

## **SURFACE USE AGREEMENT**

This Surface Use Agreement ("Agreement") is made effective this 11<sup>th</sup> day of November, 2011, by and between Phillip G. Yastrow and Randall L. Hocking, whose address is P.O. Box 332, Windsor, Colorado 80550, hereinafter jointly and severally referred to sometimes herein as "Owner"; and Great Western Oil and Gas Company, LLC, a Colorado Limited Liability Company, with offices at 1700 Broadway, Suite 650, Denver, Colorado 80290, hereinafter sometimes referred to as "Operator"; each of the foregoing sometimes referred to individually as a "Party," or collectively as the "Parties."

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

### **1. OWNERSHIP.**

Owner is the surface owner of certain lands, such lands and improvements thereon hereinafter sometimes referred to as the "Lands", located in Weld County, Colorado more specifically described as follows:


TOWNSHIP 6 NORTH, RANGE 67 WEST, 6<sup>TH</sup> P.M.  
Parts of Sections 20 and 29

Operator, or its affiliates, represent that it owns valid working interest in leases covering all or portions of the Lands or Lands pooled or included in the spacing unit therewith (each a "Lease" collectively, the "Leases"), or may have responsibilities under a joint operating agreement with respect to the land. Operator desires to drill wells on the lands and the parties intend to set forth their agreement regarding such.

### **2. OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.**

Operator intends to drill or cause to be drilled oil and/or gas wells on the Lands, as depicted approximately on Exhibit "A" attached hereto ("Wells"). In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, access roads ("Access Roads"), pipelines, flow lines, separators, tank batteries, electric lines and any other facilities, or property necessary for Operator to conduct operations on the Wells (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands.

The Parties enter into this Agreement to evidence their entire agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.



### **3. LOCATION.**

(a) The approximate location of the wells, the access roads to the well sites and certain other facilities shall be constructed on the Lands as agreed to by the parties generally shown on Exhibit A being an area not more than two acres. Exhibit A is attached and incorporated herein by this reference. Any material changes to the location of the well sites, access roads and facilities may be made by operator with the consent of owner.

Operator agrees hereby releases all remaining surface not included in the wellsite area depicted on Exhibit A.

(b) Prior to drilling any wells or installation of any facilities, Operator shall lower the elevation of the Well Site location set forth in Exhibit A by a minimum of 5 feet.

### **4. CONDUCT OF OPERATIONS.**

Operator's operations on the Lands shall be conducted pursuant to the terms of the Leases, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes and case law.

**5. COMPENSATION.** Prior to the commencement of drilling operations, operator shall pay owner the sum of ("Amount") for the wellsite and tank battery. The fourteen wells in the wellsite are the H-Y 20-24, H-Y 29-21, H-Y 20-34, H-Y 29-31, H-Y 20-23, H-Y 20-53, H-Y 29-21-4, H-Y 29-52, H-Y 29-31-8, H-Y 29-51, H-Y 29-21-3, H-Y 29-31-2, H-Y 20-54 and H-Y 20-23-8. This amount shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the well and facilities. Such damages will include, without limitation, damages to growing crops and crop land; the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the wellsite areas; provided that such activity is in accordance with this Agreement. Any subsequent major operations for said wells (refrac, deepening, re-drilling, etc.) except in case of emergency, shall require ten (10) days prior notice to owner.

### **6. ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS, FENCES AND FACILITIES.**

With respect to its operations on the Lands, Operator shall comply with the following provisions:

#### **A. Access Roads:**

- (i) Access Roads shall not exceed 20 feet in width.
- (ii) Operator will maintain all Access Roads in good repair and condition.

**B. Surface Restoration:**

Upon drilling or completion of the wells set forth in Paragraph 5 above, Operator shall restore and level the surface of the Lands affected by such operations as near as possible to the contours which existed prior to such operations within three months weather permitting. If Operator ceases to drill said wells for a period of more than 6 months, then Operator shall restore and level the surface of the Lands affected by such operations as near as possible to the contours which existed prior to such operations within three months weather permitting. Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator shall be restored by Operator to their original contour as nearly as is practicable within 6 months of cessation weather permitting.

