Decree; however, upon written agreement by EPA, or as applicable CDPHE, where a Consent Decree reporting requirement is added to a final Title V permit or other non-Title V permit such that the permit meets or exceeds such Consent Decree reporting requirement, Kerr-McGee may fulfill that Consent Decree reporting requirement by notifying EPA, and as applicable CDPHE, that the required report has been provided pursuant to a permit requirement, and by identifying the relevant permit in Kerr McGee's Annual Reports, submitted pursuant to this Section XII (Reporting Requirements).

114. Any information provided pursuant to this Consent Decree may be used by the United States or as applicable the State in any proceeding to enforce the provisions of this

Consent Decree and as otherwise permitted by law, except for disclosures made pursuant to Paragraph 95 of this Consent Decree.

XIII. STIPULATED PENALTIES

115. Kerr-McGee shall be liable for stipulated penalties to the United States and the State for violations of this Consent Decree as specified below, unless excused under Section XIV (Force Majeure), or reduced or waived by one or both Plaintiffs pursuant to Paragraph 121 of this Decree. A violation includes failing to perform any obligation required by the terms of this Decree, including any work plan or schedule approved under this Decree, according to all applicable requirements of this Decree and within the specified time schedules established by or approved under this Decree.

a. Low-Emission Dehydrators (Section IV.A.).

	Violation	Stipulated Penalty
1.	For failure to provide written notice as required by Paragraph 8 per unit per Day.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
2.	For failure to install and operate Low-Emission Dehydrators at new facilities as required by Paragraph 9.	For each unit: \$1,000 per Day for the first 30 Days of noncompliance, \$1,500 per Day from the 31 st to 60 th Day of noncompliance, and \$2,000 per Day thereafter.
3.	For failure to provide written notice as required by Paragraph 10.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
4.	For failure to maintain records and information as required by Paragraph 11.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

b. Condensate Storage Tanks (Section IV.B.).

	Violation	Stipulated Penalty
1.	For failure to install and operate a flare, VRU, or other non-flare alternative as required by Paragraphs 12, 18, & 20.	For each unit: \$1,000 per Day for the first 30 Days of noncompliance, \$2,500 per Day from the 31 st to 60 th Day of noncompliance, and \$5,000 per Day thereafter.
2.	For failure to submit a worksheet on flare design and certification of compliance as required by Paragraphs 13, 15, 22, & 24.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
3.	For failure to conduct inspections, submit reports, maintain records and apply to amend Title V permit applications as required by Paragraphs 16, 17, 19, 25, 26 & 27.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
4.	For failure to maintain records and information as required by Paragraph 28.	For each unit: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

c. Compressor Engines (Section IV.C. & D.).

	Violation	Stipulated Penalty
1.	For failure to install emission controls on RICE or alternatively replace with new RICE as required by the dates set forth in Paragraphs 30, 31, 40, & 49.	For each engine: \$1,000 per Day for the first 30 Days of noncompliance, \$2,500 per Day from the 31 st to 60 th Day of noncompliance, and \$5,000 per Day thereafter.
2.	For failure to conduct initial performance test on the RICE emission controls as required by Paragraphs 35, 43, & 51.	For each engine: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
3.	For failure to retest and submit a report as required by Paragraphs 36, 44, & 52.	For each engine: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
4.	For failure to submit an O&M plan as required by Paragraph 37.	\$200per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
5.	For failure to conduct semi-annual tests on RICE emission controls on a semi-annual, calendar-year basis as required by Paragraphs 45 & 53.	For each engine: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
6.	For failure to submit reports as required by Paragraphs 46, 47, 54, & 55.	For each report: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
7.	For failure to maintain records and apply to amend Title V permits as required by Paragraphs 38, 39, 56 & 57.	For each engine: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
8	For failure to comply with the NOx control requirements and CO destruction efficiency required by Paragraphs 32 and 33.	For each engine: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.

d. Pneumatic Controllers (Section IV.E.).

	Violation	Stipulated Penalty
1.	For failure to complete the first one-half of the Pneumatic Controller retrofits as required by Paragraph 59 in the Uinta Basin (as one project) and in the D-J Basin (as a separate project).	For each project: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
2.	For failure to complete all the remaining Pneumatic Controller retrofits as required by Paragraph 60 in the Uinta Basin (as one project) and in the D-J Basin (as a separate project).	For each project: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
3.	For failure to provide a final completion report for retrofitting Pneumatic Controllers in the Uinta Basin and the D-J Basin as required by Paragraph 62.	For each project: \$100 per Day for the first 30 Days of noncompliance, \$250 per Day from the 31 st to 60 th Day of noncompliance, and \$500 per Day thereafter.
4.	For failure to replace high-bleed Pneumatic Controllers in the D-J Basin as required by Paragraph 61.	\$100 per Day for the first 30 Days of noncompliance, \$250 per Day from the 31 st to 60 th Day of noncompliance, and \$500 per Day thereafter.
5.	For failure to install low or no-bleed Pneumatic Controllers at newly constructed facilities in the Uinta Basin or the D-J Basin as required by Paragraph 63.	For each project: \$100 per Day for the first 30 Days of noncompliance, \$250 per Day from the 31 st to 60 th Day of noncompliance, and \$500 per Day thereafter.
6.	For failure to implement Appendix I and maintain records as required by Paragraphs 64 & 65.	For each project: \$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

e. Sulfur Removal Technology (Section IV.F.).

	Violation	Stipulated Penalty
1.	For failure to install and operate liquid-bed sulfur removal technology in the Uinta Basin as required by Paragraph 66.	For each unit: \$1,000 per Day for the first 30 Days of noncompliance, \$2,500 per Day from the 31 st to 60 th Day of noncompliance, and \$5,000 per Day thereafter.
2.	For failure to submit notification of each installation as required by Paragraph 67.	For each unit: \$100 per Day for the first 30 Days of noncompliance, \$200 per Day from the 31 st to 60 th Day of noncompliance, and \$500 per Day thereafter.
3.	For failure to maintain records as required by Paragraph 68.	For each unit: \$100 per Day for the first 30 Days of noncompliance, \$250 per Day from the 31 st to 60 th Day of noncompliance, and \$500 per Day thereafter.

f. Administrative Requirements (Section V).

	Violation	Stipulated Penalty
1.	For failure to submit a proposed O&M plan as required by Paragraph 69.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
2.	For failure to timely implement the approved O&M plan as required by Paragraph 71.	\$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
3.	For failure to submit a proposed permit amendment for a consolidated allowable VOC limit for the Fort Lupton Facility as required by Paragraph 72.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
4.	For failure to apply to amend the Title V permit as required by Paragraph 73.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
5	For failure to comply with the interim emission limit established in Paragraph 73.	\$500 per Day for the first 30 Days, \$1,000 per Day for the 31 st to 60 th Day, and \$1,500 per Day thereafter

g. Ambient Air Monitoring (Section VII).

	Violation	Stipulated Penalty
1.	For failure to fund the purchase of ambient air monitoring station(s) as required by Paragraph 80.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

h. Multi-Phase Piping/Tankless Well-Site Pilot Project (Section VIII).

	Violation	Stipulated Penalty
1.	For failure to complete the Feasibility Study, submit a written Feasibility Study report, submit a proposed SOW for the implementation of the Multi-Phase Pilot, or provide an Added Incremental Cost report as required by Paragraphs 83, 84, & 85, per deliverable.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
2.	For failure to submit a semi-annual progress report as required by Paragraph 87.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
3.	For failure to implement and complete the Multi-Phase Pilot as required by Paragraphs 86 & 88.	\$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
4.	For failure to submit a final report as required by Paragraph 89.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
5.	For failure to maintain records as required by Paragraph 90.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

i. Performance Optimization Review (Section IX).

	Violation	Stipulated Penalty
1.	For failure to complete the POR by the date specified in Paragraph 91 for either the Uinta Basin or the D-J Basin, as separate projects.	For each project: \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter.
2.	For failure to submit a POR report as required by Paragraph 94.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.

j. SEPs (Section XI).

	Violation	Stipulated Penalty
1.	For failure to transfer funds to the Uintah County Road Department by the date specified in Paragraph 100.	For each project, \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter
2.	For failure to transfer SEP Funds to the RAQC by the date specified by Paragraph 102.	For each project, \$500 per Day for the first 30 Days of noncompliance, \$1,000 per Day from the 31 st to 60 th Day of noncompliance, and \$1,500 per Day thereafter
3.	For failure to submit a report as required by 104.	\$200 per Day for the first 30 Days of noncompliance, \$500 per Day from the 31 st to 60 th Day of noncompliance, and \$1,000 per Day thereafter.
4.	For failure to spend at least the amounts set forth in Paragraphs 100 or 102.	For each SEP, an amount equal to the difference between the amount of total eligible SEP costs expended and the amount set forth in Paragraphs 100 or 102.

116. Late Payment of Civil Penalty: If Kerr-McGee fails to pay the civil penalty required to be paid under Section X (Civil Penalty) of this Consent Decree to the United States

or as applicable the State, when due, Kerr-McGee shall pay a stipulated penalty of \$1,000 per Day for each Day that the payment is late.

117. Stipulated penalties under this Section shall begin to accrue on the Day after performance is due or on the Day a violation occurs, whichever is applicable, and shall continue to accrue until performance is satisfactorily completed or until the violation ceases. Stipulated penalties shall accrue simultaneously for separate violations of this Consent Decree.

118. Kerr-McGee shall pay any stipulated penalty within 30 Days of receipt of written demand of the United States, or as applicable the State, and shall continue to make such payments every 30 Days thereafter until the violation(s) no longer continue, unless Kerr-McGee elects within 20 Days of receipt of written demand from the United States, or as applicable the State, to dispute the accrual of stipulated penalties in accordance with the provisions in Section XV (Dispute Resolution) of this Consent Decree.

119. For violations that concern or relate to facilities in the Uinta Basin, Kerr-McGee shall pay the total amount of stipulated penalties to the United States. For violations that concern or relate to facilities in the D-J Basin, Kerr-McGee shall pay 40 percent to the United States and 60 percent to the State.

120. Kerr-McGee shall pay stipulated penalties in accordance with the federal and state payment instructions set forth in Paragraphs 97 and 98.

121. The United States or the State may, in the unreviewable exercise of their respective discretion, reduce or waive stipulated penalties otherwise due such Plaintiff under this Consent Decree. The determination by one Plaintiff not to seek stipulated penalties, or

subsequently to waive or reduce the amount it seeks, shall not preclude the other Plaintiff from seeking the full amount of stipulated penalties owing.

122. Stipulated penalties shall continue to accrue as provided in Paragraph 117 during any dispute, with interest on accrued stipulated penalties payable and calculated by the Secretary of Treasury, pursuant to 28 U.S.C. § 1961, but need not be paid until the following:

- a. If the dispute is resolved by agreement or by a decision of Plaintiffs pursuant to Section XV (Dispute Resolution) of this Consent Decree that is not appealed to the Court, Kerr-McGee shall pay accrued stipulated penalties and accrued interest agreed or determined to be owing within 30 Days of the effective date of such agreement or the receipt of Plaintiffs' decision.
- b. If the dispute is appealed to the Court, and the Plaintiffs prevail in whole or in part, Kerr-McGee shall pay all accrued stipulated penalties determined by the Court to be owing, together with accrued interest, within 60 Days of receiving the Court's decision or order, except as provided in Subparagraph c., below.
- c. If any Party appeals the Court's decision, Kerr-McGee shall pay all accrued penalties determined by the appellate court to be owing, together with accrued interest, within 15 Days of receiving the final appellate court decision.

123. Kerr-McGee shall not deduct stipulated penalties paid under this Section XIII in calculating its federal or state income tax.

124. Subject to the provisions of Section XVII (Effect of Settlement/Reservation of Rights), the stipulated penalties provided for in this Consent Decree shall be in addition to any other rights, remedies, or sanctions available to the United States for Kerr-McGee's violation of this Consent Decree or applicable law. Where a violation of this Consent Decree is also a violation of the Act or regulatory requirements of the Act, or the Colorado Act or the regulatory requirements of the Colorado Act, Kerr-McGee shall be allowed a dollar-for-dollar credit, for any stipulated penalties paid, against any statutory penalties imposed for such violation.

XIV. FORCE MAJEURE

125. If any event occurs which causes or may cause a delay or impediment to performance in complying with any provision of this Consent Decree (*e.g.* would require operation in an unsafe manner), and which Kerr-McGee believes qualifies as an event of *Force Majeure*, Kerr-McGee shall notify the Plaintiffs in writing as soon as practicable, but in any event within 45 Days of when Kerr-McGee first knew of the event or should have known of the event by the exercise of reasonable diligence. In this notice Kerr-McGee shall specifically reference this paragraph of this Consent Decree and describe the anticipated length of time the delay may persist, the cause or causes of the delay, the measures taken and/or to be taken by Kerr-McGee to prevent or minimize the delay and the schedule by which those measures will be implemented. Kerr-McGee shall adopt all reasonable measures to avoid or minimize such delays.

126. Failure by Kerr-McGee to substantially comply with the notice requirements of Paragraph 125, as specified above, shall render this Section voidable by the Plaintiffs, as to the

specific event for which Kerr-McGee has failed to comply with such notice requirement. If so voided, this Section shall be of no effect as to the particular event involved.

127. The Plaintiffs shall notify Kerr-McGee in writing regarding their agreement or disagreement with any claim of a Force Majeure event within 45 Days of receipt of each Force Majeure notice provided under Paragraph 125.

128. If the Plaintiffs agree that the delay or impediment to performance has been or will be caused by circumstances beyond the control of Kerr-McGee, including any entity controlled or contracted by it, and that Kerr-McGee could not have prevented the delay by the exercise of reasonable diligence, the Parties shall stipulate to an extension of the required deadline(s) for all requirement(s) affected by the delay by a period equivalent to the delay actually caused by such circumstances, or such other period as may be appropriate in light of the circumstances. Such stipulation may be filed as a modification to this Consent Decree by agreement of the Parties pursuant to the modification procedures established in this Consent Decree. Kerr-McGee shall not be liable for stipulated penalties for the period of any such delay.

129. If the Plaintiffs do not agree that the delay or impediment to performance has been or will be caused by circumstances beyond the control of Kerr-McGee, including any entity controlled or contracted by it, the position of the Plaintiffs on the Force Majeure claim shall become final and binding upon Kerr-McGee, and Kerr-McGee shall pay applicable stipulated penalties, unless Kerr-McGee submits the matter to this Court for resolution by filing a petition for determination with this Court within 20 business Days after receiving the written notification of the Plaintiffs as set forth in Paragraph 127. In the event that the United States and the State disagree, the position of the United States shall become the Plaintiffs' final position with regard

to Kerr-McGee's Force Majeure claim. Once Kerr-McGee has submitted such matter to this Court, the Plaintiffs shall have 20 business Days to file a response to the petition. If Kerr-McGee submits the matter to this Court for resolution and the Court determines that the delay or impediment to performance has been or will be caused by circumstances beyond the control of Kerr-McGee, including any entity controlled or contracted by Kerr-McGee, and that it could not have prevented the delay by the exercise of reasonable diligence, Kerr-McGee shall be excused as to such event(s) and delay (including stipulated penalties) for all requirements affected by the delay for a period of time equivalent to the delay caused by such circumstances or such other period as may be determined by the Court.

