

SURFACE USE AND DAMAGE AGREEMENT

THIS AGREEMENT made and entered into this date by and between James M. Konig, a married man, 57851 WCR 81, Grover, CO 80729, referred to as OWNER, and Slawson Exploration Company, Inc., 1675 Broadway, Suite 1600, Denver, CO 80202-4675 referred to as OPERATOR, together referred to as the "parties".

WITNESSETH:

FOR AND IN CONSIDERATION of the covenants and agreements herein contained, and other valuable consideration, the parties agree that:

1. OPERATOR has indicated that it owns, or is attempting to secure, drilling rights under portions of the SUBJECT LANDS and desires to conduct drilling, completion and production operations. The following shall set out the terms and conditions under which OPERATOR may enter and conduct operations on OWNER'S land. OPERATOR intends to drill one or more oil and/or gas wells located on OWNER'S property as further described on the attached Exhibit A ("SUBJECT LANDS" OR "property") and located in Weld County, Colorado. The maximum number of well site locations OPERATOR may locate on the SUBJECT LANDS pursuant to this agreement is *as per COGCC spacing requirements*. As provided in the Agreement, OPERATOR is required to provide Exhibit C's indicating the location of well sites, roads, and pipelines as the oil and gas development occurs and to provide updated or "as-built" Exhibit C's as future development occurs. It is the parties' intent that said Exhibit C shall consist of multiple Exhibit C's and will be numbered consecutively as C-1, C-2, C-3, etc. OPERATOR shall supplement and provide the Exhibit C's to OWNER prior to engaging in development activity on the SUBJECT LANDS.
2. In order for OPERATOR to enter, drill, complete and produce its proposed well(s), it is necessary that they cross and use certain surface property of OWNER, and the parties agree that OPERATOR shall compensate OWNER for the use damages entry and surface use of the SUBJECT LANDS. In addition, OPERATOR may desire to conduct certain seismic operations with regard to its exploration and development of the SUBJECT LANDS. The parties agree that prior to conducting said seismic operations, the parties shall enter into a seismic agreement.
3. OWNER gives, grants and conveys unto OPERATOR, its agents, employees and assigns, a nonexclusive private right to enter upon and use the property of OWNER for the purpose of drilling, completing, operating and producing the above-described oil and gas wells together with the right-of-way and easement across the lands of OWNER to construct and maintain an access road, drilling and producing well site, tank battery site and pipelines in connection therewith. No other facilities shall be permitted under this agreement without a separate written agreement between the parties.
4. OPERATOR shall notify OWNER at least 24 hours in advance, within reason, prior to entry upon said land at start of all major operations (construction, rig move, etc). OPERATOR, excepting the normal operations attendant to drilling, completion, maintenance and monitoring of the well and related facilities, shall consult with OWNER in advance regarding all surface disturbing activities including, but not limited to the location of roads, the proposed well sites, a separate location for the proposed tank battery and other surface facilities, all proposed pipeline

mutually agreed that ingress and egress is limited to the roads/tracks from the point of ingress/egress as mutually designated to the well locations (as shown on Exhibit C) and does not include any land located off the actual designated road/track. OPERATOR shall provide OWNER updated Exhibit C's which indicate the roads to be used by OPERATOR. OPERATOR agrees to maintain all roads and two-track roads used for ingress and egress.

B. A maximum speed limit of twenty-five (25) M.P.H. will be observed by all of OPERATORS personnel, contractors, sub-contractors, or agents while crossing OWNER'S SUBJECT LANDS. OWNER shall notify OPERATOR if any person is caught by OWNER to be in non compliance with this provision and OPERATOR will take appropriate measures to warn the violator. Should any person be caught a second time to not be in compliance with this provision they may be told to leave OWNER'S property and not return. OWNER will also notify OPERATOR of the situation. OWNER'S vehicles, equipment, personnel, and livestock shall be given right-of-way at all times.

C. OPERATOR shall pay OWNER the following amounts for compensation for road usage:

1. For the first year during drilling operations, OPERATOR shall compensate OWNER \$10.00 per rod for the license to use designated presently existing roads for the drilling and completing of both the wells and for use of roads for any other purpose, including the transportation of water;

2. In the event that OPERATOR builds, improves, or gravels a road, OPERATOR shall compensate OWNER [REDACTED] per rod the first year for the creation of any new, improved or graveled road which shall not be in excess of thirty-five feet (35') in width (20' of road travel area and 7.5' of bar ditch on each side of road.) In the event that OPERATOR uses any property on the SUBJECT LANDS for roads outside the maximum thirty-five (35') width, then in that event, OPERATOR shall compensate OWNER at the rate of [REDACTED] per square rod, per year, for the use of the property/lands outside of the maximum thirty-five feet (35') width; and

3. As annual rental for the use of the roads after the first year, OPERATOR shall pay OWNER [REDACTED] per year for the use of any designated road on the SUBJECT LANDS.

4. All payments for road usage are due and payable as follows: a) for the first year all payments are due and payable after the initial survey and prior to any access for any reason and b) all annual payments are due and payable on each anniversary date of this Agreement.

D. The location of any new road shall be mutually agreed upon by the parties, *said agreement shall not be unreasonably withheld by OWNER*. If following construction activities, a new road is not necessary for OPERATOR'S continued access to the location or the pipeline right-of-way, then upon completion of construction activities, the new road shall be reclaimed by OPERATOR if so requested by OWNER. All payments shall be payable and made prior to use of the road by OPERATOR and all annual payments shall be payable and made pursuant to paragraph C.4. above.

E. The reclamation standards set forth in this Agreement shall also apply to all reclamation of roads and lands disturbed by the construction or use of any road.

6. **PIPELINE RIGHT-OF-WAY:**

construction of each right-of-way based upon the size of the oil or gas pipeline contained in the trench as follows: at the rate of [REDACTED] per rod for all oil or gas transmission pipeline less than ten (10) inches in diameter. No pipelines greater than ten (10) inches in diameter shall be allowed without a separate written agreement. Said initial construction payments are due and payable prior to beginning any construction activity for any pipeline.

B. OWNER will consider allowing additional pipelines, below ground valves, wireleads, cathodic protection equipment and markers, communication, power, or fiber optic lines or cables of any sort contained in the original trench, with a mutually agreed upon financial compensation prior to installation. OPERATOR shall bury any pipelines to a minimum depth of forty (40") inches between the top of the pipe and the present ground level on all pasture lands, and shall bury any pipelines to a minimum depth of fifty two (52") inches between the top of the pipe and the present ground level on all cultivated fields consisting of hay, grain, and summer fallow. In addition, OPERATOR shall bury the pipeline to a minimum depth of forty inches (40") below the present bottom depth of all ditches and canals and the top of the pipe. OPERATOR shall install and maintain permanent markers which are customarily placed on all roads, ditches, and canals which are crossed by the pipeline.

C. The pipeline right-of-way shall be forty (40) feet in width during initial construction and after initial construction, the right-of-way shall revert to fifteen feet (15) in width. Notwithstanding the foregoing dimensional limitations, for additional working space during construction, OPERATOR shall compensate OWNER at a rate of [REDACTED] for any damage outside the construction or right-of-way, as the case may be, as a direct result of OPERATOR'S activities, excluding any agreed upon temporary use areas. Any such additional space shall constitute the construction boundaries of the right-of-way.

7. **WELLS:** A. Well Locations: OPERATOR, prior to entry and construction, shall provide OWNER an Exhibit C for each well or proposed well indicating the location size, features, road access, and other necessary features or disturbance for the well site location. For each well location, an initial first year (construction) payment of [REDACTED], payable prior to, but no later than, commencement of construction of the well location for the drilling operations for each production well, whether the well is a producing well or a dry hole. Annually thereafter beginning on the first anniversary date of this Agreement, OPERATOR shall pay OWNER the sum of [REDACTED] then being utilized, per well location located on the SUBJECT LANDS due and payable on or before each succeeding anniversary date of this Agreement. In addition, OPERATOR shall make annual payments for any tank battery and roads as set forth in this Agreement. In the case of a well being "capped" or "shut-in" in such a way that it may be used for production in the future, it will for all practical purposes be considered a producing well and will be treated as such under this agreement.

Each of the oil and/or gas well locations shall utilize no more than six (6) acres of land while drilling (inclusive of the drilling pit, trailers, and all other operations) and no more than three (3) acres of land upon completion for permanent well (inclusive of any tanks and all facilities). OPERATOR agrees to reclaim the wellsite within one hundred eighty (180) days (weather permitting) after drilling completion (release of the rig from the drill site location), if the well is a dry hole, or within one hundred eighty (180) days (weather permitting) after termination of production.

If the well is completed as a producing well, OPERATOR shall construct a permanent dike enclosing any tank battery which is capable of holding a minimum of four hundred (400) barrels of oil or liquid and a permanent dike enclosing any treater or flare stack which is capable of holding a

the drilling pit (mud and associated materials) on site, specifically within six (6) acres constituting the well location, or by hauling it off the SUBJECT LANDS. No petroleum products or garbage/trash shall be disposed of in the drilling pit. OPERATOR shall conduct the reclamation of the drilling pit pursuant to the reclamation requirements and provisions of this Agreement and the COGCC standards.

D. If at all possible, OPERATOR will locate well locations to the edge of fields when a hay, crop or cultivated fallow field is involved.

10. **RECLAMATION:** OPERATOR shall restore and level the surface of and reclaim all land disturbed at any time to, as nearly as can reasonably be done, the same condition it was prior to any operations so that there are no permanent mounds, ridges, sinks, or trenches. OPERATOR shall remove all rocks three inches (3") or greater in diameter uncovered or exposed by OPERATOR'S activities, at OPERATOR'S expense. OPERATOR agrees that in rough country OPERATOR shall take extra precautions in regards to land restoration so as not to create any washes, erosion, or to create any run-off problems, ruts or other property damage (present or future). OPERATOR shall monitor and promptly correct any erosion caused by the OPERATOR'S activities. OPERATOR shall install water bars in disturbed areas a minimum of: 1) 5% through 15% grade or slope, every 300 feet; 2) 16% through 30% grade or slope, every 200 feet; and 3) greater than 30% grade or slope, every 100 feet. OPERATOR shall supply dust suppression when needed or reasonably requested by OWNER. Upon completion of reclamation, OPERATOR shall reseed using a mutually agreed upon seed mixture and re-contour damaged and disturbed lands using a contractor of OPERATOR'S choice as soon as reasonably practicable. In the event that revegetation has not been established after one year from the date of reclamation, OPERATOR agrees to haul in necessary topsoil or take other necessary actions to reestablish vegetation in the disturbed or reclaimed area and reseed the disturbed area. OPERATOR shall provide and pay for necessary ground cover until the new vegetation is established, and OPERATOR shall supply OWNER with additional seed mixture so that OWNER may reseed as necessary. OPERATOR shall consult with OWNER prior to the removal of any trees with a trunk diameter of ten inches (10") or greater, at chest height, which are located in the disturbed area, and the parties shall use their best efforts to avoid removal of said trees. In the event that said trees are removed, OPERATOR shall fairly and reasonably compensate OWNER for each such tree removed.

11. No fences, autogates, or other improvements of OWNER existing as of the date of this Agreement shall be cut or damaged by OPERATOR except with prior written consent of OWNER and payment of additional damages as are appropriate, or other safeguards to protect the rights and properties of OWNER and its surface lessee, if any. OPERATOR shall give OWNER the option to build or repair fence, autogate, and other existing site improvements. If OWNER exercises its option to repair or construct said improvements, OPERATOR agrees to pay OWNER a reasonable fee and expenses at a rate agreed by the parties prior to commencement of the work. If OWNER elects not to build or repair said fences, autogates, or other improvements, OPERATOR shall do so and promptly pay all costs and expenses. Autogates used by OPERATOR are to be installed in a workmanlike manner at line of fence, 20 inches above ground level, with properly braced corners. Autogates will be 8' x 22' with an autogate-type wing such as those constructed on lands at the present time. Spacing between horizontal pipes will be five and one-half (5½) inches. The fence at point of installation shall be properly stretched and maintained by OPERATOR so as to prevent the migration of livestock. Upon the final termination of drilling activities and production and exploration of the OPERATOR'S lease on the above property, OPERATOR shall restore all roads and other rights-of-way or sites to their original condition, and reseed them, unless otherwise agreed.

Any such loss of land value calculations will only be based on the current usages of the surface and said calculations will not include any proposed or contemplated future usage of the surface.

14. Notice by either party shall be promptly given, orally, if possible, and immediately mailed via certified mail to:

OWNER: James M. Konig
57851 WCR 81
Grover, CO 80729

OPERATOR: Slawson Exploration Company, Inc.
1675 Broadway, Suite 1600
Denver, CO 80202-4675

15. In the event of default by OPERATOR of any term or provision of this Agreement, including but not limited to the payment of sums due under this Agreement, OWNER shall notify OPERATOR in writing, by certified mail, return receipt requested, and OPERATOR shall have fifteen (15) days after notice to cure any monetary default and thirty (30) days after the date of such notification within which to cure any non-monetary default. Waiver of any default shall not be deemed a waiver of subsequent defaults, but notice shall be given by OWNER to OPERATOR as provided. In the event OPERATOR does not cure the default within the time specified, an additional access and usage fee of ~~150.00 per day~~ beginning on the day of default shall be immediately due and payable to OWNER from OPERATOR, and in addition, all of the rights of OPERATOR, including but not limited to the right to ingress and egress, shall be suspended until such default has been cured. OWNER shall not be liable for any loss or damage to OPERATOR occasioned by this provision.

16. This Agreement shall not be placed of record without the written consent of both parties. However, the parties agree to execute an appropriate "Memorandum of Agreement" suitable for recording, and which may be recorded by either party, generally referring to this Agreement and describing in general or specific terms, the location of any site, facility, road or pipeline of OPERATOR. In the event such "Memorandum of Agreement" is placed of record, OPERATOR agrees to execute and deliver to OWNER upon termination of its oil and gas lease on the subject property, a quitclaim deed suitable for recording, terminating the rights contained herein and under the "Memorandum of Agreement".

17. OPERATOR agrees that no dogs, firearms, hunting, fishing, smoking, drugs or alcohol will be allowed on the property covered by this Agreement. OPERATOR will notify all of its contractors, agents, and employees of this restriction by signage or separate contract agreements. Upon proof of violation by OWNER, the party committing the violation shall be liable for a fee of ~~500 per incident~~.

18. OPERATOR shall, and expressly agrees to defend, indemnify and hold OWNER, its subsidiaries and affiliates, its successors, assigns, employees and agents, harmless from and against any and all loss, expense, liens, claims, demands, and causes of action of every kind and character (including those of the parties, their agents, and employees) for death, personal injury, property damage and other liability, OPERATORS actions or inactions, damage, fine, or penalty, including costs, attorney's fees and settlements caused in whole or in part by OPERATOR or the operations of the OPERATOR and associated work performed by the OPERATOR pursuant to this Agreement, or by any act or omission of OPERATOR or any of its subcontractors, agents, employees, invitees, or licensees. Said indemnification shall also apply to any damage by fire, water consumption or other loss caused by operations to any neighboring property affected by

be solely responsible for obtaining all necessary permits or approvals from the State Engineer's Office, or any other governmental agency for the use of such water, and OPERATOR shall indemnify and hold OWNER harmless with regard to all costs, including but not limited to any lawsuit or litigation, and attorney's fees associated with this water provision.

20. **MISCELLANEOUS PROVISIONS:**

A. If OPERATOR releases its drilling or production rights for any reason, such as sale of the lease, the OPERATOR and new OPERATOR will be required to contact OWNER.

B. This Agreement may be assigned or sold by OPERATOR, but any assignment or sale must be of all rights under this Agreement, and no partial assignment or sale of this Agreement or any rights under this Agreement is permitted. No subleasing of any rights or portion of this Agreement by OPERATOR is permitted. No assignment shall be effective without notice to OWNER. This Agreement shall be binding upon the parties hereto, their agents, employees, successors and assigns.

C. OPERATOR agrees to comply with all Federal, State and Local laws and regulations regarding its operations on OWNER'S lands.

D. If a new road is made on OWNER'S lands, that entry will be locked, at OWNER'S request, and access controlled for use only by OWNER and OPERATOR.

E. No vehicle entry on lands outside of a pipeline easement, well site or access road to a well site or pipeline easement will be made by OPERATOR when ground conditions are "muddy" for purpose of construction, maintenance or production of any well or pipeline without the express and separate consent of SURFACE OWNER, except in the event of an emergency. Use of four wheelers or snowmobiles is permitted when muddy or snow conditions allow no real alternatives as long as no recreation is involved.

F. No buildings, equipment, appurtenances or other above ground structures of any kind are allowed under the terms of this Agreement, except as specifically set forth herein. OPERATOR shall be allowed to build the necessary enclosures required to protect the production equipment from the elements.

G. In the event that any pipeline constructed on OWNER'S lands shall cease to be utilized after the expiration of the oil and gas lease or leases for a period of twelve (12) consecutive months, said pipeline shall revert to the OWNER, and OPERATOR shall have the responsibility to comply with all state and federal rules and regulations regarding abandonment and reclamation of said pipeline, including but not limited to, clean up and reclamation of any water or ground water contamination and OPERATOR shall execute and file any necessary release to remove any easements, if any, of record.

H. OPERATOR shall not stack rigs on OWNER'S lands, either on or off a wellsite, without the prior written consent of OWNER. OPERATOR shall not construct or maintain any living quarters on OWNER'S lands without the prior written consent of OWNER. OPERATOR shall be permitted to have a maximum of five (5) house trailers for living quarters for the geologists and mud-logger and three (3) other supervisory level employees, but they must be located on the six (6) acre well site location, and they shall be removed from the location within one month after rig release. This clause shall not apply in cases where OPERATOR has the rig on location and due to weather conditions determines that it will cause less damage to leave rig on

OPERATOR agrees at all times to keep the wellsite and right-of-way safe, in good order, and free of noxious and undesirable weeds and grasses, including, but not limited to, thistle, foxtail, cattail, and "marsh grasses", litter and debris.

K. All other above ground structures, not otherwise specifically addressed in this Agreement, shall not be authorized under the terms of the Agreement, and OPERATOR must obtain a separate agreement.

L. OPERATOR agrees in the case of any type of chemical or hazardous substance spill, including but not limited to, gas, oil, etc., OPERATOR shall remove all of the affected soil and ground area to a depth of 6 (six) inches below the base of the spill, and shall remove and dispose of all affected soil according to EPA and Colorado DEQ standards. OPERATOR shall give the required notice of such spills to the proper governmental agencies (federal, state, and local) as required by law. OPERATOR shall reclaim and fill the damaged area with an appropriate amount of top soil (at least six (6) inches of topsoil overlay) and shall reseed the affected area.

M. This Agreement shall be enforced and interpreted under the laws of the State of Colorado. The parties stipulate that jurisdiction and venue shall be in the District Court of the State of Colorado in which the real property is located. This agreement supercedes any and all prior Surface Use Agreements by and between the parties hereto and has been entered into by the parties in good faith, and any disagreement as to the interpretation and definition of the terms and conditions of this agreement whether specifically addressed or inadvertently omitted, shall be openly and reasonably discussed and brought to a fair and reasonable conclusion. This agreement does not contain any warranty provision, as no warranty is expressed or implied.

N. This Agreement shall terminate upon the complete satisfaction of all obligations under this Agreement and later of the following: 1) the expiration of the last Oil & Gas Lease covering the SUBJECT LANDS or 2) the plugging and abandonment of the last oil and gas well to which this Agreement applies.

O. This Agreement shall be covenant running with the land and shall extend to and be binding upon parties hereto and their respective heirs, administrators, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties have set their hands this 3 day of 6, 2010.

OWNER:

By: James Konig

Name: JAMES KONIG

Title: _____

OPERATOR:

By: R. Todd Slawson
R. Todd Slawson, Chief Operating Officer
Slawson Exploration Company, Inc.

ACKNOWLEDGEMENT

STATE OF COLORADO

COUNTY OF Weld

The foregoing Surface Use Agreement was acknowledged before me this 3rd day of June, 2010 by MARY BURSON.

Witness my hand and official seal.

Mary Burson
Notary Public

ACKNOWLEDGEMENT

STATE OF Colorado

County of Denver

The foregoing Surface Use Agreement was acknowledged before me on this 8th day of June, 2010 by R. Todd Lawson as Chief Operating Officer for SBCI, and who acknowledged and represented he was signing this Agreement on behalf of and for the benefit of SBCI.

Witness my hand and official seal.

Holly Hampson
Notary Public



My Commission Expires 09/01/2013

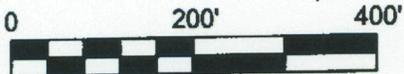
EXHIBIT "A"
SUBJECT LANDS

To that certain SURFACE USE AND DAMAGE AGREEMENT by and between James M. Konig, a married man, 57851 WCR 81, Grover, CO 80729, referred to as OWNER, and Slawson Exploration Company, Inc., 1675 Broadway, Suite 1600, Denver, CO 80202, referred to as OPERATOR

Township 10 North, Range 62 West of the 6th P.M.
Section 16: SW $\frac{1}{4}$

Exhibit C-1

VEGETATION:
CROPS
SURFACE USE:
CROPLAND



Graphic Scale in Feet
1 Inch = 200 Feet

WELLHEAD

LATITUDE: 40.83005°N

LONGITUDE: -104.32745°W

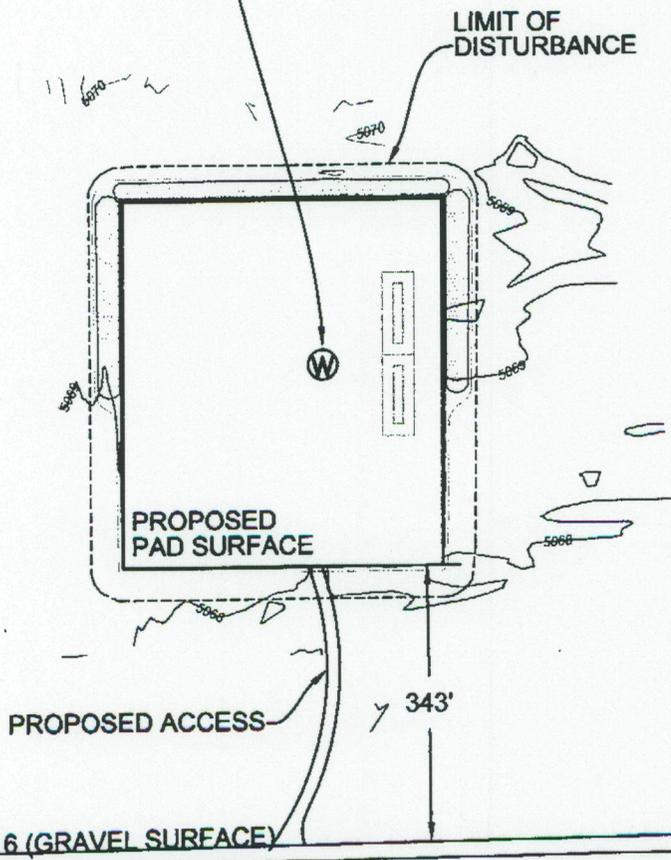
FOOTAGE: 605' FSL 2028' FWL

GROUND ELEVATION: 5069'

PDOP: 2.1 DATE: 5/06/10

INSTRUMENT OPERATOR: Clayton Rosenlund

Slawson Exploration Company, Inc.
SMUGGLER 16-10-62
SE1/4 SW1/4 SECTION 16, T10N R62W
Weld County, Colorado



DISTURBANCE ACREAGE
DRILLING OPERATIONS: 5.91 ACRES

WESTERN LAND SERVICES
Sheridan, WY 82801 (307)673-1817
DP: L:\Slawson\Permitting_Booklets\Outlaw..Date: 6/01/2010

SLAWSON EXPLORATION COMPANY, INC
SMUGGLER 16-10-62

SL: SE1/4 SW1/4 SECTION 16, T10N R62W
BL: NW1/4 NW1/4 SECT. 16, T10N R62W
6TH PM, WELD COUNTY, COLORADO