

DISTRICT COURT, JACKSON COUNTY, COLORADO 396 Lafever Street P.O. Box 308 Walden, CO 80480	DATE FILED: June 26, 2013
COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT, WATER QUALITY CONTROL DIVISION, Plaintiff, v. LONE PINE GAS, INC., Defendant.	FILED IN CLERK OF COURTS JACKSON COUNTY, CO JUN 26 2013 SALLI S. JOHNROE CLERK OF COURT ^ COURT USE ONLY ^
	Case No.: 12-CV-10 Div/Room: 1
ORDER RE: JOINT MOTION FOR ENTRY OF PROPOSED CONSENT ORDER AS A FINAL ORDER OF THE COURT	

THIS MATTER comes before the Court on the Parties' *JOINT MOTION FOR ENTRY OF PROPOSED CONSENT ORDER AS A FINAL ORDER OF THE COURT*. The Court having considered the motion and being otherwise fully informed in the premises, hereby GRANTS the said motion. It is, therefore, ORDERED that the PROPOSED CONSENT ORDER ("CONSENT ORDER"), filed on June 25, 2013, is a fully enforceable FINAL ORDER of this Court. This Court retains jurisdiction to enforce the terms of the CONSENT ORDER until it is terminated pursuant to the terms thereof.

It is FURTHER ORDERED that, pursuant to Paragraph 34 of said CONSENT ORDER, at such time as the requirements for termination of the CONSENT ORDER have been satisfied, this Court will terminate the CONSENT ORDER and dismiss this matter with prejudice.

SO ORDERED this 26 day of JUNE, 2013.


 District Court Judge DAW RAUP

<p>DISTRICT COURT, JACKSON COUNTY, COLORADO 396 Lafever Street P.O. Box 308 Walden, CO 80480</p>	
<p>COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT, WATER QUALITY CONTROL DIVISION,</p> <p>Plaintiff,</p> <p>v.</p> <p>LONE PINE GAS, INC.,</p> <p>Defendant.</p>	^ COURT USE ONLY ^
<p>JOHN W. SUTHERS, Attorney General PATRICK J. PFALTZGRAFF,* Assistant Attorney General 1300 Broadway, 7th Floor Denver, CO 80203 Phone: (720) 508-6291 Fax: (720) 508-6039 Email: Patrick.Pfaltzgraff@state.co.us Registration No. 41771 *Counsel of Record ATTORNEYS FOR CDPHE</p> <p>KEITH S. BURRON Associated Legal Group, LLC 1807 Capitol Avenue, Suite 203 Cheyenne, WY 82001 Phone: (307) 632-2888 Fax: (307) 632-2828 Email: kburron@associatedlegal.com Registration No. 20737 ATTORNEYS FOR LONE PINE GAS, INC.</p>	<p>Case No.: 12-CV-10</p> <p>Div/Room: 1</p>
PROPOSED CONSENT ORDER	

COME NOW, the Plaintiff, Colorado Department of Public Health and Environment (“Department”), through the Water Quality Control Division (“Division”), by and through its attorney Patrick J. Pfaltzgraff, Assistant Attorney General, and Defendant, Lone Pine Gas, Inc. (“Lone Pine”), by and through its attorney, Keith S. Burron of Associated Legal Group, LLC,

and hereby submits to the Court this Stipulated Consent Order (herein "Consent Order"). The Division and Lone Pine may be referred to collectively as "the Parties," or singularly as "Party."

STATEMENT OF PURPOSE

1. The mutual objectives of the Parties in entering into this Consent Order are: To resolve, without litigation, the Complaint for Injunctive Relief and Penalties (herein "Lawsuit") filed November 6, 2012, in the District Court for Jackson County, Colorado, for the alleged violations cited therein including alleged violations as stated in the Notice of Violation / Cease and Desist Order, Number: IO-120508-1 (the "NOV/CDO"), that the Division issued to Lone Pine on May 8, 2012, and alleged violations of Colorado Discharge Permit CO-0048712, issued to Lone Pine (the "Permit"), and the Plaintiff's associated request for civil penalties. The Complaint along with its attachments is hereby incorporated by reference.
2. The Parties agree that settlement of this matter is in the best interest of the Parties and the public, and that entry of this Consent Order without additional litigation is the most appropriate means of resolving this Lawsuit.
3. The Parties after consultation with their respective counsel and without trial or final adjudication of the issues of fact or law with respect to the claims or allegations in this Lawsuit, consent to the entry of the Consent Order to avoid the risks of litigation and to resolve the controversy between them.
4. WHEREFORE, upon the consent of the Parties, and upon consideration of the mutual promises herein contained, it is hereby ORDERED, ADJUDGED, and DECREED as follows:

GENERAL PROVISIONS

5. This Court has jurisdiction over the Parties and the subject matter of this Lawsuit pursuant to the "Colorado Water Quality Control Act," §25-8-101 *et seq.* C.R.S. Venue is proper pursuant to the aforementioned "Colorado Water Quality Control Act," §25-8-101 *et seq.* C.R.S.
6. The undersigned representative for each Party certifies that he/she is fully authorized by the Party whom he/she represents to enter into the terms and conditions of this Consent Order and to legally bind the Party to it.
7. This Consent Order is binding upon the Plaintiff and upon the Defendant, its successors in interest, and assigns.
8. This Consent Order shall be admissible by either Party in any proceeding brought by one or both of the Parties to enforce its terms.
9. The entry of this Consent Order resolves matters that are disputed between the Parties, and

nothing herein shall constitute an admission by Lone Pine of any of the factual or legal allegations made by the Division in the Complaint or the NOV/CDO, and any action undertaken by Lone Pine pursuant to this Consent Order shall not constitute evidence of fault and/or liability by Lone Pine. Nothing herein is intended to create in any individual or entity the status of a third party beneficiary.

ORDER AND AGREEMENT

10. On June 24, 2013, Lone Pine will cease any and all operations at the Lone Pine Oil Field and associated treatment works, which is located approximately ten (10) miles west of the Town of Walden, Jackson County, Colorado (herein "Facility") upon transfer of all operational control and ownership of the Facility and closing the sale of the Facility to CM Production, LLC.

CIVIL PENALTY

11. Lone Pine shall pay One Hundred and Fifty Thousand Dollars (\$150,000.00) in the form of civil penalties and expenditures on Beneficial Environmental Projects ("BEPs") in order to achieve settlement of this matter.
12. Consistent with the Colorado Water Quality Control Act, §25-8-101 *et seq.*, Lone Pine shall pay Thirty Thousand Dollars (\$30,000.00) in civil penalties. Lone Pine agrees to make the payment within thirty (30) calendar days of the entry of a Final Order of this Consent Order by the Court. 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:

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

13. Lone Pine shall also ensure that expenditures in a total of not less than One Hundred and Twenty Thousand Dollars (\$120,000.00) are expended in carrying out the BEPs described below.
14. Lone Pine shall comply with the BEP in Paragraph 14. a. below, and shall ensure the BEP in Paragraph 14 b. is undertaken. Lone Pine shall further arrange for one or more of the additional BEPs identified below in Paragraph 14. c. to be undertaken, if necessary. The total expenditure for all BEPs shall be not less than \$120,000.00:
 - a. Lone Pine shall donate Twenty Thousand Dollars (\$20,000.00) to the Jackson County Water Conservancy District for projects that improve or protect water quality in Jackson County or the North Platte River Basin, unless within 30 days of the entry of this Consent Order Lone Pine submits to the Division an alternate recipient(s) and the Division agrees

to the payment of the donation to the alternate recipient(s) instead of the above named recipient(s). The funds shall be used for projects that benefit Jackson County Colorado. Lone Pine shall make the payment of Twenty Thousand Dollars (\$20,000.00), and shall include with the donation a cover letter to the recipient of the payment identifying the monies for a designated project within sixty (60) days of the entry of a Final Order of this Consent Order by the Court, and include the language as follows: "This payment was made in connection with the settlement of an enforcement action taken by the Colorado Department of Public Health and Environment for alleged violations of the Colorado Water Quality Control Act." Lone Pine shall provide the Division with a copy of the cover letter and check within thirty (30) calendar days after execution of the payment. Lone Pine shall not deduct the payment of the BEP donation provided for in this paragraph for any tax purpose or otherwise obtain any favorable tax treatment of such payment or project.

- b. The five ponds that provide treatment of the produced water (the "pond treatment system") at the Facility shall be decommissioned in accordance with item number four (4) of the corrective action requirements of Colorado Oil and Gas Conservation Commission's (COGCC) Administrative Order by Consent (AOC) Number IV-412 by July 1, 2014, or by the date required by the COGCC under its AOC, as may be amended pursuant to its terms. Nothing herein shall alter or amend the requirements of said AOC. Lone Pine shall receive a dollar for dollar credit for the cost of the work to decommission the pond treatment system up to One Hundred Thousand Dollars (\$100,000.00) upon documentation of expenses incurred in the manner provided for in Paragraph 16 herein.
- c. Lone Pine may propose additional BEP(s) for the Division's approval at any time after the effective date of this Consent Order but not later than the date required for completion of pond decommissioning by the COGCC under the AOC as may be amended by its terms. Credit for such approved additional BEPs shall be applied toward the BEP expenditure requirement if the total cost of pond decommissioning outlined in Paragraph 14. b. above is less than One Hundred Thousand Dollars (\$100,000.00). The criteria for approving any additional BEP(s) shall be whether the BEP(s) will secure significant environmental or public health protection and/or improvements. The Division shall approve or deny such additional BEP(s) applying these criteria within 10 days of submittal. If approved, the additional BEP(s) may be credited on a dollar for dollar basis against any shortfall of the One Hundred Thousand Dollars (\$100,000.00) credit for decommissioning the pond treatment system upon documentation of expenses incurred in the manner provided for in Paragraph 16 herein.
- d. In the event of a disagreement between the Parties as to whether any BEP should be approved, including but not limited to whether the criteria for approving the BEP has been met, or the amount of the expenditure creditable for the BEP, the Parties will follow the dispute resolution provisions referenced in paragraph 31 below, with the exception that neither Party shall be required to wait 30 days to bring a motion under this provision if the Parties are unable to resolve the dispute.

- e. All BEPs shall be completed by no later than December 31, 2014 unless otherwise noted above. Notwithstanding the completion status of any BEPs, except those BEPs proposed in paragraph 14.c. above which must be fully completed and maintained for the useful life of the applicable BEP or until termination of this Consent Order whichever occurs first, Lone Pine shall be deemed to have complied with all BEP requirements of this Consent Order upon the documentation of expenditures on qualifying BEPs totaling not less than \$120,000.00.
15. All BEPs must be completed in a workman like manner and in accordance with any regulatory standards. In the event that Lone Pine fails to comply with any of the terms or provisions of this Consent Order relating to the performance of the BEPs, Lone Pine shall be liable for civil penalties as follows:
- a. Payment of a civil penalty in the amount of One Hundred and Twenty Thousand Dollars (\$120,000.00). Said penalty shall be reduced in proportion to any amounts previously expended on BEPs performed or undertaken under this Consent Order, and as documented consistent with paragraph 16 below. In the event of a dispute as to the amount of any reduction in the penalty, the parties will follow the dispute resolution provisions referenced in paragraph 31 below.
 - b. Lone Pine shall pay this civil penalty within thirty (30) calendar days of receipt of written demand by the Division, or determination of said amount by this Court. Method of payment shall be as specified in paragraph 12 above.
 - c. Payment of a civil penalty under this provision will satisfy the payment of the civil penalty and completion of BEPs in the amount of \$150,000.00 stated in paragraph 11, provided the amount paid by Lone Pine under Paragraph 12 and this Paragraph 15, plus the amount credited to Lone Pine for BEPs, totals at least One Hundred and Fifty Thousand Dollars (\$150,000.00). In such event, the same shall constitute full compliance by Lone Pine with all provisions of this Consent Order with respect to payment of a civil penalty, and Lone Pine shall have no further obligations under this Consent Order and it shall be terminated.
16. Lone Pine shall submit a BEP Completion Report for each BEP outlined in paragraph 14 above to the Division within ninety (90) calendar days of the completion date of each BEP, to allow time for receipt of invoices, compilation of expenses and documentation of work performed and payments made in furtherance of the BEP. The BEP Completion Reports shall contain the following information:
- a. A detailed description of the BEP 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. Such proof may be in the form of documented time, materials and equipment usages under the field operator's expense tracking methodology if a BEP is performed by the field operator;
 - d. Certification that the BEP has been fully implemented pursuant to the provisions of this Consent Order, or that the total expenditure of \$120,000 has been reached.
17. Failure to submit the BEP Completion Report(s) with the required information, or any periodic

report, shall be deemed a violation of this Consent Order.

PAYMENT OF LEGAL EXPENSES

18. Each party shall be responsible for the payment of their respective legal fees and expenses. Thus, neither Party shall be responsible for paying any portion of the other Party's legal fees and expenses.

SCOPE AND EFFECT OF CONSENT ORDER

19. The NOV/CDO will constitute part of Lone Pine's compliance history for purposes where such history is relevant in any future enforcement proceeding. Nothing herein shall constitute an admission by Lone Pine of any of the factual or legal allegations made by the Division in the Complaint or the NOV/CDO, and any action undertaken by Lone Pine pursuant to this Consent Order shall not constitute evidence of fault and/or liability by Lone Pine.
20. This Consent Order does not relieve Lone Pine 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

21. 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 civil penalties for the specific instances of alleged violations cited herein and in the NOV/CDO and Lawsuit. Lone Pine's compliance with this Consent Order shall constitute full satisfaction of all of Plaintiff's claims, demands, alleged violations and causes of action contained in the NOV/CDO and Lawsuit, including any alleged violations arising out of or related to the NOV/CDO or Lawsuit occurring after the date of filing of the Lawsuit and through the effective date of this Consent Order. The Division reserves the right to bring any action to enforce this Consent Order. During the term of this Consent Order, in the event of a dispute arising hereunder, either Party may seek relief from the Court.
22. This Consent Order does not grant any release of liability for any violations not specifically cited or addressed herein. The Division represents that, based on knowledge and information available to it as of the date of execution of this Consent Order, it is not aware of any alleged violations that fall under the Division's enforcement authority by Lone Pine that is not covered by the release granted herein.
23. Nothing in this Consent Order shall preclude the Division from imposing additional requirements in the event that new information relating to matters not embraced within and released by this

Consent Order is discovered that indicates such requirements are necessary to protect human health or the environment.

24. Upon the effective date of this Consent Order, each party releases and covenants not to sue the other or its officers, employees, agents or representatives as to all common law or statutory claims or counterclaims arising from, or relating to, the alleged violations of the Act, regulations and the NOV/CDO specifically addressed herein, except that each party reserves the right to bring or defend any action necessary to enforce the provisions of this Consent Order.
25. Neither party shall seek to hold the other or its employees, agents or representatives liable for any injuries or damages to persons or property resulting from acts or omissions of the Party, or those acting for or on behalf of the Party, including its officers, employees, agents, successors, representatives, contractors, consultants or attorneys in carrying out activities pursuant to this Consent Order. Lone Pine shall not hold out the State of Colorado or its employees, agents or representatives as a party to any contract entered into by Lone Pine 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.

FORCE MAJEURE

26. Lone Pine shall perform the requirements of this Consent Order within the schedules and time limits set forth herein and in any approved plan unless the performance is prevented or delayed by events that constitute a force majeure. A force majeure is defined as any event arising from causes which are not reasonably foreseeable, which are beyond the control of Lone Pine, and which cannot be overcome by due diligence.
27. Within seventy-two (72) hours of the time that Lone Pine knows or has reason to know of the occurrence of any event which Lone Pine has reason to believe may prevent Lone Pine from timely compliance with any requirement under this Consent Order, Lone Pine shall provide verbal notification to the Division. Within seven (7) calendar days of the time that Lone Pine knows or has reason to know of the occurrence of such event, Lone Pine shall submit to the Division a written description of the event causing the delay, the reasons for and the expected duration of the delay, and actions which will be taken to mitigate the duration of the delay.
28. The burden of proving that any delay was caused by a force majeure shall at all times rest with Lone Pine. If the Division agrees that a force majeure has occurred, the Division will so notify Lone Pine. The Division will also approve or disapprove of Lone Pine's proposed actions for mitigating the delay. If the Division does not agree that a force majeure has occurred, or if the Division disapproves of Lone Pine's proposed actions for mitigating the delay, it shall provide a written explanation of its determination to Lone Pine. Pursuant to the Dispute Resolution section below, within fifteen (15) calendar days of receipt of the explanation, Lone Pine may file an objection.
29. Delay in the achievement of one requirement shall not necessarily justify or excuse delay in the

achievement of subsequent requirements. In the event any performance under this Consent Order is found to have been delayed by a force majeure, Lone Pine shall perform the requirements of this Consent Order that were delayed by the force majeure with all due diligence.

