

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and QEP Resources, formerly Questar Exploration and Production Company (“Questar”), enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket Number 4686-10 (“NOV”). As more fully set forth below, the NOV alleges that QEP Resources failed to maintain records of dates and duration when the combustion devices were not operational at the Echo North State 16-3 and 16-4 PAD, Red Lakes South 8-2, Red Lakes South 10-2 PAD and that QEP Resources failed to monitor and record the lean glycol circulation rate at minimum one time every thirty (30) days at the Wedge Unite 14, Wedge Unit 17, Dripping Rock Unit 6, Celsius Federal 20-1, Federal Well 19-1 wet gas/condensate facilities located in Sweetwater County Wyoming, thereby violating the Wyoming Environmental Quality Act (“Act”), WYO. STAT. ANN. § 35-11-801, Chapter 6, Section 2 Wyoming Air Quality Standards and Regulations (“WAQSR”), and DEQ/AQD Permits CT-4309, CT-7938, MD-7828, CT-3820, CT-4386, CT-2731, CT-2729, and CT-2976.

The Act authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. WYO STAT. ANN. § 35-11-901(a)(ii). To that end, QEP Resources and the DEQ/AQD hereby stipulate and agree as follows:

1. QEP Resources is an independent natural gas and oil exploration and production company. In June 2010, shares of QEP Resources began trading as a new publicly-traded, independent natural gas and oil exploration and production company after being spun-off from Questar Corporation in a pro-rata tax-free dividend. QEP Resources has operated under various names over the years, including Questar Exploration and Production Company. QEP Resources is headquartered in Denver, Colorado.

2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including Permits CT-4309, CT-7938, MD-7828, CT-3820, CT-4386, CT-2731, CT-2729, and CT-2976.

3. The Act provides that “[i]n 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.” WYO. STAT. ANN. § 35-11-801(a).

4. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming’s permitting program.

5. DEQ/AQD issued: Permit CT-4309 to Questar for the Echo North Slate 16-3 and 16-4 PAD on June 19, 2006; Permit CT-7938 to Questar for the Red Lakes South 8-2 PAD on August 19, 2008; and Permit MD-7828 to Questar for the Red Lakes South 10-2 PAD on July 29, 2008. Conditions on these permits require QEP Resources (formerly Questar) to maintain and operate the combustion device during all period of active well site operation and maintain records of dates and duration when the combustion device is not operational.

6. On November 5, 2009, Mr. Nick Czarnecki, Air Quality Division Engineer/Inspector, noted that all three of these sights did not have records for periods of time to show combustion device was operational, in violation of permits CT-4309, CT-7938 and MD-7828.

7. DEQ/AQD issued: Permit CT-3820 to Questar for the Wedge Unit 14 on February 7, 2005; Permit CT-4386 to Questar for Wedge Unit 17 on August 25, 2006; Permit CT-2731 to Questar for the Dripping Rock Unit 6 on February 25, 2002; and Permit CT-2976 to Questar for the Federal Well 19-1 on August 13, 2002. Condition 6 contained in each of these permits require QEP Resources (formerly Questar) to monitor and record the lean glycol circulation rate, at a minimum, one time every thirty (30) days.

8. On November 5 and 6, 2009, Mr. Nick Czarnecki, Air Quality Division Engineer/Inspector, noted that all three of these sights had gaps in monitoring and recording of lean glycol rates. Also, at the Wedge Unit 14 and Dripping Rock Unit 6 facilities, Mr. Czarnecki noted that QEP Resources had installed Kimray Model 2015 pumps, instead of the Kimray Model 4015 pumps described in their respective permits. Because the Kimray Model 2015 is smaller, the strokes per minute limit in permits no longer corresponds to the glycol circulation rate set in the permit, in violation of Permits CT-3820, CT-4386, CT-2731, CT-2729, and CT-2976.

9. On May 7, 2010, the DEQ/AQD issued a NOV alleging that QEP Resources failed to maintain records of dates and duration when the combustion device was not operational for Permits CT-4309, CT-7938 and MD-7828 and that QEP Resources failed to monitor and record lean glycol circulation rate at minimum one time every thirty (30) days for Permits CT-3820, CT-4386, CT-2731, CT-2729, and CT-2976.

10. Without admitting liability, QEP Resources agrees to resolve the alleged violations described above and more fully set forth in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii) by settlement valued at thirty five thousand dollars (\$35,000.00), payable as follows:

a. QEP Resources agrees to pay the DEQ/AQD seventeen thousand five hundred dollars (\$17,500.00) as a stipulated civil penalty. QEP Resources shall make full payment of the stipulated civil penalty by check made payable to the "DEQ/AQD" within thirty (30) days after the DEQ/AQD notifies QEP Resources that the final signature has been affixed to this Agreement. QEP Resources shall mail its payment to: Affie Ellis, Assistant Attorney General, 123 Capitol Building, Cheyenne, Wyoming 82001.

b. QEP Resources also agrees to pay seventeen thousand five hundred dollars (\$17,500.00) to the University of Wyoming ("UW") to fund supplemental environmental projects ("SEP"). The SEP payment shall be made within (30) days after the DEQ/AQD notifies QEP Resources that the final signature has been affixed to this Agreement. QEP Resources shall mail its payment to: Shannyn Adkins, UW Sponsored Programs, Department 3355, 107 Old Main, 1000 East University Avenue, Laramie, Wyoming 82071. On this check, QEP Resources agrees to indicate that this is for "Account Number WYDEQ6867."

11. QEP Resources, 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.

12. Full compliance with this signed Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against QEP Resources based on NOV Docket Number 4686-10 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against QEP Resources for these violations as set forth in the NOV.

13. In the event that QEP Resources fails to fulfill its obligations under this Agreement, QEP Resources waives any statute of limitation claims which may apply in an enforcement action by the DEQ/AQD involving the specific matters as set forth in NOV Docket Number 4686-10.

14. The agreement shall be admissible for either QEP Resources or the DEQ/AQD (hereinafter QEP Resources 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 QEP Resources of liability or fault.

15. Neither party 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 at any time prior to 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 Party.

16. 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.

17. 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.

18. This Agreement, consisting of five (5) pages, represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

19. 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 laws.

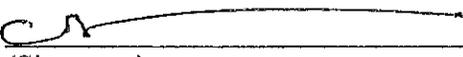
20. The Parties do not intend to create in any other individual or entity the status of third-party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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 enforcement of this Agreement, to seek any remedy arising out of the Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for breach of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

21. 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.

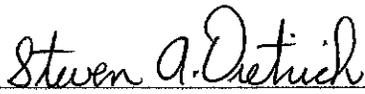
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set forth below, and certify that they have read, understood, and agreed to the terms and conditions of the Agreement:

QEP RESOURCES, INC.:

By:  Date: 4-19-11
(Signature)
C.B. Stanley
(Printed Name) President & C.E.O.

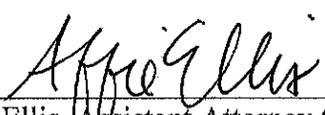
(Title)

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  Date: 5-6-11
Steven A. Dietrich, AQD Administrator

By:  Date: 5/6/11
John Corra, DEQ Director

APPROVAL AS TO FORM:

By:  Date: 3-28-2011
Affie Ellis, Assistant Attorney General
Attorney for DEQ/AQD