

SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT ("Agreement"), entered into and effective this 3 day of February, 2011 ("Effective Date"), by and between PIRTLAW PARTNERS, LTD, a Texas Limited Partnership, whose address is 1929 Allen Parkway, Houston, TX 77019 and WOLF MOUNTAIN RANCH, LLC, a Colorado limited liability company, whose address is 1929 Allen Parkway, Houston, CO 77019 (collectively, "Owner"), and SUNTERRA OIL AND GAS LP, a Texas Limited Partnership, whose address is 14825 St. Marys Lane, Houston, TX 70079 ("Operator"). Owner, Wolf Mountain and Operator are each a "Party," and collectively are the "Parties."

RECITALS:

- A. Owner owns that certain real property in Routt County, Colorado, which is more fully described in Exhibit A, attached hereto and made a part hereof (the surface of the lands described on Exhibit A are the subject matter of this Agreement and shall be referred to in this Agreement as the "Property").
- B. Wolf Mountain is the tenant/lessee of the surface of the Property, on which it runs a ranching and conservation operation;
- C. Operator now holds one or more oil and gas leases that cover or include lands within the boundaries of the Property. (Operator's current and potential leasehold interests within the Property are referred to in this Agreement as the "Leases").
- D. The Property is subject to that certain Deed of Conservation Easement granted by Pirtlaw Partners, LTD to the Nature Conservancy and recorded June 16, 2005 in the office of the Routt County Clerk and Recorder at Reception No. 620460 (the "Conservation Easement"). The "Conservation Values" protected by the Conservation Easement are described in the Conservation Easement and are incorporated herein by this reference, and include, but are not limited to: the open space and scenic values set forth in the Conservation Easement, and the protection of significant relatively natural habitat for wildlife and plants, including particularly narrowleaf cottonwood riparian forest sagebrush and mountain shrub communities, river channel and floodplain wetlands, bald eagle, golden eagle, Sandhill crane, Columbian sharp-tailed grouse, Greater sage grouse, mule deer and elk, among others set forth in the Conservation Easement.
- E. The Conservation Easement grants to the Nature Conservancy certain interests in the surface estate including a right of enforcement of the terms and conditions of the Conservation Easement.
- F. Owner, Wolf Mountain and Operator have agreed upon the terms pursuant to which Owner will provide access to Operator to drill the Pirtlaw 1H-3 Well (originally known as the Robert H. Waltrip 1H-3 Well) in the SWSW Section 3, T6N R87W (the "Well") within the area designated and depicted on Exhibit B, attached hereto and made a part hereof (the "Oil and Gas Operations Area"), and subsequent wells within the Oil and Gas Operations Area subject to

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the Development Plan (defined below), pursuant to which operations to be conducted by Operator on the Property are to be governed.

G. Owner and Wolf Mountain recognize that Operator has the right to conduct operations on and make reasonable use of the surface of the Property as an incident of its mineral leasehold interest. Owner, Wolf Mountain and Operator have reached an agreement intended to minimize surface damage to the Property arising from such use, to ensure that the Conservation Values are protected in perpetuity, and to compensate Owner for unavoidable surface damage.

H. The parties intend to memorialize their agreement concerning the reasonable use of the surface of the Property in connection with the drilling, construction, completion, re-completion, re-working, re-entry, production, maintenance and operation of the Well and all pipelines, tank batteries and other facilities associated with oil and gas wells located on the Property.

NOW, THEREFORE, in consideration of the exchange of covenants set forth herein, ten dollars and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Operator agree as follows:

1. Payment.

a. Payment for Surface Use. Operator will pay (the "Well Payment Fee") for the Well and for each subsequent well drilled by or for Operator on the Property as full settlement and satisfaction of all reasonable and normal damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, completion, deepening, refracing, recompletion (not involving additional reserve pits), reworking, equipping and production operations, unless otherwise specifically provided in this Agreement.

i. In addition to payment for each well to be drilled on the Property, Operator will pay for each tank, treater, separator, compressor, pig launcher, or similar surface equipment installed on the Property ("Equipment Fee") and the following (each, an "Easement Fee"):

ii. per rod of Access Easement (defined below); and

iii. per rod of Pipeline Easement or easement for powerlines, except that where Operator installs pipeline or powerline within an Access Easement for which it has paid, it shall not be required to pay for the second use within the same easement.

b. Time for Wellsite Payment. Operator must pay the Well Payment Fee no later than ten (10) days prior to the proposed spud date for the Well ("Well Payment Due Date"). If Operator does not pay the Well Payment Fee by the Well Payment Due Date, Operator must pay the Well Payment Fee plus interest at the rate of 400 basis points above the Wall Street Journal Prime Basis Rate in the month that Operator fails to pay such Fee. If Operator does not pay the Wellsite Payment Fee within four (4) months after the spud date of the Well, Owner may

4. Oil and Gas Operations Area. Subject to the payment obligations set forth herein, Operator shall have the right to drill the Well within the Oil and Gas Operations Area. In the event that Operator elects to drill additional wells after the completion of the Well, the Operator shall have the right to drill such additional wells only after the Parties enter into the Development Plan. Drilling may include the drilling of horizontal and directional wells that produce from and drain the Property, as well as lands which are pooled or communitized with the Property (the "Adjacent Property"), from the location of the Well within the Oil and Gas Operations Area or from other locations within the Oil and Gas Operations Area identified in the Development Plan. The Parties agree to cooperate fully to develop and implement this Development Plan. The disturbed area within the Oil and Gas Operations Area shall not exceed three (3) acres of land at any time while drilling. Immediately upon completion of drilling, Operator shall reclaim the disturbed area to an area not to exceed nine-tenths (0.9) acres (the "Production Facilities Area") in accordance with the reclamation provisions of Section 8 and Exhibit E to this Agreement. No housing or dwelling unit, including temporary units, shall be constructed or placed on Surface Owner's land by Operator. Notwithstanding the foregoing, Operator may maintain up to four (4) travel trailers within the Oil and Gas Operations Area during drilling operations only, to be used by the drilling superintendent, the mudlogger, and appropriate engineering personnel.

5. Production Facilities. Subject to the payment obligations set forth herein, Operator shall have the right to locate, build, repair and maintain tanks, separators, dehydrators, compressors and other equipment reasonably appropriate or convenient for the operation and production of the Well or any other wells permitted by Owner pursuant to the Development Plan, only within the Production Facilities Area.

6. Access and Pipeline Easements. Subject to the payment obligations set forth herein, Owner shall provide to Operator all necessary non-exclusive easements for access to the Oil and Gas Operations Area, in locations approved by Owner and located and constructed in accordance with the terms of the Conservation Easement. The parties shall memorialize such easements in a separate document for ingress and egress ("Access Easement") and for pipeline rights-of-way ("Pipeline Easements"), which shall not run in perpetuity, but only for the duration of the productive life of the Well or subsequent wells permitted by Owner pursuant to the Development Plan. Operator shall use existing roads where possible, but any new roads permitted in the Access Easement shall be limited to a travel surface of twenty (20) feet in width, with a shoulder of four (4) feet on each side. The Pipeline Easement shall be thirty (30) feet in width during construction, contracting to a permanent pipeline easement limited to twenty (20) feet in width.

7. Development Plan.

a. The Well Operator has applied to the Colorado Oil and Gas Conservation Commission for a Permit to Drill, and to the Routt County Planning Commission for a Special Use Permit, for the drilling of the Well. The protective conditions attached to those Permits by the Colorado Oil and Gas Conservation Commission, the Routt County Planning Commission and the Routt County Board of County Commissioners, respectively, shall be conditions of this Agreement, incorporated herein by reference, and Operator agrees that Owner shall have the right to enforce such conditions as if they had been written into the text of this Agreement.

b. Subsequent wells As a condition of the right to commence operations on any well other than the Well, including road or pad construction or other disturbance of the surface of the Property, Operator shall prepare and present to Owner a draft of a development plan ("Development Plan") which details the scope and timing of subsequent development on the Property. Such Development Plan shall be written to conform to, at a minimum, the requirements and standards set forth in the COGCC rules and the conditions of the Routt County Special Use Permit applicable to the Well. The Development Plan shall cover all future well drilling to the extent that future development is within the Operator's reasonable contemplation at the time the Development Plan is drafted. Operator and Owner shall jointly prepare the final version of the Development Plan, which shall not be effective until it is incorporated into an amendment to this Agreement executed by both parties. Operator may elect to develop the Property in separate stages, in which case Operator shall prepare multiple Development Plans, one for each stage, in the manner set forth above. The Development Plan shall provide the framework for Operator's activities on the Property, shall be consistent with the Conservation Easement and the preservation and protection of the Conservation Values, and shall be developed according to the requirements and standards set forth below, and shall include the following:

i. A base map or maps showing the location of the existing roads, fences, buildings, springs, wells, water sources, domestic water supplies and sources, facilities, residences, headquarters, wildlife assets (including Columbian sharp tail grouse and sage grouse, bald eagle, golden eagle, Sandhill crane, mule deer and elk) and other assets. Other base maps or overlays may be developed to show vegetative cover, timber assets, existing power lines and rights-of-way, drainage patterns, important geologic features, hydrologic characteristics, meteorological characteristics including rain and snowfall with dry/wet and hot/cold time periods, viewsheds and visually important features, archaeological and historic assets, gas seeps, burning coals, bad water, areas of fire and safety concern, irrigated lands and crops lands, and any other characteristic which Owner and Operator consider important to be established as baseline considerations. Owner agrees to provide all information in its possession to assist in all baseline map preparation.

ii. A base map or maps showing the location of the Oil and Gas Operations Area, the Production Facilities Area and Operator's proposed access points, additional roads, water and gas gathering lines, power lines, approximate drilling locations, central facilities, compressors and central compression facilities, water treatment facilities, water impoundments and distribution lines, central electric facilities, telemetry and other communication facilities and sites and any other sites or facilities proposed on the Property.

iii. A preliminary schedule of development showing the anticipated drilling program. The first two (2) years of activity shall be detailed by month, shall describe any applicable weather or seasonal wildlife habitat limitations, and shall describe how surface damage will be controlled and minimized by appropriate scheduling of operations.

iv. The general standards for construction of permitted structures on the Property, including size, location, access, drainage, security, fencing, colors, landscaping, and other important features, including those otherwise set forth in this Agreement.

- v. A water management plan for produced water on the Property.
- vi. A detailed description and schematic of the various combinations of common corridor/shared right-of-way gathering and power lines, showing the standards for excavation, back-filling, reclamation and revegetation, and other important features, including those otherwise set forth in this Agreement.
- vii. The general standards for gas gathering line construction, including size and type of pipe, pressure ranges, measuring points, compression requirements and locations, drips, dehydration, cleaning facility locations, and other important features, including those otherwise set forth in this Agreement.
- viii. The general standards for landscaping on the Property, including species, size, distribution, and location of trees, types of grasses and reseeded flora, including those otherwise required in this Agreement.
- ix. The fire plan, including methods and time of notification, location and activation of fire suppression and fighting personnel and equipment, evacuation and treatment of injured personnel.
- x. The gas and water leak detection and remediation plan, including methods and time of notification, schedule and procedure remediation.
- xi. The automation plan, including methods, times, and access procedures for telemetric or other well control and data transmission.
- xii. The general location and standards for construction of roads, fences, cattle guards, culverts, road cuts and fills.
- xiii. The plan for waste and hazardous waste removal and disposal of fluids from drilling pits.
- xiv. Methods of weed control to be employed by Operator, which shall include the reseeded of disturbed areas with native species only, as otherwise required by this Agreement, inspection of vehicles, and the washing or spraying of vehicles.
- xv. The dates of the big game hunting seasons applicable to the Property and the efforts which will be undertaken by Operator to minimize the effects of its operations on hunting activity on the Property.
- xvi. The noise control methods to be used by Operator for compressors and other noise generating facilities located on or adjacent to the Property.
- xvii. The dust control methods to be used by Operator.
- xviii. Such other information as Operator and Surface Owner consider important.

c. No further drilling on the Property shall be permitted unless and until the Development Plan is completed and accepted by the Owner and this Agreement is amended by the Parties to reflect adoption of the Development Plan as an enforceable part thereof. The Development Plan shall be incorporated into the amended Agreement as Exhibit F, and when attached hereto and made a part hereof, shall be an enforceable part of this Agreement as though it were fully set forth in the main body of the Agreement. The Parties agree that the Development Plan may be amended by mutual agreement of the Parties.

8. Performance Standards. Operator shall conduct surface and down hole operations on the Property in a manner consistent with the Conservation Easement and in material conformance with the performance standards set forth on Exhibit C to this Agreement, attached hereto and made a part hereof, and, for subsequent wells, the Development Plan described in the preceding section (the "Performance Standards"). The Parties agree and acknowledge that the Performance Standards supplement legal and regulatory requirements applicable to Operator's operations. If the application of any Performance Standard would conflict with any legal or regulatory requirement, the more stringent of the Performance Standard or the legal or regulatory requirement shall control. Owner agrees that Operator shall have acted as a reasonable and prudent operator to the extent that Operator has conducted its operations in material conformance with the Performance Standards. Any damages to the Property caused by a failure of Operator to conduct its operations in material conformance with the Performance Standards shall not be considered "reasonable and normal damages." Owner shall provide written notice to Operator of any potential claim that Operator has failed to conduct its operations in material conformance with the Performance Standards. Operator shall have sixty days from receipt of such notice to develop a plan acceptable to Owner to cure any nonconformance identified in the written notice.

a. Reclamation. Operator shall be responsible for the reclamation and revegetation of all wellsites in compliance with the Performance Standards, applicable law and regulation in effect at the time the reclamation activity is performed.

b. Springs & Water. Operator hereby acknowledges the existence of various natural potable freshwater springs located on the Property (the "Springs"), and Operator agrees to inspect and/or test the productive capacity on a gallon per minute basis (or similar capacity measurement) and potability of the water produced therefrom after drilling of the Well but prior to commencement of drilling operations on the Property under the Development Plan, to establish a basis for productive capacity and potability of the water produced by the Springs. Operator shall re-inspect and retest the productive capacity on a gallon per minute basis (or similar capacity measurement) and potability of the water produced from the Springs no less frequently than once every three (3) months (90-days) during drilling and completion operations; no less frequently than once every six (6) months (180-days) for a minimum of two (2) years following drilling and completion operations, whether or not production ensues; no less frequently than every twelve (12) months (365-days) during production from any well on the Property; and upon abandonment no less frequently than every twelve (12) months (365-days) for a minimum of three (3) years to insure similar capacity and potability found prior to commencement of drilling operations. Owner shall furnish to Operator all information in its possession concerning the location, quantity, and quality of wells and springs to assist Operator in the performance of the obligations set forth in this Paragraph.

i. In the event there is any decrease in water productivity from the Springs, or potability of the water therein, during drilling operations or within three (3) years after completion of drilling operations caused by drilling operations of Operator, Operator shall cause the productive capacity and/or potability of the Springs to return to at least the original productive capacity and potability as inspected and/or tested by Operator prior to commencement of drilling operations within thirty days of notification by Owner, assuming all contractors needed to conduct such restoration of water productivity and/or potability are available within the said thirty (30) days. If damage caused by drilling operations to the Springs is irreversible, Operator shall be liable for such damage, including but not limited to providing alternative water equal to or better than predrilling capacity and potability at Operator's sole risk and expense in perpetuity.

c. Conveyance of the Well on Abandonment. Operator shall make available to Owner the opportunity to receive conveyance of any Well or subsequent well that Operator proposes to plug and abandon, in accordance with Paragraph 11.m herein.

d. Water Rights. This Agreement does not give Operator any right to use any water or water rights of Owner. Operator shall not drill any water well on the Property. Operator shall not use any water from existing wells, reservoirs, stock ponds or springs on the Property. Operator shall not disturb, interfere with, fill or block any creek, reservoir, spring or other source of water of the Property.

9. Consultation.

a. Operator may drill the Well in the Wellsite location area shown on the attached Exhibit B. The Oil and Gas Operations Area, the Production Facilities Area, access routes, pipeline and flowline rights of way shown on Exhibit B are adopted by the parties and approved in this Agreement. Operator shall not use any other access ways, well location areas, pipeline, or flowline rights of way on the Property except those shown on Exhibit B, without the prior written agreement of Owner. Such agreement shall not be unreasonably withheld. Owner agrees to support any application of Operator for an exception location for the Well. Owner and Operator acknowledge that close consultations are necessary with respect to the location of access roads, gathering lines, or surface facilities, if any, that Operator wishes to place outside the locations designated in Exhibit B. In order to facilitate any such consultations, Owner and Operator agree that it is essential to provide for at least one person each from Owner and Operator to conduct the consultations. Owner may invite consultants and the holder of the Conservation Easement to attend the consultations. The designated representatives may be replaced by giving written notice of the name and contact information of the new representative.

b. In exercising its rights under this Agreement, Operator shall consult with Owner before mobilizing heavy equipment. The parties agree that the consultations for the Well and for any other permitted well to be drilled on the Property will be conducted not less than seven (7) days prior to the scheduled rig move for the well, that existing ranch roads will be used to the maximum degree practical, that all roads used exclusively by Operator in drilling or servicing the Well or other permitted wells will be maintained by Operator, and that Operator will not build any roads except those that are agreed in accordance with this Agreement. The parties will mutually agree from time to time as to any road maintenance that may be necessary.

Additional roads constructed on the Property will be constructed at the sole cost and expense of Operator at the location shown on Exhibit B or as otherwise agreed upon by Operator and Owner.

c. No less than thirty (30) days prior to heavy equipment operations on the Property, Operator's representative will meet and consult with Owner as to the specific wellsite, access road, flowline, tank battery, gas sales line and other associated production facility that will be the subject of such operations.

d. Owner hereby waives its right under COGCC Rule 305 to receive notice specified in that Rule for the Well, provided that Operator has complied with the applicable provisions of this Section. Owner agrees to execute a separate waiver for filing with the COGCC, if requested by Operator.

10. Operational Restrictions. Operator agrees to the following restrictions and limitations on operations:

(a) The General Conditions and Specific Conditions set forth in the staff report to the Planning Commission and Board of County Commissioners for the hearings dated January 20, 2011 and February 8, 2011, respectively, for action on the Operator's application for a Special Use Permit for the Well (Activity # PP2010-046), and additional conditions required by the Board of County Commissioners as part of any approved Special Use Permit, are incorporated into this Agreement as Operational Restrictions governing the drilling of the Well and shall be enforceable by the Owner as though set forth herein.

(b) The Well and all subsequent wells (if any) will be drilled using a closed loop drilling fluid control system from spudding to the final completion of the Well or subsequent wells. Operator may construct an emergency reserve pit, to be used only in the event of a failure of the closed loop drilling fluid control system. Owner agrees to cooperate with Operator to present the closed loop system to COGCC and Routt County as an administrative change that should not require additional notice or hearings beyond those already conducted or scheduled.

(c) Operator agrees to place appropriate signs on roads or other rights of way designating them as "Private", to adequately direct its own traffic, and to assist Owner in the control of the use of any such roads or rights of way by unauthorized persons.

(d) No employee or agent of Operator shall bring alcohol, illegal drugs, firearms, explosives, fishing or other recreational gear, or animals upon the premises at any time.

(e) All gates within the Access Easement may be locked by the Owner and if so locked, keys shall be provided to Operator, its employees, contractors or sub-contractors

(f) The road to access the Oil and Gas Operations Area shall be located within the Access Easement, in the location set forth in Exhibit D to this Agreement. In

the event of production from any of the Wells, Operator, as soon as commercially prudent and reasonable, shall bring the condition of the roads up to the more stringent of (i) applicable Routt County standards or (ii) U.S. Bureau of Land Management standards, and shall also comply with those road construction standards set forth in Exhibit D to this Agreement. Prior to any activities related to preparation for drilling, rig movement or drilling operations on the Property, Operator shall construct a road that meets the standards for road construction set forth in Exhibit D to this Agreement. Operator shall at all times maintain roads in good condition. It shall be the Operator's responsibility to construct and maintain adequate drainage structures for such roads, at its sole cost, risk and expense.

(g) No fences, cattle guards or other improvements of Owner shall be cut or damaged by Operator except with prior written consent of Owner and payments of additional damages as appropriate or other safeguards to protect the rights and properties of Owner. Cattle guards used by Operator are to be installed in a workmanlike manner with properly braced corners. The fence at point of installation shall be properly stretched and maintained by Operator so as to prevent migration of livestock. Operator shall keep cattle guards and fences installed by Operator clean and in good repair during operations.

(h) Operator further agrees that it shall maintain all roads and rights-of-way used by it in a good state of repair and free of debris and said maintenance shall be at the sole risk, cost and expense of Operator. Nothing under this Agreement shall be construed or interpreted as preventing Owner from allowing third parties the use of such road or roads or preventing Owner from charging any third party for the use of said road at Owner's sole risk and subject to maintenance participation with Operator by such third party users on a proportionate basis. Operator shall keep and maintain all roads used exclusively by Operator, including all culverts and gates, in good condition and repair.

(i) Operator shall at all times keep the Well sites, the Oil and Gas Operations Area, the Production Facilities Area, the Access Easements and the Pipeline Easements safe and in good order, free of noxious weeds, litter and debris, and shall suppress dust and manage noxious weeds.

(j) Operator shall not permit the release or discharge of any toxic or hazardous chemicals or wastes on the Property.

(k) Operator shall remove only the minimum amount of vegetation necessary for the construction of the roads and facilities permitted by this Agreement.

(l) Operator shall limit operations to a closed-circulation system. Flaring is prohibited except in the course of testing a Well or if required by COGCC rules. Where the use of combustion and flow-back devices is necessary, Operator shall properly insulate units to suppress noise in the manner specified by COGCC rules.

(m) Operator shall take all necessary steps, including but not limited to steps required by COGCC rules, to prevent its operations from (i) polluting the waters of

reservoirs, springs, ditches, streams, or existing wells located on the Lands, (ii) damaging crops, timber, pastures or wetlands (iii) harming or injuring wildlife or livestock, and (iv) emitting noise or light considered harmful or intrusive to surrounding human or wildlife habitats.

(n) Operator shall not conduct seismic or geophysical exploration operations on the Property without the prior written approval of Owner.

(o) Operator shall consult with Owner regarding the location of powerlines other than those described in the agreed-on Development Plan. All powerlines shall be designed and installed in compliance with the terms and provisions of the Conservation Easement and require marking to reduce wildlife collisions and raptor shields.

(p) Operator shall take reasonable steps to prevent fire and to promptly extinguish fire, including, but not limited to: (i) maintaining a fire extinguisher, shovel, ax and bucket within every vehicle entering the Property, and (ii) utilizing spark arresters on all gas or diesel powered equipment. Operator shall not construct open fires on the Property. Operator shall not burn trash, timber slash or debris.

11. Site Restoration.

a. For the Well and each subsequent wellsite (if any) on the Property, Operator will recontour the drillsite location to the approximate original contour existing prior to operations.

b. Any topsoil removed during drillsite preparation shall be segregated and kept separate from subsoil, as provided for in the COGCC Series 1002 Regulations or equivalent regulation in effect at the time of the drilling and reclamation activity. Operator shall remove frac fluid, flowback fluid, or any produced substance from the Property for disposal in compliance with applicable regulations. After subsoils have been replaced, topsoil shall be restored to its original location and condition as near as possible in the course of restoration activities

c. Operator agrees to install steel berms and an impervious synthetic liner within the bermed area surrounding separators and production tanks and extending under such equipment, such that any hydrocarbon substances shall be prevented from infiltrating into the soil or groundwater within such bermed area.

d. Operator hereby acknowledges that, with respect to the Property affected by its activities, Operator retains the site restoration responsibility and that it shall comply with the reclamation standards of the Colorado Oil and Gas Conservation Commission. In addition, Operator shall revegetate drill sites, berms, road rights of way, and other areas affected by Operator's activity upon completion of such activities, to the standards set forth in Exhibit E attached hereto and made a part hereof. Operator hereby indemnifies Owner from the cost and expense of such restoration to include attorneys' fees and other costs incurred by Owner in connection with any matter dealing with site restorations issues for the Property affected by Operator's activities.

e. Notwithstanding the foregoing, within seven (7) days of rig release for a particular well drilled on Property, Operator will backfill all mouseholes, ratholes and other excavations.

f. At any site where Operator does not discover oil, gas or hydrocarbons of commercial quantity and determines it to be a "dry hole," Operator shall within three (3) months restore and reseed said area or if applicable, within one (1) month after seasonal wildlife restrictions no longer apply, after replacing topsoil to specifications not less than that of the COGCC rules. "Above ground" dry hole markers shall be installed when necessary unless otherwise agreed or required by law.

g. Operator shall restore all disturbed areas (well site, pipelines, and other facilities) as nearly as practicable to their original conditions and, if the location is in pasture, reseed the location with native species, unless Operator and Owner mutually agree to an alternative method of reclamation that is consistent with the terms of the Conservation Easement. Weather permitting and outside of seasonal restrictions for disturbing wildlife, reclamation operations shall be completed within three (3) months following drilling and subsequent related operations, unless Operator and Owner mutually agree to postponement because of crop or other considerations.

h. Operator shall temporarily fence all disturbed areas to allow for effective revegetation if livestock or wildlife are present. The portion of the Oil and Gas Operations Area to be reclaimed shall be returned to its original topography and vegetation species planted and successfully established comparable to that existing prior to construction, as well as pipelines and all non-traveled portions of roadways.

i. All reseeding shall be done with suitable grasses and forbs selected by Owner's representative as set forth in Exhibit E.

j. Operator recognizes that reclamation shall be a continuing obligation and Operator shall reseed ground cover and/or control noxious weeds until areas disturbed by Operator are returned to as good condition as existed prior to construction.

k. 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. Operator shall use water bars and such other measures as appropriate to prevent erosion and "non point source" pollution. All surface restoration shall be accomplished to the satisfaction of Owner.

l. Notwithstanding the foregoing, Operator shall give Owner the opportunity to retain "as is" any portion of the access roads or surface facilities constructed by Operator that Owner designates.

m. If the Operator determines in its sole discretion that the Well or any well is a dry hole, Operator shall plug and abandon such well in conformance with the requirements of the applicable Colorado Oil and Gas Conservation Commission regulations. Owner may elect to reenter any abandoned well and attempt to recomplete such well as a water well after Operator has completed its plugging to the satisfaction of the COGCC staff. Operator shall provide to

Owner all drilling logs, wellbore logs, completion reports, and other relevant engineering information on every well, and shall transfer such indicia of ownership as is necessary to allow owner to attempt such reentry and recompletion. Owner will execute appropriate confidentiality agreements to protect well information if requested by Operator.

12. Livestock and Wildlife Control.

- a. All wellsites will be fenced at the cost and expense of Operator as needed to protect wildlife and livestock from access to the wellsites. Other reasonable protection measures to protect wildlife and livestock from injury due to Operator's operations will be used as needed.
- b. Livestock control measures may include, but are not limited to, the installation and maintenance by Operator of cattle guards and/or fences as may be necessary to control wildlife and livestock movement on the Property consistent with the normal and usual operations of the Property. Cattle guards installed by Operator will be maintained by Operator as needed to maintain effectiveness during Operator's operations and, thereafter, shall become the property of and be maintained by the Property.
- c. At the conclusion of drilling and completion operations for wells drilled on the Property, Operator and Owner shall agree on permanent access control measures such as locked gates, signage and such other control measures as may be agreed. The parties will set forth such agreed measures, if any, in a separate letter agreement.

13. Operator Subcontractors.

- a. Owner acknowledges that Operator uses the services of various drilling contractors, well completion service companies and others to drill, complete and operate wells for Operator. Owner also acknowledges that the services provided by those subcontractors are being provided to Operator on an independent contractor basis. Notwithstanding the independent contractor relationship between Operator and its subcontractors, Operator hereby agrees to use good faith efforts to control the activities of the subcontractors while performing work on the Property so as to minimize disruption to the operation of the Property and to minimize unacceptable behavior by the independent contractors.
- b. To the extent that employees of Operator's subcontractors engage in unacceptable conduct on the Property, such as driving at speeds that exceed 20 miles per hour, or other unacceptable or rude behavior to Owner or its employees, Owner may notify Operator of its concerns, which notice shall describe in detail the nature of the conduct complained of and the identity of the individual(s) involved, if known. Operator shall promptly investigate the basis of the complaint and take such remedial measures as may be warranted under the circumstances. Operator shall notify Owner of the resolution of any

related issues. If the individual has been identified and if there is a reasonable basis for the complaint by Owner, any repeat of such conduct by that individual will result in that individual being barred from Operator operations on the Property. Operator agrees to notify the employer of any such individual that said individual is not to return to Operator operations on the Property for the reasons underlying the complaint.

- c. Operator shall fully indemnify Owner against any act or omission by any contractor, employee, affiliate, or other person acting on Operator's behalf on the Property, that results in any discharge of a reportable quantity of any regulated substance. In the event of a spill of produced substances from a well or surface facilities, Operator shall be responsible for remediation and cleanup of such substances in accordance with the regulations of the Colorado Department of Public Health and the Environment.

14. Termination.

- a. Notwithstanding anything contained herein to the contrary, this Agreement shall automatically terminate and be of no further force and effect at such time that Operator's oil and gas leasehold estate expires or is terminated, and Operator has plugged and abandoned all Wells owned all or in part by Operator and complied with the requirements of all applicable oil and gas leases pertaining to removal of equipment, reclamation, cleanup, COGCC rules and regulations and all other applicable provisions of the oil and gas leases, this Agreement, and existing laws and regulations.
- b. At the request of Owner, Operator shall execute and record such documents or instruments as Owner shall reasonably request in order to evidence such termination, of which are intended to include termination of any and all easements granted hereunder.

15. Environmental Indemnification.

- a. Operator will save, indemnify, defend and hold harmless Owner from any environmental claims relating to the Property that arise out of Operator's ownership or operations of the Leases or Operator's ownership or operation of its pipeline easement or rights of way on the Property.

16. Miscellaneous.

- a. Indemnity. OPERATOR SHALL BE SOLELY RESPONSIBLE FOR ALL RISKS AND LIABILITIES OF ANY KIND AND NATURE INCIDENT TO, OCCASIONED BY OR RESULTING IN ANY MANNER, DIRECTLY OR INDIRECTLY FROM OPERATOR'S OPERATIONS OR ACTIVITIES ON THE PROPERTY AND THAT OF ITS CONTRACTORS, EMPLOYEES, AGENTS AND ASSIGNS. OPERATOR SHALL PROTECT, INDEMNIFY, DEFEND AND HOLD SURFACE OWNER HARMLESS FROM ANY KIND AND CHARACTER OF DAMAGE, LOSS, EXPENSE, CLAIM OR

CAUSE OF ACTION ASSERTED BY OR ARISING IN FAVOR OF ANY PERSON OR ENTITY ON ACCOUNT OF PERSONAL INJURY, DEATH OR PROPERTY DAMAGE GROWING OUT OF OR ATTRIBUTABLE TO THE OPERATIONS OR ACTIVITIES OF OPERATOR, ITS CONTRACTORS, EMPLOYEES, AGENTS AND ASSIGNS INCLUDING WITHOUT LIMITATION ANY ENVIRONMENTAL DAMAGE CLAIMS. OPERATOR SHALL KEEP THE PROPERTY FREE FROM ANY LIENS OF ANY CHARACTER RESULTING FROM OPERATOR'S OPERATIONS OR ACTIVITIES. OPERATOR AT ITS OWN EXPENSE SHALL DEFEND ANY SUIT OR ACTION BROUGHT AGAINST SURFACE OWNER BASED ON ANY ALLEGED INJURY, DEATH OR PROPERTY DAMAGE OR VIOLATION OF RULE, REGULATION, ORDINANCE, STATUTE OR LAW ARISING OUT OF THE OPERATIONS OR ACTIVITIES OF OPERATOR, ITS CONTRACTORS, EMPLOYEES, AGENTS AND ASSIGNS AND PAY ALL DAMAGES, CLAIMS, COSTS AND EXPENSES, INCLUDING REASONABLE ATTORNEYS FEES INCURRED BY SURFACE OWNER IN CONNECTION THEREWITH OR IN ANY MANNER RESULTING THEREFROM. LIKEWISE, SURFACE OWNER AGREES TO INDEMNIFY AND HOLD OPERATOR HARMLESS FROM ANY AND ALL CLAIMS, ACTIONS, SUITS OR DAMAGES ARISING SOLELY FROM OPERATIONS OR ACTIVITIES ON THE PROPERTY CONDUCTED BY SURFACE OWNER, THEIR HEIRS, SUCCESSORS OR ASSIGNS.

- b. Insurance: Operator shall maintain insurance coverage while conducting any activity on the Property, naming Owner as an additional named insured and providing coverage consisting of, at a minimum:
- i. Workmen's Compensation Insurance, with statutory limits in accordance with all applicable State and Federal laws, and Employer's Liability Insurance of \$1,000,000 per accident/occurrence ,
 - ii. Comprehensive General Liability Insurance, with limits of \$5,000,000 combined single limit per occurrence, including but not limited to coverage for public liability, bodily/personal injury, advertising injury, property damage premises coverage, contractual liability for those liabilities assumed by the Operator, cross liability and severability of interest, liability for pollution and cleanup on a sudden and accidental basis, products and completed operations, protective liability/independent contractors/work sublet, and with the "care, custody, and control exclusion" deleted.
 - iii. Automobile Liability Insurance, with limits of \$1,000,000 combined single limit per accident/occurrence for bodily/personal injury and property damage, including but not limited to coverage for all owned, hired and non-owned vehicles or automotive equipment used by or for

the Party and contractual liability for those liabilities assumed by the Party herein.

- iv. Property Insurance covering the Party's machinery and equipment for its replacement value and including removal of wreck/debris coverage.
- c. Default. In the event of default by Operator of any of the terms of this Agreement, Owner shall notify Operator in writing, and Operator shall have thirty (30) days after the date of such notification within which to cure such default. Waiver of any default shall not be deemed a waiver of subsequent defaults, but notice thereof shall be given by Owner to Operator as provided under this Agreement. In the event Operator does not cure the default within the time specified, all of Operator's rights hereunder shall terminate. Notwithstanding the foregoing, if Operator defaults on any of the requirements set forth in Section 4 of Exhibit C, the parties agree that such default causes irreparable harm to the Conservation Values, and Owner shall have the right to seek and obtain injunctive relief to cause Owner to immediately cease operations on the Property.
- d. All notices and communications required or permitted under this Agreement shall be in writing and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice: (i) if personally delivered, when received, (ii) if sent by telefax, when receipt of the fax has been confirmed by the intended receiving party, (iii) if mailed, three (3) business days after mailing, certified mail, return receipt requested, or (iv) if sent by overnight courier, one day after sending.

If to Owner:

Pirtlaw Partners, LTD
Wolf Mountain Ranch, LLC
1929 Allen Parkway
Houston, CO 77019

With a copy to:

Brent Romick
Romick and Associates, Inc.
PO Box 770247
Steamboat Springs, CO 80477

If to Operator:

Sunterra Oil And Gas LP
14825 St. Marys Lane

Houston, TX 70079

- e. This Agreement and the transactions contemplated thereby shall be construed in accordance with and governed by the laws of the State of Colorado, without application of the conflicts of laws principles thereof. The parties hereby submit themselves to the exclusive jurisdiction of the courts of the State of Colorado and to venue in the District Court for the 14th Judicial District of Colorado for resolution of any disputes hereunder.
- f. This Agreement may not be amended or any rights hereunder waived except by a written instrument signed by the party charged with such amendment or waiver and delivered by said party claiming the benefit of any such amendment or waiver.
- g. This Agreement will apply to any and all of Operator's leasehold coverage within the Property whether obtained before or after the Effective Date of this Agreement and until this Agreement terminates.
- h. When "Operator" or "Owner" is used in this Agreement, it also means its successors and assigns, as well as its employees and officers, agents, affiliates, contractors, subcontractors and/or purchasers. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of Owner and Operator and may be executed in counterparts.
- i. The Parties will execute a memorandum of surface use agreement in a form acceptable to all Parties and record the memorandum in the records of Routt County, Colorado.
- j. This Agreement supersedes all other Surface Use Agreements between the parties hereto.

[REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date and year first above written.

PIRTLAW PARTNERS, LTD, a Texas Limited Partnership

By: Pirtlaw Management LLC, General Partner

By: R.L. Waltrip 2-3-11
R.L. Waltrip, President

WOLF MOUNTAIN RANCH, LLC

By: R.L. Waltrip 2-3-11
Its: PRESIDENT

SUNTERRA OIL AND GAS LP

By: Robert L. Culbertson 2-3-11
[Name]
[title]

EXHIBITS

- A. Property
- B. Map
- C. Performance Standards
- D. Road Construction Standards and Map Depicting Road Location
- E. Reclamation Standards

Exhibit A
to
Surface Use Agreement

Wolf Mountain Property

Township 7 North, Range 87 West, 6th P.M.

Section 33: SE1/4SW1/4, S1/2SE1/4

Section 34: SW1/4SW1/4, W1/2SE1/4SW1/4, NW1/4NE1/4

Township 6 North, Range 87 West, 6th P.M.

Section 3: W1/2 Lot 3, Lot 4, SW1/4NW1/4, W1/2SE1/4NW1/4, that portion of the SW1/4 lying west of WOLF CREEK MOUNTAIN RANCHETTES described at Reception No. 229333

Section 4: Lot 1, Lot 2, Lot 3, S1/2NW1/4, E1/2SW1/4, SW1/4SW1/4, SE1/4

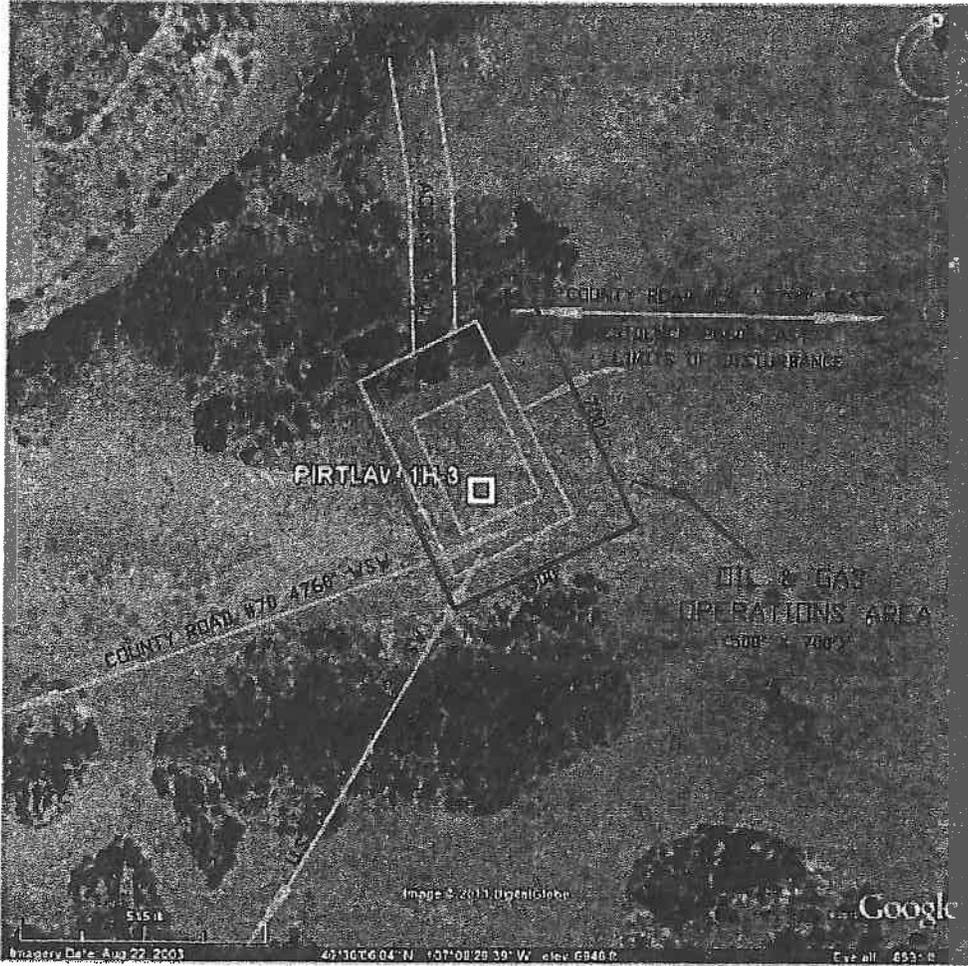
Section 5: Owner disputes that the Leases encumber any portion of Section 5 owned by Owner. If Operator is able to obtain a court order that states that any portion of Section 5 owned by Owner is subject to the Leases, Operator and Owner agree that such portion of Section 5 owned by Owner is subject to this Agreement.

Section 9: NE1/4, N1/2SE1/4, E1/2NW1/4, NE1/4SW1/4, SE1/4SE1/4 except that portion of the SE1/4SE1/4 lying north and west of SUNSET RANCH SUBDIVISION described at Reception No. 599311 and further lying north and east of the right of way of U.S. Highway 40

Section 10: W1/2NW1/4, and that portion of the SW1/4 lying north and west of SUNSET RANCH SUBDIVISION described at Reception No. 599311

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Exhibit B
to
Surface Use Agreement
Map Depicting Well Location and Oil and Gas Operations Area



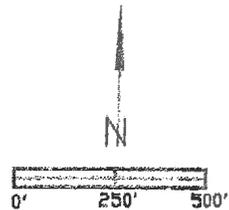
LEGEND

OIL & GAS OPERATIONS AREA MAP

THERE ARE NO IMPROVEMENTS
WITHIN A 400' RADIUS OF THIS WELL

SCALE 1" = 500'

SunTerra Oil-Gas LP
PIRTLAV 1H-3
SW1/4 SW1/4 SECTION 3, T6N R87W, 6th PM.
600' FSL 600' FVL



NOTICE: According to Colorado Law, you must commence any legal action based on any defect in this survey within three years after you first discover such defect, in no event may any claim be commenced more than ten years from the date of completion shown herein.

SunTerra Oil-Gas LP				PIRTLAV 1H-3		DOWLING LAND SURVEYORS, LLC P.O. BOX 954 HAYDEN, COLORADO 81639 (970) 276-3613 dowling@plotz.biz
				SW1/4 SW1/4 SECTION 3 T6N R87W, 6th PM		
SCALE	DRG	DATE	FILE	ROUIT COUNTY, COLORADO		
1"=500'	GRD	1/31/11	XHP5304			

RLC
and

Exhibit C
to
Surface Use Agreement

Operational Protection Standards

Pursuant to the Agreement, Operator shall construct, install and maintain the following items at its oil and gas well and production facilities in accordance with the following guidelines:

1. **Wellsites.** Operator will install and maintain steel containment rings with impermeable liners at all wellsites. All Operator wells will be protected from livestock and wildlife with well head guards or fencing. Where applicable, Operator may elect but is not required to install one or more monitoring wells at its well sites to monitor ground water for TPH. Owner consents to the installation of monitor wells at well sites and will be entitled to test results from the wells. Operator may use existing water quality monitoring wells on the Property with the consent of Owner. Owner will, upon request from Operator, make available existing water quality monitoring data related to the Property. During hydraulic fracturing operations on the Property, Operator will require fracturing service providers to park trucks onto a retaining tarp to collect any liquids that might fall from the trucks. If the quantities of spilled fluids are minimal then the service provider will mop up the materials with absorbent cloths. Service providers will use a vacuum truck for any larger spills on the tarp. In either circumstance, any spill associated with fracturing services will be contained and cleaned up without affecting the surface of the Property.

2. **Flowlines.** Operator will install to a depth of four feet, two (2) inch steel flowlines that will be coated and wrapped to protect from external degradation. Prior to backfilling operations the flowlines will be checked for damage to the protective coating. Any damage discovered will be repaired prior to installation to insure flowline integrity. Operator shall pressure check each flowline to not less than 150% of well head shut in pressure annually and following any re-stimulation operation to confirm flowline integrity. Owner will be entitled to review the test results. Operator will repair or replace any line that does not hold pressure during a pressure check operation.

3. **Production Facilities.** Operator will install and maintain steel containment rings with impermeable liners at all Operator production facilities. All Operator production facilities will be protected from wildlife and livestock with appropriate game proof fencing. Where applicable, Operator may elect, but is not required, to install one or more monitoring wells at its production facilities to monitor ground water for TPH. Owner consents to the installation of monitor wells at production facilities and will be entitled to test results from the wells. All underground lines associated with a production facility installation will be coated and wrapped to protect from external degradation. Prior to backfilling operations the production facility lines will be checked for damage to the protective coating. Any damage discovered will be repaired to insure production facility line integrity. Operator shall pressure check production facility lines to not less than 150% of maximum allowable working or operating pressure annually to confirm integrity. Owner will be entitled to review the test results. Operator will repair or replace any line that does not hold pressure during a pressure check operation.

4. Seasonal Restrictions. Operator shall observe the following seasonal restrictions and any additional seasonal restrictions required by the Colorado Oil and Gas Conservation Commission, the Colorado Division of Wildlife and Routt County:

a. Construction of roads, drilling and workover operations shall not occur between March 15th and July 30th, unless a modification of this restriction. is requested in writing and approved in writing by, the Colorado Division of Wildlife and the holder of the Conservation Easement.

b. From December 1st to June 1st, conduct site visits between 10 a.m. and 3 p.m.

c. Reduce well site visitations where possible between December 1st and July 30th.

5. Wildlife Best Management Practices. Operator shall observe the following best management practices and any additional practices required by the Colorado Oil and Gas Conservation Commission, the Colorado Division of Wildlife and Routt County:

a. Establish company guidelines to minimize wildlife mortality from vehicle collisions on roads.

b. Use noise reduction equipment on compressors and other development and production equipment.

c. Use topographical features to provide visual concealment of facilities from known lek locations and as a noise suppressant.

d. Muffle or otherwise control exhaust noise from pump jacks and compressors so that operational noise will not exceed 49 dB measured at 30 feet from the source.

e. Design tanks and other facilities with structures such that they do not provide perches or nest substrates for raptors, crow and ravens.

f. Install perch deterrents on equipment, fences, cross arms and pole tops.

6. Other Practices.

a. Operator shall transport any excess water produced during drilling or operations off of the Property for disposal.

b. Operator shall control weeds and the spread of weeds by reseeding disturbed areas with native species only using a mix approved by Owner, and shall otherwise control weeds by inspection of vehicles and washing and spraying of vehicles.

Exhibit D
to
Surface Use Agreement

Road Construction Standards and Map Depicting Road Location

Prior to any activities related to preparation for drilling, rig movement or drilling operations on the Property, Operator shall construct a road meeting the following requirements:

1. Establish a compacted subgrade with a twenty (20) foot running width, and ten (10) inches of compacted pit run.
2. Establish drainage infrastructure utilizing corrugated metal pipe in the locations and to the specifications set forth in the map attached hereto.

In the event of production from any of the Wells, the road shall be completed to the following standard:

1. Final road base materials shall include no less than four (4) inches of compacted material crushed to between one (1) inch and one and one-half (1 ½) inches in size, with the final size approved by Owner.

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Exhibit E
to
Surface Use Agreement

Reclamation Standards

Pursuant to Section 1(j) of the Agreement, Operator will conduct reclamation of drillsites and other areas of the Property affected by oil and gas activities of Operator in accordance with the following guidelines:

1. **Pre-Construction Drillsite Layout:** Operator will design the rig footprint based on the existing topography to minimize the surface impact to the greatest extent reasonable. Operator and Owner shall consult concerning the location and design of the drilling footprint. The drillsite shall be located to minimize surface impact and to allow favorable reclamation, including re-vegetation, following completion operations.
2. **Drillsite Preparation.**
 - a. Operator shall remove only the minimum amount of vegetation necessary for the construction of the roads and facilities permitted by this Agreement.
 - b. Any topsoil removed during drillsite preparation shall be segregated and kept separate from subsoil, as provided for in the COGCC Series 1002 Regulations or equivalent regulation in effect at the time of the drilling and reclamation activity.
 - c. Operator shall temporarily fence all disturbed areas to allow for effective revegetation if livestock or wildlife are present.
3. **Activities.** After construction and during the drilling and completion stage the drillsite will be stabilized and protected from stormwater and wind erosion using best management practices, including weed free straw mulch, silt fences and/or logs, hydra-cover of dirt piles as advisable.
4. **Reclamation Upon Completion of Operations.**
 - a. Promptly after completion of operations, the location will be re-contoured to match the surrounding topography while creating and blending a pad to the prevailing topography for future workover operations surrounding the well head. The recontoured area is generally no more than 100 feet in diameter.
 - b. If gravel was used to plate the location, this material will be removed.
 - c. Depending on the season of the year a sterile cover crop using appropriate seed mixture, as determined by Owner's reclamation consultant, will be sown as interim reclamation to protect the location from erosion, assist with weed control and to improve the organic matter of the seedbed.

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d. In the spring or fall the cover crop will be mowed and the chosen native seed mix specified by the Owner's reclamation consultant will be sown into the cover crop stubble.

e. A game proof fence built to Colorado Division of Wildlife standards will be built and maintained around the drillsite to exclude wildlife and livestock until the re-vegetation process is complete.

f. If the native seed re-vegetation effort fails in whole or in part for any reason, or if the location is re-disturbed with additional heavy equipment for well servicing operations creating additional impact to the drillsite the reclamation process will continue until such time that the site has been successfully reclaimed.

5. Reclamation Success. A site shall be successfully reclaimed when (i) two growing seasons have passed and (ii) the location has reached eighty percent cover of native species when compared to its prior condition or adjacent locations. When the location has reached this level of re-vegetation, the fence will be removed by Operator and the location will be re-introduced to livestock or wildlife grazing, as appropriate. If the Parties cannot agree that a site has been successfully reclaimed, then the Parties will ask the Colorado State University County Extension Office to assess the site and determine if the revegetated area has achieved 80% of the prior vegetative cover condition.