# SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and EnCana Oil & Gas (USA) Inc. ("EnCana"), 370 Seventeenth Street, Suite 1700, 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. 4263-08 ("NOV"). As more fully set forth below, the NOV and DEQ/AQD's subsequent review generally alleges that EnCana failed to comply with the permit conditions for the control of vapor emissions from the condensate tanks at the Jonah Federal 8-7 central production unit for this multiple wellsite facility ("Facility") located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and DEQ/AQD Permit MD-1594.

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, EnCana and the DEQ/AQD hereby stipulate and agree as follows:

1. EnCana is a Delaware corporation that owns and/or operates various gas production wells and facilities.

2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including DEQ/AQD Permit MD-1594.

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. 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."

5. 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.

6. 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."

7. The DEQ/AQD issued WAQSR Ch. 6, § 2 permitting guidance for Oil and Gas Production Facilities ("Guidance") in June 1997 with subsequent revisions in November 1998, January 2000, August 2001, August 2007, and a revision specific to Jonah/Pinedale area operations in July 2004. The Guidance indicates what DEQ/AQD accepts as meeting the intent of Wyoming's regulatory requirement to obtain a construction permit prior to the construction or operation of new air emission sources. The July 2004 revision states, "[f]or all multiple well or PAD wellsite production facilities, controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels (flashing emissions) and existing and new dehydration units, meeting BACT requirements described in the C6 S2 Guidance, are required to be installed and operational upon the First Date of Production of an additional well(s) or upon the date production associated with a well(s) from a separate location is tied into a facility."

8. On or about June 5, 2007, the DEQ/AQD issued Permit MD-1594 to EnCana for the Facility. Condition Nos. 12 and 13 of Permit MD-1594 required that, upon the first date of production of a well tied into the Jonah Federal 8-7 Facility, vapors from new and existing hydrocarbon liquid storage tanks and pressure vessels be routed to emission control systems or devices. On February 12, 2008, DEQ/AQD Inspector Ms. Jennifer Frazier observed continuous vapors venting from the middle thief hatch to the atmosphere and visible liquids around the leak. The DEQ/AQD alleges EnCana's failure to route vapors from the condensate tanks to the emission control device violated the Act, the WAQSR, and Permit MD-1594. At a June 16, 2008 meeting, EnCana informed the DEQ/AQD that the issues identified in the NOV had been corrected immediately upon receipt of notice of the problem.

9. In lieu of litigation, the DEQ/AQD and EnCana agree to resolve the violations alleged in the NOV for a total amount of ten thousand dollars and no cents ($10,000.00) payable as follows:

A. EnCana agrees to pay the DEQ/AQD, two thousand five hundred dollars and no cents ($2,500.00) as a stipulated civil penalty ("Stipulated Civil Penalty"). EnCana shall make full payment of the Stipulated Civil Penalty by check made payable to the DEQ/AQD, within thirty (30) days after EnCana has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. EnCana shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In addition to paying the Stipulated Civil Penalty, EnCana agrees to complete the following Supplemental Environmental Project ("SEP"):

i. A SEP is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders. This SEP will benefit the environment by reducing emissions of volatile organic compounds ("VOCs") and hazardous air pollutants ("HAPs").

ii. EnCana agreed to complete a Wellsite Consolidation and Control SEP at the Stud Horse Butte 2-20 facility ("Wellsite SEP"). The Wellsite SEP required EnCana to voluntarily implement emission controls at an uncontrolled single-well production facility for which controls are not required by applicable regulations, so as to reduce overall VOC and HAP emissions from production facilities in the Jonah Field. The Wellsite SEP for this Agreement consisted of implementing emission controls at the Stud Horse Butte 2-20 facility. The controls were implemented by consolidating this single-well facility into a centralized production facility with emission controls. EnCana completed this Wellsite SEP on October 13, 2008.

iii. Within sixty (60) days after EnCana has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement, EnCana agrees to submit a permit application to the DEQ/AQD requesting that the Wellsite SEP consolidation/control requirements for the Stud Horse Butte 2-20 facility be incorporated into a DEQ/AQD construction or modification permit.

iv. EnCana agrees that it spent at least fifteen thousand dollars and no cents ($15,000.00) in capital construction costs to complete the Wellsite SEP ("SEP Expenditure Amount"). Within thirty (30) days after EnCana has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement, EnCana shall submit a SEP Completion Report to the DEQ/AQD, Attn: Mr. Robert Gill, 122 West 25th Street, Cheyenne, WY 82002. The SEP Completion Report shall describe the completed SEP, and include itemized costs and certification that the Wellsite SEP has been fully implemented pursuant to the provisions of this Agreement.

v. EnCana certifies that as of the date it signs this Agreement, EnCana was not required to perform or develop the Wellsite SEP by any federal, state, or local law or regulation; nor was EnCana required to perform or develop the Wellsite SEP pursuant to any other agreement or relief in any other case. EnCana further certifies that it has not received and is not

negotiating to receive credit for this Wellsite SEP in any other pending action.

vi. In the event that EnCana did not spend the SEP Expenditure Amount, or does not provide the DEQ/AQD with an adequate SEP Completion Report, EnCana agrees to pay the DEQ/AQD an additional stipulated penalty within sixty (60) days after EnCana has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement ("Additional Stipulated Penalty"). The Additional Stipulated Penalty will be calculated by taking the SEP Expenditure Amount and subtracting the amount that EnCana actually spent in capital construction costs on the Wellsite SEP and then dividing that difference by a factor of two (2).

10. EnCana, by entering into this Agreement, neither admits nor denies the validity of any allegation contained in the NOV, nor does EnCana concede or admit to any liability or fault, and this Agreement constitutes no admission of fault or non-compliance.

11. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against EnCana based on NOV Docket No. 4263-08, and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against EnCana for these particular violations.

12. EnCana 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. 4263-08 in the event that EnCana fails to fulfill its obligations under this Agreement.

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

14. 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.

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 six (6) 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 DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereign 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 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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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:

ENCANA OIL & GAS (USA) INC.:

By: _____ 2/11/10
John Schopp, Vice-President — Date
North Rockies Business Unit

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: _____ 2/25/2010
David A. Finley, AQD Administrator — Date

By: _____ 2/28/10
John Corra, DEQ Director — Date

APPROVAL AS TO FORM:

_____ 2/3/2010
Nancy E. Vehr, Sr. Asst. Attorney General — Date
Attorney for DEQ/AQD