

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

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and RDG Oil & Gas, LLC, 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 4846-11, dated June 7, 2011**. The Notice of Violation (NOV) alleges that the operator affected areas before performing topsoil salvage from those areas, did not identify topsoil stockpiles with topsoil signs, and contracted an operator to mine LMO 1337ET without notifying the WDEQ-LQD of the change in operation of the pit.

The site of the remaining violations is located in Section 21, Township 41 North, Range 81 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, RDG Oil & Gas, LLC 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. RDG Oil & Gas, LLC is the operator for a gravel mining located in Johnson County, Wyoming, in Section 21, Township 41 North, Range 81 West. As part of its operation, RDG Oil & Gas, LLC 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 10, Section 4(b).
4. Failure to identify topsoil stockpiles with topsoil sign is a violation of WDEQ/LQD NC R&R Chapter 10, Section 4(b).
5. Failure to notify the WDEQ-LQD of changed pit operators by placement of the operator on the Form 10 is a violation of WDEQ/LQD NC R&R Chapter 10, Section 6(b).
6. RDG Oil & Gas, LLC agrees to pay a total penalty of Two Thousand Dollars (\$2,000.00) for the violations stated in Items 3 through 5 above, One Thousand Dollars (\$1,000.00) for the violation stated in Item 3 above, Five Hundred Dollars (\$500.00) for the violation stated in Item 4 above, and Five Hundred Dollars (\$500.00) 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). RDG Oil & Gas, LLC shall pay \$2,000.00 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: Nancy Nuttbrock, Administrator, Wyoming Department of Environmental Quality, Land Quality Division, Herschler Building, 3 Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.
7. RDG Oil & Gas, LLC shall: 1) immediately salvage topsoil from or reclaim areas that were disturbed prior to topsoil salvage, 2) immediately identify all topsoil stockpiles with topsoil signs, and 3) if a contracted operator will be mining shale from LMO 1337ET, request from then WDEQ-LQD a revision to the Form 10 to identify the contractor as the pit operator.
8. This signed Settlement Agreement and payment by RDG Oil & Gas, LLC as specified above shall constitute full satisfaction for and resolution of all claims by the WDEQ/LQD against RDG Oil & Gas, LLC based on the violations alleged in Notice of Violation Docket No. 4846-11. Contingent upon RDG Oil & Gas, LLC compliance with the terms

of this Settlement Agreement, the WDEQ/LQD will refrain from taking further enforcement action against RDG Oil & Gas, LLC 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. 4846-11.

9. RDG Oil & Gas, LLC 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. 4846-11.
10. 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 RDG Oil & Gas, LLC violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.
11. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
12. 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 RDG Oil & Gas, LLC and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
13. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
14. **This Settlement Agreement is** binding upon RDG Oil & Gas, LLC its successors and assigns, and upon the WDEQ.
15. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR: RDG Oil & Gas, LLC

Signed: Jeff Wingster

Date: 7-6-2011

Typed: Jeff Wingster

Title: Agent

FOR: The Wyoming Department of Environmental Quality

John V. Corra
John V. Corra, Director
WDEQ

Date: 7/12/11

Nancy Nuttbrock
Nancy Nuttbrock, Administrator
WDEQ/Land Quality Division

Date: 7/8/2011

JVC/NN/DS

cc: Mark Rogaczewski, WDEQ/LQD, District III
Docket Number 4846-11