

## **SURFACE USE, ACCESS AND DAMAGES AGREEMENT**

**THIS AGREEMENT** is effective the 9th day of August, 2012, by and between **Sheryl G. Sherwood**, whose address is 16445 County Road 49, Akron, CO 80720 hereinafter referred to as "Owner" and **Chama Oil and Minerals, LLC**, as contract operator for Lincoln Oil & Gas, LLC, whose address is 1200 17<sup>th</sup> Street, Ste. 2400, Denver, CO 80202 hereinafter referred to as "Operator".

### **RECITALS**

WHEREAS, Owner is the owner of the surface estate of certain lands and/or may have contractual rights to use the surface of certain lands, all as identified as follows:

#### **SURFACE LANDS**

**Township 4 North, Range 54 West, 6TH P.M.**

Section 26: All

Washington County, Colorado

WHEREAS, Operator enjoys rights pursuant to oil and gas leases, underlying all or a portion of the Surface Lands, to make reasonable use of the surface and subsurface estate lying within the boundaries thereof, in compliance with applicable state and federal laws and regulations;

WHEREAS, Owner acknowledges the rights of Operator and desires to accommodate the exercise of such rights in a reasonable manner;

WHEREAS, Operator acknowledges the agricultural and family activities and operations of Owner, and is willing to consult in good faith with Owner regarding the locations of wells and other improvements, and to make reasonable efforts to accommodate the needs of Owner so long as such accommodations do not create undue restrictions or delays or economic burdens upon reasonable development of the mineral estate;

WHEREAS, in the interests of preserving good will and avoiding conflicts and undue delays, Operator is willing to adopt a schedule for payments to Owner for and in lieu of damages;

WHEREAS, Owner and Operator desire to enter into this agreement to provide for the expeditious development of the oil and gas without delay and without the expense of posting bonds and litigation, and agree that avoidance of such delay in development of the oil and gas is a principal inducement for Operator to enter into this Agreement; and

**NOW THEREFORE**, in consideration of the mutual covenants set forth herein, which consideration is agreed to be adequate, Owner and Operator agree as follows:

1. Owner acknowledges and agrees that Operator has the right to enter upon and use the Surface Lands for the purpose of conducting oil and gas operations; to locate, drill, complete, operate, maintain and produce the **SORS #1** well located on the Surface Lands or neighboring lands; to construct access roads, lay pipelines and power lines, and to construct and operate wells and other necessary facilities or structures on the Surface Lands, as necessary for the exploration, capture, production, treatment, transportation and sale of oil and gas. Owner agrees that Operator may conduct studies, surveys, planning, drilling, development and permitting activities on the Surface Lands, and design and construct wells, gathering and transportation systems and water management facilities in connection with production of oil and gas on and adjacent to the Surface Lands.

2. Owner grants Operator a private right of way upon and across the Surface Lands for construction and use of power lines, roads, pipelines, gathering systems, metering and collections facilities, and other facilities reasonably necessary to the development, production and transportation of oil and gas produced on and adjacent to the Surface Lands, provided, however, that Operator's rights to use the Surface Lands to access neighboring lands shall be limited to accessing lands on which Operator has oil and gas leasehold operating rights, easements, surface use agreements or other rights to lawfully access or occupy such lands. Rights of way for roads shall be non-exclusive. Owner grants Operator a private right of use and right of way to penetrate and use the subsurface of the Surface Lands for vertical or horizontal directional drilling in connection with Operator's drilling, completing, operating, producing and abandoning of Operator's wells on the Surface Lands pursuant to this Agreement.

3. The parties adopt a schedule for payment of compensation for surface use, good will and payments in lieu of damages, as set forth in Appendix A attached hereto and incorporated herein. Payments set forth therein will be made in advance of the start of construction of each component or item identified in the schedule. These payments are agreed to be sufficient and complete compensation for any of Owner's claims of inconvenience, nuisance, trespass, dust, noise, diminution of view, loss of privacy, increased expense and temporary loss of use of affected lands caused by or related to Operator's reasonable use of the surface in compliance with this Agreement. Operator shall also pay Owner the market value of any livestock, improvements and personal property which is damaged by Operator and its employees, contractors and authorized agents if such damage is caused by fire, motor vehicle collision or negligence. Owner's acceptance of any such payment shall be deemed to be a complete release of Operator from all claims for which such payment is tendered.

4. The parties intend that this Agreement (and any associated easement and right-of-way and supplemental agreements) shall completely define and govern their relationship regarding the oil and gas operations and related uses of Owner's Surface Lands encompassed by this Agreement. All claims by Owner for compensation and damages, shall be governed by and determined under this Agreement.

5. Operator agrees to consult in good faith with Owner prior to drilling wells, building roads, installing pipelines, and installing other improvements. Owner acknowledges and agrees that Operator has the duty, power and right to make the ultimate decision about its operations after good faith consultation with Owner, and Operator agrees to take into consideration Owner's suggestions regarding the method and location of construction and use of oil and gas gathering facilities and to make reasonable efforts to minimize surface disturbance of the Surface Lands.

6. Owner agrees to convey recordable easements for the benefit of Operator and third parties which are gathering or compressing gas produced by Operator, prepared and recorded at Operator's expense, for roads, pipelines, power lines and other improvements located within or outside of Owner's Surface Lands, subject to payment as set forth in Appendix A.

7. To the maximum extent permitted by law, Operator will indemnify, defend and hold Owner harmless from any and all claims, liabilities, demands, suits, losses, damages and costs (including, without limitation, reasonable attorneys' fees) which may arise out of or be related to Operator's activities on the Surface Lands, including, without limitation, claims for mineral trespass, personal injury, death or property damage. In the event that the Owner or the Operator hereunder shall fail to comply with any of their rights, duties or obligations hereunder, the other party shall so notify the defaulting party in writing, and if said default is not corrected within thirty (30) days after receipt of said notice, the non-defaulting party shall have the right to enforce the provisions of this Agreement in law or in equity and have such other rights and remedies as may be provided to it under the laws of the State of Nebraska.

