

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and Tri-State Well Drilling & Pumps, Inc., with its principal location at P.O. Box 8671, Red Bluff, California 96080 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates the reduction of the emission of toxic air contaminants (TAC). CARB has determined that particulate matter (PM) from diesel-fueled engines is a TAC. (Health & Saf. Code §§ 39002 et seq., 39650-39675.) In-use on-road diesel vehicles are powered by diesel fueled engines that emit toxic PM.
- (2) Regulation. CARB adopted the *Regulation to Reduce Emissions of Diesel Particulate Matter, Oxides of Nitrogen and Other Criteria Pollutants, from In-Use Heavy-Duty Diesel-Fueled Vehicles* (Truck and Bus Regulation) to reduce diesel PM and criteria pollutant emissions from on-road heavy-duty diesel-fueled vehicles. (Cal. Code Regs., tit. 13, § 2025.)
- (3) Regulatory Provisions. Any person, business, federal government agency, school district or school transportation provider, or broker, that owns, operates, leases, rents or sells vehicles in California that operate on diesel-fuel, dual-fuel, or alternative diesel-fuel, that are registered to be driven on public highways, were originally designed to be driven on public highways whether or not they are registered, yard trucks with on-road engines or yard trucks with off-road engines used for agricultural operations, both engines of two-engine sweepers, school buses, and have a manufacturer's gross vehicle weight rating (GVWR) greater than 14,000 pounds with 1993 or older model year engines must comply with the PM Best Alternative Control Technology (BACT) requirements, alternative compliance options by January 1, 2015. (Cal. Code Regs., tit. 13, § 2025.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to ten thousand dollars (\$10,000.00 USD) for strict liability violations; respectively, for each day in which the violation occurs. (Cal. Code Regs., tit. 13, § 2025; Health & Saf. Code §§ 39674, 39675, 42400 et seq., 42402 et seq., and 42410.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Tri-State Well Drilling & Pumps, Inc., was organized under the laws of California as a corporation and conducted business in the State of California.

- (6) Compliance Options. Tri-State Well Drilling & Pumps, Inc. has elected to utilize the low-use vehicle exemption (Cal. Code Regs., tit. 13, § 2025(p)(4)); in the Truck and Bus Regulation.
- (7) Allegations. CARB alleges that Tri-State Well Drilling & Pumps, Inc. violated the Truck and Bus Regulation by failing to comply with the reporting requirements (Cal. Code Regs., tit. 13, § 2025(r)), resulting in Two vehicles in violation, as outlined in Notice of Violation NV-124874. CARB alleges that if paragraphs 1 through 7 were proven, civil penalties could be imposed against Tri-State Well Drilling & Pumps, Inc. for each and every vehicle involved in the violations and each day.
- (8) Acknowledgment. Tri-State Well Drilling & Pumps, Inc. admits to the facts in paragraphs 1 through 7 but denies any liability resulting from said allegations.
- (9) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, Tri-State Well Drilling & Pumps, Inc. has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against Tri-State Well Drilling & Pumps, Inc. for the alleged violations referred to above in the Legal Background and Case Background, and Tri-State Well Drilling & Pumps, Inc. agreement to complete all terms and conditions set forth below, CARB and Tri-State Well Drilling & Pumps, Inc. agree as follows:

- (10) Stipulated Suspended Settlement Amount. The Parties agree to a penalty of twenty thousand dollars (\$20,000.00 USD) for these violations. Of that, Tri-State Well Drilling & Pumps shall pay a civil penalty of ten thousand dollars (\$10,000.00 USD) with ten thousand (\$10,000.00 USD) being suspended. The ten thousand dollars (\$10,000.00 USD) suspended portion only becomes payable if Tri-State Well Drilling & Pumps violates the Settlement Agreement terms and conditions. Tri-State Well Drilling & Pumps, Inc. shall make all payments in accordance with the payment schedule in Paragraph 11 (Payment Plan and Schedule).
- (11) Payment Plan and Schedule. Pursuant to this Settlement Agreement, Tri-State Well Drilling & Pumps, Inc. shall make payments below.

Payment Due Date:	In the Amount of and Payable To:
30 Days	\$2,000 California Air Resources Board
60 Days	\$2,000 California Air Resources Board
90 Days	\$2,000 California Air Resources Board
120 Days	\$2,000 California Air Resources Board
150 Days	\$2,000 California Air Resources Board

- (12) Notification Date. The date upon which CARB notifies Tri-State Well Drilling & Pumps, Inc. according to Paragraph 18 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to Tri-State Well Drilling & Pumps, Inc.
- (13) Civil Penalty Payment Method. Tri-State Well Drilling & Pumps, Inc. shall pay the civil penalty and mitigation by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. Tri-State Well Drilling & Pumps, Inc. is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty and mitigation amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to Tri-State Well Drilling & Pumps, Inc. in accordance with Paragraph 18 (Notices).
- (14) Compliance Plan. Tri-State Well Drilling & Pumps, Inc. shall maintain all mileage, record keeping, and reporting requirements consistent with the Low Use Exemption program (Cal. Code Regs., tit. 13, § 2025(p)(4)).
- (15) Acceleration. If any payment is more than thirty (30) calendar days late from the payment schedule deadline, the entire remaining balance is accelerated to become due and payable immediately without notice or demand.
- (16) Suspended Penalties. If Tri-State Well Drilling & Pumps, Inc. fails to comply with each and every requirement set out in this Settlement Agreement within 30 days of its execution, the Parties agree that Tri-State Well Drilling & Pumps, Inc. shall pay the suspended portion of this penalty ten thousand dollars (\$10,000.00 USD) to CARB for deposit into the Air Pollution Control Fund for the purpose of carrying out its functions and duties, within sixty (60) calendar days of the notice by CARB to Tri-State Well Drilling & Pumps, Inc. of the Settlement Agreement violation. CARB shall notify the Department of Motor Vehicles to place registration holds on all vehicles.

- (17) Documents. Tri-State Well Drilling & Pumps, Inc. shall promptly email or mail the signed and dated Settlement Agreement, with copy of proof of payment of the penalty, mitigation, and/or SEP (if applicable), a copy of the Payment Transmittal Form(s) (if applicable), and the signed and dated Compliance Plan (if applicable) to the address or email in Paragraph 18 (Notices).
- (18) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board
Enforcement Division / Settlement Agreements
Diesel Programs Enforcement Branch / Statewide Truck and Bus Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to Tri-State Well Drilling & Pumps, Inc.:

Tri-State Well Drilling & Pumps, Inc.
P.O. Box 8671
Red Bluff, California 96080
nkunau2002@yahoo.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (19) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, Tri-State Well Drilling & Pumps, Inc. shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (20) Repeat Violations. Tri-State Well Drilling & Pumps, Inc. agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (21) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 9 pages and 39 paragraphs.

- (22) Binding Effect. This Settlement Agreement binds Tri-State Well Drilling & Pumps, Inc., and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (23) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (24) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (25) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (26) Choice of Law. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (27) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.
- (28) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (29) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (30) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and

effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.

- (31) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (32) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (33) Release. In consideration of full payment of the civil penalty, and all other undertakings above, CARB hereby releases Tri-State Well Drilling & Pumps, Inc. and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 7 (Allegations) above.
- (34) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (35) Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum of ten thousand dollars (\$10,000.00 USD) per day under Health and Safety Code section 39674 for violations of the Truck and Bus Regulation. (Cal. Code Regs., tit. 13, § 2025.) The penalty of \$20,000 over an unspecified number of days of violation is for two noncompliant vehicles(s) with a 1993 and older, model year engine(s) and a GVWR of greater than 14,000 pounds. The per unit penalty in this case is approximately \$10,000 per vehicle, of which, ten thousand dollars (\$10,000.00 USD) is suspended.
- (36) Emissions. The provisions cited in Paragraph 7 (Allegations) above do prohibit emissions above a specified level. Without information on engine usage and emission rates, it is not practicable to quantify the excess emissions. However, since CARB has alleged that the vehicles did not meet the regulatory requirements, all of the emissions from it were excess and illegal.
- (37) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described by CARB's Enforcement Policy. CARB considered whether the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative

efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.

(38) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Tri-State Well Drilling & Pumps, Inc., or confidential settlement communications.

(39) Effect of Settlement/Reservation of Rights. The following shall apply:

- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.
- (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against Tri-State Well Drilling & Pumps, Inc. with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against Tri-State Well Drilling & Pumps, Inc. with respect to:
 - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by Tri-State Well Drilling & Pumps, Inc. to CARB.
 - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
 - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
 - (v) Any criminal liability.
 - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.

- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, Tri-State Well Drilling & Pumps, Inc. shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of Tri-State Well Drilling & Pumps, Inc. or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against Tri-State Well Drilling & Pumps, Inc., except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. Tri-State Well Drilling & Pumps, Inc. is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Tri-State Well Drilling & Pumps, Inc.'s compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that Tri-State Well Drilling & Pumps, Inc.'s compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Heather L. Quiros

Title: Chief, Enforcement Division

Date: May 11, 2024

Tri-State Well Drilling & Pumps, Inc.

Signature: /S/

Name: Larry Kunau

Title: President

Date: May 2, 2024