

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY  
LAND QUALITY DIVISION**

**SETTLEMENT AGREEMENT**

The Wyoming Department of Environmental Quality / Land Quality Division (WyDEQ/LQD) and WildHorse Energy, Inc. (WHE), a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in the **Notice of Violation (NOV), Docket Number 4287-08**. The NOV alleges: (1) WHE failed to adequately and properly abandon drill holes per permit commitments and as required W.S. § 35-11-404 (h), (2) failed to adequately seal the annulus of seven monitoring wells according to their Ground Water Monitoring Network Plan, and (3) The open annuluses are a potential pipeline for ground water pollution, which is in violation of W.S. § 35-11-415(a) and W.S. § 35-11-415(b)(viii). These alleged violations are located in Township 27N, Range 97W, Section 25 and are within the boundaries of WyDEQ/LQD Drilling Notification No. 366DN.

W.S. § 35-11-901(a)(ii) authorizes the WyDEQ/LQD to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, WHE and the WyDEQ/LQD hereby stipulate and agree as follows:

1. The WyDEQ/LQD, pursuant to W.S. § 35-11-104, is a department in the executive branch of Wyoming State Government and is principally situated in Cheyenne, Wyoming. The WyDEQ is the agency principally responsible for administering the Wyoming Environmental Quality Act, including all provisions of the WyDEQ/LQD Noncoal Rules and Regulations.
2. WHE neither admits nor denies the alleged violations described in the NOV, but, WHE agrees to pay a **total penalty of Five Hundred Dollars (\$500.00)** as a stipulated settlement as partial resolution to this matter in lieu of litigation under W.S. § 35-11-901(a)(ii). WHE shall pay **Five Hundred Dollars (\$500.00)** directly to the WyDEQ/LQD. Payment is due within thirty (30) days of full execution of this Settlement Agreement. Payment to the WyDEQ/LQD shall be by check and made payable to the Wyoming Department of Environmental Quality / Land Quality Division and sent to the attention of Donald McKenzie, Administrator, Wyoming Department of Environmental Quality / Land Quality Division, Herschler Bldg. 3W, 122 West 25<sup>th</sup> Street, Cheyenne, WY, 82002.
3. WHE shall complete the abandonment of the boreholes associated with Wells WHEU-8 and WHED-4 no later than August 1, 2008.
4. WHE shall properly abandon Wells WHED-5 and WHEB-5 no later than August 1, 2008. The reason for the requested abandonment is that annular void at each well was sufficiently deep to be with contact of the Upper Sand aquifer. Because this void has been allowed to remain open for over three months, the completion is suspect.
5. WHE shall complete Wells WHED-2, WHED-3, WHEB-4, WHEL-4, and WHED-7 as originally specified in WHE's Ground water Monitoring Network Plan by August 1, 2008.
6. WHE shall install steel locking cap risers on all monitoring wells no later than August 1, 2008.
7. WHE shall consolidate all drill supplies in one central location no later than August 1, 2008.
8. WHE shall backfill and regrade all mud pits related to the Winter 2007/2008 monitoring well installation program no later than August 1, 2008.
9. WHE shall scarify and seed all areas of disturbance related to the Winter 2007/2008 monitoring well installation program no later than October 31, 2008
10. This signed Settlement Agreement, payment of penalty, and documented fulfillment of Items 3 through 9 shall constitute full satisfaction and resolution of all claims by the WyDEQ/LQD against WHE based on the violations as specified in the NOV and Order, Docket No, 4287-08. Contingent upon WHE's compliance with the terms of this Settlement Agreement, the WyDEQ/LQD will refrain from taking further enforcement action against WHE for these particular violations cited in the this Settlement Agreement. Through this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket No. 4287-08.

11. WHE waives any statute of limitations which may apply to an enforcement action by the WyDEQ/LQD involving specific matters described in the NOV and Order, Docket No. 4287-08 in the event that WHE fails to fulfill its obligations under this Settlement Agreement.
12. Nothing in this Settlement Agreement precludes the WyDEQ/LQD from taking additional enforcement action, including the issuance of a Notice of Violation, Order, and/or pursuing additional penalties should WHE violate the Wyoming Environmental Quality Act or applicable WyDEQ/LQD Rules and Regulations in the future.
13. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
14. Notwithstanding any other language in the Settlement Agreement, the State of Wyoming, and the WyDEQ do not waive Sovereign Immunity by entering into this Settlement Agreement with WHE and specifically retain all immunity and defenses available as sovereigns under State and Federal law.
15. Each party shall bear its own attorney fees and costs, if any, incurred through the date of this Settlement Agreement is signed by both parties.
16. This Settlement Agreement is binding upon WHE, its successors and assignees, and upon the WyDEQ/LQD.
17. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

For: **WildHorse Energy, Inc.**

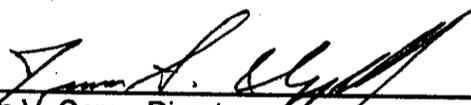
Signed: 

Date: 6/16/08

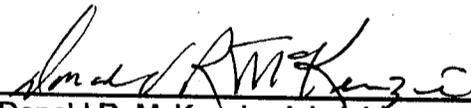
Typed: Malcolm L. Shannon Jr

Title: Vice President - U.S. Operations

For: **WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY**

  
 John V. Corra, Director  
 Wyoming Department of Environmental Quality

Date: 6/23/08

  
 Donald R. McKenzie, Administrator  
 Land Quality Division

Date: 6/23/08

Cc: Mark Moxley, WyDEQ/LQD Lander  
 NOV File Docket No. 4287-08

*MS*