

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, WY 82002, and SWEPI LP (Shell), 4582 S. Ulster Street Parkway, Suite 1400, Denver, CO 80237, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 5137-13 (Notice of Violation). As more fully set forth below, the Notice of Violation alleges that SWEPI failed to route vapors from the condensate tank and the dehydration unit to the combustion devices at its Mesa 28 PAD facility (Facility) located in Sublette County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), and Conditions 13, 14, and 17 of Permit MD-10848.

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

1. Shell is a Delaware limited partnership that owns and/or operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the Air Quality Rules, and Permit MD-10848.
3. Wyo. Stat. Ann. § 35-11-801(a) provides: “[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. Chapter 6, Section 2(f) of the Air Quality Rules provides that the DEQ/AQD, “may impose any reasonable conditions upon an approval to construct, modify or operate[.]”
6. On August 23, 2010, the DEQ/AQD issued Permit MD-10848 to Shell for the Facility. Permit Condition No. 13 required Shell to route vapors from the condensate tanks to a combustion device. Permit Condition No. 14 required Shell to route dehydration unit non-condensable reboiler still vent vapors to a combustion device.

Permit Condition No. 17 required Shell to operate emission control equipment, including the combustion device, during any time the wells are producing.

7. On January 4, 2013, a DEQ/AQD Engineer/Inspector observed the dehydration unit was routed to a drip pot and also observed vapors venting from a thief hatch at the Facility.

8. On March 12, 2013, the DEQ/AQD issued the Notice of Violation to Shell alleging that Shell failed to route vapors to the combustion devices at the Facility.

9. Without admitting liability, and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Shell agrees to resolve the violations alleged above and also set forth in the Notice of Violation for a total amount of twelve thousand five hundred dollars and no cents (\$12,500.00) payable as follows:

A. Shell agrees to pay to the DEQ/AQD six thousand two hundred fifty dollars and no cents (\$6,250.00) as a stipulated civil penalty. Shell shall make full payment of this amount by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Shell has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Shell shall mail the payment to Jeremiah Williamson, Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In lieu of paying the remaining balance of six thousand two hundred fifty dollars and no cents (\$6,250.00) (Remaining Balance), Shell agrees to complete the following Pneumatic Controller Change Out 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.

ii. For this SEP, Shell agrees to change out 38 high-bleed pressure pneumatic controllers to low bleed at 24 PAD sites located in Sublette County as reflected in Attachment A to this Agreement. Shell estimates that completion of this SEP will result in a total emission reduction of approximately 34 tons per year (TPY) of volatile organic compounds (VOCs).

iii. Shell agrees to complete this SEP by December 31, 2013. Within thirty (30) days after Shell has completed this SEP, Shell agrees to submit a SEP Completion Report to the DEQ/AQD, Attn: Ms. Karen

Godman, 122 West 25th Street, Cheyenne, WY 82002. The SEP Completion Report shall describe the completed SEP and include itemized costs and certification that the SEP has been fully implemented pursuant to the provisions of this Agreement.

iv. Shell estimates that the costs of parts and labor to complete this SEP will be approximately sixty-four thousand dollars and no cents (\$64,000.00). In the event that Shell does not spend at least six thousand two hundred fifty dollars and no cents (\$6,250.00) to complete this SEP, Shell agrees to pay the DEQ/AQD the Remaining Balance by January 31, 2014.

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

10. Shell, 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.

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

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

13. This Agreement shall be admissible by either Shell or the DEQ/AQD (hereinafter Shell 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 this Notice of Violation; provided, however, that nothing herein constitutes an admission by Shell of liability or fault.

14. 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.

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

16. 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.

17. This Agreement, consisting of five (5) pages, and Attachment A, consisting of one (1) page, represent the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

18. 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.

19. 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.

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20. 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:

SWEPI LP:

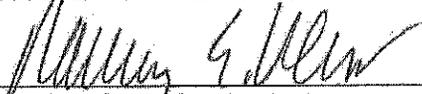
By:  7/10/2013  
Name: Greg Larsen Date  
Title: Operations Manager - Rockies.

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By:  7-16-13  
Steven A. Dietrich, AQD Administrator Date

By:  7/16/13  
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 6/14/13  
Nancy E. Vehr, Sr. Asst. Attorney General Date  
Attorney for DEQ/AQD