SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Solid and Hazardous Waste Management Division (DEQ) and Chad Oils, Inc. enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation No. 4047-07, dated April 18, 2007. Chad Oils, Inc., d/b/a Ampride, is the owner and operator of the underground storage tanks (USTs) located at 706 Parsons Street, Pine Bluffs, Wyoming. This UST facility is registered with the DEQ as facility 0-003713. The Notice of Violation alleges that: 1) Chad Oils, Inc. failed to have passing results on file for the automatic tank gauge for the entire months of May 2005 through November 2006. This is a violation of the Wyoming Water Quality Rules and Regulations (WWQRR), Chapter 17, Sections 16(c)(ii), and 19(c).

W.S. 35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Chad Oils, Inc. and the DEQ hereby stipulate and agree as follows:

1. The DEQ is responsible for enforcing the Storage Tank Act of 2007, and Chapter 17, WWQRR.

   WWQRR, Chapter 17, Section 16 (c)(ii), states: "(c) *Automatic tank gauging (ATG).* Equipment for automatic tank gauging which tests for the loss of a regulated substance shall detect a 0.2 gallon per hour leak rate from any portion of the tank that routinely contains a regulated substance. Owners and/or operators using automatic tank gauging shall also: (i) conduct inventory control in conformance with paragraph (a)(i) of this section, unless: (A) the regulated substance is placed in the UST in batches of twenty five (25) gallons or less; (B) a passing result is obtained monthly from the Automatic Tank Gauge with the tank at least 85% full; (C) the automatic tank gauge itself reconciles the inventory to the same levels as required by paragraph (a)(i) of this section; or (D) a method of equivalent performance to inventory control is also used. (ii) report a suspected release and follow the requirements of Section 19(c) of this chapter whenever: (A) Any calendar month goes by when a passing result cannot be obtained from the ATG sometime during the month; or (B) A pattern becomes evident that the ATG produces a failing result whenever the level of a regulated substance in the tank is high, even if passing results can be obtained when the level is low. (C) Inventory control fails for the second consecutive month."

   WWQRR, Chapter 17, Section 16 (g), states: "(g) Statistical Inventory Reconciliation (SIR). All SIR methods shall : (i) meet the requirements found in Section 16(a) for inventory control; (ii) be capable of detecting a 0.2 gallon per hour leak rate or a release of one hundred fifty (150) gallons within a month with a probability of detection of at least 0.95 and a probability of false alarm of no more than 0.05; and (iii) be approved, in writing, by the department prior to use. (iv) All "inconclusive" results shall be investigated by the owner and/or operator as soon as they are reported by the SIR company, including a complete audit of all input data. The owner and/or operator shall make every effort to resolve all "inconclusive" results as soon as they are reported. If the inventory for an entire month fails to balance within two thousand (2,000) gallons, that month shall be treated as inconclusive. A month with an un-resolved inconclusive result is a month when no valid leak detection was provided. (v) Owners and/or operators using SIR shall report a suspected release and follow the requirements of Section 19(c) of this chapter whenever: (A) Any single month is reported as a failure for the UST system by the SIR company; (B) Any month is reported by the SIR company as "inconclusive" unless that inconclusive result has been resolved by re-submission of audited inventory numbers to the SIR company. (vi) UST Systems with a throughput of more than 500,000 gallons per month in any single system shall not be monitored using SIR as the only release detection method.

   WWQRR, Chapter 17, Section 19 (c), states: "Section 19. Reporting of Suspected Releases. Owners and/or operators of storage tank systems shall orally report to the department within twenty-four (24) hours all releases or suspected releases in accordance with Section 22 and follow the procedures of Section 22. Owners of sites where storage tanks were formerly located shall also report within seven (7) days after discovering any new evidence of a release. These reports shall be made for any of the following conditions: (c) Monitoring results: Monitoring results from a release detection method required under Section 14 through 17 that indicate a release may have occurred unless the monitoring device is found to be defective, and is immediately repaired, recalibrated or replaced, and additional monitoring does not confirm the initial result."

2. Chad Oils, Inc. owns and operates tanks located at 706 Parsons Street, Pine Bluffs, Wyoming, and registered with the DEQ as facility 0-003713. As part of an inspection conducted December

12, 2006, Chad Oils, Inc. could not produce ATG results for 2006. Chad Oils, Inc. was also not conducting inventory control for these tanks.

3. Since receiving Notice of Violation No. 4047-07 on April 19, 2007, Chad Oils, Inc. has corrected the cited violations.

4. Chad Oils, Inc. agrees to pay a total of Five Thousand Dollars ($5,000.00) to the Solid and Hazardous Waste Management Division as a stipulated penalty for the cited violations. Payment of Five Hundred Dollars ($500.00) shall be made within 30 days after execution of this Settlement Agreement. Payment shall be by check made payable to the Wyoming Department of Environmental Quality and addressed to the Wyoming Department of Environmental Quality, Attention: Robert Lucht, Herschler Building, 4th Floor West Wing, 122 W. 25th Street, Cheyenne, WY 82002.

5. Four Thousand Five Hundred Dollars ($4,500.00) of this penalty is stayed pending full compliance with Chapter 17 for two (2) years from the date of this Settlement Agreement. For purposes of this Settlement Agreement only, full compliance means:

a. Payment in full of all storage tank fees no later than July 1, 2007, for half a year, January 1, 2008 for calendar year 2008 and January 1 of each year thereafter.

b. Registration of these tanks every time there is a change in status of these tanks as required by statute.

c. Performance of any one of the tank leak detection methods found in Chapter 17, Section 16 within thirty (30) days of the date of this settlement agreement and again every thirty (30) days thereafter. This means that Statistical Inventory Reconciliation records are to be maintained for every tank for every month. In addition, Chad Oils, Inc. shall perform inventory control in accordance with Chapter 17, Section 16(a). Records of all of these tests shall be maintained by Chad Oils, Inc. for three (3) years.

d. Providing an Operator's Annual Inspection (OAI) of this facility no later than October 30 of each year and every year thereafter no later than October 30. The OAI includes: a physical inspection of the entire facility, submission of all leak detection records for the past 12 months, a functional test of the automatic line leak detectors on the pressurized lines, and a pressure test of all single wall lines. Records of these tests shall be maintained by Chad Oils, Inc. for three (3) years.

e. In the event that any month passes without a passing result on statistical inventory reconciliation for each compartment of each tank, a release may have occurred as defined by Chapter 17, Section 16. Inconclusive and failing results are not passing results. Chad Oils, Inc. agrees to immediately report a suspected release and follow all procedures in Chapter 17, Section 19(c) and Section 20.

f. In the event that any two consecutive months pass with the inventory control failing for any compartment for any tank, a release may have occurred as defined by Chapter 17, Section 16. Chad Oils, Inc. agrees to immediately report a suspected release and follow all procedures in Chapter 17, Section 19(c) and Section 20.

g. If these tanks are removed, notification to the department and inspection by the department, as required by statute. If, as a result of the removal, the site is a contaminated site, payment of all contaminated site fees by January 1 of each year.

If Chad Oils, Inc. complies fully with Chapter 17 for two (2) years from the date of this Settlement Agreement, Four Thousand Five Hundred Dollars ($4,500.00) of this penalty shall be forgiven.

6. Chad Oils, Inc.'s full compliance with the terms of this Settlement Agreement shall constitute satisfaction for all claims by the DEQ against Chad Oils, Inc. based on the violations alleged in Notice of Violation No. 4047-07. Contingent upon Chad Oils, Inc.'s compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Chad Oils, Inc. for these particular violations.

7. Chad Oils, Inc. waives any statute of limitations that may apply to an enforcement action by the DEQ involving the specific matters described in Notice of Violation No. 4047-07 in the event that Chad Oils, Inc. fails to fulfill its obligations under this Settlement Agreement.

8. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.

9. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.

10. This Settlement Agreement is binding upon Chad Oils, Inc. and all of its successors and assigns, and upon the DEQ.

11. Nothing in this Settlement Agreement supersedes any provision found in any Wyoming State law, or any regulation issued by the Department of Environmental Quality or any federal law or regulation.

12. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR CHAD OILS, INC.:

Bhaskar Rao Chadalavada
President

Date 5/17/07

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra,
Director

Date 5/15/07

LeRoy C. Feusner, PE, BCEE
Administrator
Solid and Hazardous Waste Management Division

Date 10 May 07

$500.00 paid 5/22/07