130. Kerr-McGee shall bear the burden of proving that any delay of any requirement(s) of this Consent Decree was (were) caused by or will be caused by circumstances beyond its control, including any entity controlled or contracted by Kerr-McGee, and that it could not have prevented the delay by the exercise of reasonable diligence. Kerr-McGee shall also bear the burden of proving the duration and extent of any delay(s) attributable to such circumstances. An extension of one compliance date based on a particular event may, but does not necessarily, result in an extension of a subsequent compliance date or dates. Unanticipated or increased costs or expenses associated with the performance of obligations under this Consent Decree shall not constitute circumstances beyond the control of Kerr-McGee.

131. As part of the resolution of any matter submitted to this Court under this Section, the Parties by agreement, or this Court by order, may in appropriate circumstances extend or modify the schedule for completion of work under this Consent Decree to account for the delay in the work that occurred as a result of any delay or impediment to performance on which an

agreement by the Plaintiffs or approval by this Court is based. Kerr-McGee shall be liable for stipulated penalties for its failure thereafter to complete the work in accordance with the extended or modified schedule, except to the extent that such schedule is further modified, extended or otherwise affected by a subsequent Force Majeure event under this Section XIV.

XV. DISPUTE RESOLUTION

132. Unless otherwise expressly provided for in this Consent Decree, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Consent Decree. For any dispute that concerns D-J Basin Facilities, the provisions of this Section apply equally to both the United States and the State, as Plaintiffs.

133. Informal Dispute Resolution: Any dispute subject to Dispute Resolution under this Consent Decree shall first be the subject of informal negotiations. The dispute shall be considered to have arisen when Kerr-McGee sends the Plaintiff(s) a written Notice of Dispute. Such Notice of Dispute shall state clearly the matter in dispute. The period of informal negotiations shall not exceed 20 Days from the date the dispute arises, unless that period is modified by written agreement. If the Parties cannot resolve a dispute by informal negotiations, then the position advanced by the Plaintiff(s) shall be considered binding unless, within 20 Days after the conclusion of the informal negotiation period, Kerr-McGee invokes formal dispute resolution procedures as set forth below. In the event that the United States and the State are unable to reach agreement with regard to Kerr-McGee's claim, the position of the United States shall be the Plaintiffs' final position.

134. Formal Dispute Resolution: Kerr-McGee may only invoke formal dispute resolution procedures, within the time period provided in the preceding Paragraph, by serving on

the Plaintiff(s) a written Statement of Position regarding the matter in dispute. The Statement of Position shall include, but may not necessarily be limited to, any factual data, analysis, or opinion supporting Kerr-McGee's position and any supporting documentation relied upon by Kerr-McGee.

135. The Plaintiff(s) shall serve its (their) Statement of Position within 30 Days of receipt of Kerr-McGee's Statement of Position. The Plaintiff(s)' Statement of Position shall include, but may not necessarily be limited to, any factual data, analysis, or opinion supporting that position and any supporting documentation relied upon by the Plaintiff(s). The Plaintiff(s)' Statement of Position shall be binding on Kerr-McGee, unless Kerr-McGee files a motion for judicial review of the dispute in accordance with Paragraph 136. In the event that the United States and the State are unable to reach agreement with regard to Kerr-McGee's claim, the position of the United States shall be the Plaintiffs' final position.

136. Kerr-McGee may seek judicial review of the dispute by filing with the Court and serving on the Plaintiff(s), in accordance with Section XIV of this Consent Decree (Notices), a motion requesting judicial resolution of the dispute. The motion must be filed within 30 Days of receipt of the Plaintiff(s)' Statement of Position pursuant to the preceding Paragraph. The motion shall contain a written statement of Kerr-McGee's position on the matter in dispute, including any supporting factual data, analysis, opinion, or documentation, and shall set forth the relief requested and any schedule within which the dispute must be resolved for orderly implementation of the Consent Decree.

137. The Plaintiff(s) shall respond to Kerr-McGee's motion within the time period allowed by the Local Rules of the Court. Kerr-McGee may file a reply memorandum, to the extent permitted by the Local Rules and allowed by the Court.

138. Except as otherwise provided in this Consent Decree, in any dispute brought under Paragraph 133, Kerr-McGee shall bear the burden of demonstrating that its position complies with this Consent Decree.

139. The invocation of dispute resolution procedures under this Section shall not, by itself, extend, postpone, or affect in any way any obligation of Kerr-McGee under this Consent Decree, unless and until final resolution of the dispute so provides. Stipulated penalties with respect to the disputed matter shall continue to accrue from the first Day of alleged noncompliance, but payment shall be stayed pending resolution of the dispute as provided in Paragraph 122. If Kerr-McGee does not prevail on the disputed issue, stipulated penalties shall be assessed and paid as provided in Section XIII (Stipulated Penalties).

XVI. INFORMATION COLLECTION AND RETENTION

140. The United States, and its representatives, including attorneys, contractors, and consultants, shall have the right of entry into any facility covered by this Consent Decree, and the State, and its representatives, including attorneys, contractors, and consultants, shall have the right of entry into any facility in the D-J Basin subject to any requirement of this Consent Decree, at all reasonable times, upon presentation of credentials, for the purpose of monitoring compliance with any provision of this Consent Decree, including to:

- a. monitor the progress of activities required under this Consent Decree;
- b. inspect equipment and facilities covered by this Consent Decree; and

- c. inspect and copy documents, records, or other information to be maintained in accordance with the terms of this Consent Decree.

141. Kerr-McGee shall be entitled to: (1) splits of samples, where feasible, and (2) copies of any sampling and analytical results, documentary evidence and data obtained by the United States or the State pursuant to Paragraph 140 of this Consent Decree.

142. Until five years after the termination of this Consent Decree, Kerr-McGee shall retain, and shall instruct its contractors and agents to preserve, all non-identical copies of all documents, records, or other information (including documents, records, or other information in electronic form) in its or its contractors' or agents' possession or control, or that come into its or its contractors' or agents' possession or control, and that relate in any manner to Kerr-McGee's performance of its obligations under this Consent Decree. Such documents, records, or other information may be kept in electronic form. This information-retention requirement shall apply regardless of any contrary corporate or institutional policies or procedures. At any time during this information-retention period, upon request by the United States or the State, Kerr-McGee shall provide copies of any non-privileged documents, records, or other information required to be maintained under this Paragraph.

143. At the conclusion of the information-retention period provided in the preceding Paragraph, Kerr-McGee shall notify the United States and the State at least 90 Days prior to the destruction of any documents, records, or other information subject to the requirements of the preceding Paragraph and, upon request by the United States or the State, Kerr-McGee shall deliver the requested non-privileged documents, records, or other information to EPA or CDPHE.

144. Kerr-McGee may assert that certain documents, records, or other information is privileged under the attorney-client privilege or any other privilege recognized by federal and/or state law. If Kerr-McGee asserts such a privilege, it shall provide the following: (1) the title of the document, record, or information; (2) the date of the document, record, or information; (3) the name and title of each author of the document, record, or information; (4) the name and title of each addressee and recipient; (5) a description of the subject of the document, record, or information; and (6) the privilege asserted by Kerr-McGee. However, no final documents, records or other information that Kerr-McGee is explicitly required to create or generate to satisfy a specific requirement of this Consent Decree shall be withheld on the grounds of privilege.

145. Kerr-McGee may also assert that information required to be provided under this Section is protected as Confidential Business Information (“CBI”) under 40 C.F.R. Part 2 and/or C.R.S. § 25-7-111(4). As to any information that Kerr-McGee seeks to protect as CBI, Kerr-McGee shall follow the procedures set forth in 40 C.F.R. Part 2 and/or C.R.S. § 25-7-111(4).

146. This Consent Decree in no way limits or affects any right of entry and inspection, or any right to obtain information, held by the United States or the State pursuant to applicable federal or state laws, regulations, or permits, nor does it limit or affect any duty or obligation of Kerr-McGee to maintain documents, records, or other information imposed by applicable federal or state laws, regulations, or permits.

XVII. EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS

147. This Consent Decree resolves all civil claims of the United States and the State for violations alleged in the Complaint and Complaint in Intervention through the date of lodging of this Consent Decree.

148. This Consent Decree further resolves the civil and administrative claims, if any, of the United States and the State for civil penalties and injunctive relief, through the date of lodging of this Consent Decree, under the PSD requirements of Part C of the Act, and the regulations promulgated thereunder at 40 C.F.R. § 52.21 (the “PSD Rules”), and Section 25-7-101 *et seq.* of the Colorado Act, and the regulations promulgated thereunder for:

- a. any increase in emissions resulting from the construction by Kerr-McGee’s corporate predecessor of the Dougan and Frederick facilities;
- b. the disabling of the VRU at the Brighton facility by a Kerr-McGee predecessor and the subsequent failure to operate the VRU;
- c. claims that relate to any allegations of engine modifications to RICE located at D-J Basin Facilities, any horsepower discrepancies used to describe RICE in any applicable permit for D-J Basin Facilities, and any failure or error in horsepower documentation to specify appropriate horsepower and related operational parameters for RICE located at D-J Basin Facilities.

149. This Consent Decree resolves the civil claims of the United States and the State for violations disclosed under Paragraph 95, except for non-compliance that would trigger PSD/NSR.

150. The United States and the State reserve all legal and equitable remedies available to enforce the provisions of this Consent Decree, except as expressly stated in Paragraphs 147-149. This Consent Decree shall not be construed to limit the rights of the United States or the State to obtain penalties or injunctive relief under the Act or Colorado Act or their implementing regulations, or under other federal or state laws, regulations, or permit conditions, except as expressly provided in Section VI (Limits on Potential to Emit), and Paragraphs 147 - 149.

