

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Anschutz Pinedale Corporation ("Anschutz"), 555 17th Street, Suite 2400, Denver, Colorado 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. 4676-10 ("NOV"). The NOV alleged that Anschutz failed to comply with the requirements of permit MD-7158 ("permit") for routing vapors to the combustor for the Mesa 3-19A facility located in Sublette County, Wyoming ("facility"), thereby violating the Wyoming Environmental Quality Act ("Act") and applicable Wyoming Air Quality Standards and Regulations ("WAQSR").

Wyo. Stat. Ann. § 35-11-901(a)(ii) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Anschutz and DEQ/AQD hereby stipulate and agree as follows:

1. Anschutz is a Colorado corporation registered to conduct business in Wyoming.
2. DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permit MD-7158.
3. Wyo. Stat. Ann. § 35-11-801(a) provides that in granting permits, DEQ/AQD "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. Permit MD-7158 was issued to Anschutz on March 25, 2008.
6. Conditions 13 and 16 of the permit provide for control of vent vapors from tanks.
7. Permit condition 13 states: "Vapors from the four (4) condensate tanks, including tank flash and S/W/B vapors, shall be routed to a combustion device to reduce the mass content of VOCs and HAPs in the tank vapors by at least ninety-eight percent (98%) by weight..."
8. Permit condition 16 states: "Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers and all vent lines,

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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 wells are producing such that the emissions are controlled at all times. Records shall be maintained noting dates and durations of times during such operations when any VOC or HAP emissions control systems or device or the associated containment and collection equipment is not functioning to control emissions as required by this permit.”

9. On August 31, 2009, Ms. Jennifer Frazier, Air Quality Division Engineer/Inspector, observed continuous vapors venting from one horizontal tank’s thief hatch at the facility. Prompt mitigation efforts undertaken by Anschutz limited the duration of venting to less than twenty-four (24) hours.

10. On April 22, 2010, DEQ/AQD issued the NOV to Anschutz, alleging that Anschutz failed to comply with requirements to route vapors from the condensate tanks to the combustion device in violation conditions 13 and 16 of permit MD-7158.

11. DEQ/AQD and Anschutz agree to resolve the alleged violations described above and set forth in the NOV in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii) by having Anschutz pay DEQ/AQD seven thousand dollars and no cents (\$7,000.00) as a stipulated cash penalty. Anschutz shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Anschutz has been notified that final signature has been affixed to this Agreement. Anschutz shall mail payment to Jeremiah I. Williamson, Assistant Attorney General, 123 Capitol Building, Cheyenne, Wyoming 82002.

12. Anschutz, 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.

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

14. In the event that Anschutz fails to fulfill its obligations under this Agreement, Anschutz waives any statute of limitations claims which may apply in an enforcement action by DEQ/AQD involving the specific matters described in the NOV.

15. This Agreement shall be admissible by either Anschutz or DEQ/AQD without the objection of the other party to this Agreement only in an action between these parties relating to the violations alleged herein; provided, however, that nothing herein constitutes an admission by Anschutz of liability or fault.

16. Neither party to this Agreement shall have any claim against the other for attorney 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 the parties. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other.

17. Any changes, modifications, revisions, or amendments to this Agreement that are mutually agreed upon by the parties shall be incorporated by written instrument, executed and signed by all parties to this Agreement.

18. 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 venue shall be the First Judicial District, Laramie County, Wyoming.

19. 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.

20. 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 sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

21. 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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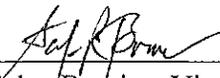
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22. Each party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the parties once executed by all parties.

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

ANSCHUTZ PINEDALE CORPORATION:

By:  4/13/11
Galen Brenize, Vice President, Engineering & Operations Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich 4-18-11
Steven A. Dietrich, AQD Administrator Date

By:  4/19/11
John V. Corra, DEQ Director Date

APPROVAL AS TO FORM:

 4/14/11
Jeremiah I. Williamson, Assistant Attorney General Date
Attorney for DEQ/AQD