

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) between Environmental Research Center, Inc. (“ERC”) and Macpherson Oil Company (“Macpherson”) is effective on the date identified in Section 6 below. ERC and Macpherson are referred to individually as a “Party” and collectively as the “Parties.” The Parties agree as follows:

1. This Agreement is intended to fully resolve all claims, demands, and allegations set forth in or related to the Notice of Violation of California Health & Safety Code §25249.5, *et seq.* (also known as “Proposition 65”) that ERC served by mail on Macpherson on July 2, 2015 (the “Notice”) with regard to the injection of fluids (“Injectate”) that have been produced by oil or gas extraction activities into the following underground disposal well (“Covered Well”):

API Number 2918114
Bishop 6
Latitude 35.489736
Longitude 118.934084

2. The Parties enter into this Agreement in order to achieve a settlement of the claims as stated in Section 1 (collectively “this Matter”) and for the purpose of avoiding prolonged litigation. Nothing in this Agreement shall be construed as an admission of the Parties of any fact, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by the Parties of any fact, issue of law or violation of law. Nothing in this Agreement or any document referred to shall be construed as giving rise to any presumption or inference of admission or concession by the Parties as to any fault, wrongdoing or liability. This Section shall not diminish or otherwise affect the obligations, responsibilities, and duties of the Parties under this Agreement.

3. In consideration of the following covenants and conditions contained in this Agreement, the Parties have provided the releases as set forth in Section 5 below:

a. The Covered Well has been shut-in, plugged, and abandoned since April 22, 2015. Currently, Macpherson has no intent to re-initiate Injectate injections into the Covered Well. Should Macpherson obtain authorization to discharge Injectate into the Covered Well, Macpherson agrees to notify ERC through its counsel, Aqua Terra Aeris Law Group, and provide copies of the pertinent authorizations for review, no later than forty-five (45) days prior to discharges of Injectate into the Covered Well. Macpherson further agrees that all discharges of Injectate into the Covered Well on and after the Effective Date, shall comply with California law, including Proposition 65, to the extent that Proposition 65 applies to the Covered Well.

4. Macpherson shall make a total settlement payment of \$97,500.00 (“Total Settlement Payment”) by wire transfer to ERC’s escrow account within 10 days of the Effective Date (“Due Date”), for which ERC will give Macpherson the necessary account information. The Total Settlement Payment shall be allocated as follows:

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a. \$32,878.93 shall be considered a civil penalty pursuant to California Health and Safety Code §25249.7(b)(1). ERC shall remit 75% (\$24,659.20) of the civil penalty to the Office of Environmental Health Hazard Assessment ("OEHHA") for deposit in the Safe Drinking Water and Toxic Enforcement Fund in accordance with California Health and Safety Code §25249.12(c). ERC will retain the remaining 25% (\$8,219.73) of the civil penalty.

b. \$57,000.00 shall be considered reimbursement of attorney fees for Aqua Terra Aeris Law Group, and \$7,621.07 shall be considered reimbursement for ERC's in-house legal fees.

c. In the event that Macpherson fails to remit the Total Settlement Payment owed under Section 4 of this Settlement Agreement on or before the Due Date, Macpherson shall be deemed to be in material breach of its obligations under this Agreement.

5. Binding Effect; Claims Covered and Released

a. ERC, acting in the public interest and on behalf of itself and its respective owners, principals, shareholders, officers, directors, employees, agents, parents, subsidiaries, successors, assigns, and legal representatives fully releases Macpherson, and its respective owners, principals, shareholders, members, managers, officers, directors, employees, agents, parents, subsidiaries, successors, partners, assigns, and legal representatives (collectively the "Releasing Parties") from any and all claims for violations of Proposition 65 up through and including the Effective Date based on injection(s) into the Covered Well as set forth in the Notice.

b. The Releasing Parties further waive and release any and all claims they may have against each other for all actions or statements made or undertaken in the course of seeking or opposing enforcement of Proposition 65 in connection with the Notice.

c. It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Covered Well will develop or be discovered. ERC on behalf of itself only, on the one hand, and Macpherson, on behalf of itself only, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims associated with the Covered Well up through and including the Effective Date, including all rights of action therefore, and further acknowledge that the claims released in this section may include unknown claims about the Covered Well, and nevertheless waive California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

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ERC on behalf of itself only, on the one hand, and Macpherson, on the other hand, acknowledge and understand the significance and consequences of this specific waiver of California Civil Code Section 1542.

6. Within five days after both Parties execute this Agreement, ERC will submit electronically to the California Attorney General a Report of Settlement and a signed copy of this Agreement, along with electronic notice to Macpherson's counsel. The Parties acknowledge and agree that the Parties shall provide as much information as is requested by the California Attorney General, or any other governmental agency, regarding this Matter, its settlement, and this Agreement. This Agreement will be deemed effective after the final signed copy of this Agreement and Report of Settlement are submitted to the California Office of the Attorney General ("Effective Date"). In the event that an objection is received from the Attorney General or any other governmental agency, the Parties shall use best efforts to resolve any such objection.

7. This Agreement contains the entire agreement between the Parties with regard to settlement of this Matter, and supersedes all prior or contemporaneous agreements or understandings, written or oral, with regard to the matters set forth in this Agreement. This Agreement may be amended or modified in whole or in part at any time only by an agreement in writing executed by the Parties.

8. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective owners, principals, shareholders, members, managers, officers, directors, employees, agents, parents, subsidiaries, successors, partners, assigns, and legal representatives.

9. No inference, assumption or presumption shall be drawn, and no provision of this Agreement shall be construed against any of the Parties, based upon the fact that one of the Parties and/or one of the Parties' attorneys prepared and/or drafted all or any portion of this Agreement. It is conclusively presumed that the Parties participated equally in the preparation and drafting of this Agreement.

10. If any provision, term, or section of this Agreement is found to be invalid, illegal, or unenforceable, then all remaining provisions, terms, or sections shall continue in full force and effect and remain binding on the Parties. If any provision, term, or section of this Agreement is determined to be unenforceable, then such provision, term, or section may be modified so that the unenforceable provision, term, or section is enforceable to the greatest extent possible.

11. This Agreement shall be deemed to have been entered into in the State of California, and governed and interpreted by the laws of the State of California, regardless of the physical locations of the individuals executing this Agreement at the time of execution.

12. The Parties acknowledge that they have a right to consult an attorney and they have consulted their attorneys with respect to the terms and conditions of this Agreement or by signing this Agreement hereby acknowledge they have made the decision not to consult with an attorney in this Matter. The Parties further acknowledge that they fully understand this Agreement and the effect of signing and executing this Agreement.

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13. The Parties are aware and acknowledge that this Agreement is an out-of-court settlement and that they will not receive the protections afforded by a court-approved consent judgment. The Parties are entering into this Agreement in good faith and in an effort to settle all claims and allegations related to the Notice, and this Agreement applies only to any claims between the Releasing Parties for violations of Proposition 65 up through and including the Effective Date based on injection(s) into the Covered Well as set forth in the Notice, or for actions or statements made or undertaken in the course of seeking or opposing enforcement of Proposition 65 in connection with the Notice. Compliance with the terms of this Agreement constitutes compliance with Proposition 65 with respect to injection(s) into the Covered Well as set forth in the Notice.

14. Any legal action to enforce this Agreement shall be brought in the Kern County Superior Court in California. ERC reserves the right to argue in any action required to enforce this Agreement that it may recover reasonable attorney's fees pursuant to California Code of Civil Procedure section 1021.5, while Macpherson reserves the right to contest the validity of any such recovery.

15. This Agreement may be signed in counterparts, and each counterpart, as well as any facsimile, e-mail, copy of this Agreement, or any other counterpart, shall be deemed to be an original.

16. Each of the individuals who execute this Agreement represents and warrants they have the authority to execute this document and bind the respective Parties to the terms and conditions of this Agreement, and have read, understand, and agree to all the terms and conditions in this Agreement.

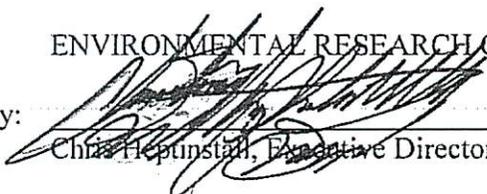
DATED: 12/2/15

MACPHERSON OIL COMPANY

By: 
Donald R. Macpherson Jr., President and CEO

DATED: 12/2/15

ENVIRONMENTAL RESEARCH CENTER, INC.

By: 
Chris Hepunstall, Executive Director

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