

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

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and S.G. Welsh Company, Inc., 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 Number 4695-10, dated June 29, 2010**. The Notice of Violation (NOV) alleges that the operator affected areas before performing topsoil salvage from those areas, did not segregate salvaged topsoil from mixing with spoil or waste material materials from the mining operation, and failed to stockpile topsoil on stable areas within the permit area in such a manner so as to minimize wind and water erosion and unnecessary compaction at regular mine permit 769(s).

The site of these violations is located in Section 24, Township 51 North, Range 82 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). W.S. §35-11-901(a)(ii) authorizes the WDEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, S.G. Welsh Company, Inc. and the WDEQ/LQD hereby stipulate and agree as follows:

1. The WDEQ, 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. S.G. Welsh Company, Inc. is the operator of a gravel mining operation permitted to Touchstone Materials, LLC located in Johnson County, Wyoming, in Sections 19 and 24, Township 51 North, Range 82 West. As part of its operation, S.G. Welsh Company, Inc. mines mineral from this site and distributes or sells the mineral mined for commercial use.
3. Affecting an area by mining activity before topsoil has been salvaged from the area is a violation of WDEQ/LQD NC R&R Chapter 3, Section 2(c)(i)(A).
4. Failure to segregated topsoil so as not to become mixed with spoil or waste material is also a violation of WDEQ/LQD NC R&R Chapter 3, Section 2(c)(i)(A).
5. Failure to stockpile topsoil on stable areas within the permit area in such a manner so as to minimize wind and water erosion and unnecessary compaction is a violation of WDEQ/LQD NC R&R Chapter 3, Section 2(c)(i)(B).
6. S.G. Welsh Company, Inc. agrees to pay a total penalty of One Thousand, Five Hundred Dollars (\$750.00) for the violations stated in Items 3 through 5 above, Five Hundred Dollars (\$250.00) for the violation stated in Item 3 above, Five Hundred Dollars (\$250.00) for the violation stated in Item 4 above, and Five Hundred Dollars (\$250.00) for the violation stated in Item 5 above, as a partial settlement for the resolution to this matter in lieu of litigation under W.S. §35-11-901(a)(ii). S.G. Welsh Company, Inc. shall pay \$750.00 directly to the WDEQ/LQD. Payment is due and payable within thirty (30) days of full execution of this Settlement Agreement. Payment to WDEQ/LQD shall be by check made payable to the Wyoming Department of Environmental Quality/Land Quality Division and shall be sent to: Donald R. McKenzie, Administrator, Wyoming Department of Environmental Quality, Land Quality Division, Herschler Building, 3 Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.
7. By August 6, 2010, S.G. Welsh Company, Inc. shall: 1. Remove materials pushed over embankments onto native topsoil, minimizing additional disturbance of undisturbed soils or vegetation and 2. Salvage all topsoil pushed over the pit edge and stockpile the topsoil in a suitable location where it will not be affected by mining activities and identify the

topsoil stockpiles with a topsoil sign. On or before October 1, 2010, S. G. Welsh Company, Inc. will broadcast seed all topsoil stockpiles with a permanent seed mix as stipulated under the Permit 769(s) Mine Plan, Section C (Page MP-4).

8. This signed Settlement Agreement and payment by S.G. Welsh Company, Inc. as specified above shall constitute full satisfaction for and resolution of all claims by the WDEQ/LQD against S.G. Welsh Company, Inc., based on the violations alleged in Notice of Violation Docket No. 4695-10. Contingent upon S.G. Welsh Company, Inc. compliance with the terms of this Settlement Agreement, the WDEQ/LQD will refrain from taking further enforcement action against S.G. Welsh Company, Inc. 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. 4695-10.
8. S.G. Welsh Company, Inc. waives any statute of limitations which may apply to an enforcement action by the WDEQ/LQD involving the specific matters described in Notice of Violation Docket No. 4695-10.
9. 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 S.G. Welsh Company, Inc. violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.
10. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
11. 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 S.G. Welsh Company, Inc. and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
12. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
13. **This Settlement Agreement is binding upon S.G. Welsh Company, Inc. its successors and assigns, and upon the WDEQ.**
14. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR: S.G. Welsh Company, Inc.

Signed: Shawn B Welsh

Date: 7/29/10

Typed: Shawn B Welsh

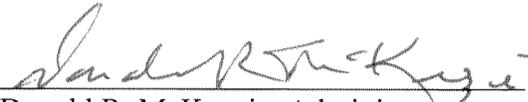
Title: president

FOR: The Wyoming Department of Environmental Quality



John V. Corra, Director
WDEQ

Date: 8/9/10



Donald R. McKenzie, Administrator
WDEQ/Land Quality Division

Date: 08-07-10

JVC/RAC/DS/MR

cc: Mark Rogaczewski, WDEQ/LQD, District III
Docket Number 4695-10