STATE OF COLORADO

Bill Ritter, Jr., Governor
Martha E. Rudolph, Executive Director

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

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Denver, Colorado 80246-1530
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Located in Glendale, Colorado

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Laboratory Services Division
8100 Lowry Blvd.
Denver, Colorado 80230-6928
(303) 692-3090

Colorado Department
of Public Health
and Environment

May 18, 2010

Mr. Mitch Masterson
Manager, EH&S Operational Compliance
Plains Exploration & Production Company
717 Texas, Suite 2100
Houston, Texas 77002

RE: Compliance Order on Consent, Number: SC-100514-1

Dear Mr. Masterson:

Enclosed for Plains Exploration & Production Company's records you will find your copy, with original signatures, of the recently executed Compliance Order on Consent. Please remember that this agreement is subject to a thirty-day public comment period (paragraph 37). Upon initiation, if the Division receives any comments during this period we will contact your office to discuss. Also, please be advised that the first page of the Order was changed in order to place the assigned Order Number on the final document.

If you have any questions, please don't hesitate to contact Joe Campbell at (303) 692-2356 or by electronic mail at joseph.campbell@state.co.us.

Sincerely,

Russell Zigler

Russell Zigler, Legal Assistant
Compliance Assurance Section
Enforcement Unit
WATER QUALITY CONTROL DIVISION

Enclosure(s)

cc: Mesa County Health Department
Garfield County Public Health Service

ec: Aaron Urdiales, EPA Region VIII
Mark Kadnuck, Engineering Section, CDPHE
Dick Parachini, Watershed Program, CDPHE
Nathan Moore, Permits Section, CDPHE
David Neslin, COGCC
Michael Beck, OPA

COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

DIVISION OF ADMINISTRATION

WATER QUALITY CONTROL DIVISION

COMPLIANCE ORDER ON CONSENT **NUMBER: SC-100514-1**

IN THE MATTER OF: **PLAINS EXPLORATION & PRODUCTION COMPANY**
CDPS PERMIT NO. COR-030000
CERTIFICATION NOS. COR-03C370, COR-038868, & COR-039614
MESA & GARFIELD COUNTIES, COLORADO

The Colorado Department of Public Health and Environment ("Department"), through the Water Quality Control Division ("Division"), issues this Compliance Order on Consent ("Consent Order"), pursuant to the Division's authority under §§25-8-602 and 605, 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 Plains Exploration & Production Company ("PXP"). The Division and PXP may be referred to collectively as "the Parties."

STATEMENT OF PURPOSE

1. The mutual objectives of the Parties in entering into this Consent Order are to resolve, without litigation, the civil penalties associated with the alleged violations cited herein.

DIVISION'S FINDINGS OF FACT AND DETERMINATION OF VIOLATIONS

2. Based upon the Division's investigation into and review of the compliance issues identified herein, and in accordance with §§25-8-602 and 605, C.R.S., the Division has made the following determinations regarding PXP, the project's described below and PXP's compliance with the Act and its permits.

3. At all times relevant to the violations cited herein PXP was a Delaware corporation in good standing and registered to conduct business in the state of Colorado.

4. PXP is a "person" as defined by the Act, §25-8-103(13), C.R.S. and its implementing permit regulation, 5 CCR 1002-61, §61.2(73).

5. PXP is performing the oil and gas exploration and production projects described in subparagraphs (a) through (c) below. For each construction project listed below, PXP applied for and obtained

coverage under the Colorado Discharge Permit System ("CDPS") General Permit, Number COR-030000, for Stormwater Discharges Associated with Construction Activity (the "Permit"), as outlined in paragraphs 5(a-c) below.

a. During October 2007, PXP initiated construction activities near the south end of SH 330 and 75.70 Road in Mesa County, Colorado ("Project #1").

   i. On July 9, 2007, PXP applied for coverage for project #1 under the Permit.
   ii. On July 24, 2007, the Division issued PXP Certification Number COR-03C370 authorizing PXP to discharge stormwater from the construction activities associated with Project #1 to Divide Creek, a tributary of the Colorado River, under the terms and conditions of the Permit.
   iii. Certification Number COR-03C370 became effective July 24, 2007 and remains in effect until June 30, 2012, or until PXP inactivates Permit coverage.

b. On May 7, 2006, Laramie Energy, LLC initiated construction activities in the Hell's Gulch area, Latitude 39/29/05 N Longitude 107/38/20 W, in Garfield County, Colorado ("Project #2").

   i. On May 30, 2007 PXP applied for a notice of transfer for the Permit from Laramie Energy, LLC.
   ii. On June 22, 2007, the Division transferred Certification Number COR-038868 to PXP, authorizing PXP to discharge stormwater from the construction activities associated with Project #2 to Alkali Creek under the terms and conditions of the Permit.
   iii. Certification Number COR-038868 became effective July 1, 2007 and remains in effect until June 30, 2012, or until PXP inactivates Permit coverage.

c. During the Fall 2006, Laramie Energy, LLC initiated construction activities in the Logan Trail area, Latitude 39/24/30 N Longitude 108/13/15 W, in Garfield County, Colorado ("Project #3").

   i. On May 30, 2007 PXP applied for a notice of transfer for the Permit from Laramie Energy, LLC.
   ii. On June 26, 2007, the Division transferred Certification Number COR-039614 to PXP, authorizing PXP to discharge stormwater from the construction activities associated with Project #2 to Logan Wash, Roan Creek, and unnamed tributaries; all of which are tributaries of the Colorado River, under the terms and conditions of the Permit.
   iii. Certification Number COR-039614 became effective July 1, 2007 and remains in effect until June 30, 2012, or until PXP inactivates Permit coverage.

d. On January 13, 2009, the above referenced projects and certifications were transferred from PXP to a successor operator.

6. The Colorado River, Divide Creek, Roan Creek, Logan Wash, and the unnamed tributaries are "state waters" as defined by §25-8-103(19), C.R.S. and its implementing permit regulation, 5 CCR 1002-61, §61.2(102).

7. Pursuant to 5 CCR 1002-61, §61.8, a permittee must comply with all the terms and conditions of a permit and violators of the terms and conditions specified in a permit may be subject to civil and criminal liability pursuant to §§25-8-601 through 612, C.R.S.

8. Pursuant to the Division's authority under §25-8-306, C.R.S. and on behalf of the Division, a representative from PG Environmental (the "Inspector") conducted an onsite inspection of each project described in paragraphs 5(a – c) above to determine PXP's compliance with the Water Quality Control Act and the Permit. During the inspections, the Inspector spoke with PXP project representatives, reviewed each project's stormwater management records, and conducted a physical inspection of each project. The Inspector conducted the onsite inspections on the dates described in the following table:

PXP Construction Project (As described in paragraphs 5(a - c above)	**CDPS Permit Certification Number**	**Date of Division Inspection**
Project # 1	COR-03C370	July 15, 2008
Project # 2	COR-038868	June 18, 2008
Project # 3	COR-039614	May 9, 2008

Deficient and/or Incomplete Stormwater Management Plan

9. Pursuant to Part I. B. of the Permit, PXP is required to prepare and maintain a Stormwater Management Plan ("SWMP") in accordance with good engineering, hydrologic, and pollution control practices. The SWMP is required to identify all potential sources of pollution, which may be reasonably expected to affect the quality of stormwater discharges associated with construction activity from the Project. In addition, the plan is required to describe and ensure the implementation of Best Management Practices ("BMPs") at the Project, which will be used to reduce the pollutants in stormwater discharges associated with construction activity.

10. Pursuant to Part I. C. of the Permit, the Project's SWMP shall include, at a minimum, the following items:

    a. Site Description – The SWMP shall clearly describe the construction activity, including:

        i. The nature of the construction activity.
        ii. The proposed sequence for major activities.
        iii. Estimates of the total area of the site and the area of the site that is expected to undergo clearing, excavation or grading.
        iv. A summary of any existing data used in the development of the construction plans or SWMP that describe the soil or existing potential for soil erosion.
        v. A description of the existing vegetation at the site and an estimate of the percent vegetative ground cover.
        vi. The location and description of all potential pollution sources, including ground surface disturbance, vehicle fueling, storage of fertilizers or chemicals, etc.
        vii. The location and description of any allowable sources of non-stormwater discharge, such as springs, landscape irrigation return flow, construction dewatering, and concrete

washout.

viii. The name of the receiving water(s) and the size, type, and location of any outfall or, if the discharge is to a municipal separate storm sewer, the name of that system, the location of the storm sewer discharge, and the ultimate receiving water(s).

b. Site Map – The SWMP shall include a legible site map(s), showing the entire site, identifying:

i. Construction site boundaries.
ii. All areas of ground surface disturbance.
iii. Areas of cut and fill.
iv. Areas used for storage of building materials, equipment, soil, or waste.
v. Locations of dedicated asphalt or concrete batch plants.
vi. Locations of all structural BMPs
vii. Locations of all non-structural BMPs.
viii. Locations of springs, streams, wetlands and other surface waters.

c. Stormwater Management Controls - The SWMP must include a description of all stormwater management controls that will be implemented as part of the construction activity to control pollutants in stormwater discharges, including:

i. SWMP Administrator – The SWMP shall identify a specific individual(s), position or title that is responsible for developing, implementing, maintaining, and revising the SWMP.
ii. Identification of Potential Pollutant Sources – The SWMP shall identify and describe those sources determined to have the potential to contribute pollutants to stormwater discharges.
iii. Best Management Practices (BMPs) for Stormwater Pollution Prevention – The SWMP shall identify and describe appropriate BMPs that will be implemented at the facility to reduce the potential of pollution sources to contribute pollutants to stormwater discharges. The SWMP shall clearly describe the installation and implementation specifications for each BMP identified in the SWMP.