**C. Other:**

(i) Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

(ii) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Wells, there is damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 5 or outside the area depicted on Exhibit A, and upon Owner's notification to Operator, Operator shall repair or replace such items after consultation with and to the reasonable satisfaction of the Owner, which repair or replacement shall be accomplished by Operator within twenty-one (21) days after final consultation with Owner.

(iii) Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells shall be removed and disposed away from the Lands by Operator no later than 30 days after the completion of the Wells. No such items shall be burned or buried on the Lands by Operator.

(iv) Operator shall keep the wellpad free and clear of noxious weeds and trash during operations.

(v) Operator shall remove all guy line anchors for drilling and completion rigs promptly after Operator's rig use is completed.

(vi) Operator agrees to fence off the perimeter of the well sites with temporary fencing if requested by Owner. Operator will install cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.



(vii) **Existing Improvements, Cultivated Land, Water Pipelines.** No existing fences or other improvements shall be cut or damaged by operator without the consent of Owner.

(viii) **Non-Disturbance.** Operator and its employees and authorized agents shall not disturb, use or travel on any of the land of Owner not subject to this Agreement without Owner's consent.

(ix) **Environmental Indemnification and Liability.** Operator hereby agrees to indemnify the Owner, its successors and assigns, from any and all environmental situations that occur directly from the oil and gas operations on said Lands within this agreement. Further, Operator shall defend, indemnify and hold harmless Owner, its successors and assigns, from Environmental Claims relating to the Operator's oil and gas operations and activities under the Lands or that arise out of its operations or activities on the lands

"Environmental Claims" shall mean all Claims asserted by governmental bodies or other third parties for pollution or environmental damage of any kind, arising from operations on the Lands and all cleanup and remediation costs, fines and penalties associated therewith, including but not limited to any Claims arising from Environmental Laws or relating to asbestos or to naturally occurring radioactive material.

"Environmental Law" shall mean any laws, regulations, rules, ordinances, or order of any governmental authority(ies), which relate to or otherwise impose liability, obligations, or standards with respect to pollution or the protection of the environment, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et. seq.), the Resource, Compensation and Liability Act of 1976 (42 U.S.C. §§ 6901 et. seq.), the Clean Water Act (33 U.S.C. (33 U.S.C. §§ 466 et. seq.), the Safe Drinking Water Act (14 U.S.C. §§ 1401-1450), the Hazardous Material Transportation Act (49 U.S.C. §§ 1801et. seq), the Clean Air Act, and the Toxic Substances Control Act (15 U.S.C. §§ 2601-262).

Operator retains liability for any and all environmental clean up necessitated by leakage, spill, or introduction by any means of hazardous and toxic compounds or chemicals to the soil or water as a result of its operation or negligence and will pay all costs associated with clean up.

This section shall survive any term of this agreement and Operators activities.

(x) **Weed Control.** Operator shall use its best efforts to control noxious weeds and will remove noxious weeds which are introduced or spread due to its operations on the lands.

## **7. DEFAULT AND RIGHT TO CURE.**

In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner shall notify Operator of such alleged

default in full and complete detail, in a writing delivered to Operator by certified mail, return receipt requested. Operator shall have thirty (30) days from its actual receipt of the written notification in which to pay, in the event of alleged non-payment, or to commence and diligently pursue a cure of any other alleged default, and upon such lapse of time, should such alleged default still remain in effect, then and only then shall Owner have the right and option to declare a default under this Agreement.

**8. WAIVER.**

Except as otherwise agreed in a subsequent writing subscribed to by both parties, no waiver by owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder shall be deemed to be a waiver of any subsequent or continuing breach of the same, nor shall any forbearance by Owner to seek a remedy for any particular alleged or actionable breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to any other alleged or actionable breach; however in no event shall Operator be liable for consequential damages.

**9. INDEMNITY/RELEASE.**

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands or that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator.

**10. WAIVER OF 30-DAY NOTICE.**

Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other and/or future notice or consultation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC Rules 305 and 306 regarding the wells listed in Paragraph 5 above.

**11. NOTICE FOR ADDITIONAL OPERATIONS.**

Operator shall comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.

**12. NOTICES.**

Notice by either Party shall be timely given, orally if possible (with the exception of notices described in Paragraphs 6(C)(ii) and 7 above), with additional and immediate subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time to time designate by written notice delivered in the way described in this paragraph to the other:

Owner:

Phillip and Ellen Yastrow  
Randall L. Hocking  
P.O. Box 332  
Windsor, CO 80550  
Phone #: (970) 590-6587

Operator:

Great Western Oil and Gas Company, LLC  
ATTN: Royce Allen, Land Manager  
1700 Broadway, Suite 650  
Denver, Colorado 80290  
Facsimile: 303-776-1056  
Email: rallen@gwogco.com

**13. BINDING EFFECT.**

The covenants and conditions herein contained and all of the provisions of this Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives, successors and assigns. Owner agrees to notify any and all tenants of Lands and any other known third parties utilizing the surface of the Lands who may be affected by Operator's activities on the Lands. It shall be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement; and payment of consideration, if any, which may be due any such third party from Owner as a result of Operator's actions on the Land under this Agreement shall be the sole obligation of Owner, and Owner shall protect, defend and indemnify Operator from any and all claims and demands from such third parties as a result of Operator's actions under this agreement.

**14. CONFIDENTIALITY.**

In addition to any other confidentiality requirements provided for herein, Owner and Operator agrees to keep the financial terms of this agreement confidential and shall not disclose such matters to any third party, unless owner is ordered to do so by specific order of the court in a legal proceeding. Notwithstanding the foregoing, owner may disclose terms to owner's legal advisors, payment terms to owner's official tax advisors and appropriate government taxing authorities, and future owner's of the surface of the Lands. While the specific terms hereof are to be held in strict confidence by Owner and Operator, Operator shall record a memorandum of this agreement including Exhibit A in Weld County, Colorado and with any other appropriate agency of government.

**15. ENTIRE AGREEMENT.**

This instrument contains the entire agreement between the Parties and all prior negotiations and representations are merged within this instrument, and the terms of such may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective heirs, representatives, successors or assigns.

**16. TERMINATION.**

This Agreement shall remain in effect unless and until specifically abandoned by Operator in a writing delivered to Owner, or filed by Operator in the records of Weld County, Colorado. All rights to indemnification and requirements for reclamation and provisions relating thereto shall survive termination of this Agreement.

**17. COUNTERPARTS.**

This Agreement shall be executed in duplicate originals, each party to retain one such original. This Agreement shall be binding if properly signed and fully executed and sent by facsimile transmitted to the other Parties. Without affecting the validity of the foregoing manner of execution, the Parties agree to follow-up such facsimile executions with standard paper originals signed by the parties as soon as may be practical.



**18. GOVERNING LAW AND VENUE.**

This Agreement shall be governed by, construed and enforced in accordance with the laws of the state of Colorado; and Weld County, Colorado, shall be the forum for resolution of all disputes under this Agreement.

**19. FORCE MAJEURE.** The passage of any deadline or time relevant under this instrument shall be deemed tolled, and nonperformance of any required obligation that Operator may have under this instrument shall be excused without penalty to Operator as to any time period, in which Operator is prevented or hindered from performing due to any governmental action or inaction, and any force majeure which shall include without limitation any act, circumstance, event or condition beyond the control of Operator which shall include without limitation any act, warning or threat of terrorism, war, revolution, rebellion, insurrection, riot, civil commotion, blockade, embargo, shortage of necessary expertise, and shortage or lack of transportation and delivery of necessary tools, equipment, material and supplies due to market conditions, act or restraint of government, strike, lockout, picketing, boycott, or damage by earthquake, fire, hurricane, tornado, flood, wind, storm, temperature extreme or other weather instability, disaster or condition, or by reason of any other circumstance or combination of same beyond Operator's control.

**20. ATTORNEY'S FEES AND COSTS.** In the event of any arbitration or litigation arising out of this Agreement, the arbitrator or court shall award to the prevailing party all reasonable costs and expenses, including attorneys' fees.

**21. AUTHORITY OF SIGNATORIES.**

The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.

**22. BINDING EFFECT.**

This Agreement constitutes a covenant running with the Lands and shall be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, authorized representatives, executors and assigns.

DONE effective the date first written above, by the parties:

OWNER:

  
Randall L. Hocking

  
Philip G. Yastrow

OPERATOR:

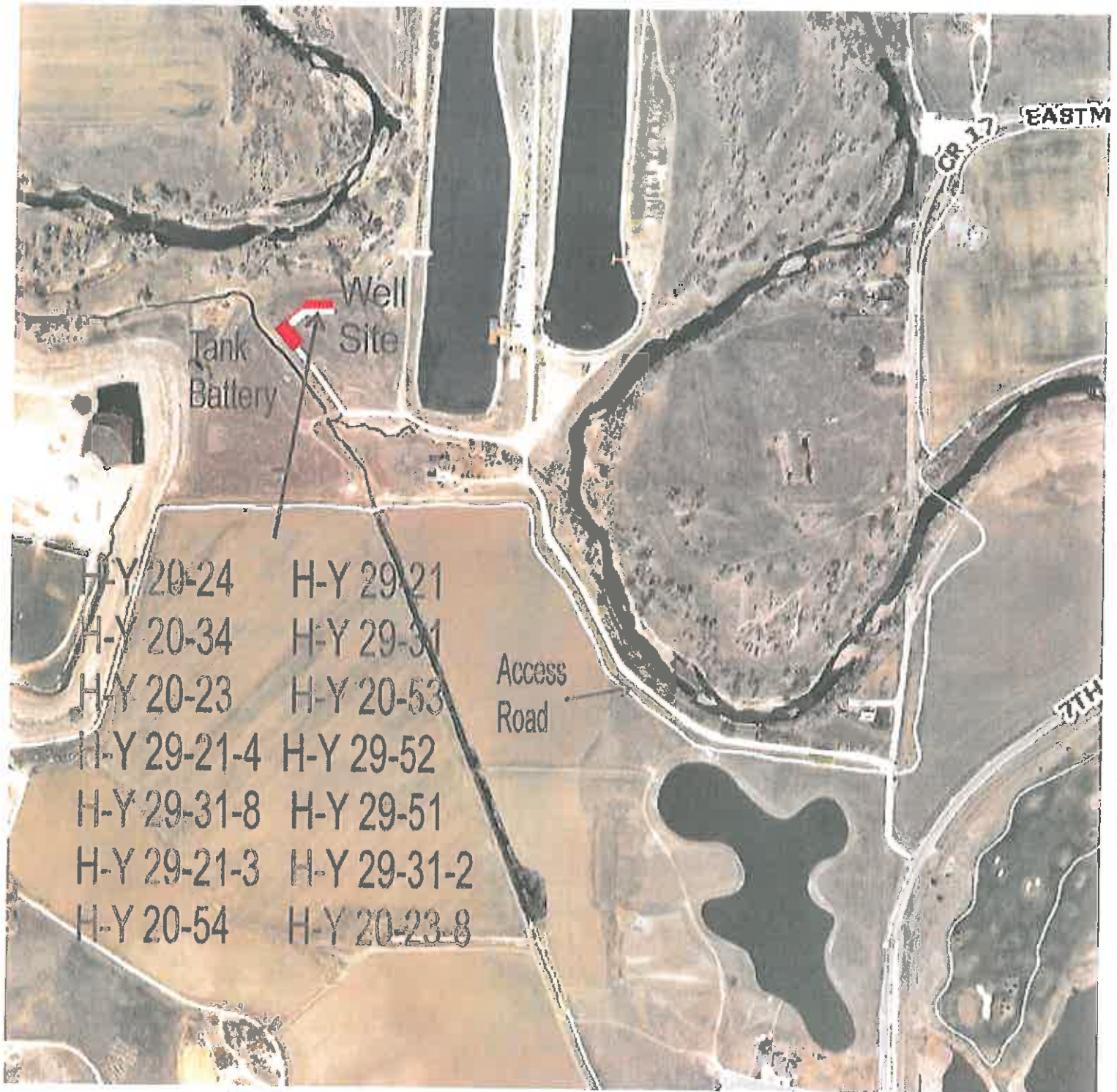
Great Western Oil and Gas Company, LLC

By:   
Tom Rand, Vice-President of Operations

# EXHIBIT "A"

This Exhibit "A" is attached to and made a part of that certain Surface Use Agreement between Phillip G. Yastrow and Randall L. Hocking, as "Owners" and Great Western Oil and Gas Company, LLC, as "Operator", dated November 11, 2011.

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6th P.M.  
Parts of Sections 20 and 29



Access Road  Flow Line 

*PA*