

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Devon Energy Production Company, L.P. (Devon), 20 N. Broadway, Oklahoma City, OK 73102, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 4942-11 and 4946-12 (NOVs). As more fully set forth below, the NOVs generally allege that Devon failed to comply with certain permit conditions for controlling vapor emissions from condensate tanks at the Wamsutter 3-36-20-94 PAD facility and the Red Lakes 6-6-18-94 PAD facility (Facilities) located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (WAQSR), and DEQ/AQD Permit Nos. CT-12201 and CT-7558.

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, Devon and DEQ/AQD hereby stipulate and agree as follows:

1. Devon is an Oklahoma Limited Partnership that owns and/or operates the Facilities.
2. DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including Permits CT-12201 and CT-7558.
3. Wyo. Stat. Ann. § 35-11-201 states, “[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the council.”
4. Wyo. Stat. Ann. § 35-11-801(a) states, “[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.”
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. NOV 4942-11. On or about September 9, 2011, DEQ/AQD issued Permit No. CT-12201 to Devon Energy Production Company, L.P. Condition No. 12 of Permit CT-12201 requires all condensate tank vapors to be routed to a combustion device. On November 22, 2011, a DEQ/AQD Engineer-Inspector observed vapors venting from an open thief hatch on a condensate tank at the Wamsutter Facility. DEQ/AQD alleges that

Devon's failure to route condensate tank vapors to a combustion device violated the Act, the WAQSR, and Permit No. CT-12201. Devon abated this alleged violation on November 23, 2011.

7. NOV 4946-12. On or about May 30, 2008, DEQ/AQD issued Permit No. CT-7558 to Devon Energy Production Company, L.P.

A. Condition Nos. 6 and 10 of Permit CT-7558 require all condensate tank vapors to be routed to a combustion device. On December 27, 2011, a DEQ/AQD Engineer-Inspector observed vapors venting from a thief hatch and Enardo valve on a condensate tank. DEQ/AQD alleges that Devon's failure to route condensate tank vapors to a combustion device violated the Act, the WAQSR, and Permit No. CT-7558. Devon abated this alleged violation on January 6, 2012.

B. Condition Nos. 8 and 9 of Permit CT-7558 requires, within sixty (60) days of permit issuance, the installation, operation, and monitoring of the combustion device pilot flame using a thermocouple and continuous recording device or equivalent device. On December 27, 2011, a DEQ/AQD Engineer-Inspector observed that no thermocouple or recording device had been installed at the Red Lakes Facility. Condition 9 also requires that Devon notify DEQ/AQD within fifteen (15) days after installation of the thermocouple and continuous recording device. DEQ/AQD's subsequent records review indicated that DEQ/AQD had not received any notification from Devon that the thermocouple and continuous recording device had been installed at the Red Lakes Facility. DEQ/AQD alleges that Devon's failure to timely install a thermocouple and continuous recording device, and failure to operate and monitor the combustion device pilot flame violated the Act, the WAQSR and Permit No. CT-7558. Devon abated this alleged violation on January 9, 2102.

8. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Devon agrees to resolve the alleged violations described above and set forth in the associated NOV's for the total amount of thirty seven thousand five hundred dollars and no cents (\$37,500.00) payable as follows:

A. Devon agrees to pay to DEQ/AQD twelve thousand five hundred dollars and no cents (\$12,500.00) as a stipulated civil penalty. Devon shall make full payment by check made payable to DEQ/AQD within thirty (30) days after Devon has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Devon shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In lieu of paying the remaining twenty-five thousand dollars and no cents (\$25,000.00), Devon agrees to complete the following Internal Audit 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. Devon's Internal Audit SEP will benefit the environment by quantifying and providing information to the DEQ/AQD regarding Volatile Organic Compounds (VOCs) and Hazardous Air Pollutant (HAP) emissions from Devon's facilities.

ii. Devon will conduct an internal audit of all of Devon's Wyoming production facilities. The purpose of the audit is for Devon to quantify the production rates for each of its facilities and then compare the production rates to the corresponding DEQ/AQD Permits to determine if production levels have decreased to levels below which controls are required. After Devon completes the Audit, Devon may submit permit modification applications or notifications to DEQ/AQD for removal of controls or other actions.

iii. Devon will complete and submit the Audit findings to DEQ/AQD by June 30, 2012.

iv. In the event that Devon does not complete the SEP or provide the Audit findings to DEQ/AQD by June 30, 2012, Devon agrees to pay DEQ/AQD the remaining balance of twenty five thousand dollars and no cents (\$25,000.00) by July 31, 2012.

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

9. Devon, by entering into this Agreement, neither admits nor denies the validity of any allegation contained in the NOV's, nor does Devon concede or admit to any liability or fault, and this Agreement constitutes no admission of fault or non-compliance.

10. Full compliance with this signed Agreement shall constitute full satisfaction and release for all claims by DEQ/AQD against Devon based on the alleged violations described above and set forth in the associated NOV's and, solely in reliance on

this Agreement, DEQ/AQD will refrain from taking further enforcement action against Devon for these particular alleged violations.

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

12. This Agreement shall be admissible by either Devon or DEQ/AQD (hereinafter Devon 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 specific NOV's herein; provided, however, that nothing herein constitutes an admission by Devon of liability or fault.

13. 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 liability arising from its own conduct. Neither Party agrees to insure, defend or indemnify the other.

14. 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.

15. 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.

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

17. 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.

18. 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.

19. Each Party represents that they are authorized to enter this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

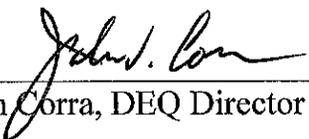
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement.

DEVON ENERGY PRODUCTION COMPANY, L.P.:

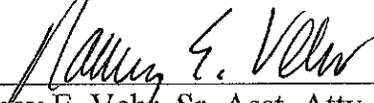
By:  2 March 2012
Phil Cook, Business Unit Vice President-Rockies Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  3-20-12
Steven A. Dietrich, AQD Administrator Date

By:  3/23/12
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 2/28/2012
Nancy E. Vehr, Sr. Asst. Atty. Gen. Date
Attorney for DEQ/AQD