

**BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

**IN THE MATTER OF THE NOTICE OF VIOLATION)
ISSUED TO CONTINENTAL RESOURCES INC,) No. 4650-10
PO BOX 1032)
ENID, OKLAHOMA, 73702)**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler building, 122 West 25th Street, Cheyenne, WY 82002, and Continental Resources, Inc. ("Continental"), P.O. Box 1032, Enid, Oklahoma 73702 enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ/AQD Notice of Violation Docket No. 4650-10 ("NOV"). The NOV alleges that Continental failed to adequately flare overhead gas emissions from its CCEU E, CCEU W, Caldwell and Tolman Production Batteries ("Facilities") located in Washakie County, Wyoming, in violation of air quality permit CT-1502 and the Environmental Quality Act ("Act").

WYO. STAT. ANN. § 35-11-901(a)(ii) authorizes stipulated settlements, including payment of a penalty, in lieu of litigation. To that end, Continental and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act and Wyoming Air Quality Rules and Regulations ("WAQRR").

2. 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 [the Act] which are not inconsistent with the existing rules, regulations and standards."

3. Chapter 6, Section 2 of the WAQRR prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.

4. On March 18, 1999, the DEQ/AQD issued Continental permit CT-1502. Condition 4 to permit CT-1502 required that overhead gas from heater-treaters at production batteries listed in Table 1 to permit CT-1502 be routed to a flare to control VOC emissions and to ensure emissions of H₂S do not exceed ambient standards as described in WAQSR Section 7. Condition 5 to permit CT-1502 required that the flare be operated during all periods of operation at the Facilities.

5. On October 16, 2009, a DEQ/AQD investigator inspected the CCEU E, CCEU W, Caldwell and Tolman Facilities and noted that overhead gas from the heater-treaters was routed to the water and oil tanks which then vented to the atmosphere. The DEQ/AQD investigator also noted that no flare was located at the CCEU E, CCEU W and Tolman Production Batteries. During the inspection, the DEQ/AQD investigator did discover a small flare at the Caldwell Battery, but it did not have an igniter and did not appear functional.

6. By letter dated November 18, 2009, DEQ/AQD supplied Continental a copy of the DEQ/AQD investigator's Fiscal Year 2010 Air Quality Inspection Reports ("Inspection Reports") and requested that Continental supply DEQ/AQD emission estimates pertaining to Condition 4 of permit CT-1502 for the venting of overhead gas from heater-treaters and to provide a current estimate of related VOC emissions from any such venting.

7. On February 25, 2010, DEQ/AQD issued to Continental the NOV referenced herein which alleges that Continental failed to adequately flare overhead gas emissions from its CCEU E, CCEU W, Caldwell and Tolman Facilities in violation of Conditions 4 and 5 of air quality permit CT-1502 and the Act.

8. In response to the request for emissions information contained in the November 18, 2009 transmittal of the Inspection Reports, in February, 2010, Continental supplied DEQ/AQD a report titled "Emission Evaluation Report, Cottonwood Creek, Cottonwood Creek Extension, North Rattle Snake, South Rattle Snake and Slick Creek Fields Washakie, County Wyoming," February 2010, prepared by Kane Environmental ("February Report").

9. On or about March 19, 2010, Continental supplied DEQ/AQD a response to the NOV RE: Notice of Violation Docket No. 4650-10, to include an attachment titled "Emission Evaluation Report, Cottonwood Creek Extension East, Cottonwood Creek Extension West, Caldwell 1-7 Tank Battery, Tolman Tank Battery, Washakie County, Wyoming," March 2010, prepared by Kane Environmental Engineering, Inc.

10. In May 2010, Continental filed a permit application to amend and supersede permit CT-1502. Based on the review of the submitted application and information, DEQ/AQD issued permit MD-10775 to Continental for the CCEU E, CCEU W facilities, which includes a requirement that the produced gas from the CCEUX 29-1 well head be routed to a combustion device to control VOCs and HAPs emissions.

11. Failure to flare overhead gas from heater-treaters at CCEU E, CCEU W, Caldwell and Tolman Facilities and failure to maintain and operate flares during all periods of active operation are violations of permit CT-1502, while a failure to control emissions being vented from the CCEUX 29-1 well constitutes a violation of Chapter 6, Section 2 of the WAQRR.

12. The DEQ/AQD and Continental agree that in order to resolve the alleged violations within NOV Docket No. 4650-10, which include a failure to control emissions vented from the CCEUX 29-1 well, in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii) Continental will pay the DEQ/AQD thirty-two thousand five hundred dollars and no cents (\$32,500.00) as a stipulated settlement amount. Continental shall make full payment of the settlement amount by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Continental has been notified by DEQ/AQD that the final signature has been affixed to the Agreement. Continental shall mail the payment to Luke J. Esch, Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

13. Continental, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of fault or noncompliance whatsoever, nor does it serve to waive any right, course of action, or defense otherwise available to Continental.

14. Full compliance with the signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Continental alleged in NOV Docket No. 4650-10, and solely in reliance on the Agreement, the DEQ/AQD will refrain from taking further enforcement action against Continental for the particular violations set forth in the NOV.

15. Continental 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 Continental fails to fulfill its obligations under this Agreement.

16. This Agreement shall be admissible by either Continental or the DEQ/AQD (hereinafter Continental and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party in any action between these Parties relating to the violations alleged in the NOV and herein.

17. Neither Party hereto shall have any claim against the other for attorney's fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of the 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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 the 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 the Parties that are a signatory to this Agreement shall have 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.

23. 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:

CONTINENTAL RESOURCES INC.:

By: Bradley A. Arman *SVP - Operations* 7/8/11
Prod Mgr. 7/8/11
7/8/11 Date
7/8/11
6/25/11

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich
Steven A. Dietrich
AQD Administrator

7-13-11
Date

By: John V. Corra
John V. Corra
DEQ Director

7/18/11
Date

APPROVAL AS TO FORM:

By: Luke J. Esch
Luke J. Esch
Assistant Attorney General
Attorney for DEQ/AQD

7/12/11
Date

By: Don Fischbach
Don Fischbach
Attorney for Continental Resources Inc.

7/28/11
Date