MODIFICATION

30. Modifications to this Consent Order may be made only upon written agreement of the Parties. Material modifications shall be effective only upon the approval by the Court. Extension by mutual agreement of the Parties of any deadline under this Consent Order by not more than six (6) months is not a material modification and does not require Court approval.

DISPUTE RESOLUTION

31. In the event of any dispute regarding implementation, interpretation, application, or compliance with the Consent Order, the Parties shall first attempt to informally resolve that dispute through meetings of the Parties. Any Party may initiate this informal dispute resolution process by serving written notice of a request for dispute resolution on the other Party. If no resolution is reached within thirty (30) days from the date that the notice of a request for dispute resolution is served, then the Parties may resolve the dispute by filing motions with the Court.

NOTICES

32. 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-CWE-B2
Attention: Kelly Morgan
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530
Telephone: 303.692.3634
E-mail: kelly.morgan@state.co.us

For Lone Pine Gas, Inc:

Lone Pine Gas
Attn. Vernetta Mickey
4505 S Broadway
Englewood, CO 80113
303-761-5225

33. The obligations set forth herein are based on the Division's police and regulatory authority, which the Division asserts are normally unaffected by any bankruptcy proceeding. Lone Pine does not stipulate to the Division's assertion regarding bankruptcy proceedings. The parties have stipulated that the civil penalties set forth in this Consent Order are not in compensation of actual pecuniary loss.

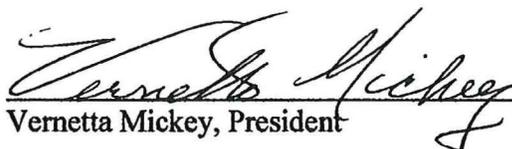
TERMINATION

34. This Consent Decree shall terminate upon the first occurrence of any of the following:
- a. Completion of all requirements necessary to satisfy Lone Pine's obligations hereunder, as detailed in paragraphs 10 through 17 above; or
 - b. Dissolution of the Consent Order by the Court.
 - c. The Court shall retain jurisdiction to enforce the terms and conditions of this Consent Order, to enter such orders as are appropriate under the Consent Order, and to resolve all disputes as may be necessary or appropriate for the construction or to carry out the terms of this Consent Order until it is terminated as provided for above.
 - d. Within 30 days after Lone Pine's satisfactory completion of its obligations under this Consent Order, the Parties shall request that the Court terminate this Consent Order and dismiss this action with prejudice as to all claims and causes of action in this matter.
 - e. The releases and covenants not to sue or take further enforcement action contained herein shall survive the termination of this Consent Order.

BINDING EFFECT AND AUTHORIZATION TO SIGN

35. 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.
36. The undersigned warrant that they are authorized to legally bind their respective principals to this Consent Order.

FOR LONE PINE GAS, INC:


Vernetta Mickey, President

Date: 6/24/13

FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT:

Richard Parachini for

Date: June 24, 2013

Steven H. Gunderson, Director
WATER QUALITY CONTROL DIVISION

WHEREFORE, CDPHE and Lone Pine respectfully request that this Court enter an Order approving this Proposed Consent Order.

Dated this 25th day of June, 2013.



John W. Suthers, Attorney General
Patrick J. Pfaltzgraff, Assistant Attorney General*
1300 Broadway, 7th Floor
Denver, CO 80203
Phone: (720) 508-6291
Fax: (720) 508-6039
Email: Patrick.Pfaltzgraff@state.co.us
Registration No. 41771
*Counsel of Record
ATTORNEYS FOR CDPHE

Dated this 25th day of June, 2013.



Keith S. Burron
Associated Legal Group, LLC
1807 Capitol Avenue, Suite 203
Cheyenne, WY 82001
Phone: (307) 632-2888
Fax: (307) 632-2828
Email: kburron@associatedlegal.com
Registration No. 20737
ATTORNEYS FOR LONE PINE GAS, INC.