(1) Structural Practices for Erosion and Sediment Control – The SWMP shall clearly describe and locate all structural practices implemented at the site to minimize erosion and sediment transport. Practices may include, but are not limited to: straw bales, wattles/sediment control logs, silt fences, earth dikes, drainage swales, sediment traps, subsurface drains, pipe slope drains, inlet protection, outlet protection, gabions, and temporary or permanent sediment basins.
(2) Non-Structural Practices for Erosion and Sediment Control – The SWMP shall clearly describe and locate all non-structural practices implemented at the site to minimize erosion and sediment transport. Description must include interim and permanent stabilization practices, and site-specific scheduling for implementation of the practices. Non-structural practices may include, but are not limited to: temporary vegetation, permanent vegetation, mulching, geotextiles, sod stabilization, slope roughening, vegetative buffer strips, protection of trees, and preservation of mature vegetation.
(3) Phased BMP Implementation – The SWMP shall clearly describe the relationship between the phases of construction and the implementation and maintenance of

BMPs. The SWMP must identify the stormwater management controls to be implemented during the project phases, which can include, but are not limited to, clearing and grubbing, road construction, utility and infrastructure installation, vertical construction, final grading and final stabilization.

(4) Materials Handling and Spill Prevention – The SWMP shall clearly describe and locate all practices implemented at the site to minimize impacts from procedures or significant materials that could contribute pollutants to runoff.

(5) Dedicated Concrete or Asphalt Batch Plants – The SWMP shall clearly describe and locate BMPs to control stormwater pollution from dedicated concrete batch plants or dedicated asphalt batch plants.

(6) Vehicle Tracking Control – The SWMP shall clearly describe and locate all practices implemented at the site to control potential sediment discharges from vehicle tracking.

(7) Waste Management and Disposal, Including Concrete Washout – The SWMP shall clearly describe and locate the practices implemented at the site to control stormwater pollution from all construction site wastes, including concrete washout activities.

(8) Groundwater and Stormwater Dewatering – The SWMP shall clearly describe and locate the practices implemented at the site to control stormwater pollution from the dewatering of groundwater or stormwater from excavations, wells, etc.

d. Final Stabilization and Long-Term Stormwater Management – The SWMP shall clearly describe the practices used to achieve final stabilization of all disturbed areas at the site, and any planned practices to control pollutants in stormwater discharges that will occur after construction operations have been completed at the site.

e. Inspection and Maintenance – The SWMP shall clearly describe the inspection and maintenance procedures implemented at the site to maintain all erosion and sediment control practices and other protective practices in good and effective operating condition.

11. Pursuant to Part I. D. 5. c. of the Permit, PXP is required to update the SWMP and amend the plan when there is a change in design, construction, operation, or maintenance of the site; when the SWMP proves to be ineffective in controlling pollutants in stormwater discharges; or when BMPs are no longer necessary and are removed.

12. The Division has determined that PXP failed to prepare and maintain a complete and accurate SWMP for the projects as described in paragraphs 12(a – c) below.

a. During the June 18, 2008 inspection of Project #1, the Inspector reviewed the SWMP for Project #1 and found the SWMP to be deficient as follows:

i. Project #1's SWMP did not include a description of the existing vegetation at the site and an estimate of the percent vegetative ground cover for the pipeline segment.

ii. Project #1's SWMP site map did not identify the construction site boundaries.

iii. Project #1's SWMP did not identify the majority of the area of ground disturbance within the pipeline right-of-way which was disturbed at the time of inspection.

iv. Project #1's SWMP did not identify the straw wattle and silt fence BMP's that

were implemented on-site along the pipeline right-of-way.

v. Project #1's SWMP did not identify the seeding and tackifier BMP's that were implemented on-site along the pipeline right-of-way.

vi. Project #1's SWMP did not describe the relationship between the phases of construction and the implementation and maintenance of both structural and non-structural stormwater management controls.

b. During the June 18, 2008 inspection of Project #2, the Inspector reviewed the SWMP for Project #2 and found the SWMP to be deficient as follows:

i. Project #2's SWMP did not include an estimate of the percent vegetative ground cover for pre-existing vegetation.

ii. Project #2's SWMP did not provide the location and description of a non-stormwater discharge source which was an irrigation water source that was being used at the site.

iii. Project #2's SWMP did not provide the correct receiving water for the Hell's Gulch Federal 26-1 well pad. Bear Gulch, a tributary to Alkali Creek, is located approximately 65 feet south and serves as the first receiving water, but was not identified in the site description.

iv. Project #2's SWMP site map dated 5/19/08 and 6/10/08 did not identify the construction site boundaries.

v. Project #2's SWMP did not identify the area of ground surface disturbance near the irrigation water source located east of Garfield County Road 342, approximately 1.7 miles north of the intersection with Mesa County Road 330E.

c. During the May 9, 2008 inspection of Project #3, the Inspector reviewed the SWMP for Project #3 and found the SWMP to be deficient as follows:

i. Project #3's SWMP did not describe the relationship between the phases of construction and the implementation and maintenance of both structural and non-structural stormwater management controls.

13. PXP's failures to prepare and maintain complete and accurate SWMPs for Projects #1, #2 and #3 constitute violations of Part I. B. and Part I. C. of the Permit. PXP's failures to amend the SWMPs for Projects #1 and #2 constitute violations of Part I. D. 5. c. of the Permit.

Failure to Implement and/or Maintain
Best Management Practices to Protect Stormwater Runoff

14. Pursuant to Part I. C. 3. c. of the Permit, PXP is required to implement BMPs to reduce the potential of pollution sources from contributing pollutants to stormwater discharges, including minimizing erosion and sediment transport from the Project. The Permit specifies that structural site management practices may include, but are not limited to: straw bales, wattles/sediment control logs, silt fences, earth dikes, drainage swales, sediment traps, subsurface drains, pipe slope drains, inlet protection, outlet protection, gabions, and temporary or permanent sediment basins. The Permit specifies that non-structural site management practices may include, but are not limited to: temporary vegetation, permanent vegetation, mulching, geotextiles, sod stabilization, slope roughening, vegetative buffer strips, protection of trees and preservation of mature vegetation.

15. Pursuant to Part I. D. 1. c. of the Permit, PXP is required have secondary containment or equivalent adequate protection for bulk storage structures for petroleum products or any other chemicals.

16. Pursuant to Part I. D. 2. of the Permit, PXP is required to select, design, install, implement and maintain appropriate BMPs for all potential pollutant sources at the Project, following good engineering, hydrologic and pollution control practices.

17. The Division has determined that PXP failed to implement and/or maintain functional BMPs at each of the projects as described in paragraphs 17(a – c) below.

    a. During the June 18, 2008 inspection of Project #1, the Inspector observed the following BMP deficiencies at Project #1:

        i. The Inspector observed that run-on control had been installed for the area of ground surface disturbance of the pipeline right-of-way; however, no BMP's for stabilization or down-gradient perimeter controls were implemented on the disturbed slope of the pipeline right-of-way.

    b. During the June 18, 2008 inspection of Project #2, the Inspector observed the following BMP deficiencies at Project #2:

        i. The Inspector observed that the unidentified non-stormwater discharge source, irrigation water, was located up-gradient of the disturbed area and was actively causing erosion of the disturbed area. Sediment-laden flow was identified beyond a series of BMP's and leading towards Alkali Creek.
        ii. The Inspector observed that chemicals and petroleum products were stored on-site without adequate protection to prevent and contain spills from contributing pollutants to stormwater runoff.
        iii. The Inspector observed that inadequate BMP's were implemented on the disturbed fill slopes/soil stockpile located along the southeast perimeter of Hell's Gulch Federal 26-1 well pad. The earthen berm BMP implemented along the edge of the well did not extend below a soil stockpile that was located on the well pad. Additionally, the silt fence BMP located along the perimeter of the down-gradient fill slope was not maintained and a portion of it had collapsed.

    c. During the May 9, 2008 inspection of Project #3, the Inspector observed the following BMP deficiencies at Project #3:

        i. The Inspector observed inadequate BMP's were implemented on the disturbed fill slope on the west side of well pad No. 28-9. The straw wattle BMP's utilized were not installed on the contour and were directing water to a low point at the toe of the fill slope.
        ii. The Inspector observed inadequate check dams in place in the drainage ditches along the perimeter of well pad No. 28-9. The check dams did not have a defined weir section and were not constructed out of 1-1.5" gravel as was specified in the SWMP.
        iii. The Inspector observed that the fill slope located approximately 20 yards to the west of the well pad entrance was unstabilized and did not have BMP's implemented for

perimeter control.

18. PXP's failures to implement and/or maintain functional BMPs at Projects #1 and #3, constitute violations of Part I. C. 3. c. and Part I. D. 2., and Part I. D. 1. c. of the Permit. PXP's failures to implement and/or maintain functional BMPs for Project #2 constitute violations of Part I. C. 3. c., Part I. D. 2., and Part I. D. 1. c. of the Permit.

Failure to Conduct Inspections of Stormwater Management System

19. Pursuant to Part I. D. 6. a. of the Permit, for active sites where construction has not been completed, PXP is required to make thorough inspections of its stormwater management systems at least every 14 days and after any precipitation or snowmelt event that caused surface erosion.

20. Pursuant to Part I. D. 6. b. (2) of the Permit, PXP is required to keep a record of inspections that describes any corrective actions taken, the dates the corrective actions were taken, and any measures taken to prevent future violations. After corrective action has been taken, or where a report does not identify any incidents requiring corrective action, the inspection report shall contain a signed statement indicating the site is in compliance with the Permit.

21. The Division has determined that PXP failed to properly conduct inspections of its stormwater management systems at the projects described in paragraphs 21(a – b) below.

    a. During the June 18, 2008 inspection of Project #1, the Inspector reviewed Project #1's stormwater management system inspection records and noted that from an inspection report dated 5/9/2008 for Tract #9 it was noted that there were "wattles filled with sediment and needed to be cleaned". However, the inspection report did not contain the information regarding the corrective action, if any, of the finding.
    b. During the May 9, 2008 inspection of Project #3, the Inspector reviewed Project #3's stormwater management system inspection records and noted that numerous inspection reports had not been signed indicating that the site was in compliance and there was limited to no information regarding if and when corrective actions were taken to address items that were documented in the inspection reports.

22. PXP's failures to properly conduct inspections of its stormwater management systems at Projects #1 and #3 constitute violations of Part I. D. 6. a. and Part I. D. 6. b. (2) of the Permit.

ORDER AND AGREEMENT

23. Based on the foregoing factual and legal determinations, pursuant to its authority under §§25-8-602 and 605, C.R.S., and in satisfaction of the civil penalties associated with the alleged violations cited herein, the Division orders PXP to comply with all provisions of this Consent Order, including all requirements set forth below.

24. PXP agrees to the terms and conditions of this Consent Order. PXP agrees that this Consent Order constitutes a notice of alleged violation and an order issued pursuant to §§25-8-602 and 605, C.R.S., and is an enforceable requirement of the Act. PXP also agrees not to challenge directly or collaterally, in any judicial or administrative proceeding brought by the Division or by PXP against

the Division:

a. The issuance of this Consent Order;
b. The factual and legal determinations made by the Division herein; and
c. The Division's authority to bring, or the court's jurisdiction to hear, any action to enforce the terms of this Consent Order under the Act.

25. Notwithstanding the above, PXP does not admit to any of the factual or legal determinations made by the Division herein, and any action undertaken by PXP pursuant to this Consent Order shall not constitute evidence of fault and liability by PXP with respect to the conditions of its construction projects.

CIVIL PENALTY AND SUPPLEMENTAL ENVIRONMENTAL PROJECTS

26. In addition to all other funds necessary to comply with the requirements of this Consent Order, PXP shall pay Eighty Thousand Dollars ($80,000.00) in the form of civil penalties and expenditures on a Supplemental Environmental Project ("SEP") in order to achieve settlement of this matter.

27. Based upon the application of the Division's penalty policies and procedures, and consistent with Departmental policies for violations of the Act, PXP shall pay Fourteen Thousand Four Hundred Dollars ($14,400.00) in civil penalties. The Division intends to petition the Executive Director, or her designee, to impose the Fourteen Thousand Four Hundred Dollar ($14,400.00) civil penalty for the above violation(s) and PXP agrees to make the payment within thirty (30) calendar days of the issuance of a Penalty Order by the Executive Director or her designee. Method of payment shall be by certified or cashier's check drawn to the order of the "Colorado Department of Public Health and Environment," and delivered to:

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

28. PXP shall also perform the SEP identified below. PXP's total expenditure for the SEP shall be not less than Sixty-five Thousand Six Hundred Dollars ($65,600.00).

29. PXP shall undertake the following SEP, which the Parties agree is intended to secure significant environmental or public health protection and improvements:

a. PXP shall donate Sixty-five Thousand Six Hundred Dollars ($65,600.00) to Trout Unlimited. The funds will be used for a fish barrier project on the East Fork of Parachute Creek as identified in Attachment A.
b. PXP shall make the payment of Sixty-five Thousand Six Hundred Dollars ($65,600.00), and shall include with the donation a cover letter identifying the monies for the above-described project, within thirty (30) calendar days of the effective date of this Consent Order, as follows:

"Trout Unlimited", to the attention of Mr. David Nickum, 1320 Pearl Street, Suite 320, Boulder, Colorado 80302.

c. PXP shall provide the Division with a copy of the cover letter and check within thirty (30) calendar days of the effective date of this Consent Order.

30. PXP shall not deduct the expenses associated with the implementation of the above-described SEP for any tax purpose or otherwise obtain any favorable tax treatment of such payment or project.

31. PXP hereby certifies that, as of the date of this Consent Order, it is not under any existing legal obligation to perform or develop the SEP. PXP further certifies that it has not received, and will not receive, credit in any other enforcement action for the SEP. In the event that PXP has, or will receive credit under any other legal obligation for the SEP, PXP shall pay Sixty-five Thousand Six Hundred Dollars ($ 65,600.00) to the Division as a civil penalty within thirty (30) calendar days of receipt of a demand for payment by the Division. Method of payment shall be as specified in paragraph 27 above.

32. All SEPs must be completed to the satisfaction of the Division, by October 10, 2011, unless the time for completion is extended, and must be operated for the useful life of the SEP. In the event that PXP fails to comply with any of the terms or provisions of this Consent Order relating to the performance of the SEP, PXP shall be liable for penalties as follows:

a. Payment of a penalty in the amount of Sixty-five Thousand Six Hundred Dollars ($65,600.00). The Division, in its sole discretion, may elect to reduce this penalty for environmental benefits created by the partial performance of the SEP.
b. PXP shall pay this penalty within thirty (30) calendar days of receipt of written demand by the Division. Method of payment shall be as specified in paragraph 27 above.

33. PXP shall submit a SEP Completion Report to the Division by October 10, 2011, unless the time for completion is extended. The SEP Completion Report shall contain the following information:

a. A detailed description of the SEP as implemented;
b. A description of any operating problems encountered and the solutions thereto;
c. Itemized costs, documented by copies of purchase orders and receipts or canceled checks or other forms of proof of payment;
d. Certification that the SEP has been fully implemented pursuant to the provisions of this Consent Order; and
e. A description of the environmental and public health benefits resulting from implementation of the SEP (with quantification of the benefits and pollutant reductions, if feasible).

34. Failure to submit the SEP Completion Report with the required information, or any periodic report, shall be deemed a violation of this Consent Order.

35. PXP shall include the following language in any public statement, oral or written, making reference to the SEP: "This project was undertaken in connection with the settlement of an enforcement action taken by the Colorado Department of Public Health and Environment for violations of the Colorado Water Quality Control Act."

SCOPE AND EFFECT OF CONSENT ORDER

36. The Parties agree and acknowledge that this Consent Order constitutes a full and final settlement of the civil penalties associated with the violations cited herein.

37. This Consent Order is subject to the Division's "Public Notification of Administrative Enforcement Actions Policy," which includes a thirty-day public comment period. The Division and PXP each reserve the right to withdraw consent to this Consent Order if comments received during the thirty-day period result in any proposed modification to the Consent Order.

38. This Consent Order constitutes a final agency order or action upon the date when the Executive Director or his designee imposes the civil penalty following the public comment period. Any violation of the provisions of this Consent Order by PXP, including any false certifications, shall be a violation of a final order or action of the Division for the purpose of §25-8-608, C.R.S., and may result in the assessment of civil penalties of up to ten thousand dollars per day for each day during which such violation occurs.

39. Notwithstanding paragraph 25 above, the alleged violations described in this Consent Order will constitute part of PXP's compliance history for purposes where such history is relevant. This includes considering the alleged violations described above in assessing a penalty for any subsequent violations against PXP. PXP agrees not to challenge the use of the cited alleged violations for any such purpose.

40. This Consent Order does not relieve PXP from complying with all applicable Federal, State, and/or local laws in fulfillment of its obligations hereunder and shall obtain all necessary approvals and/or permits to conduct the activities required by this Consent Order. The Division makes no representation with respect to approvals and/or permits required by Federal, State, or local laws other than those specifically referred to herein.

LIMITATIONS, RELEASES AND RESERVATION OF RIGHTS AND LIABILITY

41. Upon the effective date of this Consent Order, and during its term, this Consent Order shall stand in lieu of any other enforcement action by the Division with respect to the civil penalties for the specific instances of violations cited herein. The Division reserves the right to bring any action to enforce this Consent Order, including actions for penalties or the collection thereof, and/or injunctive relief.

42. This Consent Order does not grant any release of liability for any violations not specifically cited herein.

43. Nothing in this Consent Order shall preclude the Division from imposing additional requirements in the event that new information is discovered that indicates such requirements are necessary to protect human health or the environment.

44. Upon the effective date of this Consent Order, PXP releases and covenants not to sue the State of

Colorado or its employees, agents or representatives as to all common law or statutory claims or counterclaims arising from, or relating to, the violations of the Act specifically addressed herein.

45. PXP shall not seek to hold the State of Colorado or its employees, agents or representatives liable for any injuries or damages to persons or property resulting from acts or omissions of PXP, or those acting for or on behalf of PXP, including its officers, employees, agents, successors, representatives, contractors, consultants or attorneys in carrying out activities pursuant to this Consent Order. PXP shall not hold out the State of Colorado or its employees, agents or representatives as a party to any contract entered into by PXP in carrying out activities pursuant to this Consent Order. Nothing in this Consent Order shall constitute an express or implied waiver of immunity otherwise applicable to the State of Colorado, its employees, agents or representatives.

NOTICES

46. Unless otherwise specified, any report, notice or other communication required under the Consent Order shall be sent to:

For the Division:

Colorado Department of Public Health and Environment
Water Quality Control Division / WQCD-CADM-B2
Attention: Joe Campbell
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530
Telephone: 303.692.2356
E-mail: joseph.campbell@state.co.us

For PXP:

Plains Exploration & Production Company
Attention: Mitch Masterson, Manager, EH&S Operational Compliance
717 Texas, Suite 2100
Houston, Texas 77002
Telephone: 713.579.6179
E-mail: mmasterson@pxp.com

With copy to:

Plains Exploration & Production Company
Attention: General Counsel
700 Milam, Suite 3100
Houston, Texas 77002

MODIFICATIONS

47. This Consent Order may be modified only upon mutual written agreement of the Parties.

NOTICE OF EFFECTIVE DATE

48. This Consent Order shall be fully effective, enforceable and constitute a final agency action upon the date when the Executive Director or her designee imposes the civil penalty. If the penalty as described in this Consent Order is not imposed, or an alternate penalty is imposed, this Consent Order becomes null and void.

BINDING EFFECT AND AUTHORIZATION TO SIGN

49. This Consent Order is binding upon PXP and its 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 Consent Order. PXP agrees to provide a copy of this Consent Order to any contractors and other agents performing work pursuant to this Consent Order and require such agents to comply with the requirements of this Consent Order. In the event that a party does not sign this Consent Order within thirty (30) calendar days of the other party's signature, this Consent Order becomes null and void. This Consent Order may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Consent Order.

FOR PLAINS EXPLORATION & PRODUCTION COMPANY:

_____ Date: 4.19.10

Steve Rusch, Vice President EH&S and Governmental Affairs

FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT:

Lori M. Gerzina Date: 14 May 2010

Lori M. Gerzina, Manager
Compliance Assurance Section
WATER QUALITY CONTROL DIVISION

Attachment A
Supplemental Environmental Project

Name: Colorado Trout Unlimited
Project Manager: David Nickum
Address: 1320 Pearl Street, Suite 320, Boulder, CO 80302
Telephone: 303-440-2937 x101

• **Name of Project** – East Fork Parachute Creek Fish Barrier Project

• **CDPHE Contact Person** – Joe Campbell

• **Geographical Area to Benefit from Project** – The project will benefit native Colorado River cutthroat trout in the East Fork Parachute Creek watershed, including the mainstem and JQS Gulch (and other tributaries which may support cutthroat trout seasonally). The watershed is located within Garfield County, northwest of Rifle. Because the Colorado River cutthroat trout is a species of special concern and the subject of a multi-state conservation agreement – to which the State of Colorado is a party – its restoration is a matter of statewide priority as well, beyond the local value of projects.

