

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY
WATER QUALITY DIVISION**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (WDEQ), Water Quality Division (WQD) and Stallion Rockies LTD (Stallion) enter into this Settlement Agreement to fully and finally resolve without litigation the violation alleged in the WDEQ Notice of Violation (NOV), Docket Number 4073-07, dated June 7, 2007. The NOV alleges operation of the portable sewage treatment system units in violation of the approved application and permit conditions under WDEQ/WQD Permit 05-070. This is a violation of the Wyoming Water Quality Rules and Regulations (WWQRR) Chapter 3 Section 5 Part c. The location of the violations are in the Pinedale Anticline and Jonah Fields in Sublette County near Pinedale, Wyoming

Wyoming Statute (W.S.) 35-11-901(a) (ii) authorizes the WDEQ to negotiate a stipulated settlement in lieu of litigation. To that end, Stallion and the WDEQ hereby stipulate and agree as follows:

- 1 of 13 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. WDEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the WWQRR.
- 2 of 13 Stallion owns and operates numerous permitted portable sewage treatment system units in the Anticline and Jonah Fields near Pinedale in Sublette County.
- 3 of 13 The operation of the portable sewage treatment systems contrary to the approved application and permit conditions is a violation of WWQRR Chapter 3 Section 5 Part c.
- 4 of 13 Stallion agrees to pay a penalty of twenty thousand dollars (\$20,000.00) as a stipulated settlement condition in lieu of litigation.

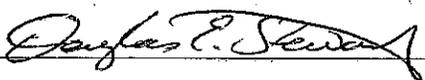
A ten thousand dollar (\$10,000.00) payment to WDEQ shall be by check and made payable to the Wyoming Department of Environmental Quality/Water Quality Division upon full execution of this settlement agreement by both parties and shall be mailed to: Don McKenzie, Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4W, 122 West 25th Street, Cheyenne, Wyoming 82002.

The remaining ten thousand dollars (\$10,000.00) shall be held in abeyance if Item 5 of 13 of the Settlement Agreement is completed as described. If Item 5 of 13 of the Settlement Agreement is not met as specified, the ten thousand dollars (\$10,000.00) shall be due within thirty (30) days notice by WDEQ.

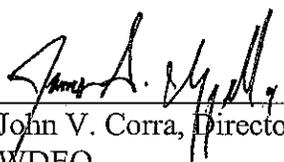
- 5 of 13 Stallion shall obtain a new permit for the portable sewage treatment system units by December 31, 2007.
- 6 of 13 This signed Settlement Agreement, as specified above, shall constitute full satisfaction for and resolution of all claims by the WDEQ/WQD against Stallion based on the violations alleged in NOV Docket Number 4073-07. Contingent upon Stallion's compliance with the terms of this Settlement Agreement, the WDEQ will refrain from taking further enforcement action against Stallion for the violation cited in this Settlement Agreement. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4073-07.

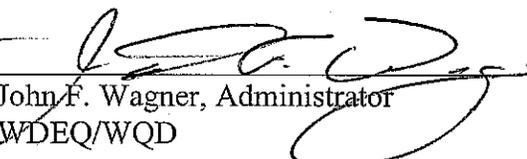
- 7 of 13 Stallion waives any statute of limitations which may apply to an enforcement action by the WDEQ involving the specific matters described in NOV Docket Number 4073-07 in the event that Stallion fails to fulfill its obligations under this Settlement Agreement.
- 8 of 13 Nothing in this agreement precludes WDEQ from taking additional enforcement action, including the issuance of a Notice of Violation, Order and/or pursuing additional penalties, should Stallion violate the Wyoming Environmental Quality Act or applicable rules and regulations in the future.
- 9 of 13 This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties. By entering into this Settlement Agreement, Stallion does not admit to any of the factual or legal allegations or determinations made by the WDEQ in NOV Docket Number 4073-07 nor is this a retraction by the WDEQ of the specific allegations in NOV Docket Number 4073-07.
- 10 of 13 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 Stallion, and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
- 11 of 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.
- 12 of 13 This Settlement Agreement is binding upon Stallion, its successors and assigns, and upon the WDEQ.
- 13 of 13 The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR STALLION

Signed:  Date: 7-11-07
 Typed: Douglas E. Stewart
 Title: Vice President & General Counsel

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

 Date: 7/16/07
 John V. Corra, Director
 WDEQ

 Date: 7/16/07
 John F. Wagner, Administrator
 WDEQ/WQD

JVC/JFW/DRM/bb/7-0556.SA

xc: Don McKenzie, WDEQ/WQD, Cheyenne
 Dennis Lamb, WDEQ/WQD, Casper
 IPS File Docket Number 4073-07