

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Texas American Resources Company ("Texas American Resources"), 410 Seventeenth Street, 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. 4800-11 ("NOV"). As more fully set forth below, the NOV generally alleged that Texas American Resources failed to comply with permit requirements for controlling emissions at the BMU Tank Battery and Gerald King Tank Battery facilities ("Facilities") located in Laramie County, Wyoming, thereby violating the Wyoming Environmental Quality Act ("Act"), applicable Wyoming Air Quality Standards and Regulations ("WAQSR"), and DEQ/AQD Permit Nos. CT-3459 and CT-3460.

WYO. STAT. ANN. § 35-11-901(a)(ii) (West 2010) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Texas American Resources and the DEQ/AQD hereby stipulate and agree as follows:

1. Texas American Resources is a Texas corporation that owns and/or operates the Facility.
2. The DEQ/AQD is responsible for enforcing the Act, the WAQSR, and permits issued thereunder, including Permit Nos. CT-3459 and 3460.
3. WYO. STAT. ANN. § 35-11-201 states: "No person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the council."
4. 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."
5. 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.
6. On December 2, 2003, the DEQ/AQD issued Permit CT-3459 for the BMU Tank Battery Facility to a prior owner/operator. Condition 8 of Permit CT-3459 requires maintenance and operation of a smokeless combustion chamber during all periods of active operation such that it remains effective as a viable emission control device.

7. On December 2, 2003, the DEQ/AQD issued Permit CT-3460 for the Gerald King Tank Battery Facility to a prior owner/operator. Condition 8 of Permit CT-3460 requires maintenance and operation of a smokeless combustion chamber during all periods of active operation such that it remains effective as a viable emission control device.

8. On or about August 12, 2004, ownership of the BMU and Gerald King Tank Battery Facilities was transferred to Texas American Resources.

9. On May 17, 2010, the DEQ/AQD inspected the Facilities. The DEQ/AQD observed that the Facilities were operating. The DEQ/AQD also observed that smokeless combustion chambers were not operating at the Facilities.

10. On January 27, 2011, the DEQ/AQD issued the NOV to Texas American Resources alleging that failing to maintain and operate smokeless combustion devices at the Facilities violated the Act, the WAQSR and Permits CT-3459 and CT-3460.

11. In lieu of litigation under WYO. STAT. ANN. § 35-11-901(a)(ii), the DEQ/AQD and Texas American Resources agree that Texas American Resources will pay the DEQ/AQD twenty seven thousand five hundred dollars and no cents (\$27,500.00) as a stipulated penalty to fully and finally resolve the violations alleged above and all matters addressed in the NOV. Texas American Resources shall make full payment by check, made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Texas American Resources has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Texas American Resources shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

12. Texas American Resources, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of fault or noncompliance.

13. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Texas American Resources based on the NOV and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Texas American Resources for these particular alleged violations.

14. Texas American Resources 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 Texas American Resources fails to fulfill its obligations under this Agreement.

15. This Agreement shall be admissible by either Texas American Resources or the DEQ/AQD (hereinafter Texas American Resources and the 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 Texas American Resources of liability or fault.

16. Neither Party hereto shall have any claim against the other for attorney 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. 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.

19. 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.

20. 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.

21. 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 and their successors 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.

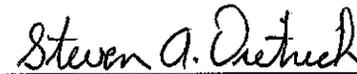
22. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

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.

TEXAS AMERICAN RESOURCES COMPANY:

By:  6-22-2011
Thomas Rogers, Vice President of Operations Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  7-5-11
Steven A. Dietrich, AQD Administrator Date

By:  7/5/11
John Corra, DEQ Director Date

APPROVAL AS TO FORM:

 6/16/2011
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD