

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Anschutz Pinedale Corporation ("Anschutz"), 555 17th Street, Suite 2400, Denver, CO 80202, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4030-07 ("NOV"). The NOV alleges that Anschutz flared gas produced during completion operations due to a lack of flow back equipment and the services necessary to complete the connection to the wellhead at the Mesa 3-19a ("Facility") located in the Jonah/Pinedale Anticline development area of Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and, DEQ/AQD permit no. CT-3992.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2007) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Anschutz and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act, the WAQSR, and DEQ/AQD permit no. CT-3992.

2. WYO. STAT. ANN. § 35-11-801(a) states in part: "In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards."

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. On or about July 20, 2005, the DEQ/AQD issued permit no. CT-3992 to Anschutz for well completion and recompletion activities in the Jonah/Pinedale Anticline development area. Condition no. 4 of permit no. CT-3992 requires Anschutz to follow its operational plan for Best Management Practices described in its permit application to eliminate to the extent practicable emissions of volatile organic compounds and hazardous air pollutants associated with flaring and venting of hydrocarbon fluids recovered during well completion/re-completion activities. Condition no. 5 of permit no. CT-3992 sets forth unacceptable circumstances for sending gas to the flare during completions, including: "lack of a pipeline connection due to reasons other than wildcat, exploratory or step-out well classification; inadequate water disposal capacity; undersized flow back equipment, lack of flow back equipment or lack of equipment operating personnel."

5. Condition 15 of permit no. CT-3992 requires Anschutz to report on well completion and recompletion activities within forty days of the First Date of Production. This report is to include information on the total amount of hydrocarbons produced and flared. Anschutz sent in the required report for the Mesa 3-19a facility on December 7, 2006. Based on the DEQ/AQD's review of the December 7, 2006 report, DEQ/AQD concluded and alleges that Anschutz violated condition nos. 4 and 5 of DEQ/AQD permit no. CT-3992 by not following its Best Management Practices and flaring gas produced during completion operations at the Facility on November 16, 2006 through November 30, 2006 for unacceptable reasons due to a lack of flow back equipment and the services necessary to complete the connection to the wellhead.

6. DEQ/AQD and Anschutz agree that Anschutz will pay the DEQ/AQD fifteen thousand dollars and no cents (\$15,000.00) as a stipulated cash settlement to resolve these alleged violations in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii). Anschutz shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty days after Anschutz has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Anschutz shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

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

8. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Anschutz based on NOV Docket No. 4030-07 and solely in reliance on this Agreement the DEQ/AQD will refrain from taking further enforcement action against Anschutz for these particular violations.

9. Anschutz waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket No. 4030-07 in the event that Anschutz fails to fulfill its obligations under this Agreement.

10. This Agreement shall be admissible by either Anschutz or DEQ/AQD (hereinafter Anschutz 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 Anschutz of liability or fault.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

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17. 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.

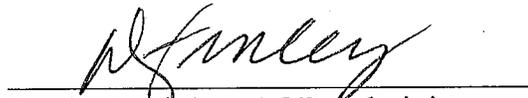
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

ANSCHUTZ PINEDALE CORPORATION

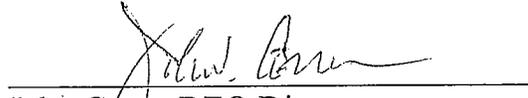
By: 
Hal Koerner
Senior Vice-President

10/31/07
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

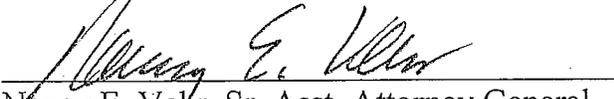
By: 
David A. Finley, AQD Administrator

10/3/07
Date

By: 
John Corra, DEQ Director

12/8/07
Date

APPROVAL AS TO FORM:


Nancy E. Vehr, Sr. Asst. Attorney General
Attorney for DEQ/AQD

10/30/2007
Date