

## SURFACE USE AGREEMENT

County/State            Rio Blanco County, Colorado

Surface Owner:        Shell Frontier Oil & Gas Inc.  
Address:                Attention: Land Dept.  
                             P. O. Box 576  
                             Houston, TX 77001

Operator:              Puckett Land Company  
Address:                Attention: Land Dept.  
                             5460 S. Quebec St., Suite 250  
                             Greenwood Village, CO 80111

WHEREAS, Puckett Land Company (hereinafter referred to as "Puckett") is the present owner of certain oil, gas, and mineral rights and, among other things, has the right to conduct exploration and production operations in the area of the following described lands, among other lands:

**Township 1 South, Range 98 West, 6th P.M.**  
**Section 34: S/2**

WHEREAS, Shell Frontier Oil & Gas Inc. (hereinafter referred to as "Shell") is the surface owner of the above-described lands (all hereinafter referred to as the "Lands");

WHEREAS, Puckett proposes to access and make use of the Lands for its oil and gas operations, including constructing well pads on the Lands and exploring for and producing its oil, gas and minerals on the well pads described below (hereinafter referred to as the "Well Pads"):

Well Pad Name:        Parcel "A"  
Surface Location:     A portion of the SE/4 Section 34  
                             Township 1 South, Range 98 West, 6th P.M. (shown on the  
                             attached Exhibit A)

Well Pad Name:        Parcel "B"  
Surface Location:     A portion of the SW/4 Section 34  
                             Township 1 South, Range 98 West, 6th P.M. (shown on the  
                             attached Exhibit A)

WHEREAS, Shell and Puckett have reviewed the proposed location and the operations involved with the above Well Pads and desire to enter into this Surface Use Agreement to allow Puckett to make use of the surface estate of the Lands to conduct its hydrocarbon operations, including constructing Well Pads, drilling, equipping and otherwise conducting hydrocarbon operations on the Lands.

NOW, THEREFORE, in consideration of the premises stated herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by the parties hereto, it is agreed:

1. **Commencement of Operations.** Puckett may begin operations on the Lands at any time after the execution of this Surface Use Agreement.

2. **Location and Access to Well Pads.** Shell agrees with the location of the Well Pads and the access to same, as described above and as shown on the attached Exhibit A, which is incorporated by reference.
3. **Well Locations on the Well Pads.** Shell agrees that Puckett may use all or any part of the Well Pads. Within each pad site, this right shall include, but is not limited to, the right to: (a) build, store, use, maintain, operate, repair, remove, and change the size of facilities, equipment, roads, pipelines, power and communication lines and equipment, and materials, and related appurtenances and structures as may be necessary or convenient for Puckett's operations, and (b) the right to build, maintain, and drill, produce, complete, operate, and abandon wells and associated facilities upon the Well Pads, (all of which are hereinafter referred to as the "facilities" or as the "facility"). Shell agrees with the use of the Lands in support of Puckett's hydrocarbon operations ("Operations") related to the Well Pads and for the drilling, completion and operation of wells upon the Well Pads, including all associated facilities located thereon, all in accordance with the provisions of this Surface Use Agreement.
4. **Damage Payments.** Puckett shall pay Shell the amount of Twenty Thousand dollars \$20,000.00 ("Payment A") as compensation for any surface damages for the construction and use of the access road and location of the Parcel "A" Well Pad and first well, as described on the attached Exhibit A. An additional Twenty Thousand dollars (\$20,000.00) will be paid prior to Puckett moving onto Parcel "B" and the building of that Well Pad and drilling of the first well on the Parcel "B" Well Pad ("Payment B"). Shell acknowledges Payment A and Payment B, respectively as to each Well Pad, as sufficient and in full satisfaction for any damages to Shell caused or created by Puckett's Operations under this Surface Use Agreement, including the reasonable and customary entry, right-of-way and operation and use of the roads and well sites, but do not include damage resulting from Puckett's operations to livestock, buildings or improvements, or injuries to person or to any damage or destruction to any property (other than damages to Shell caused or created by the reasonable and customary entry, right-of-way and operation and use of the roads and well sites) or water supply on the Lands. Puckett shall be liable for additional damages if, as a result of Puckett's Operations under this Surface Use Agreement, any water on or under the Lands which had been potable is affected to the extent that it is rendered non-potable for humans, cattle or other ranch animals on the Lands, or any such water supply, well or reservoir on the Lands is destroyed or its output diminished as a result of Puckett's Operations on the Lands. Puckett shall be liable for any downstream damage to other lands or the operations of other landowners caused by Puckett's Operations on the Lands. Damage to livestock and crops caused by Puckett's Operations on the Lands shall be paid for by Puckett at current market value. Damages for any fires caused by Puckett's Operations on the Lands shall be paid by Puckett based on determining the cost of replacement pasture, the costs of trailing or trucking cattle to replacement pasture, plus the lesser of replacement and/or repair costs for all personal property destroyed or damaged as a result of Puckett's Operations on the Land. The cost of replacement pasture will be determined by the amount generally accepted in the area for like kind pasture. This Surface Use Agreement does not relieve Puckett from liability due to Puckett's negligence or due to spills or discharges of any hydrocarbon or toxic or hazardous chemicals or wastes, or from leaks or breaks in Puckett's pipelines, nor does it relieve Shell of liability for its own negligence or willful misconduct.
5. **Use and Improvement of Roads.** Shell agrees that Puckett may use the existing road(s), may improve or upgrade the existing road(s) and Puckett may, with consent of Shell, construct new access road(s) on the Lands for the purpose of accessing the Well Pads. Puckett shall diligently maintain and pay for all such maintenance necessitated by Puckett's safe use of the roads. Such maintenance includes, but is not limited to, (a) keeping the roads safe and in good order, (b)

keeping the sides of the road free from noxious weeds, litter and debris, (c) properly maintaining the road surface and berms, and (d) cleaning bar ditches. Shell also agrees that Puckett shall have the right of ingress and egress to, over, upon, through, under, and across the Lands for all purposes necessary or incidental to the exercise of Puckett's rights under this Agreement.

6. **Fences.** Puckett shall install sufficient fencing and/or gates and cattle guards to safely restrict livestock from Puckett's Operations at the Well Pads. Puckett shall also repair any damages it creates to existing fences, premises, gates, culverts and cattleguards on the Lands.
7. **Cattleguards.** Where, in Shell's reasonable discretion, cattleguards are deemed to be needed, then Puckett shall construct cattleguards with wings at all fence crossings. Installation of the cattleguards shall be at the sole cost and expense of Puckett. Cattleguards shall not be less than 16 feet wide by 8 feet across and shall be set on concrete sills not less than 24 inches high by 16 inches wide. Fence braces shall be installed on each side of the cattleguards. Cattleguards shall be constructed approximately 6 inches above the existing grade of the road so that water does not run into the cattleguard. Puckett shall be responsible for maintenance of all cattleguards used by Puckett, together with wings and attached braces.
8. **Restrictions.** Puckett agrees that its access to the Lands is limited to its employees, contractors, agents and invitees. No firearms, weapons, illegal drugs, alcoholic beverages, or hunting will be permitted on the Lands. Puckett shall leave all gates located upon the premises open or closed as found, locked or unlocked as found, and shall reasonably attempt to keep the Lands free from trash and debris. Puckett agrees to provide notice of these restrictions to all of its employees, contractors, agents and invitees who may have access to the Lands, and all such employees, contractors, agents and invitees shall be bound by these restrictions.
9. **Reclamation.** After the building of the Well Pads (or any individual Well Pad) and the installation of facilities, if Puckett has disturbed more acreage during the installation process than will be used for the continuing operation of the facility, then it will reclaim the areas that will not continue to be used to as near as reasonably practical its condition prior to Puckett's disturbance. Additionally, after any facility is removed, Puckett shall reclaim the entire area which was occupied to as near as reasonably practical its condition prior to Puckett's disturbance. Reclaiming shall mean re-contouring and re-seeding said areas, including the topsoil and excess materials stockpiles and those areas required for operation and maintenance purposes using a seed mix approved by Shell or Shell's surface lessee.
10. **Pipelines.** Puckett has a right to install and maintain pipelines and powerlines along the access routes to the Well Pads. Puckett will provide Shell with an as-built plat showing the length, depth and location of all pipelines and gathering systems promptly after their installation. Pipelines will be buried with a minimum of 36 inches of soil on top of the pipeline. Shell reserves the right to occupy, use and cultivate the lands affected by such pipelines, and to grant such right to others, so long as such use does not unreasonably interfere with Puckett's Operations. If Puckett fails to use any pipeline for a period in excess of thirty six consecutive months, the pipeline shall be deemed abandoned and Puckett shall promptly take all actions necessary or desirable to remediate if necessary, mitigate the effects of use, and render the pipeline environmentally safe and fit for abandonment and removal. Any remediation and mitigation shall be performed in compliance with all federal, state and local laws and regulations.
11. **Pipeline Construction Practices.** Puckett shall construct, operate, maintain and remove the pipelines in such manner as to not interfere with, damage or disturb any existing pipeline or any other above ground or underground facilities that may hereinafter be erected on, across or under

the Lands and/or the operation thereof, none of which will be hereinafter erected on, across or under the Lands if same will unreasonably interfere with the rights granted Puckett herein. Within Twelve (12) months after the beginning of such construction, Puckett agrees to bury the pipelines to such depth that it will clear the bottom of said existing pipeline(s) by at least twenty-four (24) inches vertical separation. Puckett will remove any top-soil from the lands separately from other material removed by Puckett in connection with any activity on the Lands, and shall replace any topsoil removed upon completion of that activity. For purposes of construction, maintenance, repair and/or removal of the pipelines, Puckett may temporarily use as working space that part of the Land that is reasonably necessary. Shell, at Shell's option, may designate and limit the area that may be utilized as workspace. Puckett agrees that during construction, operation, maintenance, installation, inspection, relocation, repair, replacement and removal of the pipelines, any and all trees, timber, wood, bushes, shrubs and brush cleaned from the Lands shall be removed by Puckett from the Lands and disposed of properly. Puckett further agrees that neither Puckett, nor its assigns, employees, contractors, agents nor representatives shall burn any trees, timber, wood, bushes, shrubs or brush cleared from the Lands on the Lands.

12. **Relocation of Pipelines.** If Shell's construction of improvements or operations on or near the Pipeline should, at any time and in Shell's sole judgment, make it necessary to adjust or relocate the Pipeline, Puckett shall within One Hundred and Eighty (180) days after receipt of written notice from Shell, commence to diligently adjust or relocate any part of the Pipeline which interferes with Shell's operations, to a location reasonably and mutually acceptable to Shell and Puckett. All reasonable cost of the adjustment or relocation shall be at Shell's sole cost and expense. Reasonable cost for purposes of this paragraph shall conform to market rate costs, as paid by Puckett, for similar work in western Colorado.
13. **Final Reclamation Upon Ceasing of All Operations on the Well Pads.** Upon ceasing all operations associated with the Well Pads (or any individual well pad), Puckett shall re-contour and reclaim the site of the Well Pad(s) to as near as reasonably practical their condition as of the effective date of this Surface Use Agreement. Puckett shall be allowed to bury its pit liners on location in accordance with Colorado Oil and Gas Conservation Commission rules. Final reclamation shall include re-establishing the encountered drainage courses. Puckett will also reseed all disturbed areas using a seed mix approved by Shell or Shell's then surface lessee.
14. **Puckett Indemnity to Shell.** Except to the extent of the gross negligence or willful misconduct of Shell, its successors, assigns, representatives, subsidiaries, officers, employees, agents and affiliated entities, Puckett hereby agrees to release, discharge, indemnify, defend and hold harmless Shell, its successors, assigns, representatives, subsidiaries, officers, employees, agents and affiliated entities from any and all damages, injuries, liabilities, and causes of action of any kind whatsoever which may arise as a result of the presence of the Well Pads or any of Puckett's facilities on the Lands, or as a result of Puckett, and its successors, assigns, representatives, subsidiaries, officers, employees, agents or affiliated entities operation of the Well Pads or the use of the Lands in exercising any of the above enumerated rights, or any such use of the Lands under this Agreement by Puckett' representatives, employees, subsidiaries, affiliates or other third parties on Puckett' behalf, whether such injury or harm is caused to Shell or Puckett, their respective agents, employees, subsidiaries, affiliates or other third parties. Puckett agrees to defend any suits brought against Shell on account of any such claims and to pay any judgments against Shell resulting from any such suits along with all costs and expenses relative to such claims, including reasonable attorneys' fees. Without limitation to the foregoing, Puckett further agrees to release, discharge, indemnify, defend and hold Shell harmless from and against any soil, water, air, or any other environmental contamination arising or occurring from Puckett's use of the Lands, except to the extent of the gross negligence or willful misconduct of Shell, its

successors, assigns, representatives, subsidiaries, officers, employees, agents and affiliated entities.

15. **Compliance with Law.** Puckett, its consultants, agents, employees, successors and/or assigns warrant and agree that they will comply with any and all laws, ordinances, orders, rules, regulations, standards and licensing requirements of any state, federal, municipal or local authority or agency, now in force and effect or which may be passed, enacted, issued, revised, required or later promulgated, incident to or arising out of or in any way connected with Puckett' utilization of the Lands or any activity conducted on the Lands. Puckett agrees that it will not discharge, dump, bury or store for purposes of treatment or disposal, pollutants of any kind on the Lands including, but not limited to, pollutants such as oil, chemicals, toxic substances or materials, hazardous wastes or hazardous substances, including pollutants as the same may be defined, now or in the future, in any federal, state, or municipal laws, rules, regulations or ordinances. Puckett specifically agrees to fully indemnify and hold Shell harmless from and against all claims, demands, losses, costs of removal and/or clean up of pollutants, judgments, causes of actions, fines, penalties, costs, including, but not limited to, reasonable attorney's fees and costs of court, arising out of or connected with Puckett' noncompliance with the terms of this Surface Use Agreement.
16. **Enforcement Costs.** If Puckett defaults under this Surface use Agreement, Puckett shall pay all costs and expenses, including reasonable attorney's fees, incurred by Shell in enforcing this Surface Use Agreement, except as provided in Section 14.
17. **INTENTIONALLY BLANK.**
18. **Term.** This Surface Use Agreement shall be effective beginning on the effective date set out below and shall continue until the obligations set forth in Section 13 are fulfilled or the parties mutually agree to terminate.
19. **Governing Law.** This Surface Use Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado, without giving effect to any conflict of laws principles.
20. **Headings.** All headings and sub-headings in this Surface Use Agreement are intended for convenience only and are not for the purpose of establishing any rights or obligations for either party, nor are they for the purpose of modifying the meaning of any provision in this Surface Use Agreement.
21. **Successors and Assigns.** The terms and conditions of this Surface Use Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.
22. **Counterparts.** This Surface Use Agreement may be executed in any number of counterparts with the same effect as if both parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Signatures by facsimile shall be as effective as original signatures to this Surface Use Agreement.
23. **Prior Agreements.** This Surface Use Agreement supersedes any and all prior agreements, arrangements and understandings, whether written or oral, and sets forth the entire agreement and understanding of the parties regarding the subject matter contained herein and which are merged into this Surface Use Agreement.

EFFECTIVE THIS 17<sup>th</sup> DAY OF August, 2010.

SHELL FRONTIER OIL & GAS INC.

By: [Signature] ZMC  
George K. Zimmerman Attorney in Fact

PUCKETT LAND COMPANY

By: [Signature]  
President

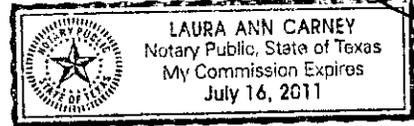
**ACKNOWLEDGEMENTS**

STATE OF Texas )  
COUNTY OF Harris )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of August, 2010 by George K. Zimmerman as Attorney in Fact of Shell Frontier Oil & Gas Inc.

[Signature]  
Notary Public

My Commission Expires: 7/16/2011

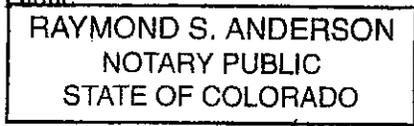


STATE OF Colorado )  
COUNTY OF Arapahoe )

The foregoing instrument was acknowledge before me this 28<sup>th</sup> day of April, 2010 by V. Bruce Thompson as President of Puckett Land Company.

[Signature]  
Notary Public

My Commission Expires: 8/18/13



My Commission Expires 8/18/13

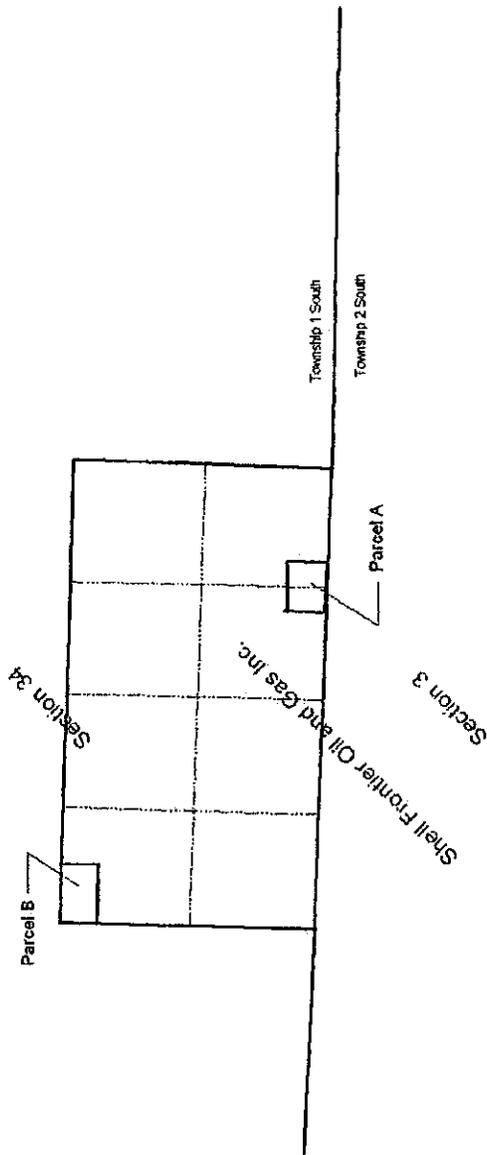
# Ryan Gulch Federal Lease - COC64831

## EXHIBIT A

**Legal Description**

**Parcel A**  
 That portion of the W1/2SW1/4SE 1/4 and E1/2SE 1/4SW1/4SE 1/4 of Section 34, Township 1 South, Range 98 West, of the 6th P.M., Rio Blanco County, Colorado being south and adjacent to Rio Blanco County Road No. 93.

**Parcel B**  
 That W1/2NW1/4NW1/4SW1/4 of Section 34, Township 1 South, Range 98 West of the 6th P.M., Rio Blanco County, Colorado



NOT TO SCALE

Surface Use Agreement  
 Shell Frontier Oil and Gas Inc.  
 Houston, Texas

Dated March, 2010



**Puckett Land Company**  
 5460 South Quebec St., Suite 250  
 Greenwood Village, Colorado 80111