

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") is entered into this ____ day of March, 2010, by and between **Southern Utah Wilderness Alliance, Utah Chapter of the Sierra Club, Earth Energy Resources, Inc.**, and the **Utah Division of Oil, Gas and Mining** (the "Parties").

Southern Utah Wilderness Alliance and Utah Chapter of the Sierra Club are defined as: the Southern Utah Wilderness Alliance, the Utah Chapter of the Sierra Club (collectively, "SUWA"), and successors, subsidiaries, and affiliates of the Southern Utah Wilderness Alliance and/or the Utah Chapter of the Sierra Club.

Earth Energy Resources, Inc. ("Earth Energy") is defined as: Earth Energy Resources, Inc., including Earth Energy's present or future successors, parents, subsidiaries, and affiliates.

Utah Division of Oil, Gas and Mining ("Division") is defined as: the Utah Division of Oil, Gas and Mining.

RECITALS

WHEREAS, Earth Energy holds Utah School and Institutional Trust Lands Administration oil sands leases on 5,930 contiguous acres in Utah's Uinta Basin ("PR Spring Mine"). Within the PR Spring Mine, Earth Energy has defined a 2,255-acre study area. The initial mine development will take place in the southeastern portion of the study area on approximately 213 acres ("Affected Area"). Mining will commence on a 62-acre tract of the Affected Area known as the North Pit. Following commencement of mining operations on the North Pit, Earth Energy may seek to expand mining operations to a separate 32-acre tract within the Affected Area ("West Pit");

WHEREAS, on September 28, 2007, Earth Energy submitted a Notice of Intention to Commence Large Mining Operations to the Division. The Division determined the notice of intention to be complete and tentatively approved the notice of intention on May 20, 2009.

Following notice and comment procedures, on September 21, 2009, the Division determined that a hearing was not necessary and issued its final approval of the NOI (the "Approved NOI");

WHEREAS, on October 13, 2009, SUWA notified the Division of its filing of a Request for Agency Action and requested an informal hearing before the Division. On November 23, 2009, an informal hearing was held before the Division Director, John Baza. On December 22, 2009, Mr. Baza issued his decision upholding the Division's approval of the Approved NOI. On January 7, 2010, SUWA filed its Request for Agency Action and Request for a Hearing ("RAA"). A formal hearing is scheduled before the Board of Oil, Gas and Mining for March 24, 2010;

WHEREAS, the Division and Earth Energy deny that the Approved NOI is either inadequate or incomplete;

WHEREAS, Earth Energy's commencement of mining operations at the PR Spring Mine remains subject to the filing of Earth Energy's reclamation bond and obtaining any necessary environmental permits;

WHEREAS, the Division, Earth Energy, and SUWA desire to settle, in accordance with the terms and conditions set forth below, any and all of SUWA's claims pertaining to the Approved NOI;

NOW, THEREFORE, for good and valuable consideration, including the promises, releases, representations, covenants and obligations contained herein, the sufficiency of which is hereby acknowledged, SUWA, Earth Energy, and the Division agree as follows:

1. **Potential Expansion to the West Pit.**

Earth Energy and the Division stipulate and agree that if Earth Energy seeks a revision of the Approved NOI to open the West Pit, or a second pit, that is approximately as large as the proposed West Pit or larger, the revision will be treated by the Division as a significant revision to Earth Energy's Approved NOI. This will require compliance with Utah Admin. Code R. 647-4-118(1)-(2). Further, public notice will be published and mailed in accordance with Utah Admin. Code R. 647-4-116, and notice of the proposed revision will be mailed to SUWA by the

Division. The address for notice shall be as follows unless a change of address has been provided in writing to the Division.

Southern Utah Wilderness Alliance
Attn: Stephen Bloch and David Garbett
425 East 100 South
Salt Lake City, UT 84111

Utah Chapter of the Sierra Club
Attn: Marc Heileson
2159 South 700 East Ste 210
Salt Lake City, UT 84106

2. **Withdrawal of the RAA With Prejudice & Release of Claims.**

SUWA agrees to immediately take all necessary action to withdraw and dismiss with prejudice its RAA, and hereby releases any and all claims or objections pertaining to the Approved NOI. SUWA hereby authorizes its counsel to execute and file with the Board of Oil, Gas and Mining a motion and order in substantially the same form as Exhibit I.

3. **All Other Revisions to the Approved NOI.**

All Parties to this Agreement agree and stipulate that all other proposed changes or revisions to Earth Energy's Approved NOI that are not related to the West Pit will be considered by the Division on a case-by-case basis in accordance with the Division's administrative rules. Further, the Parties agree and stipulate that this Agreement shall not constitute a waiver by them of any rights under the Approved NOI, nor of any rights or claims that may arise pertaining to the approval or operations under a future Notice of Intention to Commence Large Mining Operations application, or any rights under a future Notice of Intention to Revise Large Mining Operations application.

4. **Integration.**

This Agreement sets forth the entire understanding and agreement between the Parties with respect to the subject matter herein and supersedes any prior or contemporaneous oral and/or written agreements or representations, if any, between the Parties.

5. **Amendments or Modifications.**

The terms of this Agreement may not be modified, amended, or supplemented, except by mutual written agreement executed by the Parties.

6. **Governing Law.**

This Agreement is made and entered into in the State of Utah. Utah law shall govern the validity and interpretation of this Agreement.

7. **General Provisions.**

7.1 The Parties warrant that they have the necessary power and authority to execute and deliver this Agreement, to bind the parties named herein, to perform the obligations hereunder, and to settle any and all of the potential claims pertaining to the Approved NOI.

7.2 This Agreement may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against any action, suit, or other proceeding which may be instituted, prosecuted or maintained in breach of this Agreement.

7.3 This Agreement and release shall inure to the benefit of the Parties, and shall be binding upon the Parties and their assigns, employees, agents, representatives and successors. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which taken together shall constitute a single agreement.

