UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF LOUISIANA

IN RE:	§	CHAPTER 11
	§	
EQUINOX OIL COMPANY, INC.	§	No. 99-12688
	§	
ALMA ENERGY CORPORATION	§	No. 99-13071
	§	
DEBTORS	§	(Jointly Administered)
	§	

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into by and between the United States of America ("United States"), on behalf of the Fish and Wildlife Service, acting on behalf of the United States Department of the Interior ("DOI"), the National Oceanic and Atmospheric Administration ("NOAA"), acting on behalf of the United States Department of Commerce, and the Coast Guard, acting on behalf of the Secretary of the Department of Transportation; the State of Louisiana ("State") through the Louisiana Oil Spill Coordinator's Office ("LOSCO"), the Louisiana Department of Environmental Quality ("LDEQ"), the Louisiana Department of Wildlife and Fisheries ("LDWF"), and the Louisiana Department of Natural Resources ("LDNR"); and Elysium Energy, L.L.C. ("Elysium"), a successor-in-interest to the Equinox Oil Company, Inc., and Alma Energy Corporation ("Debtors.")

BACKGROUND

A. On September 22, 1998, during a well blowout, oil (similar to a medium weight crude oil) was discharged into the waters of Lake Grande Ecaille, in Plaquemines Parish, Louisiana from a well owned by Alma Energy Corp. ("Alma") and operated by Equinox Oil Company, Inc. ("Equinox"). This discharge is hereinafter described as the Oil Spill. The exact volume of oil discharged is unknown, but estimates range up to 1,500 Barrels ("BBL"). Several thousand acres

of surface water in Lake Grande Ecaille and the Gulf of Mexico were covered by slicks or sheens from the incident, and approximately 1,233 acres of wetlands (predominantly *Spartina alterniflora* marsh) were exposed to oil. Hurricane Georges passed near the area on September 26, 1998, causing the removal efforts to be suspended for a period, but also removing some of the oil from the marshes and surface waters.

B. In order to protect the public health and welfare and the environment, the discharge of harmful amounts of oil is prohibited pursuant to Section 311 of the Clean Water Act ("CWA"), 33 U.S.C. § 1321. The President, through a delegation to EPA, Exec. Order No. 11735, 38 Fed. Reg. 21243 (Aug. 7, 1973), has determined by regulation that the quantities of oil that may be harmful to the public health or welfare or environment of the United States include discharges of oil that, inter alia, cause a film or sheen upon or discoloration of the surface of the water or adjoining shorelines or cause a sludge or emulsion to be deposited beneath the surface of the water or upon the adjoining shorelines. 40 C.F.R. § 110.3.

C. The United States Coast Guard directed and monitored removal activities that were intended to remove the oil from the affected areas. State and federal agencies also participated in the removal activities and incurred costs.

D. The removal of the oil and the costs incurred by Equinox to remove the oil did not provide compensation for the natural resources or the natural resources services injured or lost as a result of the Oil Spill.

E. NOAA, DOI, LOSCO, LDEQ, LDNR, and LDWF, have been designated, pursuant to Section 1006(b) of the Oil Pollution Act of 1990 ("OPA"), 33 U.S.C. § 2706(b), and the National Contingency Plan, 40 C.F.R. Part 300, Subpart G, to act on behalf of the public as trustees for

natural resources belonging to, managed by, controlled by, or appertaining to the United States and the State of Louisiana.

F. The United States, through NOAA and DOI ("Federal Trustees"), is authorized to seek natural resource damages, including the reasonable costs to assess the damages, pursuant to Section 1002 of OPA, 33 U.S.C. § 2702.

G. The State, through LOSCO, LDEQ, LDNR, and LDWF ("State Trustees"), is authorized to seek natural resource damages, including the reasonable costs to assess the damages, pursuant to Section 1002 of OPA, 33 U.S.C. § 2702. The State is further authorized, pursuant to the Louisiana Constitution, article IX, sections 1 and 7, L.R.S. 36:601, et seq., L.R.S. 56:1, et seq., Louisiana Environmental Quality Act, L.R.S. 30:2001 et seq., the Louisiana Coastal Wetlands Conservation, Restoration, and Management Act, L.R.S. 49:213.1 et seq., the Louisiana Oil Spill Prevention and Response Act ("LOSPRA"), L.R.S. 30:2431 et seq., and the Louisiana Oil Spill Prevention and Response Regulations, LAC 43:XXIX.101, *et seq.*, to recover damages for injury to natural resources caused by the Oil Spill.

H. Pursuant to Section 1006(c)(5) of OPA, 33 U.S.C. § 2706(c)(5), 15 C.F.R. 990.14(c), L.R.S. 30:2480(C)(6)(b) and (c), and LAC 43:XXIX.115, the Trustees undertook a natural resource damage assessment and invited Equinox to participate in the natural resource damage assessment process. Equinox and subsequently Elysium and their representatives participated in the natural resource damage assessment process.

I. In May 1999, pursuant to Chapter 7 of the Bankruptcy Code, Equinox and Alma each filed an involuntary petition for bankruptcy in this Court. This case subsequently was converted to Chapter 11, and it became a jointly administered case in this Court. On May 3, 2000, Equinox

and Alma and other companies ("Seller Companies") entered into an Asset Purchase and Sale Agreement with East River Energy L.L.C. ("East River"), whereby Seller Companies assigned their interest to East River. The effective date of the assignment from the Seller Companies to East River (now Elysium) was November 28, 2000. Under the terms of the Asset Purchase and Sale Agreement, East River agreed to assume certain liabilities of Alma and Equinox in relation to Equinox's operations in Lake Washington Field, including liabilities regarding the Natural Resource Damages and Removal Costs; and East River assumed all rights, claims, and obligations with respect to Seller Companies' insurance coverage with regard thereto. On October 4, 2000, East River changed its name to Elysium. On March 1, 2001, Elysium sold its interest in the Lake Washington Field to Swift Energy Company but retained the liability related to the Oil Spill and all rights, claims, and obligations with respect to the insurance coverage therefor.

J. Pursuant to the National Environmental Policy Act ("NEPA"), 42 U.S.C. § 4321, et seq., 40 C.F.R. Ch. V, and 15 C.F.R. § 990.55, OPA, 33 U.S.C. 2701, et seq., 15 C.F.R. § 990.55, The Louisiana Oil Spill Prevention and Response Act, L.R.S. 30:2451, et seq., and LAC 43:XXIX,101, et seq., the Trustees prepared a Draft Damage Assessment and Restoration Plan and Environmental Assessment ("Draft DARP/EA"), which evaluated a reasonable range of restoration alternatives to restore, replace, or acquire the equivalent of the natural resources and services injured or lost as a result of the Oil Spill. After concluding the cooperative assessment process with Elysium, the Trustees selected a preferred restoration alternative that is not expected to have any significant adverse environmental or economic impact, but instead is expected to have positive environmental and economic benefits.

K. The preferred restoration alternative in the Draft DARP/EA involves the creation of at least 3.5 acres of new marsh on a platform and the enhancement of at least 8.4 existing acres of marsh in Barataria Bay, near the south end of Robinson Canal.

L. Pursuant to 15 C.F.R. §§ 990.23 and 990.55 and LAC 43:XXIX.135, the Draft DARP/EA was made available for public review, as provided in public notices published in the Baton Rouge Advocate on July 20, 2005, in the Louisiana State Register on July 20, 2005, and in the Plaquemines Gazette/Watchman on July 22, 2005. The Trustees received no public comments on the environmental assessment provided in the Draft DARP/EA and on the preferred alternative in response to the public notice, and determined that the preferred alternative should be implemented.

M. The Trustees and Elysium agree that the preferred restoration alternative that was selected in the Draft Restoration Plan (and described in Paragraph K herein) is the appropriate project to address the injury to natural resources and services resulting from the Oil Spill.

N. The United States filed a Proof of Claim in this matter pursuant to Section 1002 of OPA, 33 U.S.C. § 2702. The United States in its Proof of Claim sought, *inter alia*, (1) natural resource damages for injuries to and loss of use of natural resources resulting from the Oil Spill, (2) past costs incurred by the Coast Guard, NOAA, and DOI in responding to and in assessing the damage of the Oil Spill, (3) future costs to be incurred by NOAA and DOI in planning, overseeing, monitoring, and, if necessary, implementing the Restoration Project; and (4) the payment of claims by third parties against the Oil Spill Liability Trust Fund ("OSLTF") for removal costs, loss of subsistence use of natural resources, loss of profits or impairment of earning capacity, net costs of providing increased or additional public services, or other claims

authorized by Section 1002(a) and (b) of OPA, 33 U.S.C. § 2702(a) and (b). The costs incurred by the Coast Guard, NOAA, and DOI in responding to the removal of oil as a result of the Oil Spill and the third party OSLTF claims for removal costs are hereinafter described as Removal Costs.

O. The Coast Guard incurred Removal Costs totaling $4,631.62, and those costs, plus interest, subsequently were paid by Equinox. Other federal agencies also incurred Removal Costs, including specifically costs of $4,999.40 incurred by DOI and costs of $4,607.80 incurred by NOAA, which Removal Costs were paid by the Coast Guard and subsequently reimbursed to the Coast Guard by Equinox. The Assessment Costs incurred by NOAA through January 25, 2003, and by DOI through July 31, 2000, have been paid by Elysium, except for $50,000, which was subject to a deductible pursuant to the insurance policy issued to Equinox. An additional $15,000.00 has been paid to the Federal Trustees in Assessment Costs and additional sums will be paid from Elysium funds being distributed to claimants by the Unsecured Creditors' Distribution Agent in accordance with the Bankruptcy Court's August 31, 2000, Order confirming the Debtors' Third Amended Joint Plan of Reorganization as Modified and Supplemented ("Reorganization Plan").

P. The State filed a Proof of Claim in this matter pursuant to Section 1002 of OPA, 33 U.S.C. § 2702, L.R.S. 30:2025(A) and (B), and L.R.S. 30:2480(A) and (B). The State in its Proof of Claim sought (1) natural resource damages for injuries to and loss of use of natural resources resulting from the Oil Spill, (2) past costs incurred by the State Trustees in responding to and in assessing the damage of the Oil Spill, and (3) future costs to be incurred by the State

Trustees in planning, overseeing, monitoring, and, if necessary, implementing the Restoration Project.

Q. The Assessment Costs and the Removal Costs incurred by LOSCO, LDEQ, LDNR, and LDWF for the period from September 22, 1998 through July 31, 2000, have been paid by Elysium. The Assessment Costs incurred by LDEQ for the period from August 1, 2000 through April 13, 2003, have been paid by Elysium. The Assessment Costs incurred by LOSCO, LDNR, and LDWF for the period from May 27, 2002 through August 1, 2004, have been paid by Elysium.

R. The Trustees and Elysium agree that all of the Trustees' Assessment Costs are reasonable costs of assessing the natural resource damages resulting from the Oil Spill and all of the Restoration Costs are reasonable costs for implementing the Restoration Project, that all of these costs were consistent with the Oil Pollution Act of 1990 and the National Contingency Plan, and that these costs are a valid claim against Equinox, Alma, and Elysium.

S. The Trustees and Elysium recognize that this Agreement is a settlement of a contested matter and that neither this Agreement nor payment of costs nor the acceptance of any consideration represents an admission of fact, liability, or responsibility by any Party, except where liability or responsibility is expressly recited in this Agreement.

T. The Trustees and Elysium recognize, and this Court finds, that the Parties have negotiated this Agreement in good faith, that implementation of this Agreement will expedite the restoration of natural resources and avoid lengthy and protracted litigation, and that this Agreement is fair, reasonable, and in the public interest.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED as follows:

I. JURISDICTION AND VENUE

1. This Court has personal jurisdiction over the Parties and has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1334. This Court also has supplemental jurisdiction over the State law claims in the action pursuant to 28 U.S.C. § 1367. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 and Section 1017(b) of OPA, 33 U.S.C. § 2717(b). The claims of the United States and the State arise under Sections 1002, 1013, and 1015 of OPA, 33 U.S.C. §§ 2702, 2713, and 2715.

II. PARTIES BOUND

2. This Agreement shall apply to and be binding upon and inure to the benefit of the United States, the State of Louisiana, Elysium, and, as applicable, agents, successors, and assigns in interest of each of the aforenamed entities and Elysium's insurers and indemnitors for the Natural Resource Damages. Any change in ownership or corporate status of Elysium including, but not limited to, any transfer of assets or real or personal property, shall in no way alter Elysium's responsibilities under this Agreement.

III. DEFINITIONS

3. Unless, otherwise expressly provided herein, terms used in this Agreement are defined in Section 101, et seq. of the CWA, 33 U.S. C. § 1251, et seq., including Section 1001, et seq., of OPA, 33 U.S.C. § 2701, et seq., or in regulations promulgated under the CWA and OPA, including 15 C.F.R. Part 990, and shall have the meaning assigned to them in such statutes and

regulations. Whenever terms listed below are used in this Agreement, or in the exhibits attached hereto and incorporated herein, the following definitions shall apply:

a. "Assessment Costs" means the reasonable costs, including but not limited to direct and indirect costs, incurred by the Trustees in assessing the natural resource damages and in planning the Restoration Project, including but not limited to administrative and legal costs and costs associated with public participation.

b. "Natural Resource" or "Natural Resources" means land, fish, wildlife, biota, air, water, ground water, drinking water supplies, and other such resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the State of Louisiana or any of its parishes or by the United States.

c. "Natural Resource Damages" means civil compensatory relief, including Assessment Costs and Restoration Costs, recoverable by the Trustees on behalf of the public for injury to, destruction of, loss of, or loss of use of Natural Resources and services resulting from the Oil Spill.

d. "Oil Spill" means the discharge of up to 1,500 barrels of oil (similar to a medium weight crude oil) into the waters of Lake Grande Ecaille, in Plaquemines Parish, Louisiana, that began on September 22, 1998, during a blowout of a well owned by Alma and operated by Equinox, and the resulting oil discharges to lands, marsh, and navigable waters.

e. "Party" or "Parties" means Elysium, the United States, and the State of Louisiana.

f. "Removal Costs" means all costs, including, but not limited to, direct and indirect costs, incurred in connection with the removal of oil as a result of the Oil Spill

that were paid by (i) the third parties that made a claim to the OSLTF on or before August 31, 2000; (ii) the State; and (iii) the Coast Guard for costs incurred by the Coast Guard, NOAA, and DOI.

g. "Restoration Costs" means the reasonable costs, including but not limited to direct and indirect costs, incurred by the Trustees for the implementation of the Restoration Project.

h. "Restoration Project" means the preferred restoration project selected in the Draft Restoration Plan.

IV. NOTICE

4. Whenever, under the terms of this Agreement, written notice is required to be given, it shall be directed to the individuals at the addresses specified below, unless those individuals or their successors give notice of a change to the other Parties in writing. Unless otherwise provided, all notices and submissions shall be considered effective upon receipt. Written notice shall include electronic mail or facsimile and, as specified herein, shall constitute complete satisfaction of any written notice requirement of the Agreement:

As to the United States:

NOAA

Linda Burlington, NOAA/GCNR
1315 East West Highway
SSMC3, Rm. 15132
Silver Spring, MD 20910-3282
Phone: 301-713-1332
Facsimile: 301-713-1229
Electronic Mail: Linda.B.Burlington@noaa.gov

John Iliff
NOAA/NMFS/RC
263 13th Avenue South
St. Petersburg, FL 33701
Phone: 727-570-5713
Facsimile: 727-571-5390
Electronic Mail: John.Iliff@noaa.gov

DOI

Sam D. Hamilton
Authorized Official
U.S. Fish and Wildlife Service
1875 Century Blvd.
Atlanta, GA 30345
Phone: 404-679-4000
Facsimile: 404-679-7081
Electronic Mail: Sam_Hamilton@fws.gov

Attention: Field Supervisor
U.S. Fish & Wildlife Service
646 Cajundome Blvd., Suite 400
Lafayette, LA 70506
Phone: 337-291-3116
Facsimile: 337-291-3139
Electronic Mail: Russell_Watson@fws.gov

Department of Justice ("DOJ")

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Ben Franklin Station
Washington, D.C. 20044-7611
DJ # 90-11-3-07003
Facsimile: 202-514-8395

As to the State:

LDEQ

John de Mond
OEC/Surveillance
P.O. Box 4312
Baton Rouge, LA 70821-4312
Street: Galvez Building
602 North Fifth Street
Baton Rouge, LA 70802
Phone: 225-219-3768
Facsimile: 225-219-4083
Electronic Mail: John.demond@la.gov

LDNR

Louisiana Department of Natural Resources
Attention: Richard Stanek
P.O. Box 44487
Baton Rouge, LA 70804-9396
Street: 617 North Third Street, Suite 1048
Baton Rouge, LA 70802
Phone: 225-342-7946
Facsimile: 225-342-9439
Electronic Mail: richard.stanek@la.gov

LDWF

Louisiana Department of Wildlife and Fisheries
Attention: Terry Romaire
P.O. Box 98000
Baton Rouge, LA 70898-9000
Street: 2000 Quail Drive
Baton Rouge, LA 70808
Phone: 225-765-2390
Facsimile: 225-765-2624
Electronic Mail: Romaire_TL@wlf.state.la.us

LOSCO

Charles Armbruster
Regional Restoration Planning Program Manager
Louisiana Oil Spill Coordinator's Office
Office of the Governor
150 Third Street, Suite 405
Baton Rouge, Louisiana 70801
Phone: 225-219-5800
Facsimile: 225-219-5802
Electronic Mail: charles.armbruster@la.gov

Michael W. Wascom, Special Counsel
Louisiana Oil Spill Coordinator's Office
Office of the Governor
150 Third Street, Suite 405
Baton Rouge, Louisiana 70802
Phone: 225-219-5800
Facsimile: 225-219-5802
Electronic Mail: coewas@lsu.edu

As to Elysium:

David L. Stover
Vice President
100 Glenborough Drive
Suite 100
Houston, Texas 77067-3610
Phone: (281) 872-3100
Facsimile: (281) 872-3358
Electronic Mail: dstover@nobleenergyinc.com

A copy of all notices and submissions also shall be provided to:

Daniel R. Addison
Patton Boggs LL
2550 M Street NW
Washington, D.C. 20037
Phone: (202) 457-6489
Facsimile: (202) 457-6315
Electronic Mail: daddison@pattonboggs.com

V. PAYMENT OF ASSESSMENT COSTS AND RESTORATION COSTS

5. State Assessment Costs

Within thirty (30) calendar days of the date that this Agreement is entered by the Court, Elysium shall pay all unreimbursed Assessment Costs incurred by the State Trustees to the date of entry of this Agreement. Elysium shall pay the following designated amount by separate check made payable to each State Trustee, as follows:

LDWF, to the attention of the Undersecretary, Office of Management and Finance: $5,011.27;

LDEQ, to the attention of the Fiscal Director, Office of Management and Finance: $16,528.42;

LDNR, to the attention of the Undersecretary: $5,999.90;

LOSCO, to the attention of the Oil Spill Coordinator, LOSCO: $18,960.41.

Each check shall reference the Lake Grande Ecaille Natural Resource Damage Assessment and shall state that payment is for Assessment Costs. All checks shall be forwarded to LOSCO to be disbursed to each State Trustee. Elysium shall send notice that such payment has been made to LDWF, LOSCO, LDNR, and LDEQ to the persons listed in Section IV (NOTICE).

6. United States Assessment Costs

a. DOI. Within thirty (30) calendar days of the date that this Agreement is entered by the Court, Elysium shall pay DOI the sum of $11,850.00 for all Assessment Costs incurred during the period from August 1, 2000, to the date of entry of this Agreement. Payment shall be made by certified or cashier's check payable to the "United States Department of Justice" and tendered to the U.S. Attorney's Office, Eastern District of Louisiana, 500 Poydras Street, New Orleans, Louisiana 70130. The following information must be provided with the check:

Payment to the Department of the Interior for Assessment Costs
The agency code: INTE
The account number: 14X5198
The site name: Lake Grande Ecaille Oil Spill
The site location: Plaquemines Parish, Louisiana
Name of the paying party: Elysium Energy, L.L.C. (Successor company to Equinox Oil Co.)

A copy of the check and the accompanying information shall be mailed to:

Department of the Interior
Natural Resource Damage Assessment and Restoration Program
Attn: Restoration Fund Manager
Mail Stop 4449
1849 C Street, N.W.
Washington, DC 20240

Elysium shall send notice that such payment has been made to the DOJ and DOI persons listed in Section IV (NOTICE) for notice to the United States and shall enclose a copy of the check. Notice to DOI that such payment has been made, with a copy of the check, also shall be sent to:

Regional Solicitor
U.S. Department of the Interior
75 Spring Street, Room 304
Atlanta, GA 30303

Elysium shall state that it is paying for reimbursement of Assessment Costs for the natural resource damage assessment with respect to the Lake Grande Ecaille Oil Spill in Plaquemines Parish, Louisiana, and it shall reference DOJ Case Number 90-11-3-07003 and DOI Account Number 14x5198 (NRDAR).

b. NOAA. Within thirty days (30) calendar days of the date that this Agreement is entered by the Court, Elysium shall pay NOAA the sum of $237,500 for Assessment Costs incurred during the period from January 26, 2003, to the date of entry of this Agreement.

Elysium shall make the above referenced payment to the United States by FedWire Electronic Funds Transfer ("EFT" or wire transfer) to the United States Department of Justice account in accordance with instructions provided to Elysium by the Financial Litigation Unit of the United States Attorney's Office for the Eastern District of Louisiana. Any payments received by the Department of Justice after 4:00 P.M. (Central Time) will be credited on the next business day. Elysium shall simultaneously with the payment provide the following information:

Payment to the National Oceanic and Atmospheric Administration for Assessment Costs
The agency code: CDOA-99-12688
The account number: RK3EA5
The site name: Lake Grande Ecaille Oil Spill
The site location: Plaquemines Parish, Louisiana
Name of the paying party: Elysium Energy, L.L.C. (Successor company to Equinox Oil Co.)

A copy of the check and the accompanying information shall be mailed to:

NOAA/NOS/OR&R
ATTN: DARRF MANAGER
1305 East West Highway
SSMC4 Room 10139
Silver Spring, MD 20910-3281

Elysium shall state that it is paying for reimbursement of Assessment Costs for the natural resource damage assessment with respect to the Lake Grande Ecaille Oil Spill in Plaquemines Parish, Louisiana, and it shall reference DOJ Case Number 90-11-3-07003 and NOAA Account Number RK3EA5 (NRDAR). Elysium shall send notice that such payment has been made to the DOJ and NOAA persons listed in Section IV (NOTICE) for notice to the United States.

7. Restoration Costs. Within thirty days (30) calendar days of the date that this Agreement is entered by the Court, Elysium shall pay the Federal Trustees and the State Trustees the sum of $904,150.00 for Restoration Costs. Elysium shall make the payment by EFT to the United States Department of Justice account in accordance with the procedure provided by Paragraph 6.b, above, except that notice shall be provided to all individuals listed in Section IV (NOTICE.) This money shall be transferred by the United States Attorneys' Office to an account established within NOAA's Damage Assessment Revolving Fund and shall reference "the account number: RK3EA5; the site name: Lake Grande Ecaille Oil Spill; and the site location: Plaquemines Parish, Louisiana."

8. Interest Due for Non-payment. In the event of failure to make a timely payment of the Assessment Costs and/or the Restoration Costs, interest shall be charged in accordance with 28 U.S.C. § 1961, from the time payment is due until such payment is made. If interest is due, Elysium shall submit a statement with the payment to the Financial Litigation Unit of the United States Attorney's Office for the Eastern District of Louisiana, setting forth the calculation of interest due. Personnel from the United States Attorney's Office, Financial Litigation Unit, will advise Elysium in the event such calculation requires adjustment.

9. United States and State as Judgment Creditor. Upon entry of this Agreement, the United States and the State shall be deemed judgment creditors for purposes of collection of the judgment and interest and for enforcement of this Agreement in accordance with Rule 69 of the Federal Rules of Civil Procedure, the Federal Debt Collection Procedure Act, 28 U.S.C. §§ 3001-3308, and other applicable authority. Further, Elysium shall be liable for attorneys' fees and

costs incurred by the United States and/or the State to collect any amounts due under this Agreement.

VI. THIRD PARTY CLAIMS

10. Third party claims involving the Oil Spill that were made against the OSTLF shall be distributed to claimants in accordance with the Reorganization Plan.

VII. COVENANTS NOT TO SUE BY THE UNITED STATES AND THE STATE

11. United States' Covenants Not to Sue. In consideration of the payments made by Elysium under the terms of this Agreement, and except as specifically provided in this Section, the United States covenants not to sue or to take administrative action against Elysium for Natural Resource Damages or for recovery of Removal Costs that resulted from the Oil Spill. These covenants not to sue shall take effect upon entry of this Agreement. These covenants not to sue are conditioned upon the satisfactory performance by Elysium of its obligations under this Agreement. These covenants not to sue extend only to Elysium and do not extend to any other person.

12. United States' Reservation of Rights. Nothing in the Agreement is intended to be, nor shall be construed as, a release from liability or a covenant not to sue for any claim or cause of action, administrative or judicial, for:

a. Elysium's failure to pay the Federal Trustees' Assessment Costs and Restoration Costs;

b. Elysium's failure to satisfy any other requirement of this Agreement;

c. Claims brought on behalf of the United States, the United States Coast Guard and the OSLTF, pursuant to Section 1012(f)of OPA, 33 U.S.C. § 2712(f),

for costs, damages, and expenses of any sort, other than the following claims:

i. For damages for injuries to natural resources resulting from the Oil Spill and sought under Section 1002(b)(2)(A) of OPA, 33 U.S.C. § 2702(b)(2)(A);

ii. For payment of the Removal Costs;

iii. For Assessment Costs pertaining to this Oil Spill that were incurred by the Federal Trustees; or

iv. For third party claims involving the Oil Spill that were made against the OSLTF.

d. Liability arising from any past, present, or future oil discharges other than the Oil Spill that is the subject of this Agreement; and

e. Criminal liability.

13. State's Covenants Not to Sue. In consideration of the actions performed and the payments made by Elysium under the terms of this Agreement, and except as specifically provided in this Section, the State of Louisiana covenants not to sue or to take administrative action against Elysium for Natural Resource Damages or for recovery of Removal Costs that resulted from the Oil Spill. These covenants not to sue shall take effect upon entry of this Agreement. These covenants not to sue are conditioned upon satisfactory performance by Elysium of its obligations under this Agreement. These covenants not to sue extend only to Elysium and do not extend to any other person.

14. State Reservation of Rights. The State of Louisiana specifically reserves, and this Agreement is executed without prejudice to, all rights against Elysium with respect to any matter outside the scope of this Agreement, including but not limited to the following:

a. claims based on a failure by Elysium to timely and satisfactorily fulfill any obligation set forth in this Agreement;

b. liability arising from any past, present, or future unauthorized discharge of oil event outside the scope of this Agreement; and

c. criminal liability.

Notwithstanding any other provision of this Agreement, the LDEQ retains all authority and reserves all rights to take any and all actions allowed by law to prevent and to remedy conditions that endanger human health or the environment.

VIII. COVENANT NOT TO SUE BY ELYSIUM

15. Elysium hereby covenants not to sue and agrees not to assert any claims or causes of action against the United States or the State of Louisiana for any claims arising from or relating to the Oil Spill, pursuant to any federal, state, or common law, including, but not limited to:

a. any direct or indirect claim for reimbursement from the OSLTF; or

b. any claims arising out of activities related to the Restoration Project, including claims based on the Trustees' selection of the Restoration Project.

IX. EFFECT OF SETTLEMENT

16. Nothing in this Agreement shall be construed to create any rights in, or grant any cause of action to, any person not a Party to this Agreement. The preceding sentence shall not be construed to waive or nullify any rights that any person not a signatory to this Agreement may

have under applicable law. Each of the Parties expressly reserves any and all rights, defenses, claims, demands, and causes of action that each Party may have with respect to any matter, transaction, or occurrence relating in any way to the Oil Spill against any person not a Party hereto.

X. RETENTION OF JURISDICTION

17. This Court retains jurisdiction over both the subject matter of this Agreement and the Parties for the duration of the performance of the terms and provisions of this Agreement for the purpose of enabling any of the Parties to apply to the Court at any time for such further order, direction, and relief as may be necessary or appropriate for the construction or modification of this Agreement or to effectuate or enforce compliance with its terms.

XI. LODGING AND OPPORTUNITY FOR PUBLIC COMMENT

18. This Agreement shall be lodged with the Court for a period of not less than thirty (30) days for public notice and comment. The United States reserves the right to withdraw or withhold its consent if the comments regarding the Agreement disclose facts or considerations that indicate that the Agreement is inappropriate, improper, or inadequate.

19. If for any reason the Court should decline to approve this Agreement in the form presented, this Agreement is voidable at the sole discretion of any Party and the terms of this Agreement may not be used as evidence in any litigation between the Parties.

XII. TERMINATION

20. The United States and the State shall provide notice to the Court to terminate this Agreement after Elysium has paid all Assessment Costs and Restoration Costs and any interest due pursuant to Paragraph 8. Termination of this Consent Decree shall not affect the

requirements, covenants, reservations, and effects of settlement set forth in Section VII (Covenants Not to Sue by the United States and the State), Section VIII (Covenants Not to Sue by Elysium), and Section IX (Effect of Settlement.)

XIII. SIGNATORIES

21. Each undersigned representative of a Party to this Agreement certifies that he or she is fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such Party to this document.

22. Elysium hereby agrees not to oppose entry of this Agreement by this Court or to challenge any provision of this Agreement unless the United States and the State of Louisiana have notified it in writing that they no longer support entry of this Agreement.

23. This Agreement may be executed in any number of counterparts and, as executed, shall constitute one agreement, binding on all parties hereto, even though all parties do not sign the original or the same counterpart.

SO ORDERED THIS 5th DAY OF January, 2006.

J. A. Brown

United States Bankruptcy Judge

We hereby consent to the entry of this Settlement Agreement:

FOR THE UNITED STATES OF AMERICA:

11/3/05 Kelly A. Johnson
Date

Kelly A. Johnson
Acting Assistant Attorney General
Environmental and Natural Resources Division
U.S. Department of Justice

10/25/05 Elizabeth A. Edmonds
Date

Elizabeth A. Edmonds
Trial Attorney
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611
Fax No. (202) 514-8395

James Letten
United States Attorney
Eastern District of Louisiana

Stevens Moore
Assistant United States Attorney
U.S. Attorney's Office
Eastern District of Louisiana
500 Poydras Street
New Orleans, Louisiana 70130

FOR THE UNITED STATES COAST GUARD

Dated: 10/26/05

THOMAS D. BEISTLE
Commander, U.S. Coast Guard
Chief, Office of Claims and Litigation
Headquarters, U.S. Coast Guard
Washington, D.C. 20593–0001

Dated: 11/3/05

Stephen C. Ewart

STEPHEN C. EWART
United States Coast Guard
Staff Attorney
National Pollution Funds Center
4200 Wilson Blvd., Suite 1000
Arlington, Virginia 22203-1804

FOR THE STATE OF LOUISIANA:

10/26/05 Michael W. Wascom

Date

Michael W. Wascom
Special Counsel
150 Third Street, Suite 405
Office of the Governor
Baton Rouge, LA 70801
Phone: (225) 219-5800
Fax: (225) 219-5802

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Date

Mike D. McDaniel, Ph.D.
Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

LOUISIANA DEPARTMENT OF WILDLIFE AND FISHERIES

Date

Dwight Landreneau
Secretary
P.O. Box 98000
Baton Rouge, LA 70898-9000

LOUISIANA DEPARTMENT OF NATURAL RESOURCES

Date

Scott A. Angelle
Secretary
P.O. Box 94396
Baton Rouge, LA 70804-9396

FOR THE STATE OF LOUISIANA:

Date	Michael W. Wascom Special Counsel 150 Third Street, Suite 405 Office of the Governor Baton Rouge, LA 70801 Phone: (225) 219-5800 Fax: (225) 219-5802

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

10-21-05 Date	Mike D. McDaniel, Ph.D. Secretary P.O. Box 4301 Baton Rouge, LA 70821-4301

LOUISIANA DEPARTMENT OF WILDLIFE AND FISHERIES

Date	Dwight Landreneau Secretary P.O. Box 98000 Baton Rouge, LA 70898-9000

LOUISIANA DEPARTMENT OF NATURAL RESOURCES

Date	Scott A. Angelle Secretary P.O. Box 94396 Baton Rouge, LA 70804-9396

FOR THE STATE OF LOUISIANA:

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LOUISIANA DEPARTMENT OF NATURAL RESOURCES

10/21/05 Date	Scott A. Angelle Secretary P.O. Box 94396 Baton Rouge, LA 70804-9396

LOUISIANA OIL SPILL COORDINATOR'S OFFICE

19 Oct 05

Date

Roland J. Guidry
Louisiana Oil Spill Coordinator
Louisiana Oil Spill Coordinator's Office
Office of the Governor
150 Third Street, Suite 405
Baton Rouge, LA 70801

FOR ELYSIUM ENERGY, L.L.C.:

Signature: David L. Stover
Date: _____
Name (print): David L. Stover
Title: Vice President
Address: 100 Glenborough Drive
Suite 100
Houston, Texas 77067-3610