

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY
LAND QUALITY DIVISION**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality / Land Quality Division (DEQ/LQD) and Lost Creek ISR, LLC, (Lost Creek) a company organized under the laws of Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in the **Notice of Violation (NOV), Docket Number 4697-10** dated July 19, 2010. The NOV alleges that Lost Creek violated the Wyoming Environmental Quality Act (Act) and applicable Wyoming Noncoal Rules & Regulations (NCRR).

The NOV alleges: 1) Lost Creek ISR, LLC failed to ensure public and wildlife safety by leaving an open mud pit unsecured on the site which is an alleged violation of Land Quality Division (LQD) Noncoal Rules and Regulations (NCRR) Chapter 8, Section 2 (b)(i); and 2) Lost Creek ISR, LLC failed to separate and protect topsoil at numerous drill sites at the 334DN project, which is an alleged violation of NCRR Chapter 8, Section 2 (b)(iii). These alleged violations occurred in various locations within the boundaries of WyDEQ/LQD Drilling Notification (DN) 334DN which includes all or portions of Sections 17 – 21, 29, 30 and 31 of T. 25N, R.92W and Sections 13 and 24, 25N, R.93W, Sweetwater County, Wyoming.

W.S. § 35-11-901(a)(ii) authorizes the WyDEQ/LQD to negotiate a stipulated settlement, compliance schedules, or other enforcement conditions, including payment of a penalty, in lieu of litigation. To that end, Lost Creek and the DEQ/LQD hereby stipulate and agree as follows:

1. DEQ is the agency principally responsible for administering the Act, including all provisions of the DEQ/LQD NCRR.
2. Lost Creek owns and/or operates in-situ uranium operations located within the boundaries of DEQ/LQD Drilling Notification (DN) 334DN which includes all or portions of Sections 17 – 21, 29, 30 and 31 of T. 25N, R.92W and Sections 13 and 24, 25N, R.93W, Sweetwater County, Wyoming.
3. DEQ alleges that Lost Creek failed to ensure the safety of the public and wildlife as required by NCRR Chapter 8, Section 2 (b)(i). This alleged violation was a result of Lost Creek leaving a mud pit unsecured at the 334DN facilities without adequate fencing.
4. DEQ alleges that Lost Creek failed to properly separate and protect topsoil at the 334DN facilities as required by NCRR Chapter 8, Section 2 (b)(iii). The failure to separate and protect topsoil at the 334DN site was described in the June 7, 2010 Inspection Report (Inspection Memorandum dated June 15, 2010) as the placement of subsoil on top of native topsoil at numerous drill sites.
5. Since receiving NOV # 4697-10, Lost Creek has corrected the above alleged violations, and has developed procedures to prevent recurrence of the above alleged violations.
6. To prevent the recurrence of violations of NCRR Chapter 8, Section 2(b)(i) across the 334DN site, Lost Creek agrees to (prior to the Permit's final approval) insert the following text into Section OP 2.5.1, entitled "Short-Term Topsoil Protection", of the Operations Plan portion of their Permit to Mine Application being handled under Temporary Filing Number (TFN) 4 6/268:

"LC ISR will backfill drill pits with subsoil as soon after drilling as is practical. Topsoil will not be re-applied until the subsoil has been given adequate opportunity to settle into the pit. Any incidental overflow of drill mud onto topsoil will be remediated."

7. To prevent the recurrence of violations of NCRR Chapter 8, Section 2(b)(iii) across the 334DN site, Lost Creek agrees to (prior to the Permit's final approval) insert the following text into Section OP 2.5.1, entitled "Short-Term Topsoil Protection", of the Operations Plan portion of their Permit to Mine Application being handled under Temporary Filing Number (TFN) 4 6/268:

"To avoid degradation of topsoil adjacent to mud pits, the pits will be installed so that at a minimum the primary root zone of topsoil (generally the top 4 - 8 inches) will be removed from the area where subsoil will be stockpiled. During reclamation, excess subsoil may remain in this stockpile area. Topsoil will be redistributed as evenly as practical over the excavation area. Figure OP-6c shows the typical layout of a drill pit."

Lost Creek ISR, LLC will insert a new figure, Figure OP-6c, into the Permit to Mine Application (prior to the Permit's final approval) to document how soil will be handled during the construction of drill pits.

8. Lost Creek agrees to pay a **total of Two Thousand Dollars (\$2,000.00)** as a stipulated penalty. Payment shall be by check payable to the Wyoming Department of Environmental Quality / Land Quality Division and sent to the attention of Donald R. McKenzie, Administrator, Wyoming Department of Environmental Quality / Land Quality Division, Herschler Bldg. 3W, 122 West 25th Street, Cheyenne, WY, 82002.
9. None of the terms and conditions of this Settlement Agreement shall be considered or construed as an admission by Lost Creek of the validity of the violations alleged by DEQ/LQD.
10. Lost Creek's full compliance with the terms of this signed Settlement Agreement shall constitute full satisfaction and resolution of all claims by the DEQ/LQD against Lost Creek based on the alleged violations as specified in NOV, Docket No, 4697-10. Contingent upon Lost Creek's compliance with the terms of this Settlement Agreement, the DEQ/LQD will refrain from taking further enforcement action against Lost Creek for the alleged violations specifically cited in NOV # 4697-10.
11. Lost Creek waives any statute of limitations which may apply to an enforcement action by the DEQ/LQD involving specific matters described in the NOV, Docket No. 4697-10 in the event that Lost Creek fails to fulfill its obligations under this Settlement Agreement.
12. Nothing in this Settlement Agreement precludes the DEQ/LQD from taking additional enforcement action, including the issuance of a Notice of Violation, Order, and/or pursuing additional penalties should Lost Creek violate the Act or applicable DEQ Rules and Regulations in the future.
13. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
14. Notwithstanding any other language in the Settlement Agreement, the State of Wyoming, and the DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Lost Creek and specifically retain all immunity and defenses available as sovereigns under State and Federal law.
15. Each party shall bear its own attorney fees and costs, if any, incurred through the date of this Settlement Agreement being signed by both parties.
16. This Settlement Agreement is binding upon Lost Creek, its successors and assignees, and upon the DEQ/LQD.
17. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

For: **LOST CREEK ISR, LLC**

Signed: 

 Wayne W. Heili, President

Date: 10-26-2010

For: **WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY**



 John V. Corra, Director
 Wyoming Department of Environmental Quality

Date: 10/28/10



 Donald R. McKenzie, Administrator
 Land Quality Division

Date: 10/27/10

Cc: Carol Bilbrough, WyDEQ/LQD Cheyenne
 Mark Moxley, WyDEQ/LQD Lander
 Docket No. 4697-10