

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality ("DEQ"), Water Quality Division ("WQD"), Anadarko Petroleum Corporation ("Anadarko") and Howell Petroleum Corporation ("Howell"), a wholly owned subsidiary of Anadarko Petroleum Corporation, corporations authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in **Notice of Violation Docket ("NOV") Number 3999-07 dated January 31, 2007.**

W.S. §35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Anadarko, Howell, and the DEQ hereby stipulate and agree as follows:

1. The DEQ, pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act ("Act") including all provisions of the Wyoming Water Quality Rules and Regulations ("WWQRR").

2. Anadarko and Howell accept responsibility for the specific violations alleged in NOV Docket Number 3999-07. Since receiving the NOV Docket Number 3999-07, Anadarko and Howell have provided the DEQ with documentation demonstrating the steps taken to address the seventeen (17) unauthorized discharges (spills) in Natrona County, and one (1) unauthorized discharge (spill) in Johnson County covered by the NOV including the ongoing operational programs designed to prevent/minimize spills in the future.

3. In addition to the eighteen (18) unauthorized discharges noted above, Anadarko and Howell desire to resolve two (2) additional unauthorized discharges which occurred on October 25 and November 2, 2006, respectively, in Natrona County, Wyoming. High water and air pressures in the water distribution poly lines caused the lines to fail. Internal corrosion of the line and human error resulted in the unauthorized discharge of produced water and oil to Castle Creek and the LACT 11 discharge, tributaries to Salt Creek.

4. Anadarko and Howell will continue to meet with the WQD to update staff of ongoing projects within the Salt Creek Field. Meetings will be conducted on a semi-annual basis in Cheyenne, Wyoming and at a mutually agreed upon date and time. Additionally, Anadarko and Howell will provide the WQD with a written schedule in a report containing milestone dates indicating when each phase of the Salt Creek Field upgrade is expected to be completed. Any adjustments to these dates will be provided to the WQD during the semi-annual meetings.

5. Anadarko and Howell agree to pay a penalty of twenty one thousand dollars and no cents (\$21,000.00) to the DEQ to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). Anadarko and Howell shall contribute an additional forty seven thousand four hundred dollars and no cents (\$47,400.00) to DEQ pre-approved Supplemental Environmental Projects (SEPs). This brings the total settlement for NOV Docket Number 3999-07 to sixty eight thousand four hundred dollars and no cents (\$68,400.00). Payment shall be according to the following plan: (#1) Anadarko shall pay a penalty of three thousand six hundred dollars and no cents (\$3,600.00) directly to the DEQ due to the unpermitted discharge of coal bed methane (CBM) produced water in Johnson County. (#2) Howell shall pay a penalty of seventeen thousand four hundred dollars and no cents (\$17,400.00) directly to the DEQ due to the spills in Natrona County. (#3) Howell shall donate seventeen thousand dollars and no cents (\$17,000.00) to the Wyoming Game & Fish Department ("WGFD") for the Dull Center Big Sagebrush Restoration Project SEP. (#4) Howell shall donate the remaining thirty thousand four hundred dollars and no cents (\$30,400.00) to the Lake DeSmet Conservation District ("LDCD") for the Sagebrush/Grassland Habitat Enhancement Program SEP. (#5) All payments are due and payable within thirty (30) days of the full execution of this Settlement Agreement or by April 30, 2007, which ever occurs first. Anadarko and Howell shall provide verification to the DEQ that the payments have been made to the WGFD and the LDCD. Payment to DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Brian K. Lovett, WYPDES Inspection & Compliance Supervisor, Department of Environmental Quality, Water Quality Division, Herschler Building 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.

**SETTLEMENT AGREEMENT BETWEEN DEQ/WQD, ANADARKO PETROLEUM CORPORATION
AND HOWELL PETROLEUM CORPORATION**

6. Except as provided in paragraphs 4 and 5 above, this signed Settlement Agreement and payment by Anadarko and Howell as specified above shall constitute full satisfaction for and resolution of all claims by the DEQ against Anadarko and Howell based on the violations alleged in NOV Docket Number 3999-07. Contingent upon Anadarko's and Howell's compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Anadarko and Howell for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 3999-07, and the two additional discharged identified in paragraph 3 above.

7. Anadarko and Howell waive any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 3999-07 in the event that Anadarko and/or Howell fails to fulfill their obligations under this Settlement Agreement.

8. Nothing in this agreement precludes DEQ from taking additional enforcement action, including the issuance of a NOV, Order, and/or pursuing additional penalties, should Anadarko or Howell violate the Act or applicable rules and regulations in the future.

9. By entering into this Settlement Agreement or by taking any action in accordance with its provisions, Howell and Anadarko do not admit any allegations, findings, determinations, or conclusions contained in this Agreement, nor is this a retraction by the DEQ of the specific allegations in NOV Docket Number 3999-07. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Howell or Anadarko may have against any entity.

10. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.

11. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Anadarko and Howell and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

12. Each party shall bear its own attorney fees and costs, if any incurred, through the date this Settlement Agreement is signed by both parties.

13. Anadarko and Howell agree to comply with and be bound by the terms of this agreement and further agree they will not contest the basis or validity of this Settlement Agreement in any action taken by DEQ to enforce the terms of this Settlement Agreement. Therefore this Settlement Agreement is binding upon Anadarko Petroleum Corporation, Howell Petroleum Corporation, their successors and assigns, and upon the DEQ.

14. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement. Full execution of this Settlement Agreement shall be determined by the latest date of all parties signing.

THIS SECTION INTENTIONALLY LEFT BLANK

FOR: Anadarko Petroleum Corporation

FOR: Howell Petroleum Corporation

Signed: 

Signed: 

Typed: Charles A. Meloy

Typed: Charles A. Meloy

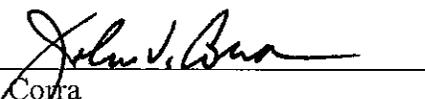
Title: Senior Vice President,
Worldwide Operations

Title: President

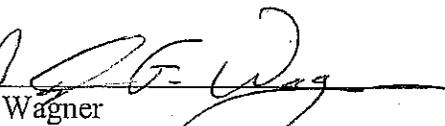
Date: 4/24/07

Date: 4/24/07

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:


John V. Coira
Director
Department of Environmental Quality

Date: 4/19/07


John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 4/19/07

JVC/JFW/KW/bb/7-0273.SA

- cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (signed copy by all parties)
- Donna Inman, 8ENF-UFO, EPA Region 8 (signed copy by all parties)
- Craig W. Toal, Casper DEQ Office
- Bill DiRienzo ► Brian K. Lovett ► Leah J. Krafft
- IPS (for scanning) ► Docket 3999-07
- Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)

Mr. Richard Waters
Senior Counsel
Anadarko Petroleum Corporation
1999 Broadway, Suite 3700
Denver, Colorado 80202

JAA
20 Apr 2007
JFW
20 April 07