

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. 4718-10. The NOV alleges that Encana failed to operate Flare 1 such that it remains effective as a viable emission control device at the Graham No. 5 Compressor Station ("Facility") located in Fremont County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR") and DEQ/AQD Permit MD-8347.

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

1. Encana is a Delaware corporation that owns and/or operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including DEQ/AQD Permit MD-8347.
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. On or about December 18, 2008, the DEQ/AQD issued Permit MD-8347 to Encana for the Facility. Condition 20 requires Encana to "maintain and operate Flare 1 . . . during all periods of active operation such that [it] remains effective as a viable emissions control device[.]" Condition 2 incorporates "all substantive commitments and descriptions set forth in the application for this permit, unless superseded by a specific condition of this permit[.]" Encana's permit application indicated that all tank flash emissions from the six 400 barrel condensate tanks would go directly to Flare 1 and be burned.

8. On June 11, 2010, and again on June 18, 2010, DEQ/AQD Engineer Mr. Kent Simon, observed vapors continuously venting from an Enardo valve at the Facility. The DEQ/AQD alleges Encana vented vapors from the condensate tanks directly to the atmosphere and failed to route vapors to Flare 1, thereby violating the Act, the WAQSR, and Permit MD-8347. On September 28, 2010, Encana submitted a letter to the DEQ/AQD noting that the issue has been addressed.

9. DEQ/AQD and Encana agree that to resolve the violations alleged in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), Encana will pay the DEQ/AQD twenty five thousand dollars and no cents (\$25,000.00) 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.

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 the NOV and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Encana for this particular alleged violation.

12. Encana 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 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 four (4) 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.

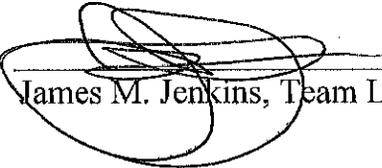
19. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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 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:  _____
SK James M. Jenkins, Team Lead, Wind/Green River

Date: February 2, 2011

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

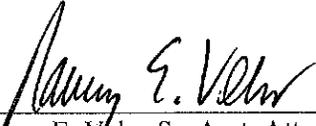
By:  _____
Steven A. Dietrich, AQD Administrator

Date: 2-7-11

By:  _____
John Corra, DEQ Director

Date: 2/9/11

APPROVAL AS TO FORM:

 _____
Nancy E. Vehr, Sr. Asst. Attorney General
Attorney for DEQ/AQD

Date: 1/24/2011