

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Warrior Energy Holdings, Inc. (“Warrior Energy”), 633 17th Street, Suite 1970, 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. 4441-09 (“NOV”). As more fully set forth below, the NOV generally alleged that Warrior Energy failed to maintain and operate the combustion control devices during all periods of active well site operation for the Strike 9-18E and Strike 15-8E gas/condensate production facilities (“Facilities”) located in Sweetwater County, Wyoming, thereby violating the Wyoming Environmental Quality Act (“Act”), applicable Wyoming Air Quality Standards and Regulations (“WAQSR”) and DEQ/AQD Permit Nos. CT-4354 and CT-4370.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2008) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Warrior Energy and the DEQ/AQD hereby stipulate and agree as follows:

1. Warrior Energy is a Nevada corporation that owns and/or operates various gas production wells and facilities.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR and permits issued thereunder, including permit nos. CT-4354 and CT-4370.
3. WYO. STAT. ANN. § 35-11-801(a) states: “In 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 WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
5. On or about July 31, 2006, the DEQ/AQD issued Permit No. CT-4354 to EOG Resources for the Strike 9-18E Facility. On or about August 18, 2006, the DEQ/AQD issued Permit No. CT-4370 for the Strike 15-8E Facility. Subsequently, on August 11, 2008, ownership and responsibility for the Facilities transferred to Warrior Energy. Condition No. 7 of Permit No. CT-4354 and Condition No. 7 of Permit No. CT-4370 required each smokeless combustion device be maintained and operated during all periods of active well site operation such that the device “remains effective as a viable control device” On August 30, 2008, DEQ/AQD Engineer/Inspector, Ms. Jennifer

Frazier, observed that the combustors at both Facilities were inoperable. The DEQ/AQD alleges that Warrior Energy's failure to operate the combustors at the Facilities during periods of active well site operations violated the Act, the WAQSR, and Condition No. 7 of DEQ/AQD Permit Nos. CT-4354 and CT-4370. Warrior Energy notes that during Warrior's operations, the wells had emission levels that were below exempt levels but Warrior had not applied for the exemption.

6. DEQ/AQD and Warrior Energy agree that to resolve the alleged violations described above and more fully set forth in the NOV in lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), Warrior Energy will pay the DEQ/AQD five thousand dollars and no cents (\$5,000.00) as a stipulated penalty. Warrior Energy shall pay the stipulated penalty by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Warrior Energy has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Warrior Energy shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

7. Warrior Energy, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of liability or fault.

8. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Warrior Energy based on NOV Docket No. 4441-09 and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Warrior Energy for these particular violations.

9. Warrior Energy waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket No. 4441-09 in the event that Warrior Energy fails to fulfill its obligations under this Agreement.

10. This Agreement shall be admissible by either Warrior Energy or DEQ/AQD (hereinafter Warrior Energy and 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 violations alleged herein; provided, however, that nothing herein constitutes an admission by Warrior Energy of liability or fault.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

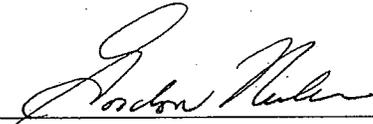
16. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement, 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.

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17. 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.

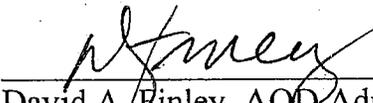
IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

WARRIOR ENERGY HOLDINGS, INC.

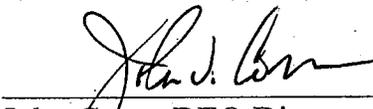
By: 
Gordon Nielsen, President

SEP 25, 2009
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY

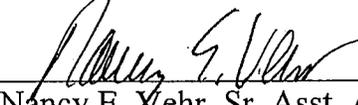
By: 
David A. Finley, AQD Administrator

10/13/09
Date

By: 
John Corra, DEQ Director

10/15/09
Date

APPROVAL AS TO FORM:


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

9/9/2009
Date