

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and SWEPI LP ("SWEPI LP"), formerly known as Shell Rocky Mountain Production LLC ("Shell"), 4582 S. Ulster Street Parkway, Suite 500, Denver, CO 80237, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4257-08 and 4258-08 ("NOVs"). As more fully set forth below, the NOVs alleged that SWEPI LP failed to comply with Conditions 11A and 12 of DEQ/AQD Permit No. CT-4262 and Conditions 9A and 10 of DEQ/AQD Permit No. CT-3762 by failing to route vapors from the condensate tanks to the combustion devices at the Riverside 13B PAD and Riverside 24 PAD facilities ("Facilities") 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 Nos. CT-4262 and CT-3762.

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

1. SWEPI LP is a Delaware limited partnership that owns and/or operates various gas production wells and facilities, including the Facilities.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permits CT-4262 and CT-3762.
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 April 26, 2006, the DEQ/AQD issued Permit No. CT-4262 to Shell for the production unit at the Riverside 13B PAD facility located in Sublette County, Wyoming. Condition No. 11A of Permit No. CT-4262 states in pertinent part, "controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels (flashing, standing/working/breathing losses and any separator flash gas not collected for sales) shall be installed and operational. Emission control systems or

devices installed under this condition shall be designed and operated to reduce the mass content of VOCs [volatile organic compounds] in the gases vented by at least ninety-eight percent (98%) by weight, and shall meet the requirements of the Chapter 6, Section 2 Oil and Gas Production Facilities Permitting Guidance.” Condition No. 12 of Permit No. CT-4262 states, “[e]mission control devices installed under condition eleven (11) shall be maintained and operated during all periods of active well site operation such that each remains effective as viable emissions control devices. Records shall be maintained noting dates and durations of times during active well site operation when any emission control device is not operational.”

6. On or about December 14, 2004, the DEQ/AQD issued Permit No. CT-3762 to Shell for the production unit at the Riverside 24 PAD facility located in Sublette County, Wyoming. Condition No. 9A of Permit No. CT-3762 states in pertinent part, “controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels (flashing, standing/working/breathing losses and any separator flash gas not collected for sales) shall be installed and operational. Emission control systems or devices installed under this condition shall be designed and operated to reduce the mass content of VOCs in the gases vented to the device by at least 98 percent by weight, and shall meet the requirements of the Chapter 6, Section 2 Oil and Gas Production Facilities Permitting Guidance.” Condition No. 10 of Permit No. 3762 states, “[e]mission control devices installed under condition 9 shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device. Records shall be maintained noting dates and durations of times during active well site operation when any emission control device is not operational.”

7. The DEQ/AQD alleges that on February 20, 2008, DEQ/AQD inspector Ms. Jennifer Frazier observed Enardo valves at the Facilities venting vapors to the atmosphere during well production. Five days later, the DEQ/AQD notified SWEPI LP of these observations.

8. The DEQ/AQD alleges SWEPI LP’s failure to route vapors from the condensate tanks to the combustion devices violated the Act, the WAQSR, and Condition Nos. 11A and 12 of DEQ/AQD Permit No. CT-4262 and Condition Nos. 9A and 10 of DEQ/AQD Permit No. CT-3762.

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

A. Assessment of a stipulated penalty in the amount of ten thousand dollars and no cents (\$10,000.00) in settlement of this matter ("Total Stipulated Penalty"). SWEPI LP shall make full payment of the Total Stipulated Penalty by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after SWEPI LP has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. SWEPI LP shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. Conduct FLIR camera observations of each SWEPI LP facility located in the Pinedale Anticline, Sublette County, Wyoming, at least once every two months through the third quarter 2011, and compare such observations to the video footage in the CD attached hereto as Attachment A. For all FLIR camera observations, SWEPI LP shall assign an observation of "High," "Medium," "Low," or "None" as follows:

| Observation | Attachment A Video Example |
|-------------|---|
| High | Video 080623_17417 video at 2:37-2:50 (Enardo valve) and Video 090121_2510 entire video (pressure relief valve) |
| Medium | Video 080918_19591_2 video at 0:25-0:45 (thief hatch) |
| Low | Video 080918_12746 video at 1:04-1:24 (separator leak) |
| None | No leak detected by the FLIR camera observation. |

SWEPI LP will repair leaks designated as "High" or "Medium" at the time of the observation and complete a re-observation to verify the effectiveness of the corrective action. SWEPI LP will repair leaks designated as "Low" as expeditiously as practical.

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C. Submit quarterly reports summarizing the facility FLIR camera observation findings to the DEQ/AQD, according to the following schedule:

| YEAR | QUARTER | SURVEY MONTH | QUARTERLY REPORT DUE DATE | SCHEDULED DATE |
|------|-----------------|--------------|---------------------------|----------------|
| 2010 | 1 st | Jan., Mar. | April 30 th | January 18-21 |
| | 2 nd | May | July 30 th | |
| | 3 rd | July, Sept. | Nov. 30 th | |
| | 4 th | Dec. | Jan. 30, 2010 | |
| 2011 | 1 st | Jan, Mar. | April 30 th | |
| | 2 nd | May | July 30 th | |
| | 3 rd | July, Sept. | Nov. 30 th | |

The quarterly reports must address the number of thief hatches, tank vents, combustors and other equipment surveyed; the number of leaks designated as “High” or “Medium” found; the number of leaks designated as “Low” or “None” found; any “High” or “Medium” leaks not immediately corrected and resurveyed; and, the reasons for any delay in fixing any “High” or “Medium” leaks. The quarterly reports should be sent to the DEQ/AQD, Attn: Mr. Robert Gill, 122 West 25th Street, Cheyenne, WY 82002, with a copy to Jennifer Frazier, Pinedale Field Office, P.O. Box 687, Pinedale, WY 82941.

D. Should the DEQ/AQD have any questions or concerns after the DEQ/AQD has reviewed SWEPI LP’s quarterly reports or observation findings submitted under this Agreement, the DEQ/AQD and SWEPI LP agree to engage in good-faith discussions with the intent of addressing and resolving such questions or concerns.

10. SWEPI LP, 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.

11. Full compliance with this signed Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against SWEPI LP based on NOV Docket Nos. 4257-08 and 4258-08 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against SWEPI LP for these particular violations.

12. In the event that SWEPI LP fails to fulfill its obligations under this Agreement, SWEPI LP 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 Nos. 4257-08 and 4258-08.

13. This Agreement shall be admissible by either Shell or the DEQ/AQD (hereinafter SWEPI LP 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's herein; provided, however, that nothing herein constitutes an admission by SWEPI LP 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, and Attachment A, consisting of one compact disc, 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.

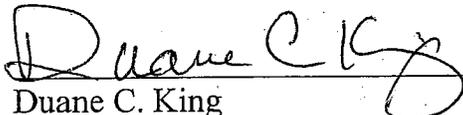
19. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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.

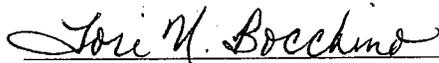
20. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

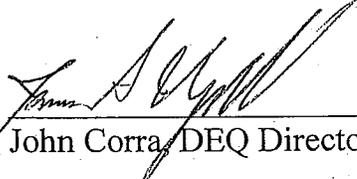
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

SWEPI LP:

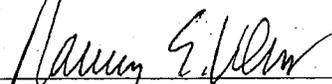
By:  4/27/2010
Duane C. King Date
Vice-President, Legal

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By:  4/30/2010
Name: Lori H. Bocchino Date
Acting AQD Administrator

By:  5/2/10
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 4/6/10
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD