

## SURFACE USE AGREEMENT

This Surface Use Agreement ("Agreement") is made and entered into this 10<sup>th</sup> day of February, 2010, by and between **Front Range Land and Livestock, LLC**, a limited liability company ("Owner") with an address of c/o Robert Schlein, 1775 Sherman Street, Suite 2950, Denver, Colorado 80203, and **K.P. Kauffman Company, Inc.**, a California Corporation ("KPK") with an address of 1675 Broadway, Suite 2800, Denver, Colorado 80202. Owner and KPK may be collectively referred to herein as the "Parties".

Whereas, KPK, an affiliate or an assignee has the right, under two oil and gas leases described in Exhibit B attached and made a part hereto (the "Leases"), to drill twelve (12) oil and gas wells described below and more fully depicted on Exhibit A attached and made a part hereto, which, together with any additional wells as may be permitted under applicable rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), shall be known as the "Well" or "Wells":

<b>Front Range #12-17-22R</b>	<b>Front Range #11-17-8</b>
<b>Front Range #12-17-33</b>	<b>Front Range #11-17-25</b>
<b>Front Range #11-17-17</b>	<b>Front Range #11-17-11</b>
<b>Front Range #11-17-6</b>	<b>Front Range #11-17-10</b>
<b>Front Range #11-17-5</b>	<b>Front Range #11-17-20</b>
<b>Front Range #11-17-7</b>	<b>Front Range #11-17-23</b>

The Well or Wells described above shall be located on the lands described below and depicted on Exhibit A (the "Lands"), to wit:

**Township 4 North, Range 66 West, 6<sup>th</sup> P.M.**  
**Section 17: N/2SW/4**  
**Weld County, Colorado**

Whereas, Owner and KPK wish to memorialize their agreement concerning the Parties' use of the Lands, including the following: the location of oil and gas facilities, including but not limited to well sites, pipelines and tank batteries (together, the "Oil and Gas Facilities"); the location of access roads on the Lands (the "Access Roads"); and the payment for damages to the surface of the Lands.

Therefore, for and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and KPK agree as follows:

1. No later than thirty (30) days prior to the commencement of drilling operations for each of the Wells, and on or before December 31 of every year thereafter so long as the Wells remain on the Lands and have not been plugged and abandoned in accordance with the rules of the COGCC, KPK shall pay Owner the sum of five hundred dollars (\$500.00) per Well, or a total of six thousand dollars (\$6,000.00) so long as all twelve Wells are drilled on the Lands (the "Annual Use Fee"). Such Annual Use Fee shall be prorated in the event a Well is plugged and abandoned during a year based on the number of days in such year such Well is producing, and shall constitute payment in full by KPK and its affiliates and assignees for the use of the Lands for the following purposes in accordance with the terms of this Agreement and for all normal damages resulting therefrom including, but not limited to, damages to growing crops and damages associated with the following activities: drilling, construction, completion, recompletion, reworking, re-entry, production, tank battery location, operation and maintenance of the Wells on

the Lands (together, the "Operation Activities"). Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all Access Roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. The normal damages described herein shall be limited to those damages resulting from the conduct of the Operation Activities in accordance with the terms of this Agreement, applicable law and good oilfield practice and shall hereinafter be referred to as "Normal Damages."

2. KPK acknowledges that the Lands are used by Owner as a private game preserve for migratory birds and other wildlife, and that the preservation of wetlands, natural vegetation and water quality in, on or under the Lands is essential to Owner's use of the Lands. If, by reason of KPK's negligence or breach of this Agreement, KPK causes damage to the Lands (other than Normal Damages) such damage shall be remediated, restored, or repaired, or the damaged property replaced, by KPK or KPK shall promptly pay Owner for such damage. Damages described herein include damage to personal property located on the Lands, damage to the surface of the Lands, including but not limited to structures, fences, culverts and cement ditches, damage to any stream, pond, wetland or other fresh water resource located thereon or thereunder, and damage to water quality or wildlife habitat, but excluding in every case Normal Damages. Nothing herein shall prevent Owner from seeking equitable relief in the event the actions of KPK or its contractors cause, or threaten to cause, irreparable injury or damage to the Lands or its use as a private game preserve or wildlife habitat.
3. Owner warrants that it is the owner of the entire surface subject to this Agreement and that no third party is entitled to object to this Agreement or entitled to the Annual Use Fee or payment for damages other than Normal Damages as described in Paragraph 2 above. Notwithstanding the foregoing, in the event Owner leases the surface of the Lands to a grazing or similar lessee, KPK agrees, in the event its operations directly result in injury or death to livestock owned by such lessee, to reimburse such lessee directly for the cost of veterinarian or similar care or loss in value of such livestock.
4. Owner, for itself and its successors and assigns, does hereby, in consideration of the Annual Use Fee, release, relinquish and discharge KPK, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owner may have by reason of the location and drilling of the Wells on the Lands and all Normal Damages or injury to the Lands caused by the Operation Activities, and Owner accepts the Annual Use Fee as full compensation therefore.
5. Owner hereby agrees that by its timely receipt of the Annual Use Fee, in the absence of any breach of this Agreement, KPK has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein and this Agreement together with any evidence of payment of the Annual Use Fee may be presented to the COGCC as proof of that fact.
6. In conducting the Operation Activities on the Lands, KPK shall:
  - A. Limit the size of the northwest pad site, depicted and described on Exhibit A as the "NW pad site", to no more than 300 feet by 350 feet during any drilling, completion, recompletion, workover, and all associated operations. KPK shall limit the size of the southeast pad side, depicted and described on Exhibit A as the "SE pad site", to an area of no more than 3 acres during any drilling, completion, recompletion, workover, and all

associated operations. KPK shall install temporary silt fences around each wellhead and all other areas where the surface has been disturbed during operations on the Wells, and take all other action as necessary to prevent erosion and the migration of silt, mud and chemicals into Owner's ponds, streams and wetlands. KPK shall cover each wellhead with an igloo or similar type of wellhead cover, and shall paint each igloo or similar cover to blend in with the existing landscape.

B. Pursuant to COGCC rules, line the pits for each Well, install temporary livestock fences around the pits for each Well, and install culverts where necessary. Upon the completion of drilling activities for each Well, KPK shall remove the pit liners, drilling mud and other waste products after the pits have been drained and are no longer in use. KPK shall separate the top soil at the time of excavation of the pits so that the top soil and subsurface soil may be placed back in proper order as nearly as possible. KPK shall promptly remove all drilling and frac fluids, mud and chemicals used in KPK's Operations.

C. Construct tank batteries in the approximate locations depicted on Exhibit A in the event any of the Wells are producing oil and gas. All tank batteries and other surface facilities for the wells to be located on the NW pad site shown on Exhibit A shall be located within said the NW pad site; provided, however, that prior to the installation of the tank batteries for such wells, KPK shall consult with Owner as to the location of the tank batteries and will install said batteries, if Owner so requests, outside of the NW pad site at a mutually agreeable location adjacent to the existing tank battery for the Lorenz 1-D well, which battery is adjacent to Highway 60. The tank battery locations and other surface facilities associated with the Wells to be drilled in the SE pad site shall be limited to an area within the SE pad site described in subparagraph 6.A above and on Exhibit A. Any additional tanks or separators will be located as close to the existing tanks and separators as COGCC rules allow. KPK shall construct a berm around each tank battery location and shall construct a permanent 6 foot high slatted chain link fence around each tank battery location, which fence shall be painted to blend in with the existing landscape.

D. Limit Access Roads depicted on Exhibit A to 30 feet in width during drilling, completion, recompletion and workover operations. The permanent Access Roads to the Wells and tank battery locations shall be limited to 20 feet in width. KPK shall use only those existing Access Roads described on Exhibit A, except as otherwise specifically provided for in this paragraph. KPK shall use the Access Roads in a reasonable and timely manner in its operation and maintenance of the Wells on the Lands. The Parties agree to re-negotiate the location of Access Roads in the future to reasonably accommodate future commercial or residential development. Should KPK be requested to relocate any Access Road as a result of future development, KPK shall not unreasonably withhold its consent to such relocation, and such relocation will be at the future developer's sole cost and expense. All Access Roads shall be graded and graveled by KPK as necessary to prevent rutting and erosion. KPK acknowledges that it is a party to an existing Access Agreement with a third party, which agreement permits KPK to use that portion of the access road lying immediately south of the Lands, as depicted on Exhibit A. KPK shall indemnify and hold Owner harmless from all liability resulting from the use and/or improvement of that portion of the access road located outside of the Lands by KPK, its agents, contractors or employees.

E. Use reasonable efforts to keep the Wells and tank battery sites free of weeds and debris. Pursuant to COGCC rules, KPK shall not use any herbicides on the Lands. No later than

90 days after completion of KPK's operations on each wellsite, or as otherwise agreed upon by KPK and the tenant manager of the Lands, whose contact information is provided in Paragraph 9 below (the "Tenant Manager"), KPK shall re-seed the area around each wellsite with a grass seed mix as specified by the Tenant Manager.

F. Install 16 foot wide gates and cattle guards at the locations indicated on Exhibit A. KPK shall keep all gates locked when not in use. KPK shall be provided keys for all locked gates on the Lands.

G. Bury all flowlines at least 4 feet below the surface. KPK shall promptly reseed all disturbed areas with native grasses and provide Owner with an accurate survey showing the location of all flowlines and other underground facilities. Should KPK be requested to relocate any flowline as a result of future development, KPK shall not unreasonably withhold its consent to such relocation, and such relocation will be at the future developer's sole cost and expense.

H. Pursuant to COGCC rules, not dump any materials on the Lands nor store any materials on the Lands except those needed for immediate use during the conduct of the Operation Activities. KPK shall not engage in any hunting or fishing on the Lands, except with the prior written approval of Owner, and shall not bring or keep any dogs, guns, bows, or fishing equipment on the Lands. KPK's use of the Lands is limited to oil and gas operations only. KPK shall not use the water source on the Lands for any purpose.

I. Agree to a drilling period of February 16 to September 29 of any given year. KPK shall not commence any drilling, workover, recompletion or completion operations on any Well after September 1 or before February 16 of any given year; provided, however, that KPK shall retain the right to access its oil and gas facilities on the Lands after September 30 and prior to February 16 of any given year for routine operations and maintenance of production equipment and in the event of a fire, windstorm, environmental damage, failure of pipes or tanks, or in the event of other emergency. KPK shall be provided access for routine operations and maintenance at regular, specified intervals with the prior written or verbal consent of Owner's Tenant Manager, which approval shall not be unreasonably withheld. Owner shall indemnify KPK and its contractors and its and their officers, agents, and employees from any and all liability resulting from any injury to or death of such persons suffered while on the Lands during such periods of routine maintenance to the extent only that such injury or death is the direct result of the negligence or intentional misconduct of Owner, its agents, managers, members or guests. In the event of an emergency on the Lands requiring the immediate attention of KPK, KPK shall have the right to enter the Lands to access its oil and gas facilities without receiving prior approval from Owner's Tenant Manager. Except as provided in the preceding sentence, such access shall be at KPK's sole risk and KPK shall use its reasonable efforts to notify Owner's Tenant Manager of KPK's presence on the Lands and the reasons therefore prior to entry or as soon as possible thereafter. KPK shall remove all drilling and completion equipment from the Lands by September 30 of any given year.

J. Conduct all operations on the Lands in accordance with good oil field practice and the rules of the COGCC and applicable local, state and federal statutes, rules and regulations (hereinafter collectively referred to as "Laws") including, without limitation, all laws providing for job safety or the protection of the environment, and shall indemnify and hold Owner, its Tenant Manager and its officers, agents, contractors, employees, members and guests harmless from any and all loss, damage, personal injury, liability and

expense, including, without limitation, costs of environmental remediation as well as reasonable attorneys fees and other expenses of litigation, mediation or arbitration, resulting from the breach of the terms of this Agreement or the violation of any of the Laws by KPK, its agents, contractors or employees, on the Lands.

K. Upon the abandonment of all of the Wells located on any padsite, KPK shall promptly remove all surface facilities therefrom and shall flush and flood all fiberglass pipelines and, upon written request, KPK shall remove all steel pipelines and other facilities as directed by Owner and restore the surface of the pad site to a reasonably restored condition.

7. Attached hereto and made a part of this Agreement as Exhibit A is a map of the locations of the proposed oil and gas facilities, tank battery locations, Access Roads and gates agreed to by the Parties and described in paragraphs 6.A, 6.C, 6.D and 6.F above. Except as otherwise provided in paragraph 6C above with respect to the location of tank batteries serving those wells to be drilled on the NW pad site, Owner and KPK agree that all flowlines, easements, Access Roads, Well locations and tank battery locations will be located in the locations depicted on Exhibit A. Prior to the construction of each pad site shown on exhibit A, KPK shall meet with Owner's Tenant Manager to stake the corners of each pad site at a location acceptable to the Tenant Manager in order to insure that each such site is located away from areas containing cattails or marsh lands. KPK shall promptly upon the installation of its facilities provide Owner with an as-built survey showing the exact location of all surface and subsurface facilities on the Lands. All underground flowlines shall be suitably staked.

8. KPK shall provide 14 days prior written notice to Owner of any drilling, reworking, or frac operations on the Lands.

9. Except as otherwise specifically provided herein, any notice or communication required or permitted by this Agreement shall be given in writing either by (a) personal delivery; (b) expedited delivery service with proof of delivery; (c) United States mail, postage prepaid, and registered or certified mail with return receipt requested; or (d) prepaid telecopy or fax, the receipt of which shall be acknowledged, addressed as follows:

To KPK:

K.P. Kauffman Company, Inc.  
1675 Broadway, Suite 2800  
Denver, CO 80206

Attn: Kelsey Wasylenky, Esq. & Jason Lilley, CPL

(303)825-4822 (phone)  
(303)925-4825 (fax)

To Owner:

Robert Schulein  
1775 Sherman Street, Suite 2950  
Denver, CO 80203

(303) 839-5495 (phone)

To Tenant Manager:

William Kutosky  
21698 S.H. 60  
Plateville, CO 80651

720-878-5350 (cell)  
303-289-0926 (office)  
970-737-2276 (home)  
WKutosky@gmail.com

10. A Memorandum of this Agreement shall be recorded in the books and records of the Office of the Clerk and Recorder for the County in which the Property is located.

11. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of Owner and to the successors and assigns of KPK, and may be executed in counterparts. This Agreement shall be a covenant running with the land for so long as any one of the two Leases remains in effect. This Agreement shall not alter or amend the terms of the Leases. KPK shall, upon the termination of the Agreement, properly execute, acknowledge and record in the records of Weld County a Release of this Agreement and provide a copy of such recorded document to Owner.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be made effective as of the day and year first written above.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

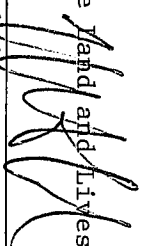
FRONT RANGE LAND AND  
LIVESTOCK, LLC

  
\_\_\_\_\_  
Mark Schublein  
Manager

K.P. KAUFFMAN COMPANY, INC.

  
\_\_\_\_\_  
Kevin P. Kaufman, Chairman and CEO

Front Range Land and Livestock, LLC

By   
\_\_\_\_\_  
Mark Schublein, Manager

K.P. Kaufman Company, Inc.


By   
\_\_\_\_\_  
Kevin P. Kaufman, Chairman and CEO

EXHIBIT A - ATTACHED AND MADE A PART OF THAT  
 CERTAIN SURFACE USE AGREEMENT DATED FEBRUARY \_\_\_\_\_, 2010,  
 BY AND BETWEEN FRONT RANGE LAND AND LIVESTOCK, LLC ("OWNER")  
 AND THE K. P. KAUFFMAN COMPANY, INC. ("KPK")

Proposed directional well bore  
 surface to bottom hole locations

Existing wells  
 Permitted wells



SCALE 1:10,421

1,000 0 1,000 2,000 3,000  
 K. P. Kaufman Company, Inc. Leasehold Acreage

around Section 17, T4N, R66W, Weld County, Colorado  
 Front Range Land and Livestock LLC acreage  
 (two leases shown outlined by highlighted areas)  
 Currently producing and proposed wells

Proposed locations NW pad site  
 Front Range #12-17-22R  
 Front Range #12-17-33  
 Proposed locations SE pad site from north to south:

Front Range #11-17-17(5-spot)C-NE; Front Range #11-17-6 SENW (40-spot)  
 Front Range #11-17-5 SWNW (40-spot); Front Range #11-17-7 SWNE(40-spot)  
 Front Range #11-17-8 SENE (40-spot); Front Range #11-17-25 NENESW(318Ae)  
 Front Range #11-17-11 NESW (40-spot); Front Range #11-17-10 NWSE (40-spot)  
 Front Range #11-17-20 C-SE (5-spot); Front Range #11-17-23 SWNWSE (318Ae)  
 Proposed 40-spot, 5-spot and 318Ae locations  
 S. Glass  
 Monday, January 18, 2010 2:39 PM