

## SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made this 2nd day of June, 2014 (the "Effective Date") by and between Altar Valley Conservation Alliance, an Arizona non-profit corporation ("AVCA"), and Sierrita Gas Pipeline LLC, a Delaware limited liability company ("Sierrita"). AVCA and Sierrita are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

### RECITALS

- A. Sierrita is proposing to build, operate and maintain a natural gas pipeline approximately 61 miles in length, extending from Tucson, Arizona, to Sasabe, Arizona (the "Sierrita Pipeline").
- B. Sierrita is seeking approvals and grants of rights-of-way for the Sierrita Pipeline from various federal, state and local governments and agencies, including the Federal Energy Regulatory Commission ("FERC"), the Arizona State Land Department, the U.S. Army Corps of Engineers ("ACOE"), Pima County, Arizona and various individual landowners.
- C. FERC has primary jurisdiction over the Sierrita Pipeline under the Natural Gas Act and is the lead agency for purposes of compliance with the National Environmental Policy Act ("NEPA").
- D. FERC issued a Final Environmental Impact Statement dated March 28, 2014 (the "FEIS"), which analyzed the Sierrita Pipeline proposal under NEPA based upon information then available to FERC.
- E. AVCA is a collaborative conservation organization that works to conserve the environment, promote agricultural economy and sustain a resilient rural community in the Altar Valley. AVCA has been active, among other endeavors, in soil and water conservation efforts in the Altar Valley with willing landowners and partners.
- F. Throughout the scoping and other public comment processes associated with FERC's process for issuance of the FEIS and determination whether to issue a Certificate of Public Convenience and Necessity for the Sierrita Pipeline, AVCA has submitted comments generally in opposition to the Sierrita Pipeline.
- G. AVCA disagrees with the FEIS conclusions in that AVCA believes the FEIS does not sufficiently recognize the Project's adverse environmental impacts, does not fully evaluate alternative routes, does not prescribe sufficient construction, operation and ongoing maintenance, and restoration methods to prevent or adequately mitigate the impacts, and fails to recognize the significance of the expected impacts. Notwithstanding AVCA's disagreement with the conclusions of the FEIS, AVCA recognizes the likelihood that, based on the FEIS, FERC will issue the Certificate of Public Convenience and Necessity for the Sierrita Pipeline.
- H. AVCA and Sierrita both seek to avoid, minimize, or mitigate potential adverse impacts of the proposed Sierrita Pipeline on the Altar Valley, and to avoid the time and expense that may be associated with regulatory appeals or litigation on the part of

either Party as related to challenges to or enforcement of the Certificate of Public Convenience and Necessity.

- I. The Parties desire to advance the respective interests of Sierrita and AVCA by entering into this Agreement.

NOW THEREFORE, in consideration of the mutual covenants made herein, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Sierrita's Payment for Potential Impacts from Sierrita Pipeline. In order to support the mission of AVCA and to resolve various issues between the Parties related to construction, operation and maintenance of the Sierrita Pipeline, Sierrita agrees to make a total payment of One Million U.S. dollars (\$1,000,000) to AVCA as follows:
  - a. Sierrita will pay AVCA the entire payment (the "Settlement Proceeds") within 30 calendar days following Sierrita's acquisition of 100% of rights-of-way and all construction permits needed to commence the construction of the Sierrita Pipeline. As used herein, "acquisition" includes Sierrita's acquisition of the right of immediate possession to right-of-way which Sierrita acquires through eminent domain proceedings.
  - b. AVCA will use the Settlement Proceeds to fund various projects of its choice to promote the ecology of the Altar Valley. Such projects will fulfill the purposes of this Agreement and the mission of AVCA, and may include, but will not be limited to, watershed restoration, erosion control, prescribed burns, water harvesting and community outreach.
  - c. AVCA agrees the Settlement Proceeds will not be used for projects that have an adverse effect on the Sierrita Pipeline.
2. AVCA's Waiver and Release of Potential Claims and Termination of Opposition to the Sierrita Project. AVCA agrees to terminate its opposition to the Sierrita Project, and to release all potential claims against the Sierrita Pipeline, and hereby covenants not to sue, as follows:
  - a. AVCA agrees to terminate its opposition to the Sierrita Project and not to file or to instigate or participate, directly or indirectly, in any administrative appeal or objection, federal or state court litigation, or any other proceeding to challenge any federal, state, or local agency approval, decision, permission or other authorization of any kind for the construction, operation or maintenance of the Sierrita Pipeline. This covenant applies to AVCA as an organization, to the members of the AVCA board of directors, to AVCA staff and to AVCA volunteers to the extent they are acting or communicating on behalf of AVCA.
  - b. AVCA further covenants, not to support, assist, aid, abet, or encourage any other entity or person to bring any challenge to the approvals, decision, permissions, or other authorizations by FERC, Pima County, Arizona State Land, U.S. Fish & Wildlife service or other federal, state, or local agencies

for the Sierrita Pipeline. This covenant applies to AVCA as an organization, and to the members of the AVCA board of directors and to AVCA staff. The covenant also applies to AVCA volunteers to the extent they are acting or communicating on behalf of AVCA.

