

## SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT (“Agreement”) is effective the 16<sup>th</sup> day of December, 2009, between Joan L. Savage, whose address is 5953 County Road 320, Rifle, CO 81650-1675 (“Owner”), and Laramie Energy II, LLC, whose address is 1512 Larimer Street, Suite 1000, Denver, CO 80202, (“Operator”).

### RECITALS

WHEREAS, Surface Owner owns the surface of the following described property in Garfield County, Colorado (the “Property”), legally described as:

Township 7 South, Range 94 West of the 6<sup>th</sup> P.M.  
Section 5: SW1/4 (access road and pipeline)  
Section 8: W1/2W1/2 (access road and pipeline)  
Section 17: Lots 3, 4, SW1/4NW1/4 (access road, pipeline and pad location)  
Section 18: Lots 1 and 2, S1/2NE1/4 (Sefcovic Lease)

WHEREAS, Operator is the owner/operator of a working interest in oil and gas lease dated July 15, 2002 (but effective the 22<sup>nd</sup> day of December 2002) by and between Elna Gay Sefcovic, a widow as Lessor and Petrogulf Corporation as Lessee, recorded in the records of Garfield County, Colorado in Book 1382 page 314 granting Operator certain rights to minerals on the property described as Lots 1 & 2, S/2NE of Sec. 18, T7S, R94W.

WHEREAS, Pursuant to said lease, Operator proposes to construct an access road and gathering pipeline, drill wells, and produce oil and gas from a drilling Pad that is not on the leased premises, the parties mutually agree to the following:

### AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration, the parties agree to the following:

#### I. GRANT:

A. GRANT: Surface Owner hereby releases, acquits and discharges Operator, its agents, principals, partners, assigns, employees, contractors and subcontractors from any and all liability for ordinary and usual damage and detriment incident to or growing out of the moving in and out of the well location, the establishment, preparation, and use of the well site, including tank batteries as needed, and all other activities including but not limited to construction, use, maintenance, and repair of pipelines and roads, incident to and necessary for the establishment, operation, production and abandonment of the said wells, subject to the representations, agreements and obligations set forth herein.

**B. LIABILITY FOR ADDITIONAL INJURIES:** Operator shall be liable, for any injury to persons, property or livestock caused by or incident to the operations of Operator, its agents, employees, contractors or contractors on the property, or any extraordinary damages due to spills of hazardous materials, explosions, or any other harmful activity of Operator.

**C. LIMITATIONS:** This agreement does not grant Operator right to use of the property for operations related to any other lands owned by Surface Owner or to any wells not specially drilled from the drilling pad. **SURFACE OWNER RESERVATION:** All surface uses not inconsistent with the rights of Operator, including the right to grant to third parties successive easements thereon or across said lands, are hereby reserved to Surface Owner.

**E. WATER RIGHTS:** This Agreement does not give Operator any right to use any water or water rights of Surface Owner, except as otherwise agreed.

**F. OPERATOR WARRANTY:** Operator warrants and represents that it has full authority to enter into this Agreement and this Agreement is valid and enforceable.

**G. LIQUIDATED DAMAGES AND ACCESS PAYMENT:** Operator agrees to pay the

## II. OPERATIONS

**A. WELL SITES.** Operator may construct one (1) Well Pad on the Property at the location depicted on the map attached to this Agreement as Exhibit "A" for drilling, completion, re-completion, reworking, re-entry, production, maintenance and operation of Wells on the Property. Operator may drill the maximum number of Wells on the Well Pad permitted by the Colorado Oil and Gas Conservation Commission ("COGCC") spacing requirements. As used in this Agreement, "Well" shall mean a well and the accompanying wellbore (either vertically or directionally drilled from the Well Pad) for the production of oil and gas, and all associated casing and wellhead equipment.

### **B. WELL PAD DETAILS:**

1. The Well Pad shall be approximately 260 feet by 500 feet in size and shall be constructed with the approximate total area of disturbance as depicted on Exhibit "A1" attached hereto and made a part hereof by this reference.

2. No compressors, other than needed in the operations of the above-identified wells, shall be allowed without express written consent of Surface Owner. All dehydrator/tank sites shall be subject to the terms and conditions of this agreement.

3. The well pad and road access shall be kept safe and in good order, and shall at all times be kept free of weeds, litter, and debris.

4. The initial slope of any drill pad to any ditch, road, fence or other improvement shall be no greater than 3:1.

5. All pits, wellheads, treaters and other dangerous areas at the well pad shall be fenced to BLM specifications.

6. All above ground permanent well pad structures and above ground pipeline structures shall be painted with appropriate colors to blend with the surrounding landscape.

7. All drilling fluids and mud shall be handled in accord with COGCC regulations.

8. Well sites shall not encroach upon platted/deeded right of ways or utility easements unless otherwise agreed.

9. "Above ground" dry hole markers shall not be installed unless otherwise agreed or as may be required by any applicable state or federal regulation.

C. WELL SITE PITS:

1. All production pits shall be enclosed and buried, and constructed and maintained in compliance with all applicable state and federal regulations.

D. ACCESS ROADS: No new roads are anticipated for these operations.

1. Existing roads shall be upgraded to standards as described in "Surface Operating Standards for Oil and Gas Exploration and Development" 3rd Edition, Prepared by BLM/FS Rocky Mountain Regional Coordinating Committee (RMRCC) or of similar utility. Permanent roads shall be constructed with an all weather gravel surface, not including hard surfacing.

2. Road ROW shall be 25 feet in width with a 20 foot travel surface. Operator may disturb additional areas during construction, but shall limit permanent surface disturbance to no more than 25 feet from the centerline of the travel surface.

3. Roads shall, at all times be properly graded, drained, and maintained by Operator.

4. Culverts, at ditch and drainage crossing, and barrow pits shall be installed where roads cross ditches or drainages.

5. Permanent gates shall be installed at each point where Operators access roads intersect perimeter and cross fences. Any fences cut shall be restored to BLM fence specifications, or preexisting condition, whichever is better. If Surface Owner or Operator chooses to lock any gates on access routes, keys will be provided to Operator or Surface Owner by the party locking the gate. Gates on roads to wells during drilling operations will only be locked if trespass problems occur and during big game rifle hunting seasons.

6. Any roads used by Operator, pursuant to this agreement, shall remain passable at all times, if practicable, except during actual construction.

7. Surface Owner shall have the right to relocate access roads to accommodate its uses of the property provided that such road relocation does not impose undue burden to Operator. Relocated access roads shall be of similar utility, and all costs associated with such relocation, other than routine maintenance, shall be at Surface Owner's expense.

8. All road rights of way herein conveyed shall be for the private use of Operator, its agents, employees, and contractors only, with no right of use by the public or for access to operations on other lands. Surface Owner reserves the right to use all such roads for any purpose that does not unreasonably interfere with Operator's operations.

9. COGCC regulations notwithstanding, Surface Owner has designated some or all of the roads to be used by Operator as permanent roads. Permanent roads will not be reclaimed after completion of production activities by Operator. Any obligation or liability imposed upon Operator, as the result of not reclaiming any such permanent road, shall be assumed by Surface Owner.

10. Operator to use best available methods to limit dust from roads, pipeline rights of way, and well sites, not including hard surfacing.

E. PIPELINES. This agreement shall include any and all gas gathering pipelines used to transport production from these wells.

1. Operator shall have the right to use pipelines or pipeline rights of way granted under this agreement for service or transport of any products produced from any wells identified herein and thereby made a part of this agreement. No product, oil, gas, water, or communications lines shall be installed or constructed to serve, or transport production from wells off of the premises described here, or from wells not made a part of this agreement and drilled from the drilling pad. ~~Additional wells and premises may be added to this agreement by specific written agreement by the Surface Owner which agreement shall not be unreasonably withheld.~~ *JLS* *KIL*

2. All pipelines and flowlines outside of the permanent well site shall be buried at least three feet below original grade.

3. New pipelines shall be installed within existing road rights of way when practicable. Surface Owner reserves the right to cross Operator's pipeline with future installations.

4. All pipelines <sup>may</sup> ~~shall~~ revert to the Surface Owner upon termination. After termination, pipeline rights of way shall be restored to original grade and the site revegetated to match surrounding area. *JLS* *KIL*

5. A Pipeline Right-of-Way Agreement shall be made a part of this Agreement and attached hereto as Exhibit C.

### III. DRILLING COMMITMENT:

A. Operator intends to drill a minimum of three (3) Wells from the Well Pad by year end 2010. Operator will complete each Well in order to establish production and obtain production history from each Well for a period of approximately twelve (12) months subject to the provision set forth in Paragraph III. B. If production data supports additional drilling from the Well Pad, Operator will make a decision whether to drill or not to drill additional Wells from

the Well Pad on or before December 31, 2011 subject to the provision set forth in Paragraph III.  
B. If Operator decides not to drill additional Wells from the Well Pad, Operator will reclaim the Well Pad as set forth herein. If Operator elects to drill additional Wells from the Well Pad; Operator will commit to a drilling program whereby all wells as permitted by the COGCC will be drilled on or before December 31, 2014 subject to the provision set forth in paragraph B.

B. Operator intends to complete the wells in a timely manner as set forth in

### III. RECLAMATION:

A. INITIAL RECLAMATION: After initial disturbance to the well pad, pipelines, and other facilities, except for the well site and roads, Operator shall restore all disturbed areas to their original grade and vegetation immediately following completion (weather permitting) of the last well drilled on a well pad. Topsoil shall be stockpiled and replaced in conformance with COGCC Regulations.

1. The operational well pad shall be fenced. The portion of the well pad to be reclaimed shall be returned to the original topography and vegetation planted and successfully established comparable to that existing prior to construction. Fields shall be returned to grass or alfalfa, sagebrush areas shall be planted in native grasses.

2. All non-traveled portions of roadways and pipelines shall be seeded per BLM specifications.

3. If any subsequent disturbance of surface areas outside the well pad are undertaken at any time, the same reclamation and revegetation obligations will apply.

4. Operator shall be responsible for maintenance and weed control for all disturbed areas as long as the well pad is in use.

5. Any rocks excavated by Operator that are too large (over 100 pounds each) to be incorporated into fill or reclamation shall be stockpiled at a location designated by Surface Owner. Any useable timber, fenceposts, and firewood shall be stockpiled at mutually agreed locations. All slash shall be disposed of off-site.

6. No debris, slash, or other materials, except for gas flaring, shall be burned or buried, except materials contained in the reserve pit, on the property without the express written consent of Surface Owner, which consent shall be obtained on a case by case basis only.

7. Operator shall be responsible for weed control in all areas disturbed by Operator throughout the term of this agreement and for a period not exceeding five (5) years after termination, or until revegetation with acceptable grasses and other vegetation has been completed, whichever is earlier. Any weed control or mediation of disturbed areas required by a governmental entity shall be the responsibility of Operator.

B. FINAL RECLAMATION: Upon final termination of operations on any portion of the Property, Operator shall return roads (except permanent roads), rights of way, and sites, the use of which is to be terminated, to their original grade and vegetation. Unless Surface Owner

requests removal, all materials including culverts and fencing (but in no event any wellhead, flow lines, or surface facility items) installed by Operator shall remain on the Property and shall thereafter be owned by Surface Owner.

1. All disturbed areas shall be revegetated with seed and plant mixtures, as specified for revegetation after initial drilling.

2. All reclamation and revegetation, as to planting periods and seeding rates of grasses, shall, at a minimum, comply with all requirements and stipulations for similar sites, as adopted or imposed by BLM.

C. **GROUNDWATER PROTECTION:** The Operator shall take specific precaution to ensure the protection of groundwater on the premises.

1. The Operator shall collect and test groundwater samples from all springs, water wells, and surface water sources within the Section where the Pad is located prior to drilling. Springs and water wells shall be sampled and tested from those groundwater sources within one year after drilling and well development is completed on any Pad.

2. The Operator shall be liable for groundwater contamination caused by its operations.

3. All drilling and completion fluids specifically including produced water, shall be contained on the drilling Pad(s). Waste and drilling pits shall be lined to prevent loss of contaminated fluids.

4. The Operator shall develop a groundwater protection plan as required by the rules and regulations of the COGCC. The Operator shall notify the Owner immediately of any spills, fluid losses, or groundwater contamination incidents on the premises.

#### IV. GENERAL PROVISIONS:

A. **CHANGES:** Operator agrees to consult with the Surface Owner regarding all significant operations involving Operator's use of Surface Owner's surface. To the extent reasonably possible, Operator shall notify Surface Owner at least thirty days in advance of any significant change regarding the use of such surface from those plans previously discussed.

B. **SURVEYS AND AS-BUILTS:** Operator agrees to provide Surface Owner with surveys and plans of all well pads, roads and pipelines, for approval, prior to construction and "as built" surveys within in 90 days after construction.

C. **CONDUCT OF OPERATIONS:** Operator shall take all necessary steps required by state and federal regulations to prevent its operations from (i) polluting the waters of reservoirs, springs, ditches, streams or existing wells located on the Property, (ii) damaging crops, timber, or pastures, and (iii) harming or injuring any wildlife or livestock.

D. **PROHIBITED ITEMS:** No firearms, pets, alcohol, or illegal drugs shall be allowed on the property at any time.

E. **HAZARDOUS MATERIALS INCIDENTS:** Copies of all forms, notices, plans, tests or other documentation regarding any spills shall be provided to Surface Owner at the same time as filing with the COGCC, local government representative, or any other regulatory agency.

F. **NOTICES:** Notice by either party hereto shall be promptly given orally, and if necessary or possible, confirmed in writing and mailed to:

**SURFACE OWNER:** Joan L. Savage, c/o Roy Savage  
5953 CR 320  
Rifle, CO 81650  
(970) 625-1675 office, (970) 930-2900 mobile  
[resavage@savageresources.com](mailto:resavage@savageresources.com)

**OPERATOR:** Laramie Energy II, LLC  
601 28 ¼ Road, Suite D  
Grand Junction, CO 81506  
Attn: Kenneth G. Leis  
(970) 683-5404 office  
[kleis@laramie-energy.com](mailto:kleis@laramie-energy.com)

Laramie Energy II, LLC  
1512 Larimer St., Suite 1000  
Denver, CO 80202  
Attn: Mark Petry  
(303) 339-4408 office  
[mpetry@laramie-energy.com](mailto:mpetry@laramie-energy.com)

Surface Owner shall be provided with a copy of any "Changes of Operator" notice when filed with the COGCC per Rule 312. A copy of any notice filed with the COGCC regarding public health and safety or emergency matters shall be delivered to Surface Owner at the same time.

**G. INDEMNIFICATION:** Operator hereby agrees to indemnify, defend and hold Surface Owner and his heirs, successors and assigns harmless from and against any claims, demands, injuries, losses, damages, or liability of any nature or kind to Surface Owner arising out of Operator or its agents, employees, contractors or subcontractors use of the Property in connection with its or their activities related to the well and the production therefrom, such indemnity and hold harmless to include attorneys' fees and expenses.

**H. COMPLIANCE:** Operator agrees to comply with any local, state or federal laws governing Operator's activities on the Property.

**I. NOISE LEVELS:** Noise levels shall be governed by COGCC regulations, including during flaring of gas.

**J. ENVIRONMENTAL COMPLIANCE:** Operator shall comply with any and all environmental laws governing such operations and agrees to indemnify and hold Surface Owner harmless from and against any claims of third parties alleging non-compliance with any such laws that pertain to Operator's activities. Within ninety (90) days of permanent termination of production operations at the well pad, Operator shall provide Surface Owner an environmental

survey report documenting that the well pad(s) is in compliance with applicable local, state and federal laws and regulations. Said report shall be prepared by Operator or its consultants. Any noncompliance issues resulting from Operator's operations that is identified in such report shall be brought into compliance within ninety (90) days of receipt of written demand by Surface Owners or within the time specified by any governmental agency with jurisdiction over such compliance.

**K. VARIANCES:** A copy of any Operator requests for variance from surface use or reclamation regulations, not requiring a petition and notice to Surface Owner, shall be delivered to Surface Owner at the same time as delivery to the COGCC.

**L. INSURANCE:** Operator shall keep its operations insured, or comply with applicable self-insurance laws and regulations for automobile liability and workmen's compensation insurance.

**M. TERMINATION:** All rights of Operator hereunder, including road and pipeline rights-of-way shall terminate upon the termination of the above-identified Oil and Gas Lease(s), or any extensions thereof, or one year after the property is no longer held by production. Upon termination of the rights hereby granted, Operator shall execute and deliver to Surface Owner, within thirty days of written demand therefore, an acknowledgment that this agreement has been terminated. Should Operator fail or refuse to deliver said acknowledgment, a written notice by Surface Owner reciting any such failure or refusal and that this agreement is terminated, shall, 60 days from the date of recording of said notice, be evidence against Operator and all person claiming under Operator of the termination of this agreement.

**N. ASSIGNMENT:** This Agreement shall inure to the benefit of and be binding on the parties hereto, their heirs, successors and assigns. Assignment by Operator of some or all of the rights hereunder shall not release Operator from liability hereunder, unless specifically released by Surface Owner in writing.

**O. WAIVER OF WARRANTY OF TITLE:** This agreement is made subject to any and all existing easements, rights of way, liens, agreements, burdens, encumbrances, restrictions and defects in title affecting the lands subject to this agreement. Surface Owner does not in any way warrant or guarantee its title to the subject lands. To the extent this agreement is deemed to be a conveyance of a real property interest it is to be considered a grant by quit claim, without warranty.

**P. SUBROGATION OF RIGHTS:** Operator shall have the right to discharge or redeem for Surface Owner, in whole or in part, any mortgage, tax, or other lien on said land which would jeopardize Operator's rights under this agreement, and thereupon be subrogated to such lien and rights incident thereto.

**Q. SURVIVAL OF OBLIGATIONS:** All obligations, indemnifications, duties and liabilities undertaken by Operator hereunder shall survive for a period of five (5) years beyond the termination of this agreement.

R. OPERATOR LIENS: Operator shall, at its sole expense, keep the lands subject to the easement granted herein free and clear of all liens and encumbrances resulting from Operator's and its agents' activities on the said lands and shall indemnify and hold harmless Surface Owner from and against any and all liens, claims, demands, costs, and expenses, including, without limitation, attorney's fees and court costs, in connection with or arising out of any work done, labor performed, or materials furnished to the pipeline.

S. JURISDICTION AND VENUE: The parties hereto expressly agree and consent to the personal jurisdiction of the State of Colorado District Court wherein the subject real property is located. This agreement shall be interpreted under the Laws of the State of Colorado.

T. ARBITRATION: Should any unresolved dispute arise as to this agreement, it shall, at the written request of either party, be arbitrated and determined by disinterested arbitrators, one to be appointed by Surface Owner and one by Operator within 20 days after such request. If the two so chosen are unable to agree within 90 days after appointment, then they shall, within 30 days after written request by either the Surface Owner or the Operator, select a third arbitrator. If the arbitrators cannot agree on the third arbitrator, either may apply to the State of Colorado District Court in and for the county wherein the lands are located, for appointment of a third arbitrator. The decision of any two of the three arbitrators so appointed shall be final.

U. ATTORNEY FEES: The prevailing party in any litigation, or arbitration, if applicable, regarding this agreement or the relationship created hereby shall be awarded its costs, expenses, and attorney's fees.

SURFACE OWNER: Joan L. Savage

By: Joan L. Savage  
Joan L. Savage

Date: 12-16-09

OPERATOR: Laramie Energy II, LLC

By: Kenneth G. Leis  
Kenneth G. Leis, Attorney-in-Fact

Date: 12-16-09

STATE OF COLORADO )  
 )  
COUNTY OF GARFIELD )

The foregoing instrument was acknowledged before me on this 16<sup>th</sup> day of December 2009, by Joan L. Savage personally known to me who acknowledged before me that she executed the foregoing instrument for the uses and purposes set forth herein.

WITNESS my hand and seal.

My commission expires:

6/11/2011

  
\_\_\_\_\_  
Notary Public  


STATE OF COLORADO )  
 )  
COUNTY OF MESA )

The foregoing instrument was acknowledged before me on this 16<sup>th</sup> day of December 2009 by Kenneth G. Leis, Attorney-in-Fact for Laramie Energy II, LLC, a Delaware limited liability company on behalf of said company.

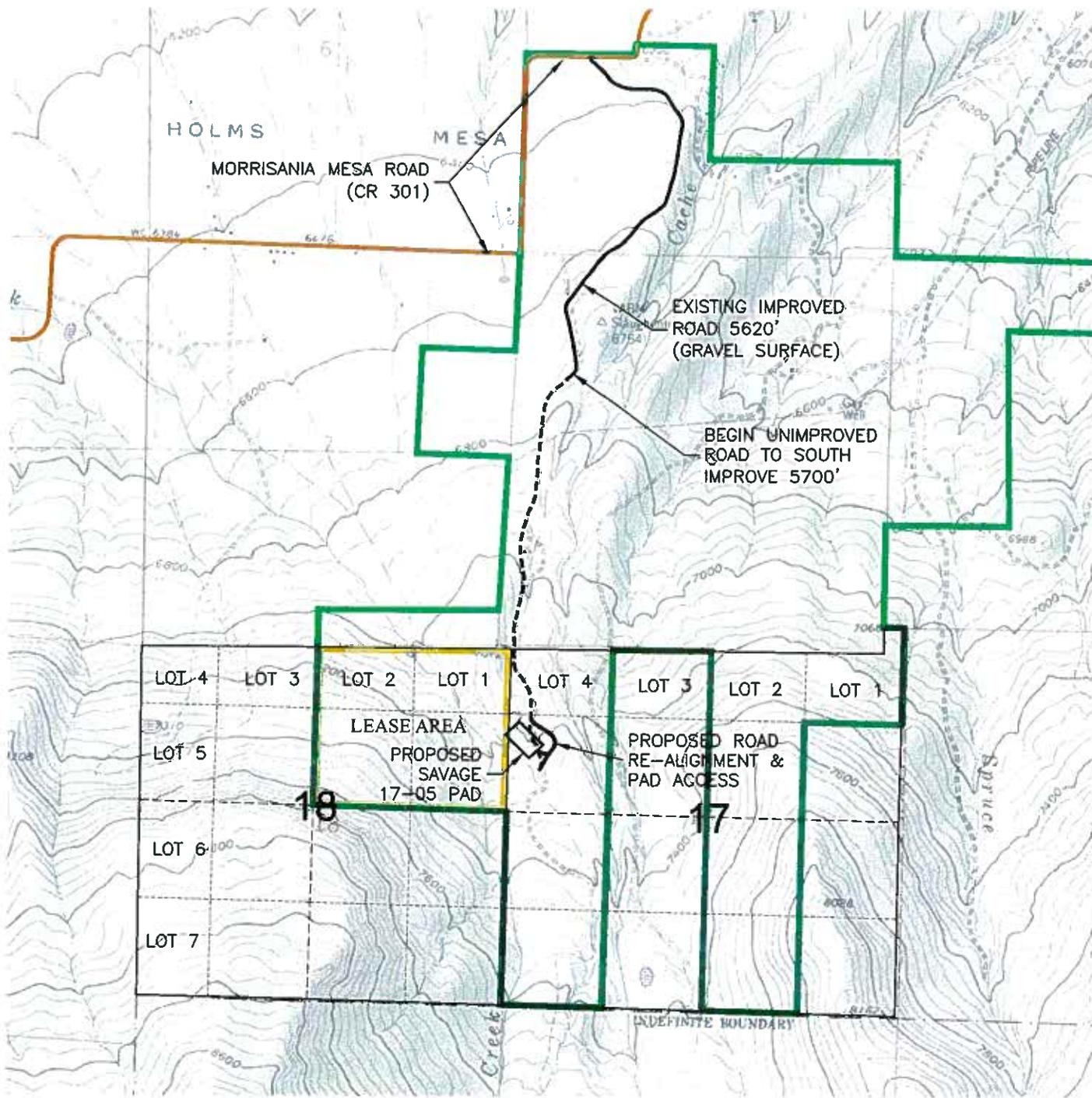
WITNESS my hand and seal.

My Commission Expires:

January 30, 2010

  
\_\_\_\_\_  
Notary Public

# PAD LOCATION & ROAD MAP EXHIBIT "A"



— SAVAGE PROPERTY BOUNDARY



North



Graphic Scale in Feet  
1" = 2000'

9/4/2009  
SHEET 1 OF 2

**LAND SURVEYING AND MAPPING**  
**520 STACY COURT SUITE "B"**  
**LAFAYETTE, CO. 80026**  
 Ph 303 666 0379 Fx 303 665 6320

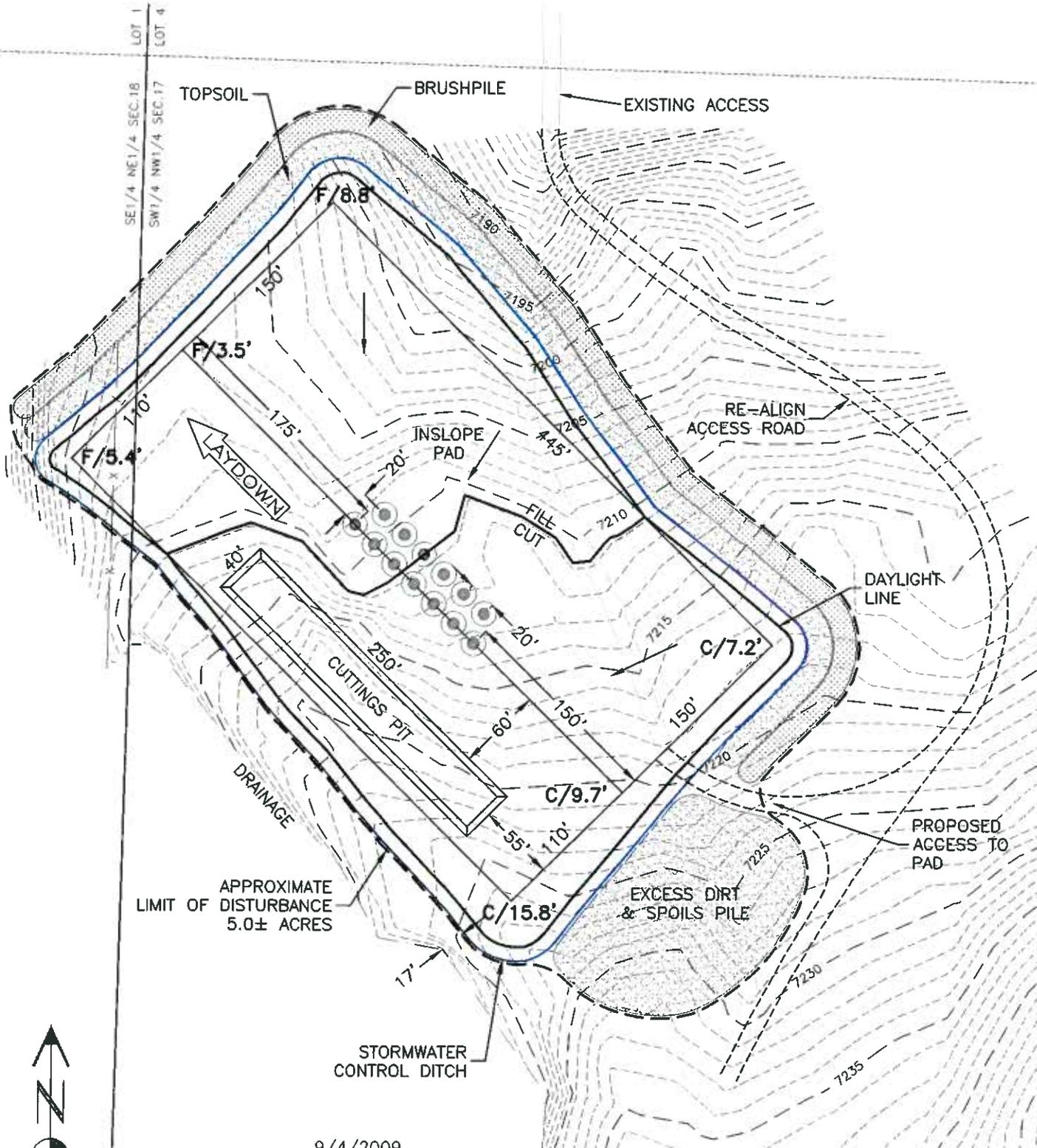
**LARAMIE ENERGY II LLC**  
**SAVAGE 17-05 PAD**

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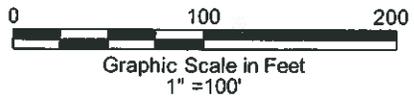
**SW1/4 NW1/4 SECTION 17 T7S R94W**  
**6th PM GARFIELD COUNTY COLORADO**  
**PRELIMINARY LAYOUT**

DATE: Sep 04, 2009 10:15am USER: mlr DATE: Sep 04, 2009 10:15am

# PAD LAYOUT EXHIBIT "A1"



North



9/4/2009  
SHEET 2 OF 2

**GEO SURV**  
LAND SURVEYING AND MAPPING  
520 STACY COURT SUITE 'B'  
LAFAYETTE, CO. 80026  
Ph 303 666 0379 Fx 303 665 6320

**LARAMIE ENERGY II LLC  
SAVAGE 17-05 PAD**

**SW1/4 NW1/4 SECTION 17 T7S R94W  
6th PM GARFIELD COUNTY COLORADO  
PRELIMINARY LAYOUT**

DWG: C:\PROJDATA\Jared\Projects\Access\Range\SAM.dwg USER: mic DATE: Sep 04, 2009 10:14am