

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and QEP Energy Company (QEP), 1050 17th Street, Suite 500, Denver, CO 80265, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notices of Violation Docket Nos. 5083-12 issued to Wexpro Company, a Utah corporation and 5084-12 issued to QEP. As more fully set forth below, the Notices of Violation allege that Wexpro Company and QEP violated permit requirements by venting vapors and failing to route the vapors to the emission control devices at Wexpro Company's Stewart Point 14-20 production site facility and QEP's Stewart Point 4-21 PAD facility (Facilities) located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), and certain conditions of Air Quality Permit Nos. MD-10178 and MD-12340.

Wyom. 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, QEP and the DEQ/AQD hereby stipulate and agree as follows:

1. QEP is a Texas corporation that owns and operates the Stewart Point 4-21 PAD facility and also operates Wexpro Company's Stewart Point 14-20 production site facility.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Act and the Air Quality Rules.
3. Wyom. 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 Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.
5. On July 12, 2010, the DEQ/AQD issued Permit No. MD-10178 to Wexpro Company for the Stewart Point 14-20 production site. Condition No. 12 of Permit No. MD-10178 requires non-condensable reboiler still vent vapors to be routed to a combustion device. Condition No. 13 requires the motive gas discharge line on each pneumatic heat trace pump to be "routed into a closed system or emission control system[.]" On May 31, 2012, a DEQ/AQD Inspector observed vapors venting from the valve at the bottom of the combustion device at the facility. On November 8, 2012, the

DEQ/AQD issued Notice of Violation Docket No. 5083-12 to Wexpro Company alleging that by venting vapors at the facility, Wexpro Company violated the Act, the Air Quality Rules, and Condition Nos. 12 and 13 of Permit No. MD-10178.

6. On November 15, 2011, the DEQ/AQD issued Permit No. MD-12340 to QEP for the Stewart Point 4-21 PAD facility. Condition No. 13 of Permit No. MD-12340 requires dehydration unit's noncondensable reboiler still vent vapors to be routed to a combustion device. On July 19, 2012, a DEQ/AQD Inspector observed vapors venting from the dehydration unit at the facility. On November 8, 2012, the DEQ/AQD issued Notice of Violation Docket No. 5084-12 to QEP alleging that by venting vapors from the dehydration unit at the facility, QEP violated the Act, the Air Quality Rules, and Condition No. 13 of Permit No. MD-12340.

7. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), QEP agrees to resolve the violations alleged above and also set forth in Notices of Violation Docket Nos. 5083-12 and 5084-12 as follows:

A. Stipulated Civil Penalty Payment. QEP agrees to pay seven thousand dollars and no cents (\$7,000.00) to the DEQ/AQD as a stipulated civil penalty. QEP shall make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after QEP has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. QEP shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. Supplemental Environmental Project. In addition to paying the stipulated civil penalty, QEP agrees to complete the following supplemental environmental project.

i. A supplemental environmental project is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders. QEP's supplemental environmental project (Project) will benefit the environment by reducing uncontrolled volatile organic compound (VOC) emissions by approximately 10.1 tons per year (TPY).

ii. QEP owns and operates the Mesa 5-22 PAD facility located in Sublette County. By June 15, 2013, QEP will install and operate the combustor for the dehydration unit. By July 15, 2013, QEP will submit an application requesting DEQ/AQD modify Permit CT-3748 to incorporate this combustor and applicable conditions.

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

noncompliance with any allegations, findings, determinations or conclusions contained in this Agreement or in the Notices of Violation.

9. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against QEP based on Notices of Violation Docket Nos. 5083-12 and 5084-12, and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against QEP for the violations set forth in these Notices of Violation. By this Settlement Agreement, the Parties intend to resolve all allegations that were asserted in these Notices of Violation.

10. In the event that QEP fails to fulfill its obligations under this Agreement, QEP waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in these Notices of Violation.

11. This Agreement shall be admissible by either QEP or the DEQ/AQD (hereinafter QEP 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 violations alleged herein.

12. 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.

13. Any changes, modifications, revisions or amendments to this Agreement shall be mutually agreed upon by the Parties and shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

14. 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.

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

16. 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.

17. 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.

18. 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:

QEP ENERGY COMPANY:

By: C.B. Stanley 6/10/13
C.B. Stanley, Chairman, President and CEO Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: Steven A. Dietrich 6-14-13
Steven A. Dietrich, AQD Administrator Date

By: Todd Parfitt 6/17/13
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

Nancy E. Vehr 5/24/13
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD