

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

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and Pinnacle Gas Resources, Inc. (Pinnacle), a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation (NOV) Docket No. 4284-08, dated June 5, 2008. The NOV alleges: that disturbances associated with an unauthorized mining operation equaled approximately 2.5 acres as measured using a Global Positioning System. The site of this violation is located in the SW1/4 of Section 27, Township 58 North, Range 76 West. This is a violation of the Wyoming Environmental Quality Act (ACT) and applicable Wyoming Department of Environmental Quality/Land Quality Non-Coal Rules and Regulations (WDEQ/LQD NC R&R).

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

1. The WDEQ/LQD, pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the WDEQ/LQD R&R.
2. Pinnacle Gas Resources, Inc., is the operator of an unauthorized scoria mining operation located in Campbell County, Wyoming, in Section 27, Township 58 North, Range 76 West. As part of its operation, Pinnacle Gas Resources, Inc., mines mineral from this site and distributes or sells the mineral mined for commercial use.
3. Limited Mining Operations (LMO) in the State of Wyoming are allowed under W.S. §35-11-401(e).
4. Pinnacle shall submit a complete LMO application within 15 days of the receipt of the NOV. This includes submission of a bond acceptable to the LQD and acquiring the necessary permits for the Air Quality Division and the Water Quality Division. No penalty will be assessed as long as Pinnacle submits the complete LMO application within the prescribed time frame.
5. This signed Settlement Agreement by Pinnacle as specified above shall constitute full satisfaction for and resolution of all claims by the WDEQ/LQD against Pinnacle, based on the violations alleged in NOV, Docket No. 4284-08. Contingent upon Pinnacle's compliance with the terms of this Settlement Agreement, the WDEQ/LQD will refrain from taking further enforcement action against Pinnacle, for these particular violations cited in this Settlement Agreement. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket No. 4284-08.
6. Pinnacle waives any statute of limitations which may apply to an enforcement action by the WDEQ/LQD involving the specific matters described in NOV Docket No. 4284-08 in the event that Pinnacle fails to fulfill its obligations under this Settlement Agreement.
7. Nothing in this agreement precludes WDEQ/LQD from taking additional enforcement action, including the issuance of a Notice of Violation, Order and/or pursuing additional penalties, should Pinnacle violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.
8. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.

9. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and WDEQ do not waive sovereign immunity by entering into this Settlement Agreement with Pinnacle and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
10. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
11. This Settlement Agreement is binding upon Pinnacle, its successors and assigns, and upon the WDEQ/LQD.
12. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR Pinnacle Gas Resources, Inc.:

Signed: 

Date: 25 JUN 08

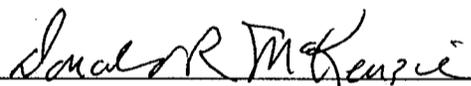
Typed: BRIAN R. DEURLOO

Title: DEVELOPMENT MANAGER

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:


John V. Corra, Director
Wyoming Department of Environmental Quality

Date: 6/30/08


Donald R. McKenzie, Administrator
Land Quality Division

Date: 6-30-08

JVC/DRM/KK

cc: Mark Rogaczewski, WDEQ/LQD, District III
NOV Docket No. 4284-08