

MEMORANDUM OF AGREEMENT
Between
Danish Flats Environmental Services and Red Rock Forests
Regarding Wildlife & Water Issues at the Danish Flats Evaporation Ponds Facility
in the Cisco Desert, SE Utah

This Agreement is entered into by Danish Flats Environmental Services (DFES) and Red Rock Forests (RRF) to resolve concerns regarding the potential impacts of operations on human health and wildlife.

ARTICLE 1 – RECITALS

WHEREAS, in 2008, DFES requested permits from the State of Utah and Grand County for expansion of its permit to allow for expansion of its facility from 8 ponds to up to 20 ponds for the purposes of evaporating production water from area oil and gas production;

WHEREAS, in 2008, RRF participated in administrative proceedings at the State of Utah Division of Oil and Gas, Grand County Planning & Zoning and Grand County Council, expressing its concern about the impact of open water wastewater ponds on wildlife in a desert environment, particularly winged wildlife – birds, bats, etc.;

WHEREAS, RRF and DFES engaged in discussions, independent of the administrative processes indicated above, regarding the concerns of RRF and the operations of DFES;

WHEREAS, both parties have voluntarily agreed that they have a mutual interest in addressing these issues and have voluntarily developed specific measures to this end;

NOW THEREFORE, the Parties agree to enter into this Agreement for the purpose of formalizing both parties' commitments, for the public record.

ARTICLE II – WILDLIFE

The Parties agree that the following actions will be implemented:

A. DFES will enter into a contract with local ornithologist Skip Ambrose to conduct a 15-18 month avian study at the facility.

B. Based on the results of the ornithology study conducted under item A, DFES will consult and coordinate with Skip Ambrose, RRF and appropriate wildlife experts (e.g., Utah Division of Wildlife Resources, Bureau of Land Management, US Fish and Wildlife Service), to determine the appropriate course of action required for protection of wildlife at risk from operations of Phase I and Phase II at the facility.

C. DFES will begin to reserve funds for netting all the ponds at the facility out of Phase 2 revenue, with the expectation that upon conclusion of the studies, the requisite

funding will be available for the appropriate mitigation (e.g., netting or another agreed-upon mitigation).

D. If all the funds collected are not required for pond mitigation, DFES will make the balance of the funds available for other mitigation projects for which the community of Grand County might need assistance.

ARTICLE III – WATER TREATMENT

The Parties agree that the following actions will be implemented:

A. DFES will continue to pursue, in good faith, to evaluation the economic and engineering viability of water treatment technologies as part of its Phase 2 expansion that will lead to a significant reduction in polluting constituents in the open water ponds. [Per DFES, the water treatment system under evaluation will bring constituents in the water down to 4 ppm or less (from 10,000 ppm), so that the water can be distilled or otherwise re-used for agriculture or other purposes. This process includes: hydrocyclone, floatation chamber, walnut shell filtering and then when left only with salts, reverse osmosis or desalinization. Because the system is contained, air quality impacts will also be minimized. If successful, and the water can be returned to a beneficial use.]

B. If the water treatment system is feasible, DFES will construct the necessary water treatment as part of its Phase 2 expansion.

C. DFES will apply for all necessary permits under the Utah Water Code for use of water processed through the water treatment system, and considered ‘clean’; and prior to utilizing said water for any beneficial use, and provide documentation to RRF of said approved permits.

ARTICLE IV – COOPERATING RELATIONSHIP

The Parties agree that the following actions will be implemented:

A. RRF agrees to work with DFES to address wildlife issues and remediate them in a way that meets both the needs of the wildlife and the company.

B. RRF agrees to work in a cooperative manner with DFES throughout Phase 2, refraining from pursuing further challenges to DFES’s Grand County Conditional Use Permit or Utah Division of Oil, Gas & Mining Phase II Permit, provided the company follows through with each of its commitments in the Agreement in good faith.

C. RRF and DFES agree to work cooperatively and engage in a positive professional relationship between the two entities in the community.

D. RRF and DFES agree to encourage Grand County to incorporate the voluntary actions taken by DFES to address wildlife issues in Grand County’s Evaporation Pond Facilities for Produced Water Standards ordinance, so that such standards be applied to all future such facilities seeking a Conditional Use Permit.

ARTICLE IV – COMPLIANCE

The Parties agree that the following actions will be implemented:

A. RRF and DFES will request that this Agreement be held by the County, as a neutral party, and an addendum to the County's Conditional Use Permit.

B. DFES agrees that if the company is not in compliance with the agreement, the County may use this as evidence in determining any action regarding periodic review, modification or renewal of any County-issued permits.

IN WITNESS WHEREOF the representatives of Danish Flats Environmental Services and Red Rock Forests have signed this Memorandum of Agreement on the ____1st____ day of __March_____, 2009.

For DANISH FLATS
ENVIRONMENTAL SERVICES

For RED ROCK FORESTS

____/s/ Neil Richardson_____
Neil Richardson, Operations Mgr.

____/s/ Terry Shepherd_____
Terry Shepherd, Executive Director