

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Anadarko E&P Company, LP ("Anadarko"), 1099 18th Street, Suite 1800, 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. 4462-09 ("NOV"). As more fully set forth below, the NOV alleges that Anadarko failed to comply with conditions 9 and 10 of DEQ/AQD Permit MD-1301(Corrected) by venting volatile organic compounds ("VOCs") and hazardous air pollutants ("HAPs") from the triethylene glycol ("TEG") dehydration units during vapor recovery unit ("VRU") downtime and failed to obtain a DEQ/AQD permit before installing and operating a third dehydration unit at the Monell Production Battery A facility ("Facility") located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and DEQ/AQD Permit MD-1301(Corrected).

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2008) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Anadarko and the DEQ/AQD hereby stipulate and agree as follows:

1. Anadarko is a Delaware limited partnership that owns and/or operates various gas production wells and facilities, including this Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permit MD-1301(Corrected).
3. WYO. STAT. ANN. § 35-11-801(a) states: "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."
4. 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.
5. On or about November 27, 2006, the DEQ/AQD issued Permit MD-1301(Corrected) to Anadarko for this Facility. Condition No. 9 of Permit MD-1301(Corrected) states, "Glycol flash tank vapors from the 15.0 million cubic feet per day ("MMCFD") and 8.0 MMCFD TEG dehydration units shall be routed to the electric vapor recovery unit and then routed to the electric compressors for reinjection."

Condition No. 10 of Permit MD-1301(Corrected) states, "During periods when the electric vapor recovery unit is not operational, all vapors from the 15.0 MMCFD and 8.0 MMCFD TEG dehydration units shall be directed to a suitable combustion device."

6. On November 21, 2008, following an internal audit, Anadarko voluntarily disclosed to the DEQ/AQD that during 2007 and prior to August 25, 2008, Anadarko vented 122 tons of VOCs and 68 tons of HAPs during VRU downtime at the Facility.

7. The DEQ/AQD alleges that venting emissions from the TEG dehydration units at the Facility during VRU downtime violated conditions 9 and 10 of Permit MD-1301(Corrected)

8. Also on November 21, 2008, following an internal audit, Anadarko voluntarily disclosed to the DEQ/AQD that on May 7, 2008, Anadarko had installed and operated until August 19, 2008, a third dehydration unit at the Facility without having obtained a DEQ/AQD permit.

9. The DEQ/AQD alleges that Anadarko's installation and operation of a third dehydration unit at the Facility without having first obtained an air quality permit violated the Act and WAQSR.

10. On or about November 21, 2008, the DEQ/AQD received Anadarko's permit application AP-8666 to tie the dehydration unit vapor recovery unit vent line to the flare header which had occurred on or about August 25, 2008. The DEQ/AQD issued Permit MD-8666 on or about May 29, 2009.

11. Without admitting liability, Anadarko agrees to resolve the alleged violations described above and more fully set forth in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii) as follows:

A. Anadarko agrees to pay the DEQ/AQD, fifteen thousand dollars and no cents (\$15,000.00) as a stipulated civil penalty (Stipulated Civil Penalty). Anadarko shall make full payment of the Stipulated Civil Penalty by check made payable to the DEQ/AQD, within thirty (30) days after Anadarko has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Mail the payment to Nancy Vehr, Sr. Assistant Attorney General, 123 Capitol Building, Cheyenne WY 82002.

B. In addition to paying the Stipulated Civil Penalty, Anadarko agrees to pay twenty-eight thousand four hundred dollars and no cents (\$28,400.00) to the DEQ to fund future, unspecified air quality monitoring and associated data

collection supplemental environmental projects (SEPs). The DEQ/AQD shall determine the SEP(s). This SEP payment shall be made within thirty (30) days after Anadarko has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement and shall be by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, and sent to Robert Gill, DEQ/AQD Compliance Program Manager, 2nd Floor East, 122 West 25th Street, Cheyenne, WY 82002.

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

13. Full compliance with this signed Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against Anadarko based on NOV Docket No. 4462-09 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Anadarko for these particular violations.

14. In the event that Anadarko fails to fulfill its obligations under this Agreement, Anadarko waives any statute of limitation claims which may apply in an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket No. 4462-09.

15. This Agreement shall be admissible by either Anadarko or the DEQ/AQD (hereinafter Anadarko and the 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 specific NOV herein; provided, however, that nothing herein constitutes an admission by Anadarko of liability or fault.

16. 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.

17. 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.

18. 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.

19. This Agreement, consisting of five (5) pages, represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

20. 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.

21. 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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22. 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:

ANADARKO:

By: *Douglas R. Nath* 9/28/09
Name: Douglas R. Nath Date
Title: GM Operations

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: *David A. Finley* 10/5/09
David A. Finley, AQD Administrator Date

By: *John Corra* 10/7/09
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

Nancy E. Vehr 9/15/09
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD