SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Infinity Oil & Gas of Wyoming, Inc. ("Infinity"), 950 Seventeenth St., Suite 800, Denver, CO 80202, enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ Notice of Violation Docket No. 3916-06 ("NOV"). The NOV alleges that Infinity failed to obtain a construction permit prior to modifying the Riley Ridge Compressor Station facility ("Facility") located in Sublette County, Wyoming, in violation of the Wyoming Environmental Quality Act ("Act") and the applicable Wyoming Air Quality Standards and Regulations ("WAQSR").

DEQ/AQD's Findings of Fact and Determination of Violation

WYO. STAT. ANN. § 35-11-901(a)(ii) (LexisNexis 2005) authorizes stipulated settlement, including payment of a penalty, in lieu of litigation. Based upon DEQ/AQD's investigation, DEQ/AQD has made the following determinations regarding the violations at the Facility:

1. The DEQ/AQD is responsible for enforcing the Act and the WAQSR.

2. WYO. STAT. ANN. § 35-11-801(c) states, "A permit to construct is required before the construction or modification of any industrial facility capable of causing or increasing air or water pollution in excess of standards established by the department is commenced."

3. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming's construction and modification permitting program.

4. Chapter 6, Section 2(a)(i) of the WAQSR states, "Any person who plans to construct any new facility or source, modify any existing facility or source, or to engage in the use of which may cause the issuance of or an increase in the issuance of any air contaminants into the air of this state shall obtain a construction permit from the State of Wyoming, Department of Environmental Quality, before any actual work is begun on the facility."

5. The DEQ/AQD issued permit MD-808 to Infinity on September 12, 2002. Permit MD-808 authorized Infinity to modify the Facility by replacing one 95 horsepower (hp) Caterpillar 3304 engine with one 1340 hp Caterpillar 3516 LE engine and one 80 hp Ford 460 engine.

6. The DEQ/AQD inspected the Facility on October 15, 2004 and observed that the 1340 hp Caterpillar 3516 LE engine and the 80 hp Ford 460 engine which had been permitted under MD-808 had been removed from the Facility.

7. During its October 15, 2004 Facility inspection, the DEQ/AQD also observed equipment needing DEQ/AQD permits including: one Caterpillar G3304 engine; one Chevy 454 water injection pump engine; two 400 bbl storage tanks each with 250,000 btu heaters, a 200 bbl storage tank with a 500,000 btu heater, and a heater/treater with a 500,000 btu heater.

8. On December 1, 2004, the DEQ/AQD notified Infinity that the equipment, listed in paragraph 7 above, needed to be permitted.

9. On or about January 18, 2005, the DEQ/AQD received Infinity's construction permit application AP-2921 for the equipment listed above in paragraph 7. On August 15, 2006, the DEQ/AQD determined that permit application AP-2921 was complete.

10. The DEQ/AQD determined that Infinity violated the Act and WAQSR by failing to obtain a DEQ/AQD construction permit prior to replacing the compressor engines and thereby modifying the Facility.

Stipulated Cash Settlement

11. DEQ/AQD and Infinity agree that Infinity will pay the DEQ/AQD two thousand five hundred dollars and no cents ($2,500.00) as a stipulated cash settlement to resolve the alleged violations indicated above or identified in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii). Infinity shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty days after Infinity has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Infinity shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

Scope and Effect of Settlement Agreement

12. Notwithstanding the above, by entering into this Agreement Infinity does not admit to any of the factual or legal determinations made by DEQ/AQD herein, and any action taken pursuant to this Settlement shall not constitute an admission of fact or liability by Infinity with respect to the Facility.

13. Full compliance with this signed Agreement shall constitute full resolution of and satisfaction for all claims by the DEQ/AQD against Infinity based on NOV Docket No. 3916-06, and solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Infinity for this particular violation.

14. Infinity waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in the NOV in the event that Infinity fails to fulfill its obligations under this Agreement.

15. This Agreement shall be admissible by either Infinity or DEQ/AQD (hereinafter Infinity and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party in any action between these Parties relating to the violations alleged herein; provided, however, that nothing herein constitutes an admission by Infinity of liability or fault.

16. 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.

17. 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.

18. Infinity reserves its rights and defenses regarding liability in any proceeding regarding the Facility other than proceedings to enforce this Agreement.

19. 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.

20. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements between the Parties, 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 so as 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. 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:

INFINITY OIL & GAS OF WYOMING, INC.:

By: _____ 10/2/02
G.D. Gentry — Date
VP of Operations

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

By: _____ 10/16/06
David A. Finley, AQD Administrator — Date

By: _____ 10/20/06
John Corra, DEQ Director — Date

APPROVAL AS TO FORM:

_____ 9/25/06
Nancy E. Vehr, Sr. Asst. Attorney General — Date
Attorney for DEQ/AQD