

**DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING**

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

**Langley Energy, Inc.)
10405 E. Northwest Highway, suite 304)
Dallas, TX 75238)**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Langley Energy, Inc., (Langley) a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violation alleged in **Notice of Violation (NOV) Docket Number 4858-11 dated July 21, 2011. These violations occurred in Campbell County, Wyoming.**

W.S. §35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty and corrective actions, in lieu of litigation. To that end, Langley 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. Langley has provided the DEQ with documentation demonstrating the steps taken to address the alleged violations covered by this NOV, including the ongoing operational programs designed to prevent violations in the future. Following implementation of the corrective actions Langley shall provide to the WQD an update of the completed corrective actions including photos if available.

3. Langley agrees to pay a total of two thousand eight hundred eighty dollars and no cents (\$2,880.00) as a stipulated penalty. Payment shall be according to the following plan: Langley shall pay \$2,880.00 directly to the DEQ in three monthly installments of nine hundred sixty dollars and no cents (\$960.00) each. The first payment of \$960.00 to the DEQ shall be due and payable within thirty (30) days of the full execution of this Settlement Agreement or by September 30, 2011, whichever occurs first. The second payment of \$960 to the DEQ shall be due and payable by October 31, 2011. The third and final payment of \$960.00 to the DEQ shall be due and payable by November 30, 2011. Payment to the DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division. Payment should be sent to Mr. Kevin M. Wells, Natural Resource Program Manager, Department of Environmental Quality, Water Quality Division, Herschler Building 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002. The check should reference NOV Docket Number **4858-11**.

4. Langley's full compliance with the terms of this signed settlement agreement shall constitute full satisfaction for and resolution of all claims by the DEQ against Langley based upon the specific allegations in NOV docket number **4858-11**. Contingent upon Langley's compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Langley for these particular violations.

5. Langley waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number **4858-11** in the event that Langley 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 Langley violate the Act, applicable rules and regulations, or WYPDES permit requirements in the future.

7. This settlement agreement represents a good faith settlement and resolution of the NOV in lieu of litigation and shall not constitute or be construed as an admission by Langley or a retraction by DEQ of the specific allegations in NOV docket number **4858-11**.

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.

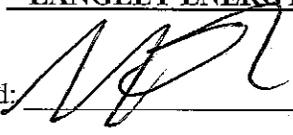
9. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Langley and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

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. Langley 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 Langley, 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: LANGLEY ENERGY, INC.

Signed:  _____

Typed: Mike Langley

Title: President

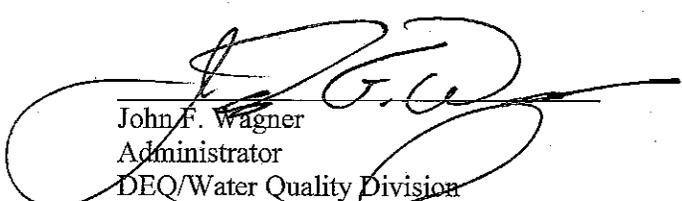
Date: August 31, 2011

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:



John V. Corra
Director
Department of Environmental Quality

Date: 8/25/11



John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 8/23/11

JVC/JFW/KMW/bb/rm/11-0751

cc: David Gwisdalla, 8ENF-W-NP, EPA Region 8 (PDF)
Bill J. DiRienzo ► Kevin M. Wells (PDF)
IPS (for scanning) ► Docket 4858-11
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)
DEQ Director