

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Encana Oil & Gas (USA) Inc. (Encana), 370 Seventeenth Street, Suite 1700, Denver, CO 80202, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 5005-12 (Notice of Violation). As more fully set forth below, the Notice of Violation alleges that Encana failed to install, operate or maintain a vapor recovery unit or combustion device at the Frenchie Draw Central Compressor Station facility (Facility) located in Fremont County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules), and conditions 13 and 16 of DEQ/AQD Permit No. MD-10894.

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, Encana and the DEQ/AQD hereby stipulate and agree as follows:

1. Encana is a Delaware corporation that owns and/or operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the Air Quality Rules and permits issued thereunder, including permit MD-10894.
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 Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
5. On or about February 23, 2011, the DEQ/AQD issued Permit No. MD-10894 to Encana for the Facility.
6. Condition No. 13 of Permit MD-10894 requires: “all vapors associated with the reboiler still vents and flash tanks shall be captured by the [vapor recovery unit] VRU and routed to a sales line. During times when the VRU is not operational, reboiler still vent and flash tank vapors shall be routed to a backup combustion device (F3) for thermal destruction.”
7. Condition No. 16 of Permit MD-10894 requires Encana to: “maintain and operate the combustion devices (F1-F3) during all periods of active operation such that they remain effective as viable emissions control devices[.]”
8. On May 17, 2012, Encana submitted an Environmental Audit, Disclosure and Correction of Non-Compliance Condition for the Facility to the DEQ/AQD via email, indicating that it had not installed the vapor recovery unit or combustion device at the Facility.
9. On June 4, 2012, the DEQ/AQD issued the Notice of Violation to Encana, alleging that Encana’s failure to install, maintain, and operate the vapor recovery unit and

combustion device at the Facility violated the Act, the Air Quality Rules, and conditions 13 and 16 of Permit No. MD-10894.

10. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Encana agrees to resolve the alleged violations described above and also set forth in the Notice of Violation as follows:

A. Encana agrees to pay the DEQ/AQD, five thousand eight hundred eighty nine dollars and no cents (\$5,889.00) as a stipulated civil penalty. Encana shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Encana has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Encana shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. Encana also agrees to control the Amine Unit at the Facility as follows:

i. Within ninety (90) days after the final signature has been affixed to this Agreement, Encana will submit a complete application to modify Permit MD-10894 to reflect the installation and change in process for control of the Amine Unit (Amine Unit Control) by one of three ways: 1) a Regenerative Thermal Oxidizer; 2) a Catalytic Thermal Oxidizer; or 3) routing the Amine Unit to a flare/combustor.

ii. Encana agrees to complete the design, fabrication, and installation of the Amine Unit Control within one hundred twenty (120) days after the DEQ/AQD takes final action on Encana's modification application.

iii. Within thirty (30) days after Encana has installed the Amine Unit Control, Encana shall notify the DEQ/AQD, Attn: Mr. Robert Gill, 122 West 25th Street, Cheyenne, WY 82002.

11. Encana, by entering into this Agreement, neither admits nor denies the validity of any allegation contained in the Notice of Violation, nor does Encana concede or admit to any liability or fault, and this Agreement constitutes no admission of fault or non-compliance.

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

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

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

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

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21. 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.

ENCANA OIL & GAS (USA) INC.:

By: 
Russell des Cognets, Team Lead, Wind/Green River

SK

Date: 2/4/2013

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

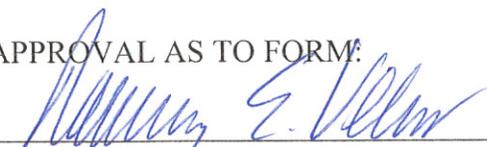
By: 
Steven A. Dietrich, AQD Administrator

Date: 3-5-13

By: 
Todd Parfitt, DEQ Director

Date: 3/5/13

APPROVAL AS TO FORM:


Nancy E. Vehr, Sr. Asst. A.G.
Attorney for DEQ/AQD

Date: January 29, 2013