



State of Utah

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Lieutenant Governor

Department of
Environmental Quality

Amanda Smith
Executive Director

DIVISION OF WATER QUALITY
Walter L. Baker, P.E.
Director

9/007/041 Incoming
cc: Ingrid, Steve C.

OK

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Walter L. Baker
Executive Secretary

December 2, 2010

CERTIFIED MAIL
(Return Receipt Requested)

Mr. David Hibbs, President
UtahAmerican Energy, Inc.
West Ridge Resources, Inc.
P.O. Box 910
East Carbon, UT 84520

Dear Mr. Hibbs:

Subject: Settlement Agreement Finalized and Payment Schedule for Notice of Violation & Order Docket No. I10-02, West Ridge Resources, UPDES Permit No. UT0025640

Enclosed is your copy of the fully executed Settlement Agreement between the Utah Water Quality Board and West Ridge Resources, Inc. The 30-day Public Notice for the Settlement Agreement ended on November 26, 2010 with no comments received. Therefore, the Settlement Agreement has been finalized and full payment of the penalty amount in 2011 will close out this enforcement action and return West Ridge Resources, Inc. to full compliance.

The total penalty amount for your Settlement Agreement is \$36,023.00; with the following quarterly payment schedule as detailed in part 7.A. of your Settlement Agreement:

- 1) Payment #1: \$9,023.00 by March 31, 2011
- 2) Payment #2: \$9,000.00 by June 30, 2011
- 3) Payment #3: \$9,000.00 by September 30, 2011
- 4) Payment #4: \$9,000.00 by December 31, 2011

Therefore, please remit \$9,023.00 by March 31, 2011 to:

Department of Environmental Quality
Division of Water Quality
Attn: Jalyynn Knudsen
P.O. Box 144870
Salt Lake City, Utah 84114-4870

195 North 1950 West • Salt Lake City, UT
Mailing Address: P.O. Box 144870 • Salt Lake City, UT 84114-4870
Telephone (801) 536-4300 • Fax (801) 536-4301 • T.D.D. (801) 536-4414

www.deq.utah.gov

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UTAH WATER QUALITY BOARD

**IN THE MATTER OF
WEST RIDGE RESOURCES, INC.
794 North "C" Canyon Road, PO Box 910
East Carbon, Utah 84520**

**DOCKET NUMBER I10-02
SETTLEMENT AGREEMENT
UPDES PERMIT NO. UT0025640**

This **SETTLEMENT AGREEMENT** (hereinafter "**AGREEMENT**") is between **WEST RIDGE RESOURCES, INC.** (hereinafter "**WEST RIDGE**") and the **UTAH WATER QUALITY BOARD** (hereinafter the "**BOARD**"), concerning violations of the *Utah Water Quality Act* (the *Act*), *Utah Code Annotated*, and the *Utah Administrative Code*.

1. The **BOARD** has authority to administer the *Utah Water Quality Act, as amended 1953*, (hereinafter the "**ACT**").
2. The **BOARD** has been delegated authority by the U.S. Environmental Protection Agency (EPA) to administer the *National Pollutant Discharge Elimination System (NPDES)* permit program under the *Federal Clean Water Act (CWA)*.
3. The parties now desire to resolve this matter fully without further administrative proceedings except to the extent provided herein by entering into this **AGREEMENT**. Entering into this **AGREEMENT** is not an admission of liability or factual allegation set out in the **NOTICE**, nor is it an admission of or an agreement to any disputed facts or disputed legal theories, nor is it an admission of any violation of any law, rule, regulation or permit by **WEST RIDGE**. By entering into this **AGREEMENT**, **WEST RIDGE** withdraws its request for a hearing before the **BOARD**.
4. The **EXECUTIVE SECRETARY** of the **BOARD** (hereinafter the "**EXECUTIVE SECRETARY**") will administer the terms and provisions of this **AGREEMENT**.
5. This **AGREEMENT** resolves the **NOTICE OF VIOLATION** and **ORDER**, Docket Number I09-01 (hereinafter the "**NOTICE**") issued to **WEST RIDGE** on February 10, 2009, by the **BOARD**. It does not in any way relieve **WEST RIDGE** from any other obligation imposed under the Act or any other State or Federal laws.
6. This **AGREEMENT** takes into account good faith efforts by **WEST RIDGE** to resolve the violations cited in said **NOTICE**. The **BOARD** acknowledges that in response to inspections and receipt of the **NOTICE OF VIOLATION**, **WEST RIDGE** has investigated the violations and communicated cooperatively with Utah Division of Water Quality representatives.
7. In resolution of said **NOTICE** referenced in Paragraph 5 of this **AGREEMENT**, **WEST RIDGE** agrees to pay a total penalty amount of \$36,023.00 as indicated below. The penalty has been determined using the *Penalty Criteria for Civil Settlement Negotiations, Utah Administrative Code ("UAC") R317-1-9* which considers such factors as the nature, severity and extent of the violations, history of noncompliance, degree of willfulness and/or negligence, good faith efforts to comply, and economic benefit.

A. **WEST RIDGE** agrees to the following payment schedule and to remit all payments by check made payable to the "State of Utah" delivered or mailed to the Division of Water Quality, Department of Environmental Quality, P.O. Box 144870, Salt Lake City, Utah 84114-4870:

- 1) Payment #1: \$9,023.00 by March 31, 2011
- 2) Payment #2: \$9,000.00 by June 30, 2011
- 3) Payment #3: \$9,000.00 by September 30, 2011
- 4) Payment #4: \$9,000.00 by December 31, 2011

B. **WEST RIDGE** agrees not to deduct or otherwise attempt to obtain a tax benefit from the total penalty amount.

8. Nothing contained in this **AGREEMENT** shall preclude the **BOARD** from taking additional actions to include additional penalties against **WEST RIDGE** for permit violations not resolved by this **AGREEMENT**.
9. If an agreement between **WEST RIDGE** and the **EXECUTIVE SECRETARY** cannot be reached in a dispute arising under any provision of this **AGREEMENT**, **WEST RIDGE** or the **EXECUTIVE SECRETARY** may commence a proceeding with the **BOARD** under the *Administrative Procedures Act* to resolve the dispute. A final decision in any adjudicative proceeding shall be subject to judicial review under applicable state law.
10. Nothing in this **AGREEMENT** shall constitute a waiver by **WEST RIDGE** to raise in defense any legal or factual contention for future allegations of noncompliance.
11. Nothing in this **AGREEMENT** shall constitute or be considered as a release from any claims, to include natural resource damage claims, cause of action, or demand in law or equity which the **STATE** may have against **WEST RIDGE**, or any other person, firm, partnership or corporation for any liability arising out of or relating in any way to the release of pollutants to waters of the State.

AGREED to this 2 day of December, 2010.

WEST RIDGE RESOURCES, INC.

By Daniel W. Hibbs
Authorized Agent

UTAH WATER QUALITY BOARD

By [Signature]
Executive Secretary