

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Solid and Hazardous Waste Management Division (DEQ) and Cowboy Gas, Inc. (Cowboy Gas), enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation No. 4150-07, dated October 19, 2007. Cowboy Gas is the owner and operator of the underground storage tanks (USTs) located at 560 West Broadway, Jackson, Wyoming. This UST facility is registered with the DEQ as facility 0-003983. The Notice of Violation alleges that Cowboy Gas failed to perform inventory control when automatic tank gauging is the primary leak detection method for the underground storage tanks. This act is a violation of the Wyoming Water Quality Rules and Regulations (WWQRR), Chapter 17, Sections 16 (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, Cowboy Gas 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.
2. WWQRR, Chapter 17, Section 16 (c), states: “(c) *Automatic tank gauging (ATG)*. Equipment for automatic tank gauging that 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.”
3. Since receiving Notice of Violation No. 4150-07 on or about October 26, 2007, Cowboy Gas has corrected the cited violation.
4. Cowboy Gas agrees to pay a total of Five Thousand Five Hundred Dollars (\$5,500.00) to the DEQ as a stipulated penalty for the cited violations. Payment of One Thousand Dollars (\$1,000.00) shall be made within thirty (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. Cowboy Gas shall pay in full all storage tank fees no later than January 1, 2009, and January 1 of each year thereafter.
 - b. Cowboy gas shall perform any one of the tank leak detection methods found in Chapter 17, Section 16 within thirty (30) days of the date of this

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settlement agreement and again every thirty (30) days thereafter. This means that passing automatic tank gauging records are to be maintained for every tank for every month. In addition, Cowboy Gas shall perform inventory control in accordance with Chapter 17, Section 16(a). Records of all of these tests shall be maintained by Cowboy Gas for three (3) years.

c. Cowboy Gas shall provide an Operator's Annual Inspection (OAI) of this facility no later than May 1, 2008, and every year thereafter no later than May 1. The OAI includes: A physical inspection of the entire facility, calibration of the ATG, having a functional test of the Automatic Line Leak Detectors on the pressurized lines, and submittal of the last 12 months leak detection records. Records of all these tests shall be maintained by Cowboy Gas for three (3) years.

d. In the event that any month passes without a passing result on the automatic tank gauge for each compartment of each tank, a release may have occurred, as defined by Chapter 17, Section 16 (c). Cowboy Gas agrees to immediately report and investigate a suspected release, following all procedures in Chapter 17, Section 19(c) and Section 20.

e. In the event that any two (2) 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 (a). Cowboy Gas agrees to immediately report a suspected release and follow all procedures in Chapter 17, Section 19 (c) and Section 20.

f. Cowboy Gas shall provide a test by a cathodic protection tester of the sacrificial anode system on these tanks no later than July 13, 2008. Records of this test, and the preceding test done on July 12, 2005, shall be kept for six (6) years.

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.

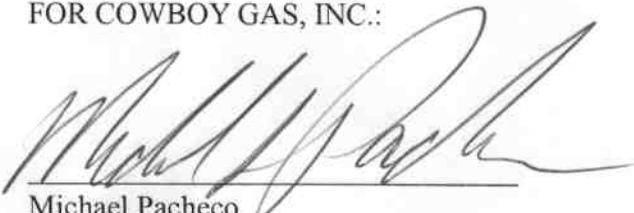
If Cowboy Gas complies fully with Chapter 17 for two (2) years from the date of this Settlement Agreement, Four Thousand Five Hundred Dollars (\$4,500.00) of this penalty shall be forgiven.

6. Cowboy Gas' full compliance with the terms of this Settlement Agreement shall constitute satisfaction for all claims by the DEQ against Cowboy Gas based on the violations alleged in Notice of Violation No. 4150-07. Contingent upon Cowboy Gas' compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Cowboy Gas for these particular violations.
7. Cowboy Gas 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. 4150-07 in the event that Cowboy Gas 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.

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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 Cowboy Gas 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 COWBOY GAS, INC.:

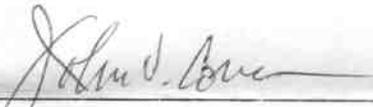


Michael Pacheco
President

2-21-08

Date

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:



John V. Corra,
Director

1/24/08

Date



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

23 Jan 08

Date

Check number 3397 drawn on Jackson State Bank and Trust in the amount of \$1000⁰⁰ (One Thousand Dollars) was received with this document.

