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2/20/09

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Devon Energy Production Company (Devon), a company 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 (NOV) Docket Number 4190-07 dated January 3, 2008. Of these 6 noted violations, 4 were in Campbell County, 1 was in Sheridan County, and 1 was in Johnson County.

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, Devon 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. Devon operates numerous coal bed methane gas production facilities in Wyoming. Devon holds numerous Wyoming Pollution Discharge Elimination System (WYPDES) permits in Wyoming. The WYPDES permits were issued by the Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD).

3. Devon agrees to pay a settlement amount of twenty thousand dollars and no cents (\$20,000.00) as partial settlement to resolve the above-referenced NOV. Devon also agrees to participate in the Supplemental Environmental Projects (SEP) program where Devon will contribute eleven thousand six hundred dollars (\$11,600.00) to the Johnson County Weed and Pest District to be used in the West Nile Virus mosquito control program associated with coalbed methane produced water. Payment to the DEQ will be due and payable within thirty (30) days of the full execution of this Settlement Agreement. Payment shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Kevin M. Wells, Compliance & Enforcement Coordinator, Department of Environmental Quality, Water Quality Division, Herschler Building, 4<sup>th</sup> Floor-West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002. The check should reference NOV Docket Number 4190-07. Devon shall also submit proof that the transaction of the settlement amount agreed upon for the mosquito control program has been completed.

4. Devon shall work with the WQD in scheduling semi-annual meetings (every six months) to discuss WYPDES permit compliance issues and progress toward completion of the actions taken or scheduled to be taken to maintain compliance with WYPDES permit requirements. Said meetings will be held each semester until such time as either one or both parties to this Agreement deem them no longer necessary.

5. This signed Settlement Agreement and payment by Devon shall constitute full satisfaction for and resolution of all claims by the DEQ against Devon based on the violations alleged in NOV Docket Number 4190-07. Contingent upon Devon's full compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Devon for any violations which predate January 3, 2008. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4190-07.

6. Devon waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 4190-07 in the event that Devon fails to fulfill its obligations under this Settlement Agreement.

7. Nothing in this agreement precludes DEQ from taking additional enforcement action; including the Issuance of a NOV, Order, and/or pursuing additional penalties, should Devon violate the Act, applicable rules and regulations, or WYPDES permit requirements in the future.

8. This Settlement Agreement or any actions taken in accordance with its provisions, does not constitute an admission by Devon to 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 4190-07. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Devon may have against any entity.

9. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties to enforce its terms.

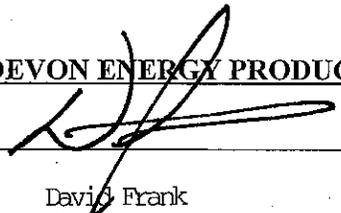
10. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Devon and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

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

12. Devon and the DEQ 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 Devon, its successors and assigns, and upon the DEQ.

13. 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.

For: DEVON ENERGY PRODUCTION COMPANY, LP

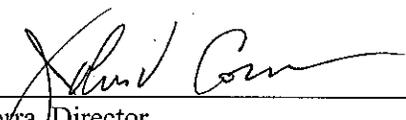
Signed:  \_\_\_\_\_

Typed: David Frank

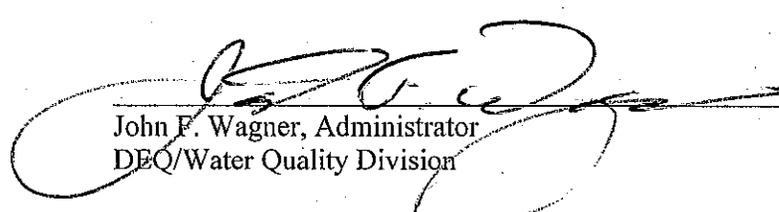
Title: Vice President Western Division - Land

Date: 2/3/2009

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

  
\_\_\_\_\_  
John V. Coyra, Director  
Department Environmental Quality

Date: 1/12/09

  
\_\_\_\_\_  
John F. Wagner, Administrator  
DEQ/Water Quality Division

Date: 1/6/09

JVC/JFW/KMW/rm/8-0906

cc: Lee Hanley, 8ENF-W-NP, EPA Region 8 (PDF)  
Bill J. DiRienzo - Brian K. Lovett - Leah J. Krafft (PDF)  
IPS (for scanning) - Docket 4190-07  
Keith Guille, DEQ Public Information Officer (PDF)

**BEFORE THE**  
**DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**STATE OF WYOMING**

**IN THE MATTER OF THE NOTICE OF  
VIOLATION ISSUED TO:**

**Mr. Randall Maxey  
Devon Energy Production Company, LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102-8260**

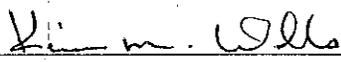
**DOCKET NUMBER 4190-07**

**NOTICE OF COMPLIANCE**

The Department of Environmental Quality (DEQ), Water Quality Division (WQD) issued Notice of Violation Docket Number 4190-07 on January 3, 2008, to Devon. The NOV alleged that Devon had recurring violations of WYPDES permit conditions that were in violation of the Wyoming Environmental Quality Act (Act) and applicable Wyoming Water Quality Rules and Regulations (WWQRR).

The Notice of Violation required Devon to pay a total amount of twenty thousand dollars and no cents (\$20,000.00) to the DEQ and eleven thousand six hundred dollars and no cents (\$11,600.00) to the Johnson County Weed and Pest District (JCWP) as a Supplemental Environmental Project (SEP) payment. Based on the receipt of the signed Settlement Agreement, penalty payment, and verification that the SEP payment was made to JCWP, received on February 20, 2009, Devon has complied with the conditions of the Settlement Agreement for Docket Number 4190-07 and the DEQ finds that all terms have been satisfied.

Dated this 20<sup>th</sup> day of February, 2009.

  
\_\_\_\_\_  
Kevin M. Wells  
WYPDES Compliance & Enforcement Coordinator  
Water Quality Division  
Wyoming DEQ

KMW/rm/9-0139

cc: Lee Hanley, 8ENF-W-NP, EPA Region 8 (PDF)  
James B. Eisenhauer, Sheridan DEQ Office (PDF)  
Bill J. DiRienzo (PDF)  
IPS (for scanning) ► Docket 4190-07  
Keith Guille, DEQ Public Information Officer (PDF)