

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Omimex Petroleum, Inc., 7950 John T White Road, Fort Worth, TX 76120 (Omimex) enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4973-12 (NOV). As more fully set forth below, the NOV alleges that Omimex, failed to route emissions from a glycol dehydration unit and condensate/storage tanks vapors to operating and functional combustion devices during well site operations at the Elm Federal No. 23-22-28-109 and Elm Federal 23-12 facilities (Facilities) located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (WAQSR), and various conditions of DEQ/AQD Permit Nos. CT-2547 and MD-6159.

Wyo. Stat. Ann. § 35-11-901(a)(ii)(West 2011) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Omimex and the DEQ/AQD hereby stipulate and agree as follows:

1. Omimex is a Delaware corporation that owns and/or operates the Facilities.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permits CT-2547 and MD-6159.
3. 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.”
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. On October 16, 2001, the DEQ/AQD issued Permit No. CT-2547 to Forest Oil Company for the Elm Federal No. 23-22-28-109 facility located in Sublette County, Wyoming. On or about December 1, 2008, Omimex acquired responsibility for this facility from Forest Oil Company. Condition No. 5 of Permit CT-2547 requires emissions from the glycol dehydration unit to be controlled with a B-TEX control system or equivalent control device with a manufacturer’s design control efficiency of at least 95%. Condition No. 7 of Permit CT-2547 requires Omimex to maintain and operate the B-TEX control system and associated combustion device during all periods of active well site operation.
6. On January 10, 2012, a DEQ/AQD Engineer/Inspector observed that the Elm Federal No. 23-22-28-109 facility’s glycol dehydration unit was not connected to the B-TEX control system or any other combustion device.
7. On October 23, 2007, the DEQ/AQD issued Permit No. MD-6159 to Forest Oil Company for the Elm Federal 23-12 facility located in Sublette County, Wyoming. On or about December 1, 2008, Omimex acquired responsibility for this facility from Forest Oil Company.

Settlement Agreement between DEQ/AQD and Omimex Petroleum, Inc.

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Condition No. 10 of Permit MD-6159 requires Volatile Organic Compound (VOC) and Hazardous Air Pollutant (HAP) emission control systems or devices to be maintained and operated to control emissions during any time the wells are producing.

8. On January 10, 2012, a DEQ/AQD Engineer/Inspector inspected the Elm Federal 23-12 facility and observed that the well site was operational and that the vapors appeared to be appropriately routed to the combustor but were venting through the combustor to atmosphere. The Inspector also observed that there was no flame visible through the combustor's site glass and the combustor was cold to touch. The Inspector concluded that the combustor was not functional.

9. On March 15, 2012, the DEQ/AQD issued the NOV to Omimex, alleging that venting vapors to atmosphere instead of routing vapors to the combustion device at the Elm Federal 23-22-28-109 facility and failing to operate the combustion device during all periods of well site operation at the Elm Federal 23-12 facility violated the Act, the WAQSR and Condition Nos. 5 and 7 of Permit CT-2547 and Condition No. 10 of Permit MD-6159.

10. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Omimex agrees to resolve the alleged violations described above and also set forth in the NOV as follows:

A. Omimex agrees to pay the DEQ/AQD a total amount of eighteen thousand five hundred dollars and no cents (\$18,500.00) as a stipulated civil penalty. Omimex shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Omimex has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Omimex shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. Omimex further agrees to submit permit modifications for all the Omimex facilities located in Sublette County, Wyoming to accurately reflect the equipment and processes at the following four facilities: 1) Elm Federal 23-13 PD; 2) Elm Federal 23-12; 3) Elm Federal 23-14 & TOT Unit #9 Dual Well Facility; and 4) Elm Federal 23-22. In particular, Omimex agrees to submit permit modification applications for facilities at which it proposes to remove or blind dehydration units. Omimex shall provide documentation of the completed modification, date completed, and name of the modified facility to Ms. Karen J. Godman, AQD Compliance Program Principal, 122 West 25th Street, Herschler Building 2-E, Cheyenne, WY 82002.

11. Omimex, 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 Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against Omimex based on the NOV and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Omimex for these particular alleged violations.

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

14. This Agreement shall be admissible by either Omimex or the DEQ/AQD (hereinafter Omimex 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 Omimex of liability or fault.

15. 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.

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 four (4) 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 law.

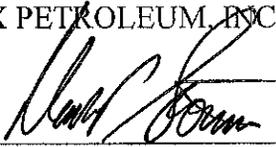
20. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement. 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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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 out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement.

OMIMEX PETROLEUM, INC.:

By: 
Clark P. Storms, Vice President, Land & Legal

Date: June 7, 2012

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

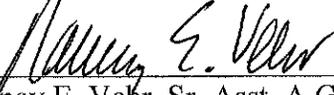
By: 
Steven A. Dietrich, AQD Administrator

Date: 6-27-12

By: 
John Corra, DEQ Director

Date: 6/28/12

APPROVAL AS TO FORM:


Nancy E. Vehr, Sr. Asst. A.G.
Attorney for DEQ/AQD

Date: 6/4/2012