

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, formerly known as Shell Western E&P, Inc., 4582 S. Ulster Street Parkway, Suite 1400, Denver, CO 80237, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4762-10 ("NOV"). As more fully set forth below, the NOV alleged that SWEPI LP failed to comply with the conditions of DEQ/AQD Permits CT-3785A (Mesa 4-33 PAD), CT-4478 (Riverside 8-23D), CT-4629 (Riverside 7-13 PAD), CT-4262 (Riverside 13B PAD), MD0-7092 (Warbonnet 4 PAD) and MD-1091A (Mesa 6-28 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-3785A, CT-4478, CT-4629, CT-4262, MD-7092, and MD-1091A.

WYO. STAT. ANN. § 35-11-901(a)(ii)(West 2010) 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-3785A, CT-4478, CT-4629, CT-4262, MD-7092, and MD-1091A.
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 July 27, 2009, the DEQ/AQD issued Permit No. CT-3785A to SWEPI for the Mesa 4-33 PAD facility located in Sublette County Wyoming. Condition 6 requires vapors from the condensate storage tanks to be routed to a combustion device. Condition 9 states in part that SWEPI "shall maintain and operate the B-TEX control system and tank vapor combustion device during all periods of active well site operation such that each remains effective as a viable emissions control device."

6. On or about December 5, 2006, the DEQ/AQD issued Permit No. CT-4478 to Shell Rocky Mountain Production for the Riverside 8-23D facility located in Sublette County Wyoming. Condition 10A requires controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels to be installed and operational. Condition 11 states in part that the emission control devices “shall be maintained and operated during all periods of active well site operation such that each remains effective as a viable emissions control device.”

7. On or about August 7, 2007, the DEQ/AQD issued Permit No. CT-4629 to Shell Rocky Mountain Production for the Riverside 7-13 PAD facility located in Sublette County Wyoming. Condition 6 requires vapors from the condensate storage tanks to be routed to a combustion device. Condition 9 states in part that “emission control equipment . . . shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times.”

8. On or about April 26, 2006, the DEQ/AQD issued Permit No. CT-4262 to Shell Rocky Mountain Production for the Riverside 13B PAD facility located in Sublette County Wyoming. Condition 11A requires controls for emissions from all existing and new hydrocarbon liquid storage tanks and pressure vessels to be installed and operational. Condition 12 states in part that the emission control devices “shall be maintained and operated during all periods of active well site operation such that each remains effective as viable emissions control devices.”

9. On or about February 26, 2008, the DEQ/AQD issued Permit No. MD-7092 to Shell Rocky Mountain Production for the Warbonnet 4 PAD facility located in Sublette County Wyoming. Condition 13 requires vapors from the condensate storage tanks to be routed to combustion devices. Condition 16 states in part that “emission control equipment . . . shall be maintained and operated during any time the well is producing such that the emissions are controlled at all times.”

10. On or about July 27, 2009, the DEQ/AQD issued Permit No. MD-1091A to SWEPI for the Mesa 6-28 PAD facility located in Sublette County Wyoming. Condition 6 requires vapors from the condensate storage tanks to be routed to combustion devices. Condition 9 states in part that SWEPI “shall maintain and operate the three B-TEX control systems and two tank vapor combustion devices during all periods of active well site operation such that each remains effective as a viable emissions control device.”

11. The DEQ/AQD alleges that during the months of August and September 2010, DEQ/AQD Inspector Ms. Jennifer Frazier observed operations of these production sites. The DEQ/AQD alleges that Ms. Frazier, using sensory observations and FLIR

video, observed vapor emissions from Enardo valves and/or thief hatches venting to atmosphere at the Facilities.

12. The DEQ/AQD alleges SWEPI LP's failure to route all vapors from condensate tanks to emission control devices that were operating at the Facilities violated the Act, the WAQSR, and various conditions of DEQ/AQD Permit Nos. CT-3785A, CT-4478, CT-4629, CT-4262, MD-7092, and MD-1091A.

13. Without admitting liability and in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), SWEPI LP agrees to resolve the alleged violations described above and also set forth in the NOV for a total amount of fifteen thousand dollars and no cents (\$15,000.00) payable as follows:

A. SWEPI agrees to pay the DEQ/AQD, seven thousand five hundred dollars and no cents (\$7,500.00) as a stipulated civil penalty ("Stipulated Civil Penalty"). SWEPI LP shall make full payment of the Stipulated Civil 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 the 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. In lieu of paying the remaining balance of seven thousand five hundred dollars and no cents (\$7,500.00) ("Remaining Balance"), SWEPI 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.

ii. For this SEP, SWEPI agrees to purchase a FLIR camera to be used in Wyoming to evaluate VOC emissions from oil and gas production equipment. SWEPI shall spend at least fifteen thousand dollars and no cents (\$15,000.00) for this SEP ("SEP Expenditure Amount") and shall provide documentation that it has spent such an amount to the DEQ/AQD, Attn: Mr. Bob Gill, Herschler Building, 122 West 25th Street, Cheyenne, WY 82002.

iii. In the event that SWEPI does not spend the SEP Expenditure Amount, or does not provide the DEQ/AQD with documentation

that it has spent such an amount, SWEPI agrees to pay the DEQ/AQD the Remaining Balance within sixty (60) days after SWEPI has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement.

iv. SWEPI certifies that as of the date it signs this Agreement, SWEPI is not required to perform or develop this SEP by any federal, state or local law or regulation; nor is SWEPI required to perform or develop this SEP pursuant to any other agreement or relief in any other case. SWEPI further certifies that it has not received and is not presently negotiating to receive credit for this SEP in any other pending action.

14. 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.

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

16. 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 the NOV.

17. This Agreement shall be admissible by either SWEPI LP 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 herein; provided, however, that nothing herein constitutes an admission by SWEPI LP of liability or fault.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

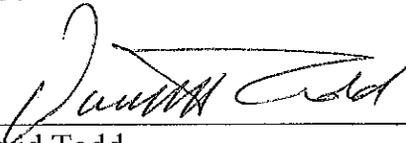
23. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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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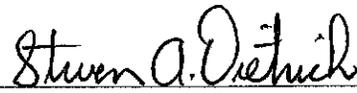
24. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all parties

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:

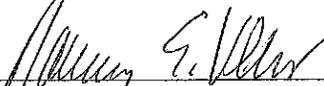
By:  Jan 24 2011
David Todd Date
Vice President – Production South

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  1-28-11
Steven A. Dietrich, AQD Administrator Date

By:  2/4/11
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 1-11-11
Nancy E. Vehr, Sr. Asst. Atty. Gen. Date
Attorney for DEQ/AQD