151. This Consent Decree is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. Nothing in this Consent Decree shall relieve Kerr-McGee of its obligation to achieve and maintain full compliance with all applicable federal, State, and local laws, regulations, and permits. Kerr-McGee's compliance with this Consent Decree shall be no defense to any action commenced pursuant to any such laws, regulations, or permits, except as otherwise provided in Paragraphs 147-149. The United States and the State do not, by their consent to the entry of this Consent Decree, warrant or aver in any manner that Kerr-McGee's compliance with any aspect of this Consent Decree will result in compliance with other provisions of the Act, the Colorado Act, or their implementing regulations or with any other provisions of federal, State, or local laws, regulations, or permits.

152. This Consent Decree does not limit or affect the rights of Kerr-McGee or of the United States or the State against any third parties, not party to this Consent Decree, nor does it limit the rights of third parties, not party to this Consent Decree, against Kerr-McGee, except as provided herein and as otherwise provided by law.

153. This Consent Decree shall not be construed to create rights in, or grant any cause of action to, any third party not a party to this Consent Decree.

XVIII. EMISSION REDUCTION CREDIT GENERATION

154. Kerr-McGee shall not generate or use any NO_x, CO, VOC or SO₂ emission reductions that result from any projects conducted pursuant to this Consent Decree as credits or offsets in any PSD, major non-attainment and/or minor New Source Review ("NSR") permit or permit proceeding. The foregoing notwithstanding, Kerr-McGee may conduct projects pursuant to this Consent Decree that create more emission reductions of NO_x, CO, VOCs or SO₂ than are required for these pollutants by the underlying applicable requirement(s). In such instances, Kerr-McGee may retain a portion of the achieved emissions reductions for use as credits or offsets. All other emission sources of NO_x, CO, VOCs or SO₂, and any netting associated with other pollutants, are outside the scope of these netting limitations and are subject to PSD/NSR applicability as implemented by the appropriate permitting authority or EPA. Use of emission reductions in netting and as offsets in any PSD, major non-attainment and/or minor NSR permit or permit proceeding pursuant to the limitations herein shall be further limited by the applicable regulations, and by the PSD, major non-attainment, and/or minor NSR permit(s) in question, as applicable.

XIX. COSTS

155. The Parties shall bear their own costs of this action, including attorneys' fees, except that the United States and the State shall be entitled to collect the costs (including attorneys' fees) incurred in any action necessary to collect any portion of the civil penalty or any stipulated penalties if due.

XX. NOTICES

156. Unless otherwise specified herein, whenever notifications, submissions, or communications are required by this Consent Decree, they shall be made in writing and mailed or hand delivered addressed as follows:

As to the United States:

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611, Ben Franklin Station
Washington, D.C. 20044-7611
Re: DOJ No. 90-5-2-1-08656

and

Director, Air Enforcement Division
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Ariel Rios Building [2242A]
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

and

Assistant Regional Administrator
Office of Enforcement, Compliance, and Environmental Justice
U.S. Environmental Protection Agency, Region 8
1595 Wynkoop Street
Denver, CO 80202-1129

As to the State of Colorado:

Director
Air Pollution Control Division
Colorado Department of Public Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530

As to Kerr-McGee:

Vice President
Kerr-McGee Corporation
1099 18th Street
Denver, CO 80202

and

Director, Environmental, Health and Safety, Rocky Mountain Region
Kerr-McGee Corporation
1099 18th Street
Denver, CO 80202

157. Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above.

158. Notices submitted by mail pursuant to this Section XX shall be deemed submitted upon mailing, unless otherwise provided in this Consent Decree or by mutual agreement of the Parties in writing.

XXI. SALES OR TRANSFERS OF OWNERSHIP/OPERATOR INTERESTS

159. If Kerr-McGee proposes to sell or transfer all or part of its ownership or its responsibility as operator of any of the Uinta Basin Facilities, D-J Basin Facilities, or any other facilities that are subject to any requirement of this Consent Decree, except for individual wells

or groups of wells and associated wellhead facilities, to any entity unrelated to the Defendant (“Third Party”), Kerr-McGee shall advise the Third Party in writing of the existence of this Consent Decree prior to such sale or transfer and shall send a copy of such written notification to the Plaintiffs pursuant to Section XX (Notices) of this Consent Decree at least 60 Days before such proposed sale or transfer.

160. No sale or transfer of ownership to a Third Party shall take place before the Third Party consents in writing, by a stipulation to be filed with the Court, to: (a) accept all of the obligations, terms and conditions of this Consent Decree applicable to Uinta Basin Facilities or D-J Basin Facilities, or any other facilities, exclusive of wellhead facilities, that are subject to any requirement of this Consent Decree; (b) the jurisdiction of the Court to enforce the terms of this Consent Decree as to such party; and (c) become a party to this Consent Decree.

Notwithstanding such a sale or transfer to a Third Party, Kerr-McGee shall remain jointly and severally liable with the Third Party unless the Consent Decree is modified or Kerr-McGee’s joint and several liability is restricted in accordance with Paragraph 161.

161. If the United States, and as applicable the State, agrees, the Parties and the Third Party may execute a modification to this Consent Decree that relieves Kerr-McGee of its liability under this Consent Decree for, and makes the Third Party liable for, all obligations and liabilities applicable to the purchased or transferred facilities or operator responsibility. Notwithstanding the foregoing, Kerr-McGee may not assign, and may not be released from, obligations under this Consent Decree to pay the civil penalty in accordance with Section X (Civil Penalty), undertake the Supplemental Environmental Projects in accordance with Section XI (Supplemental Environmental Projects), pay stipulated penalties with respect to actions occurring prior to the

date of transfer of ownership or operator responsibility in accordance with Section XIII (Stipulated Penalties), or maintain documents or provide reports with respect to those obligations in accordance with Sections XII (Reporting Requirements) and XVI (Information Collection and Retention). Kerr-McGee may propose, and the United States and as applicable the State, may agree to restrict the scope of the joint and several liability of any purchaser or transferee for any obligations of this Consent Decree that are not specific to the transferred or purchased facilities or operator responsibility, to the extent such obligations may be adequately separated in an enforceable manner.

XXII. EFFECTIVE DATE

162. Unless otherwise specifically provided herein, the Effective Date of this Consent Decree shall be the date upon which this Consent Decree is entered by the Court.

XXIII. RETENTION OF JURISDICTION

163. The Court shall retain jurisdiction over this case until termination of this Consent Decree, for the purpose of resolving disputes arising under this Decree pursuant to Section XV (Dispute Resolution) or entering, partially terminating or terminating orders modifying this Decree, pursuant to Sections XXI (Sales or Transfers of Ownership/Operator Interests) XXIV (Modification) and XXV (Termination), or otherwise effectuating, or enforcing compliance with, the terms of this Consent Decree.

XXIV. MODIFICATION

164. The terms of this Consent Decree, including any attached appendices, may be modified only by a subsequent written agreement signed by all the Parties. With respect to any modification that constitutes a material change to this Decree, such written agreement shall be

filed with the Court and effective only upon the Court's approval. Any modification of a reporting requirement of this Consent Decree shall be deemed a non-material modification. Any disputes concerning modification of this Decree shall be resolved pursuant to Section XV (Dispute Resolution) of this Consent Decree.

XXV. TERMINATION

165. This Consent Decree shall remain in effect until terminated or partially terminated in accordance with the provisions of this Section.

166. Kerr-McGee shall serve upon the United States and the State a Request for Termination after January 1, 2017. The Request for Termination shall certify that Kerr-McGee has paid the civil penalty and all stipulated penalties, if any, that have accrued, and has fulfilled all other obligations of this Consent Decree.

167. Where a control requirement, recordkeeping requirement, reporting requirement or other requirement of this Consent Decree is incorporated into a federally enforceable permit, Kerr-McGee may serve upon the United States and the State a Request for Partial Termination. Upon approval of such request by the Plaintiffs, the filing of a joint stipulation by the Parties and the Court's approval in accordance with Paragraph 168, the Consent Decree provision in question shall be superseded by the corresponding permit provision, which shall govern as the applicable requirement.

168. Following receipt by the United States and the State of Kerr-McGee's Request for Termination or Partial Termination, the Parties shall confer informally concerning the Request for Termination or Partial Termination and any disagreement that the Parties may have as to whether Kerr-McGee has satisfactorily complied with the requirements for termination of this

Consent Decree. If the United States and the State agree that the Decree may be terminated or partially terminated, the Parties shall submit, for the Court's approval, a joint stipulation terminating or partially terminating the Decree.

169. If the United States or the State does not agree that the Decree may be terminated, Kerr-McGee may immediately appeal the disposition of its Request for Termination to the Court.

XXVI. PUBLIC PARTICIPATION

170. This Consent Decree shall be lodged with the Court for a period of not less than 30 Days for public notice and comment in accordance with 28 C.F.R. § 50.7. The United States and the State reserve the right to withdraw or withhold their respective consent if the comments regarding the Consent Decree disclose facts or considerations indicating that the Consent Decree is inappropriate, improper, or inadequate. Kerr-McGee consents to entry of this Consent Decree without further notice and agrees not to withdraw from or oppose entry of this Consent Decree by the Court or to challenge any provision of the Consent Decree, unless the United States or the State has notified Kerr-McGee in writing that it no longer supports entry of the Consent Decree.

XXVII. SIGNATORIES/SERVICE

171. Each undersigned representative of Kerr-McGee, the Director, Air Pollution Control Division, CDPHE, and the Assistant Attorney General for the Environment and Natural Resources Division of DOJ certifies that he or she is fully authorized to enter into this Consent Decree and to execute and legally bind the Party he or she represents to the terms and conditions of this document.

172. Kerr-McGee represents that it has authority to legally obligate any of its corporate subsidiaries or affiliates that own or operate any of the Uinta Basin Facilities, the D-J Basin

Facilities, or any other natural gas production or gathering facilities subject to any work or compliance requirements of this Consent Decree, including but not limited to Kerr-McGee Oil and Gas Onshore LP, Westport Field Services LLC, Kerr-McGee (Nevada) LLC, and Kerr-McGee Gathering LLC, to take all actions necessary to comply with the provisions of this Consent Decree.

173. This Consent Decree may be signed in counterparts, and its validity shall not be challenged on that basis. Kerr-McGee agrees to accept service of process by mail pursuant to the provisions of Section XX (Notices) with respect to all matters arising under or relating to this Consent Decree and to waive the formal service requirements set forth in Rules 4 and 5 of the Federal Rules of Civil Procedure and any applicable Local Rules of this Court including, but not limited to, service of a summons.

XXVIII. INTEGRATION

174. This Consent Decree constitutes the final, complete, and exclusive agreement and understanding among the Parties with respect to the settlement of matters addressed in the Decree, and supersedes all prior agreements and understandings, whether oral or written, concerning such matters. Other than the appendices listed in Section XXX (Appendices), which are attached to and incorporated in this Decree, and deliverables that are subsequently submitted and approved pursuant to this Decree, no other document, representation, inducement, agreement, understanding, or promise constitutes any part of this Decree or the settlement it memorializes, nor shall evidence of any such document, representation, inducement, agreement, understanding or promise be used in construing the terms of this Decree.

XXIX. FINAL JUDGMENT

175. Upon approval and entry of this Consent Decree by the Court, this Consent Decree shall constitute a final judgment of the Court as to the United States, the State, and Kerr-McGee.

XXX. APPENDICES

176. The following appendices are attached to and incorporated into this Consent Decree:

“Appendix A” lists the D-J Basin Facilities.

“Appendix B” lists the Uinta Basin Facilities.

“Appendix C” is the Description of Low-Emission Dehydrators.

“Appendix D” is the Protocol for RICE Compliance Demonstration in the D-J Basin.

“Appendix E” lists the Existing >500 hp RICE at Minor Sources in the Uinta Basin to be Controlled with Oxidation Catalysts.

“Appendix F” is the Protocol for RICE Compliance Demonstration in the Uinta Basin.

“Appendix G” lists the High-Bleed Pneumatic Controllers in the Uinta Basin to be Retrofitted with Low-Bleed Pneumatic Controllers.

“Appendix H” lists the High-Bleed Pneumatic Controllers in the D-J Basin to be Retrofitted with Low-Bleed Pneumatic Controllers.

“Appendix I” is the Kerr-McGee Management Directive Regarding Low-Bleed Pneumatic Controllers in New Construction.

“Appendix J” is the Emission Calculation Methodology for the Fort Lupton facility.

“Appendix K” is the Scope of Work for the Feasibility Study of the Multi-Phase Piping/Tankless Well-Site Pilot Project.

“Appendix L” is the Scope of Work for the Performance Optimization Review Project.

“Appendix M” is the Scope of Work for the Road Dust SEP.

“Appendix N” is the Scope of Work for the Accelerated Vehicle Retirement State SEP.

Dated and entered this ____ Day of _____, 2007

UNITED STATES DISTRICT JUDGE
District of Colorado

FOR PLAINTIFF, UNITED STATES OF AMERICA

s/ Matthew J. McKeown
MATTHEW J. McKEOWN
Acting Assistant Attorney General
Environment & Natural Resources Division
950 Pennsylvania Avenue, N.W.
Room 2143
Washington, D.C. 20530

Date 5/15/07

s/ Jerel L. Ellington
JEREL (“JERRY”) L. ELLINGTON
DIANNE S. SHAWLEY
Senior Counsel
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
1961 Stout Street – 8th Floor
Denver, CO 80294
Telephone (303) 844-1363
Fax (303) 844-1350

Date 5/17/07

s/ Troy A. Eid
TROY A. EID
United States Attorney for the District of Colorado
U.S. Attorney’s Office
1225 17th Street #700
Denver, Colorado 80202
Telephone (303) 454-0100
Fax (303) 454-0400

Date 5/17/07

FOR U.S. ENVIRONMENTAL PROTECTION AGENCY

s/ Granta Y. Nakayama
GRANTA Y. NAKAYAMA
Assistant Administrator
Office of Enforcement and Compliance
Assurance
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Date May 16, 2007

FOR PLAINTIFF-INTERVENOR, THE STATE OF COLORADO

s/ Paul Tourangeau

Date 5/10/07

PAUL TOURANGEAU
Director, Air Pollution Control Division
Colorado Department of Public Health & Environment
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530
Telephone: (303)-692-3114
Fax: (303) 782-5493

s/ Stephen M. Brown

Date 5/16/07

STEPHEN M. BROWN
Assistant Attorney General
Natural Resources and Environmental Section
Colorado Department of Law
1525 Sherman Street, 7th Floor
Denver, Colorado 80203
Telephone: (303) 866-4434
Fax: (303) 866-3558

FOR DEFENDANT, KERR-McGEE CORPORATION

s/ James J. Kleckner _____

Date 5-8-07

JAMES J. KLECKNER

Vice President

Kerr-McGee Corporation

1099 18th Street

Denver, Colorado 80202

Telephone: (303) 575-0167

Fax: (303) 607-3462