

SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT ("Agreement") is entered into by and between **Robert Gillham Life Estate** (referred to hereinafter as "Owner"), whose address is HC 75, Box 64, Peetz, CO 80747, and **Peterson Energy Operating, Inc.** ("Company"), whose address is 2154 W. Eisenhower Blvd. Loveland, CO 80537 (together "the Parties").

WHEREAS, Owner is the owner of the surface estate in the N/2 Sec. 36, T12N-R52W, Logan County, CO (the "Property"); and,

WHEREAS, Company owns the leasehold right to access the Property and to use so much of the surface as is reasonably necessary to explore for and produce oil and gas therefrom, by virtue of holding rights granted to it under Colorado State Board of Land Commissioners Oil and Gas Lease 9580.8, dated May 22, 2008, as subsequently assigned, and covering

T12 North-R52 West, Section 36, 6th P.M.: ALL, containing 640 acres more or less; and,

WHEREAS, the Parties desire to enter into this Agreement as a supplement to, but not in derogation of, Company's leasehold rights;

THEREFORE; in consideration of Company's payment to Owner of the sums set forth in the Addendum attached to and made a part hereof, the receipt and sufficiency of which is hereby acknowledged, and the mutual promises and covenants contained herein:

Owner hereby releases and discharges Company, its agents, employees, contractors and licensees from and against any and all claims by Owner for damages, of whatsoever nature and character, arising from, incident to, or in connection with Company's normal oil and gas operations on the Property, including: locating, drilling, stimulating, completing, restimulating, recompleting, deepening, producing, maintaining, plugging, and abandoning the oil and gas well(s) shown below, whether as a dry hole or at the end of its productive life, installing and operating associated pipelines and production facilities; and, constructing, maintaining and reclaiming the well pad, production facilities, pipelines, power lines, water pits and roads (collectively the "Operations"). Each individual well together with its production facilities are hereinafter referred to as the 'Well':

1. State 1-36, 1980' FNL, 1320' FWL, Section 36-T12N-R52W, 6th P.M., Logan County, CO

AND,

Owner hereby grants, demises and conveys such easements and rights-of-way on and across the Property as may be necessary or convenient for the Operations, and Company agrees to consult with Owner about locations of said easements and rights-of-way.

ADDITIONAL PROVISIONS

1. Company may exercise its rights hereunder for all purposes necessary or convenient for Company to perform the Operations, including the right of unimpeded ingress and egress across the Property to access the Well, and to install and operate pipelines and power lines. Company may assign or delegate to a third party the right to install and operate pipelines and power lines in order to connect the Well to a gas gathering system and/or electrical distribution grid. The access easement shall be non-exclusive and capable of use by Owner and its successors, lessees and assigns.

2. Notwithstanding Owner's release of Company from any and all damage claims, Company shall compensate Owner for damage to land, personal property or to improvements on the Property, such as

damage to buildings, fences, gates, culverts and livestock, and for other such extraordinary losses or damages caused by Company. Company agrees to promptly compensate Owner for such extraordinary losses and damages. Any failure to reach mutual agreement with respect to such compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

3. Company hereby agrees to indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage arising out of Company's Operations, unless, and to the extent that, Owner's negligence causes or contributes to such third party claims.

4. Owner has requested that all consultation be conducted through Owner's son, Gary Gillham, 23121 CR 74, #63A, Peetz, CO 80747. Accordingly, Owner or Owner's designated representative shall have the responsibility of notifying any affected tenant, lessee or other party who may own or have an interest in any crops or surface improvements which could be affected by the Operations. Owner agrees that all damages claimed by a surface tenant, lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby agrees to indemnify and hold Company harmless from and against any such claims.

5. Company agrees to perform all reclamation in accordance with the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), unless a variance therefrom is granted by the COGCC upon the request of Owner. Company shall endeavor to keep the well pad, the production facilities, and the pipeline and access easements free of weeds and debris.

6. Commencement of the Operations with heavy equipment is estimated to begin in the 4th Quarter, 2010, and could be as soon as October 15, 2010. Owner acknowledges that this notice complies with, or hereby waives, all COGCC requirements that it be given advance notice by Company of the proposed Operations. Owner acknowledges receiving from Company a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as the surface owner.

7. Company shall have the right to construct and install a well pad, roads, pipelines, power lines and production facilities, including, but not limited to, pumping units, tanks, heater/treaters, separators, emission control units, and water disposal pits, as regulated by the COGCC. Owner acknowledges and agrees that Company has consulted in good faith with Owner as to its proposed Operations, in accordance with COGCC requirements, or hereby waives such requirements. Owner expressly waives the application of any COGCC setbacks inconsistent with this Agreement, including, but not limited to, setbacks for high density areas and surface lot lines.

8. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Company to accommodate Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary.

9. Owner agrees to include a notation on any annexation, subdivision plat, planned unit development or any sale or transfer documents, or other land use designation for which Owner may apply, to put successors or assigns on notice that the Property is subject to this Agreement

10. In construing this Agreement, no consideration shall be given to the fact or presumption that one party has had a greater or lesser hand in drafting this Agreement than any other party. Any and all exhibits attached hereto, and all defined or industry terms used, are incorporated herein by reference for all purposes.

11. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either party to remove a matter to federal court.

12. Each of the undersigned principals of the parties represents and warrants that such person has the requisite corporate or legal authority to bind the respective parties to this Agreement

13. Concerning any matter relating to the Operations, Owner may contact

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|--------------------|--|
| Operator: | PETERSON ENERGY OPERATING INC. |
| Person to Contact: | ANDY PETERSON |
| Address: | 2154 W. EISENHOWER BLVD. LOVELAND, CO 80537 |
| Phone Number: | 970-669-7411 |
| Fax: | 970-669-4077 |

14. This Agreement shall extend to and bind Owner and Company, and their respective heirs, personal representatives, successors and assigns.

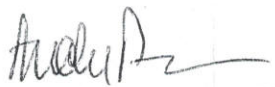
15. This Agreement shall become effective when it is fully executed and shall remain in full force and effect until Company's leasehold estate expires or is terminated, and Company has plugged and abandoned the Well and conducted reclamation in accordance with this Agreement and applicable COGCC rules and regulations.

IN WITNESS WHEREOF, the parties have executed this Agreement this 4th day of OCTOBER, 2010.

OWNER: ROBERT GILLHAM LIFE ESTATE


Robert Gillham

COMPANY: PETERSON ENERGY OPERATING, INC.

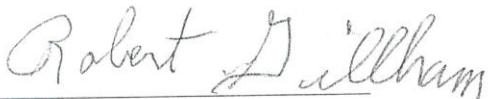

By: Andy Peterson, President

Addendum

To that certain Surface Use Agreement dated OCTOBER 4, 2010, by and between OWNER and COMPANY.

1. In the event any provision of this Addendum is in conflict with any provision or provisions of the body of the Surface Use Agreement, the provisions of this Addendum shall control.
2. Company agrees to pay to Owner the sum _____ for each new wellsite drilled on the Lands.
3. Company agrees to pay to Owner the sum _____ for each tank battery to be constructed on the lands. For purposes of this agreement, a tank battery shall be an oil storage facility and or separator or other treating equipment and water disposal pits located on the lands. Company agrees to consult with Owner regarding the location of any and all tank batteries on the lands.
4. In the event a well drilled on the lands shall at a later date be restimulated or recompleted, and the equipment necessary to conduct such operations does not fit on the existing location as such has been reclaimed following the initial drilling and completion operations on such well, then Company shall pay Owner for such additional actual damages as may be incurred (or are expected to be incurred) as a result of the restimulation or recompletion operations.
5. Owner requests that no wildlife study be conducted on the Lands.
6. Company hereby indemnifies owner against all claims from any party for environmental damages of any kind caused by or resulting from Company's operations on the lands, including but not limited to spilled oil, ground water contamination, soil contamination, and/or air pollution.
7. Company represents and warrants that if any pollution or contamination is determined to exist on the lands as the result of Company's operations, it will remediate said pollution to applicable Colorado Oil and Gas Conservation Commission specifications. Company agrees to indemnify and hold Owner harmless from and against any losses or damages (including, without limitation, expert fees and attorneys' fees suffered by Owner) in the event of any violation of this representation and warranty.

Owner: ROBERT GILLHAM LIFE ESTATE



Robert Gillham

Company: PETERSON ENERGY OPERATING, INC.



By: Andy Peterson, President