SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Fidelity Exploration & Production Company, 1700 Lincoln Street, Suite 2800, Denver, CO 80203-4535 (Fidelity) enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violation cited in DEQ Notice of Violation Docket No. 4995-12 (NOV). As more fully set forth below, the NOV alleges that Fidelity failed to route condensate tank vapors to the combustion device at the Latham Draw Federal 41-26 production facility (Facility) located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (WAQSR), and condition no. 9 of DEQ/AQD Permit No. CT-8988.

Wyo. Stat. Ann. § 35-11-901(a)(ii)(West 2007) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Fidelity and the DEQ/AQD hereby stipulate and agree as follows:

1. Fidelity is a Delaware corporation that owns and/or operates the Facility.

2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permit CT-8988.

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 May 15, 2009, the DEQ/AQD issued Permit No. CT-8988 to Encana for the Facility. On June 4, 2012, Encana transferred Permit No. CT-8988 to Fidelity. Condition No. 9 of Permit No. CT-8988 requires vapors to be controlled by being routed to a control/combustion device.

6. On April 26, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from a fully open Enardo valve on the condensate tank at the Facility.

7. On May 8, 2012, the DEQ/AQD issued the NOV to Fidelity, alleging that a failure to route vapors from the condensate tank Enardo valve to the combustion device violated the Act, the WAQSR, and Condition No. 9 of Permit CT-8988.

8. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Fidelity agrees to resolve the alleged violation described above and also set forth in the NOV for a total amount of seven thousand five hundred dollars and no cents ($7,500.00) payable as a stipulated civil penalty. Fidelity shall make full payment by check made payable to

the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Fidelity has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Fidelity shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. Fidelity, 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.

10. Full compliance with this Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against Fidelity based on the NOV and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Fidelity for this particular alleged violation.

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

12. This Agreement shall be admissible by either Fidelity or the DEQ/AQD (hereinafter Fidelity 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 Fidelity 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 any 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 three (3) pages represents the entire and integrated agreement between the Parties and supersedes 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. 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.

19. 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.

FIDELITY EXPLORATION & PRODUCTION COMPANY:

By: _____ Date: 7/20/12
Bruce A. Bowman, Vice President - Operations

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By: Steven A. Dietrich Date: 7-30-12
Steven A. Dietrich, AQD Administrator

By: _____ Date: 7/31/12
John Corra, DEQ Director

APPROVAL AS TO FORM:

_____ Date: July 16, 2012
Nancy E. Vehr, Sr. Asst. A.G.
Attorney for DEQ/AQD