

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and SWEPI LP (SWEPI), 150 N. Dairy Ashford, Building C, Houston, Texas, 77079, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in Notices of Violation Docket Numbers 5444-14 and 5447-14. The Notices of Violation alleged that SWEPI violated the Wyoming Air Quality Standards and Regulations (Air Quality Rules) and Permits MD-11563 and MD-14144 by failing to properly control vapors at the North Pinedale 14-8 PAD facility and Mesa 35A PAD facility, each located in Sublette County, Wyoming.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, SWEPI and the DEQ/AQD hereby agree as follows:

1. SWEPI is a Delaware limited partnership authorized to do business in Wyoming. SWEPI is the owner and operator of the North Pinedale 14-8 PAD facility and Mesa 35A PAD facility, each located in Sublette County, Wyoming.

2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.

3. Wyo. Stat. Ann. § 35-11-201 provides, “[n]o 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 [environmental quality] council.”

4. Chapter 6, Section 2 of the Wyoming Air Quality Standards and Regulations prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.

5. Wyo. Stat. Ann. § 35-11-801 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.”

6. On April 26, 2011, DEQ/AQD issued Permit MD-11563 to SWEPI for the North Pinedale 14-8 PAD facility. Condition 17 of the permit states:

“Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers and all vent lines, connections, fittings, valves, relief valves, hatches or any other

appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times...”

7. On May 8, 2014, DEQ/AQD Inspector Jamie Brewer observed vapors venting from a line connected to the liquid level controllers in CDP#2, in apparent violation of Permit MD-11563.

8. On July 30, 2014, DEQ/AQD issued Notice of Violation 5444-14 to SWEPI. The Notice of Violation alleged that SWEPI had violated Permit MD-11563 by improperly controlling vapors at the North Pinedale 14-8 PAD facility.

9. On March 5, 2013, DEQ/AQD issued Permit MD-14144 to SWEPI for the Mesa 35A PAD facility. Condition 16 of the permit states:

“Emission control equipment, including the VOC and HAP emission control systems or devices, reboiler overheads condensers and all vent lines, connections, fittings, valves, relief valves, hatches or any other appurtenance employed to contain and collect vapors and transport them to the emission control system or device, shall be maintained and operated during any time the wells are producing such that the emissions are controlled at all times...”

10. On June 26, 2014, DEQ/AQD Inspector Jamie Brewer observed vapors venting from a plug on the east side of the CDP and from the fittings as the tubing exits the CDP on the west side, in apparent violation of Permit MD-14144.

11. On August 7, 2014, DEQ/AQD issued Notice of Violation 5447-14 to SWEPI. The Notice of Violation alleged that SWEPI had violated Permit MD-14144 by improperly controlling vapors at the Mesa 35A PAD facility.

12. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), SWEPI agrees to pay to the DEQ/AQD the amount of five thousand dollars (\$5,000) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation. SWEPI agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after SWEPI has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. SWEPI agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

13. SWEPI, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance. Except as specifically provided for herein,

nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that SWEPI may have against any entity.

14. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against SWEPI arising from the allegations contained within the Notices of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against SWEPI for these particular alleged violations. By this Agreement, the Parties intend to resolve with prejudice all allegations that are contained within the Notices of Violation and this Agreement.

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

16. This Agreement shall be admissible by either SWEPI or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and SWEPI relating to the violations alleged herein.

17. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor SWEPI shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

18. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

19. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. 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.

20. 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.

21. 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.

22. 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 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.

23. In the event that SWEPI transfers, sells, or assigns any or all of its proprietary interest in either the North Pinedale 14-8 PAD facility or the Mesa 35A PAD facility, each located in Sublette County, Wyoming, DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

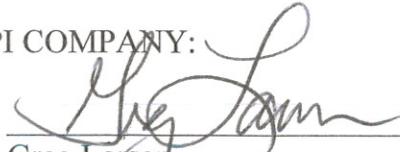
24. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed. Shell Exploration and Production Company hereby represents and warrants that it is authorized to bind SWEPI to this Agreement and, in the alternative, that it assumes all liability created by this Agreement and the related Notice of Violation.

[INTENTIONALLY LEFT BLANK]

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 COMPANY:

By:

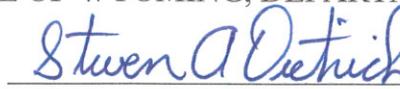


Greg Larsen
Operations Manager - Pinedale
Shell Exploration & Production Company

Sept. 12, 2014
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:



Steven A. Dietrich, AQD Administrator

9-24-14
Date

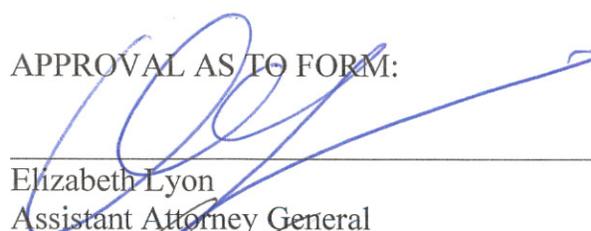
By:



Todd Parfitt, DEQ Director

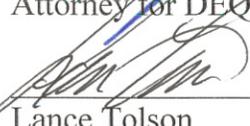
9/24/14
Date

APPROVAL AS TO FORM:



Elizabeth Lyon
Assistant Attorney General
Attorney for DEQ/AQD

9/24/14
Date



Lance Tolson
Senior Legal Counsel
Shell Oil Company

9/17/14
Date