• **Type of project** – Environmental Restoration and Protection

• **Project Description** – The East Fork of Parachute Creek and its tributary JQS Gulch are both identified as supporting conservation populations of Colorado River cutthroat trout; however, in recent years cutthroat have been largely displaced from these habitats by non-native brook trout. The upper East Fork watershed is remote and supports some very healthy riparian systems that are well suited for the persistence of native cutthroat trout – in the absence of the competing non-native trout. While East Fork Falls – at over 200 feet – provides an outstanding natural fish barrier, reclamation of the entire watershed above the falls is beyond the technical and financial capabilities of the Division of Wildlife, Bureau of Land Management, and other partners – and is complicated by the presence of major beaver complexes in the watershed. Instead, we propose to construct a fish barrier on the East Fork above Second Anvil Creek, providing a significant – but manageable – area for restoration within the watershed. From this foundation, future restoration efforts can continue with an ultimate goal of restoring the full watershed down to the falls.

The proposed barrier site would protect more than two miles of the East Fork and the full length of JQS Gulch, as well as other tributaries (such as Golden Castle Gulch) that may support some limited or seasonal habitat for cutthroat trout. The construction site is accessible on an existing administrative road coming down Third Water Gulch to the East Fork, which will facilitate heavy equipment access to the construction site. The Division of Wildlife and Bureau of Land Management are currently evaluating four alternative designs for the barrier: a marine bin wall; a concrete retaining wall with gabion support; a gabion structure with concrete facing; or a wall of prefabricated concrete panels or

timbers with gabion support. The barrier designs include a splash pad (to minimize formation of pool depth below the barrier, thereby reducing the ability of downstream fish to leap) and adequate barrier height to block upstream movement of brook trout. Physical construction would be done by professional contractors using heavy equipment; volunteers would assist with site reclamation tasks such as stabilization and seeding (with appropriate native seed mixes). After completion of barrier construction, subsequent tasks (not included in this proposal) will be (1) treatment by the Division of Wildlife of the upstream areas with a piscicide (likely Antimycin A) to remove current fish (brook trout); and (2) restocking of the streams with pure-strain Colorado River cutthroat trout from a nearest neighbor stock – likely from the East Middle Fork Parachute Creek watershed.

• **Expected Environmental/Public Health Benefits** – The construction of this fish barrier is the necessary precursor to allow fish removal and subsequent re-stocking with Colorado River cutthroat trout in the East Fork Parachute Creek watershed. This project will enable restoration on over two miles of the East Fork of Parachute Creek, as well as the entire extent of JQS Gulch (more than a half mile) and the limited habitat available on other tributaries to this reach. Partners in the project include the Bureau of Land Management (on whose lands the barrier will be constructed) and the Colorado Division of Wildlife. The result will be an additional, secure conservation population of Colorado River cutthroat trout, helping advance restoration goals under the multi-state Interagency Colorado River Cutthroat Trout Conservation Strategy.

• **Project Cost** – Costs for the project vary slightly based on which of the four designs are approved by CDOW and BLM, ranging from approximately $90,000 to $110,000. The costs outlined below are reflective of a mid-range alternative, the gabion structure with concrete facing. CDOW and BLM are currently coordinating with our engineers to develop a final design; based on issues that have been raised the costs listed in this budget may increase by 10-20%; however, we are confident of our ability to secure any needed funds to address that increase in cost if it materializes.

Line item	Estimated cost	SEP portion
Mobilization/demobilization	$20,000	$12,000
Site prep/site reclamation	$9,000	$6,000
Gabion baskets/mats/fill	$20,300	$12,000
Concrete	$30,000	$21,000
Construction Survey, Supervisory Contractor	$10,000	$6,000
Construction Contingency	$8,930	$6,000
Grant management (4%)	$4,093	$2,600
TOTAL	$102,323	$65,600

• **Project Schedule** – Environmental compliance (NEPA) with the Bureau of Land Management will begin this spring and be completed by summer or fall 2010. Upon completion of the environmental compliance/permitting process, an update on final construction parameters will be provided to the CDPHE. If NEPA is completed quickly enough to allow construction in 2010, we will do so (August or September 2010); however, it now appears likely that construction will take place in summer 2011. Following final construction, a final SEP completion report will be submitted to the CDPHE, no later than October 1, 2011, unless the time for completion is extended.

• **Availability of Other Funding** – In addition to this SEP, $12,000 has also been approved for this project from the Western Native Trout Initiative. Additional funds for this project are being sought from the Bring Back the Natives program of the National Fish and Wildlife Foundation (proposal submitted in February) and from the Colorado Division of Wildlife's cutthroat trout funds under the Species Conservation Trust Fund. We anticipate that some combination of those two funding sources, when combined with SEP and Western Native Trout Initiative funds, will allow us to meet our budget needs for the barrier construction.

STATE OF COLORADO

Bill Ritter, Jr., Governor
Martha E. Rudolph, Executive Director

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

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TDD Line (303) 691-7700
Located in Glendale, Colorado

http://www.cdphe.state.co.us

Laboratory Services Division
8100 Lowry Blvd.
Denver, Colorado 80230-6928
(303) 692-3090

Colorado Department
of Public Health
and Environment

August 27, 2010

Plains Exploration & Production Company
Attention: General Counsel
700 Milam, Suite 3100
Houston, Texas 77002

RE: Copy of Compliance Order on Consent, Number: SC-100514-1

To Whom It May Concern:

Pursuant to paragraph 46 of the Compliance Order on Consent, Number: SC-100514-1 ("the Order"), a copy of the Order is enclosed for Plains Exploration & Production Company's General Counsel's records. A copy of the Order with original signatures was mailed to Mr. Mitch Masterson, Manager, EH&S Operational Compliance, of Plains Exploration & Production Company.

Sincerely,

Russell Zigler

Russell Zigler, Legal Assistant
Compliance Assurance Section
Enforcement Unit
WATER QUALITY CONTROL DIVISION

Enclosure(s)

cc: Enforcement File

STATE OF COLORADO

John W. Hickenlooper, Governor
Christopher E. Urbina, MD, MPH
Executive Director and Chief Medical Officer

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Colorado Department
of Public Health
and Environment

September 27, 2011

Mitch Masterson, Manager
Plains Exploration & Production Company
EH&S Operational Compliance
717 Texas, Suite 2100
Houston, Texas 77002

RE: Compliance Schedule Extension Number One Regarding Compliance Order on Consent, Number SC-100514-1

Dear Mr. Masterson:

Plains Exploration & Production Company ("PXP") was issued the above referenced Compliance Order on Consent ("COC") on May 14, 2010 (the "Order"). The Order was issued by the Colorado Department of Public Health and Environment's Water Quality Control Division (the "Division") pursuant to the authority given the Division by §§25-8-602 and 25-8-605 of the *Colorado Water Quality Control Act* (the "Act"). The Division based the Order upon findings that PXP violated the Act.

Pursuant to the Order the Division established a compliance date of October 10, 2011, for the completion of the Supplemental Environmental Project ("SEP"), as outlined in the COC, and for the submission of a SEP completion report. However, due to road maintenance and access issues to the site, there was a delay in the start of construction activities. Therefore, PXP will be unable to meet the October 10, 2011 deadline set forth in the Order. The Division establishes a new compliance date of November 30, 2011, for the completion of the SEP and the SEP completion report as outlined in the Order.

Please note that all other terms, conditions, and requirements of the COC remain unchanged and in effect.

If PXP has any questions, I can be contacted at 303.692.2356 or by electronic mail at joseph.campbell@state.co.us.

Sincerely,

Joe Campbell
Enforcement Unit
WATER QUALITY CONTROL DIVISION

cc: Rachel Wilson-Roussel, CDPHE

STATE OF COLORADO

John W. Hickenlooper, Governor
Christopher E. Urbina, MD, MPH
Executive Director and Chief Medical Officer

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Colorado Department
of Public Health
and Environment

December 21, 2011

Mitch Masterson, Manager
Plains Exploration & Production Company
EH&S Operational Compliance
717 Texas, Suite 2100
Houston, Texas 77002

RE: Compliance Schedule Extension Number Two
Compliance Order on Consent, Number SC-100514-1

Dear Mr. Masterson:

Plains Exploration & Production Company ("PXP") and the Water Quality Control Division (the "Division") executed the above referenced Compliance Order on Consent on May 14, 2010 (the "COC"). Pursuant to the COC, and its prior amendment dated September 27, 2011, PXP and the Division established a compliance date of November 30, 2011 for the completion of the Supplemental Environmental Project ("SEP") and for the submission of a SEP completion report, as outlined in paragraphs 32 and 33 of the COC.

In a letter dated November 22, 2011, PXP advised the Division that the SEP associated with the COC will not be completed by November 30, 2011 as expected. Colorado Trout Unlimited, the party implementing the SEP on behalf of PXP, has advised PXP that due to deteriorating winter weather conditions and access issues associated with the site, that they will be unable to complete the project this calendar year. In the letter, PXP requested that the Division extend the applicable COC compliance dates to September 30, 2012 in order to allow for any other unanticipated project delays and allow time for PXP to compile the associated paperwork for submittal to the Division.

The Division hereby accepts a new compliance date of **September 30, 2012** for PXP to complete the SEP and the SEP completion report as outlined in paragraphs 32 and 33 the COC.

Please note that all other terms, conditions, and requirements of the COC remain unchanged and in effect.

If PXP has any further questions or concerns, please don't hesitate to contact Joe Campbell of my staff at 303.692.2356 or by electronic mail at joseph.campbell@state.co.us.

Sincerely,

Lori M. Gerzina

Lori M. Gerzina, Manager
Compliance Assurance Section
WATER QUALITY CONTROL DIVISION

cc: Mesa County Health Department
Garfield County Public Health Service

ec: Tom Schaffer, Engineering Section, CDPHE/WQCD
Nathan Moore, Permits Section, CDPHE/WQCD
Dick Parachini, Watershed Program, CDPHE/WQCD
Rachel Wilson-Roussel, CDPHE/DEHS
Natasha Davis, EPA Region VIII
David Neslin, Director of the COGCC