

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Burlington Resources Oil & Gas Company LP (“Burlington”), 600 N. Dairy Ashford, Houston, TX 77079, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4031-07, 4040-07 and 4041-07 (“NOVs”). The NOVs allege that Burlington failed to operate three Caterpillar compressor engines (“Engines”) as represented in the permit applications for waivers WV-0809, WV-3966, and AP-0311 at the Madden Field Portable Compressor facility (“Facility”) located in Fremont County, Wyoming, thereby violating the Wyoming Environmental Quality Act (“Act”), applicable Wyoming Air Quality Standards and Regulations (“WAQSR”) and, the permit applications for waivers WV-0809, WV-3966, and AP-0311.

WYO. STAT. ANN. § 35-11-901(a)(ii) (Lexis Nexis 2005) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Burlington and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act and the WAQSR.
2. WYO. STAT. ANN. § 35-11-801(c) states: “A permit to construct is required before construction or modification of any industrial facility capable of causing or increasing air or water pollution in excess of standards established by the department is commenced.”
3. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
4. WAQSR Ch. 6 §2(a)(i) states: “Any person who plans to construct any new facility or source, modify any existing facility or source, or to engage in the use of which may cause the issuance of or an increase in the issuance of air contaminants into the air of this state shall obtain a construction permit from the State of Wyoming, Department of Environmental Quality before any actual work is begun on the facility.”
5. On or about July 3, 2003, the DEQ/AQD issued waiver WV-0809 to Burlington for the operation of a Caterpillar G3408TA compressor engine at the Facility based in part on the NOx (Nitrogen Oxide) emission rates represented in the permit application. DEQ/AQD’s record review for the Facility indicated that Burlington tested the engine on or about August 14, 2006 with the resulting NOx emissions above those

represented in the permit application for waiver WV-0809. Burlington continued to operate this engine until November 27, 2006, before making repairs, resulting in NOx emissions in excess of those represented in the permit application for waiver WV-0809.

6. On or about January 30, 2006, the DEQ/AQD issued waiver WV-3966 to Burlington for the operation of a Caterpillar G3306TA compressor engine at the Facility based in part on the NOx emission rates represented in the permit application. DEQ/AQD's record review for the Facility indicated that Burlington tested the engine on or about August 15, 2006 with the resulting CO (Carbon Monoxide) and NOx emissions above those represented in the permit application for waiver WV-3966. Burlington continued to operate this engine until November 27, 2006, before making repairs, resulting in NOx emissions in excess of those represented in the permit application for waiver WV-0809.

7. On or about November 19, 2002, the DEQ/AQD issued waiver AP-0311 to Burlington for the operation of a Caterpillar G3408NA compressor engine at the Facility based in part on the NOx emission rates represented in the permit application. DEQ/AQD's record review for the Facility indicated that Burlington tested the engine on or about August 14, 2006 with the resulting NOx emissions above those represented in the permit application for waiver AP-0311. Burlington continued to operate this engine until November 28, 2006, before making repairs, resulting in NOx emissions in excess of those represented in the permit application for waiver AP-0311.

8. DEQ/AQD and Burlington agree that Burlington will pay the DEQ/AQD seven thousand five hundred dollars and no cents (\$7,500.00) as a stipulated cash settlement to resolve these alleged violations in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii). Burlington shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty days after Burlington has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Burlington shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. Burlington, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of fault.

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Burlington based on NOV Docket Nos. 4031-07, 4040-07 and 4041-07 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Burlington for these particular violations.

11. Burlington waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket Nos. 4031-07, 4040-07 and 4041-07 in the event that Burlington fails to fulfill its obligations under this Agreement.

12. This Agreement shall be admissible by either Burlington or DEQ/AQD (hereinafter Burlington and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party only in an action between these Parties relating to the violations alleged herein; provided, however, that nothing herein constitutes an admission by Burlington of liability or fault.

13. Neither Party hereto shall have any claim against the other for attorneys' fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of this Agreement. Each Party shall bear its own attorney fees and costs, if any, incurred through the date this Agreement is signed by both Parties. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend or indemnify the other.

14. Any changes, modifications, revisions or amendments to this Agreement which are mutually agreed upon by the Parties shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

15. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the Parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

16. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

17. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to WYO. STAT. ANN. § 1-39-104(a) and all other state law.

18. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, and shall inure solely to the benefit of the Parties to this Agreement. The Parties to this Agreement intend and expressly agree that only Parties signatory to this Agreement shall have any legal or equitable right to seek to

enforce this Agreement, to seek any remedy arising out of a Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

19. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

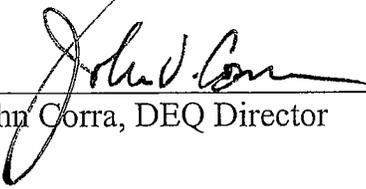
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

BURLINGTON RESOURCES OIL & GAS COMPANY

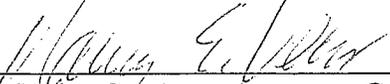
By: Robert E. True  6/20/2007
Gene True, Manager Date
Mid-Continent Operations

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: David A. Finley  6/27/07
David A. Finley, AQD Administrator Date

By: John Corra  6/28/07
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

Nancy E. Vehr  6/14/2007
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD