

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Rocky Mountain Gas, Inc. (RMG), 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 Docket (NOV) Docket Number 3905-06 dated June 2, 2006.**

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, RMG and the DEQ hereby stipulate and agree as follows:

1. The DEQ, 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 (Act) including all provisions of the Wyoming Water Quality Rules and Regulations (WWQRR).

2. At the time of the alleged unauthorized discharge, PRB Gas Transportation, Inc. (PRB) was operating the State 36-11 well. As of July, 2006, the operation of the State 36-11 well has been transferred back to RMG. Coal bed methane (CBM) produced water from the State 36-11 well would normally discharge through outfall 007 associated with WYPDES permit WY0043141 which was modified and re-issued to RMG on August 17, 2005.

3. Since receiving NOV Docket Number 3905-06, PRB has provided the WQD with documentation indicating the steps taken to prevent the violation from occurring again including a more regular inspection of shut-in wells as stated in their June 15, 2006 letter.

4. RMG agrees to pay a total penalty of twelve thousand dollars and no cents (\$12,000.00) as a stipulated settlement to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). Payment shall be according to the following plan: RMG shall pay \$12,000.00 directly to the DEQ. Payment to the DEQ shall be due and payable within thirty (30) days of the full execution of this Settlement Agreement or by September 15, 2006, whichever ever occurs first. Payment to DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Brian R. Bohlmann, P.E., Compliance & Enforcement Coordinator, Department of Environmental Quality, Water Quality Division, Herschler Building, 4<sup>th</sup> Floor-West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002. The check should reference NOV Docket Number 3905-06.

5. Except as provided in paragraph 4 above, this signed Settlement Agreement and payment by RMG as specified above shall constitute full satisfaction for and resolution of all claims by the DEQ against RMG based on the violations alleged in NOV Docket Number 3905-06. Contingent upon RMG's compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement actions against RMG for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 3905-06.

6. RMG waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 3905-06 in the event that RMG fails to fulfill their obligations under this Settlement Agreement.

7. Nothing in this agreement precludes DEQ from taking additional enforcement action, including the issuance of a NOV, Order, and/or pursuing additional penalties, should RMG violate the 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. This Settlement Agreement does not constitute an admission by RMG or a retraction by the DEQ of the specific allegations in NOV Docket Number 3905-06 which occurred in Campbell County, Wyoming.

9. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with RMG 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 RMG, its successors and assigns, and upon the DEQ.

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

13. Full execution of this Settlement Agreement shall be determined by the latest date when signed by all parties.

**FOR: ROCKY MOUNTAIN GAS, INC.**

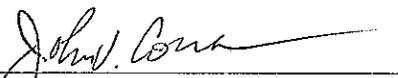
Signed: 

Typed: Duane L. Dryden

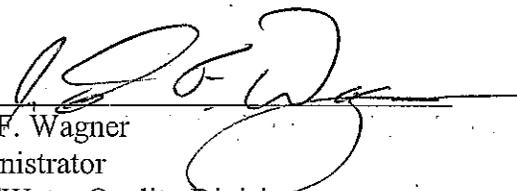
Title: Operations Manager

Date: 8-22-06

**FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:**

  
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John V. Corra  
Director  
Department of Environmental Quality

Date: 8/10/06

  
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John F. Wagner  
Administrator  
DEQ/Water Quality Division

Date: 8/9/06

JVC/JFW/BRB/bb/6-0679.SA

- cc: Colleen Gillespie, 8ENF-W-NP, EPA Region 8 (signed copy by all parties only)  
Brian R. Bohlmann, P.E., WYPDES Compliance & Enforcement Coordinator  
James B. Eisenhauer, WYPDES Inspection Coordinator (signed copy by all parties only)  
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft  
IPS (for scanning) ► Docket 3905-06  
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties only)