

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Keba Energy LLC (Keba), Suite 3100 Allen Center, 500 Dallas Street, Houston, TX 77002, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 5069-12 (Notice of Violation). As more fully set forth below, the Notice of Violation generally alleges that Keba vented vapors and failed to route vapors to the emission control device at the Strike 9-18E 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. 5 of Permit CT-4354.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2012) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Keba and the DEQ/AQD hereby stipulate and agree as follows:

1. Keba is a Delaware limited liability company that owns and/or operates the Facility.

2. The DEQ/AQD is the executive branch agency of Wyoming government that is responsible for enforcing the Act, the WAQSR, and permits issued thereunder, including Permit CT-4354.

3. Wyo. Stat. Ann. § 35-11-201 states: “No 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: “In 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. On July 31, 2006, the DEQ/AQD issued Permit CT-4354 to EOG Resources for the Facility. On August 11, 2008, ownership and responsibility for the Facility was transferred to Warrior Energy Holdings, Inc. On October 19, 2009, ownership and responsibility for the Facility was transferred to Keba. Condition No. 5 of

Permit CT-4354 requires condensate storage tank vapors to be routed to a combustion device to reduce the mass content of volatile organic compounds in the tank vapors by at least ninety-eight percent (98%) by weight.

7. On October 11, 2012, the DEQ/AQD issued the Notice of Violation to Keba alleging that on July 18, 2012, a DEQ/AQD Engineer/Inspector observed vapors venting from a leaking thief hatch at the Facility. The DEQ/AQD further alleged that Keba's failure to route vapors to the combustion device violated the Act, the WAQSR and Condition No. 5 of Permit CT-4354.

8. In lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), the DEQ/AQD and Keba agree that Keba shall pay the DEQ/AQD seven thousand dollars and no cents (\$7,000.00) as a stipulated penalty to resolve the Notice of Violation. Keba shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Keba has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Keba shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. Keba, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of liability, fault, or noncompliance.

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Keba based on the Notice of Violation and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Keba for these particular alleged violations.

11. In the event that Keba fails to fulfill its obligations under this Agreement, Keba waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters alleged in the Notice of Violation.

12. This Agreement shall be admissible by either Keba or the DEQ/AQD (hereinafter Keba and the 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 herein; provided, however, that nothing herein constitutes an admission by Keba of liability, fault or noncompliance.

13. Neither Party shall have any claim against the other for attorney fees or other costs incurred with the resolution of these allegations, 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 four (4) 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, 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 and their successors 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

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

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.

KEBA ENERGY LLC:

By:  12/12/12
Paul Beck, President Date

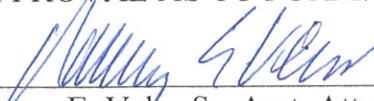
By:  12/13/12
Brian B. Hughes, Vice-President Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

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

By:  12/21/12
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 12/5/2012
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD