

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Medallion Exploration Company (Medallion), 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 4056-07 dated June 12, 2007.**

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, Medallion 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. Medallion shall provide the WQD with documentation indicating measures to be taken, to prevent the violations from occurring again. This requested information shall be received by the WQD on or before September 21, 2007

3. Medallion agrees to pay a total penalty of eight thousand dollars and no cents (\$8,000.00) as a stipulated settlement to resolve this matter in lieu of litigation under W.S. §35-11-901(a)(ii). Payment is due and payable within thirty (30) days of the full execution of this Settlement Agreement or by September 21, 2007, 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. Kevin M. Wells, Compliance & Enforcement Coordinator, Department of Environmental Quality, Water Quality Division, Herschler Building 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002. The check shall reference NOV Docket Number 4056-07.

4. This signed Settlement Agreement and payment by Medallion as specified above, along with the full compliance with WYPDES permit requirements cited in NOV 4056-07, shall constitute full satisfaction for and resolution of all claims by the DEQ against Medallion based on the violations alleged in NOV Docket Number 4056-07. Contingent upon Medallion's full compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Medallion for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4056-07.

5. Medallion waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 4056-07 in the event that Medallion fails to fulfill its obligations under this Settlement Agreement.

6. Nothing in this agreement precludes DEQ from taking additional enforcement action, including the issuance of a NOV, Order, and/or pursuing additional penalties, should Medallion violate the Act or applicable rules and regulations in the future.

7. This Settlement Agreement or any actions taken in accordance with its provisions, does not constitute an admission by Medallion to any allegations, findings, determinations or conclusions contained in this Agreement, nor is this a retraction by the DEQ of the specific allegations in NOV Docket Number 4056-07. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Medallion may have against any entity.

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

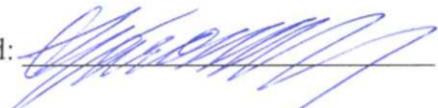
9. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Medallion and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

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. Medallion and the DEQ agree to comply with and be bound by the terms of this agreement and further agree they will not contest the basis or validity of this Settlement Agreement in any action taken by DEQ to enforce the terms of this Settlement Agreement. Therefore this Settlement Agreement is binding upon Medallion, 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. Full execution of this Settlement Agreement shall be determined by the latest date of all parties signing.

FOR: MEDALLION EXPLORATION COMPANY.

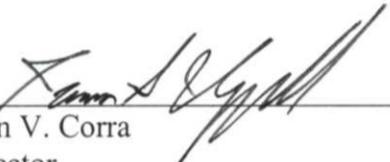
Signed: 

Typed: JAKE HAROZNY

Title: PRES.

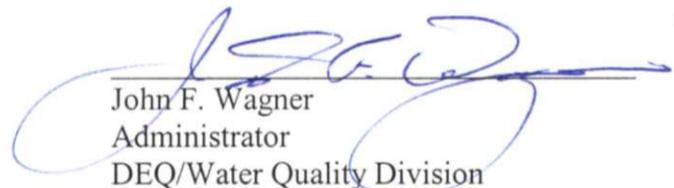
Date: 09/14/07

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:



John V. Corra
Director
Department of Environmental Quality

Date: 9/14/07



John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 9/10/07

JVC/JFW/KMW/bb/7-0780.SA

- cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF)
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 4056-07
Keith Guille, DEQ Public Information Officer (PDF)

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

**IN THE MATTER OF THE NOTICE OF
VIOLATION ISSUED TO:**

**Ms. RaSchelle Richens
Medallion Exploration Company
3165 Milrock Drive Suite 550
Holiday, UT 84121**

DOCKET NUMBER 4056-07

NOTICE OF COMPLIANCE

The Department of Environmental Quality (DEQ), Water Quality Division (WQD) issued Notice of Violation Docket Number 4056-07 on June 11, 2007, to Medallion Exploration Company (Medallion). The NOV alleged that Medallion discharged coal bed methane (CBM) produced water to "waters of the state" in violation of the Wyoming Environmental Quality Act (Act) and applicable Wyoming Water Quality Rules and Regulations (WWQRR).

The Notice of Violations required Medallion to pay a total penalty of eight thousand dollars and no cents (\$8,000.00) to the DEQ. Based on the receipt of the signed Settlement Agreement and penalty on October 29, 2007, Majestic has complied with the conditions of the Settlement Agreement for Docket Number 4056-07 and the DEQ finds that all terms have been satisfied.

Dated this 29th day of October, 2007.



Kevin M. Wells
WYPDES Compliance & Enforcement Coordinator
Water Quality Division
Wyoming DEQ

KMW/cs/7-0928

cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF)
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