

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Kerr-McGee Oil & Gas Onshore LP ("Kerr-McGee"), 1099 18th Street Denver, CO 80202 enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ Notice of Violation Docket No. 4531-09 ("NOV"). The NOV alleges that Kerr-McGee failed to route vapors to the combuster for the Ballerina 10-11 production facility located in Lincoln County, Wyoming, in violation of the Air Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and air quality permit CT-6607 issued to Kerr-McGee.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2009) authorizes stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Kerr-McGee and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act and WAQSR.
2. WYO. STAT. ANN. § 35-11-201 states: "No person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the council."
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 DEQ/AQD's construction and modification permitting program.
5. Chapter 6, Section 2(h) of the WAQSR allows reasonable conditions to be imposed upon construction or modification permits, including emission limits, monitoring and reporting requirements.
6. Permit number CT-6607 was issued to Kerr-McGee on October 16, 2007.
7. Condition 8 of permit number CT-6607 states: "Emission control equipment, including the VOC and HAP emission control system or device, all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operation when any VOC or HAP emissions control system or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit."
8. On May 13, 2009, a DEQ/AQD Engineer/Inspector observed continuous vapors venting from a thief hatch and two Enardo valves. Venting vapors from thief hatches and Enardo valves and not routing vapors from the condensate tanks to the combustion device is a violation of condition 8 of permit CT-6607.

9. Kerr-McGee agrees to pay the DEQ/AQD twenty five thousand dollars and no cents (\$25,000.00) as a stipulated settlement amount. Kerr-McGee shall make full payment of the settlement amount by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Kerr-McGee has been notified by DEQ/AQD that the final signature has been affixed to the Agreement. Kerr-McGee shall mail the payment to John S. Burbridge, Senior Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

10. Kerr-McGee, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of fault or noncompliance.

11. Full compliance with the signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Kerr-McGee based on the NOV and, solely in reliance on the Agreement, the DEQ/AQD will refrain from taking further enforcement action against Kerr-McGee for that particular violation.

12. Kerr-McGee waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in the NOV in the event that Kerr-McGee fails to fulfill its obligations under this Agreement.

13. This Agreement shall be admissible by either Kerr-McGee or DEQ/AQD (hereinafter Kerr-McGee and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party in any action between these Parties relating to NOV that is the subject of this Agreement. This Agreement shall not be admissible in any other matter without the express written consent of both Parties..

14. Neither Party hereto shall have any claim against the other for attorney's fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of the 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.

15. 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.

16. 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.

17. This Agreement, consisting of three (3) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

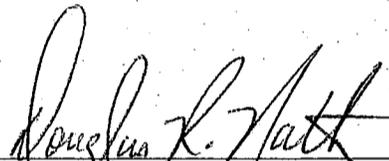
18. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to WYO. STAT. ANN. § 1-39-104(a) and all other state law.

19. 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 the 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 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.

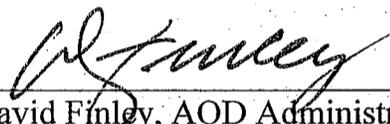
20. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

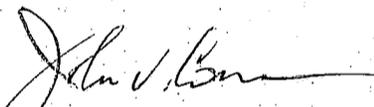
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

KERR-MCGEE OIL & GAS ONSHORE LP

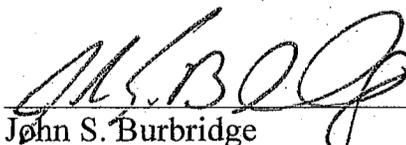
By:  12/10/09
Douglas R. Nath, GM Operations Date

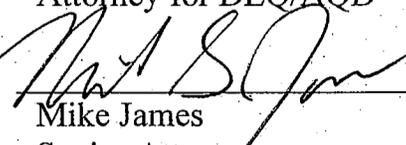
STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  12/18/09
David Finley, AQD Administrator Date

By:  12/18/09
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

By:  12-18-09
John S. Burbridge
Senior Assistant Attorney General
Attorney for DEQ/AQD Date

By:  12/10/09
Mike James
Senior Attorney
Kerr-McGee Oil & Gas Onshore LP Date