- c. AVCA does not waive any claims that are outside the scope of permitting, construction, operation and maintenance of the Sierrita Pipeline as described in FERC's Final Decision. AVCA does not waive any right to publically challenge Sierrita with respect to any failure by Sierrita to abide by the applicable requirements set forth in or related to FERC's Final Decision, the Certificate of Public Convenience and Necessity, the Presidential Permit and FERC's Notice to Proceed with Construction, as well as any requirements set forth in any other permits or approval for the Sierrita Pipeline, including without limitation the permits or approvals issued by the Arizona State Land Department, ACOE, Pima County, Arizona, the U.S. Fish and Wildlife Service and the Arizona State Historic Preservation Office.
  - d. Nothing in this Agreement shall obligate AVCA to publicly endorse or support the Sierrita Project. AVCA shall have no obligation to aid Sierrita's efforts to obtain any permits or approvals needed for the construction, operation and maintenance of the Sierrita Project, nor to aid Sierrita in acquiring rights-of-way grants and other appropriate land rights needed for the construction and operation of the Sierrita Project.
3. Third-Party Beneficiaries. Nothing in this Agreement shall be construed to make any other person or entity not executing this Agreement a third-party beneficiary to the Agreement, and the Agreement is not enforceable by any third-party.
  4. Governing Law. The Parties agree that the governing law applicable to this Agreement shall be the laws of the State of Arizona without reference to the principles of conflicts of laws.
  5. Entire Agreement; Modifications. This Agreement constitutes the entire agreement between the Parties and supersedes any previous agreements, understandings, or commitments by duly authorized representatives. This Agreement may be amended, supplemented, or revised only in writing, signed by the Parties.
  6. Publicity. Either Party shall have the right to disclose the existence of this agreement.

7. **Notices.** All communications and/or requests in connection with this Agreement shall be deemed to have been properly given or served upon a party or its permitted assignee effective as of the date when sent by facsimile or electronic communication, effective as of the next day after sent if sent by overnight delivery, or effective three days after the date of deposit into United States first class mail, postage prepaid, at the addresses as follows:

If to Sierrita: Mark A. Kissel  
President  
Sierrita Gas Pipeline LLC  
P.O. Box 1087  
Colorado Springs, CO 80944  
Facsimile: 719-520-4898  
E-Mail: mark\_kissel@kindermorgan.com

With a copy to: Mark A. Minich  
Sierrita Gas Pipeline LLC  
P.O. Box 1087  
Colorado Springs, CO 80944  
Facsimile: 719-520-4898  
E-Mail: mark\_minich@kindermorgan.com

If to AVCA: Mrs. Patricia King, President  
Altar Valley Conservation Alliance  
14990 S. Sasabe Road  
Tucson, Arizona 85736  
Facsimile: 520-822-1065  
anvilranch@gmail.com

With a copy to: Mrs. Mary Miller  
Altar Valley Conservation Alliance  
27000 W. Elkhorn Ranch Road  
Tucson, Arizona 85736  
520-822-1040  
mary@elkhornranch.com

8. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe their provision.
9. **Counterparts.** This Agreement may be executed in any number of counterparts for the convenience of the Parties, all of which, when taken together and after execution by both Parties hereto, shall constitute one and the same Agreement.

10. Signatory Authority. Each Party warrants and represents that the individuals executing this Agreement, as set forth in the signature blocks below, are fully authorized to enter into this Agreement on behalf of their respective organizations; and that the respective organizations have duly approved and ratified the terms of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized representatives as of the Effective Date.

SIERRITA GAS PIPELINE LLC  
a Delaware limited liability company

By: Mark A. Kissel  
Name: Mark A. Kissel  
Its: President

ALTAR VALLEY CONSERVATION ALLIANCE  
an Arizona non-profit corporation

By: Patricia King  
Name: Patricia King  
Its: President  
*as clarified by  
June 2, 2014 letter from  
Walter Lane attached.*