

STATE OF COLORADO

Bill Ritter, Jr., Governor
James B. Martin, Executive Director

Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

July 8, 2009

Duane Zimmerman, VP-Operations
Augustus Energy Partners, LLC
2016 Grand Avenue, Suite A
Billings, MT 59102

Certified Mail Number: 7007 0220 0001 0160 6198

RE: Expedited Settlement Agreement, Number: ES-090702-1

Dear Mr. Zimmerman:

Enclosed for your records you will find Augustus Energy Partners, LLC's copy of the recently executed Expedited Settlement Agreement ("ESA"). Please be advised that the first page of the ESA was changed in order to place the correct ESA Number on the final document. The ESA is now fully enforceable and constitutes a final agency action.

The Water Quality Control Division acknowledges receipt of Augustus Energy Partners, LLC's payment of the settlement amount and will move forward with payment processing.

If you have any questions, please don't hesitate to contact me at (303) 692-3176 or by electronic mail at danelle.morgan@state.co.us.

Sincerely,

Danelle Morgan, EPS
Clean Water Compliance Assurance Unit
Compliance Assurance Section
WATER QUALITY CONTROL DIVISION

cc: Mesa County Public Health

ec: Aaron Urdiales, EPA Region VIII
Gary Beers, Permits Unit, CDPHE
Dick Parachini, Watershed Program, CDPHE
Carolyn Schachterle, OPA

Enclosure(s)



Colorado Department of Public Health & Environment
Water Quality Control Division

EXPEDITED SETTLEMENT AGREEMENT

Number: ES-090702-1

The Colorado Department of Public Health and Environment (“Department”), through the Water Quality Control Division (“Division”), issues this Expedited Settlement Agreement (“ESA”), pursuant to the Division’s authority under §§25-8-602, 25-8-605 and 25-8-608, C.R.S. of the Colorado Water Quality Control Act (the “Act”) §§25-8-101 to 703, C.R.S., and its implementing regulations, with the express consent of Augustus Energy Partners, LLC (“AEP”). The Division and AEP may be referred to collectively as “the Parties.”

1. AEP is a “person” as defined under the Water Quality Control Act, §25-8-103(13), C.R.S. and its implementing permit regulation, 5 CCR 1002-61, §61.2(73).
2. AEP is conducting construction activities for oil and gas production and/or exploration located in or near the Town of Mack, Mesa County, Colorado (the “Project”).
3. At the time of the inspection, May 22, 2008, Division records indicate that the permittee was Slate River Resources, LLC. AEP has stated in a letter dated June 26, 2008 that they had taken over operations of the Project as of May 14, 2008. AEP then confirmed, in an e-mail dated March 16, 2008, that they had operational control of the Project as well as ownership of the stormwater permit as of May 15, 2008. Therefore, AEP assumes liability for the violations noted during the inspection.
4. AEP failed to comply with the provisions of its Colorado Discharge Permit System General Permit for Stormwater Discharges Associated with Construction Activity (the “Permit”), Certification Number COR-03B136 as described in the attached inspection report.
5. The parties enter into this ESA in order to resolve the matter of civil penalties associated with the violation(s) alleged herein and in the attached inspection report for a penalty of \$5,437.50.
6. By accepting this ESA, AEP neither admits nor denies the violations or deficiencies specified herein and in the attached inspection report.
7. AEP certifies that all deficiencies identified in the attached inspection report have been corrected and that the Project is currently in full compliance with the terms and provisions of the Permit. Additionally, AEP has attached to this ESA: (1) a written description detailing how the deficiencies were corrected; and (2) representative photographs documenting the current conditions and the associated BMPs implemented at the Project.
8. AEP agrees to the terms and conditions of this ESA. AEP agrees that this ESA constitutes a notice of alleged violation and an order issued pursuant to §§25-8-602, 25-8-605 and 25-8-608, C.R.S., and is an enforceable requirement of the Act. By signing the ESA, AEP waives: (1) the right to

contest the finding(s) specified herein and in the attached inspection report; and (2) the opportunity for a public hearing pursuant to §25-8-603, C.R.S.

9. This ESA is subject to the Division's "Public Notification of Administrative Enforcement Actions Policy," which includes a thirty-day public comment period. The Division and AEP each reserve the right to withdraw consent to this ESA if comments received during the thirty-day period result in any proposed modification to the ESA.
10. This ESA constitutes a final agency order or action upon the date when the Executive Director or his designee signs the ESA and effectively imposes the civil penalty.
11. AEP agrees that within fifteen (15) calendar days of receiving the signed and final ESA from the Division, AEP shall submit a certified or cashier's check drawn to the order of the "Colorado Department of Public Health and Environment," for the amount specified in paragraph 5 above, to:

Danelle Morgan
Colorado Department of Public Health and Environment
Water Quality Control Division
Mail Code: WQCD-CADM-B2
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530

12. Notwithstanding paragraph 6 above, the violations described in this ESA will constitute part of AEP's compliance history for purposes where such history is relevant. This includes considering the violations described above in assessing a penalty for any subsequent violations against AEP. AEP agrees not to challenge the use of the cited violations for any such purpose.
13. This ESA, when final, is binding upon AEP and their corporate subsidiaries or parents, their officers, directors, employees, successors in interest, and assigns. The undersigned warrant that they are authorized to legally bind their respective principals to this ESA.

ACCEPTED BY AUGUSTUS ENERGY PARTNERS, LLC

<u>Duane Zimmerman</u>	<u>4/13/09</u>
Signature	Date
<u>Duane Zimmerman</u>	<u>VP - Operations</u>
Name (printed)	Title

FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT:

<u>Lori M. Gerzina</u>	Date: <u>July 2, 2009</u>
Lori M. Gerzina, Section Manager Compliance Assurance Section WATER QUALITY CONTROL DIVISION	