8. This Agreement shall remain in place for so long as Operator, its successors and assigns are using Owner's Surface Lands for the purposes of mineral development or reclamation. This Agreement is binding upon the heirs, successors and assigns of the parties. This Agreement is assignable to successors and assigns of the parties. Owner agrees to promptly notify Operator of any change of ownership of the Surface Lands.

9. Owner reserves all rights for itself and its surface and mineral lessees to use the surface, including roads that do not interfere with Operator's activities.

10. Operator agrees to repair, at Operator's expense, any damage caused by Operator to existing roads used for Operator's access. Operator agrees to the reasonable annual maintenance of the access roads it uses. Operator agrees to keep sites and rights-of-way in good order and free of litter and debris. Operator agrees to control noxious weeds on drill sites, other facility sites and along the rights-of-way. Operator will notify all of its contractors, agents and employees that no dogs, weapons, firearms, hunting, fishing or recreational activities will be allowed on the Surface Lands. Operator's employees, agents or any other person under the direction or control of Operator shall not consume, possess or be under the influence of alcohol or illegal drugs while on the Surface Lands. If requested by Owner, Operator agrees to install livestock-tight fence around pits or around drill site to protect Owner's livestock.

11. Operator shall not use water from Owner's existing wells, springs, creeks and reservoirs except by prior consent of Owner and agreement as to payment by Operator to Owner therefor.

12. Unless agreed to otherwise, this Agreement shall not give Operator or its subcontractors the right to stack or store equipment, supplies or parts on Surface Lands excepting necessary supplies at the drill site during drilling or reworking operations or the construction site for the construction of other facilities.

13. Operator shall not construct any living quarters on the Surface Lands. Operator may provide, for a reasonable period of time, its necessary personnel (geologists, drilling, or others) that are required to be onsite twenty-four (24) hours a day during drilling operations or the construction of other facilities with temporary, self-contained living accommodations for the period required.

14. As soon as reasonably practicable, and in any event within nine (9) months after the disturbance, weather permitting, Operator shall reclaim, reseed and restore to its original condition, as near as possible, all areas disturbed by Operator's operations other than those needed for production operations. If a well is plugged and abandoned, Operator shall remove surface equipment from the location and reclaim, reseed and restore the location, access road and other disturbed areas to as close to its original condition as is reasonable. If the Owner elects to have the access road corridor reclaimed, Operator shall reclaim the access road corridor to its approximate original contour and shall reseed the access road corridor with a seed mixture appropriate for the area and acceptable to Owner. If Owner elects to allow the access road to remain, Operator shall be released from any and all further responsibility or liability for maintaining or reclaiming the access road corridor.

15. If Owner owns a lesser interest in the Surface Lands than the entire and undivided fee simple estate therein, then the payments herein provided for shall be paid to the Owner only in the proportion which Owner's interest bears to the whole and undivided fee.

16. Except as otherwise specifically provided for in this Agreement, no other rights held by Operator in and to the Surface Lands pursuant to oil and gas leases or other agreements shall be diminished by this Agreement.

17. If it is alleged that the provisions of this Agreement are violated or breached by either party, any dispute shall be first submitted to mediation before any party files a lawsuit or seeks intervention of a regulatory agency to force a cessation of all or part of Operator's activities. The prevailing party in any lawsuit related to or arising out of this Agreement shall recover its reasonable costs of litigation, including attorneys' fees. In the event of a default by Operator in the payment of any sums due hereunder, Owner shall notify Operator, in writing, of such default and Operator shall have thirty (30) days in which to make payment. Operator may make payment and reserve objection to the necessity of making such payment. In the event of a default by Operator regarding any other terms and conditions of this Agreement, Owner shall notify Operator, in writing, of such claimed default and Operator shall have sixty (60) days within which to cure the default, or, if the default cannot be cured within sixty (60) days, to begin diligent and good faith action to cure the default and carry the corrective action to completion.

18. All express and implied covenants of this Agreement shall be subject to all federal, state, county or municipal laws, executive orders, rules and regulations, except as amended hereby, and Operator's obligations and covenants hereunder, whether express or implied shall be suspended at the time or from time to time as compliance with such obligations and covenants is prevented or hindered or is in conflict with federal, state, county or municipal laws, rules, regulations or executive orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field or weather conditions, inability to obtain materials in the open market or transportation thereof, wars, strikes, lockouts, riots or other conditions or circumstances not wholly controlled by Operator; and, this Agreement shall not be terminated in whole or in part, nor Operator held liable for damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities.

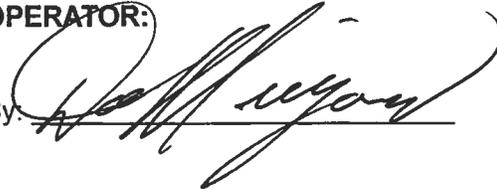
19. This Agreement is entered into in the State of Nebraska and involves and affects real property in the State of Nebraska and, therefore, the laws of the State of Nebraska shall apply to the interpretation and enforcement of this Agreement.

20. This Agreement is confidential between the parties and shall not be recorded without the mutual consent of the parties, provided that either party may execute and record a memorandum notice in the public land records to give notice of existence of this Agreement.

**OWNER:**

By:   
Sheryl G. Sherwood

**OPERATOR:**

By: 

ACKNOWLEDGMENTS

STATE OF COLORADO )  
 ) ss.  
COUNTY OF Washington )

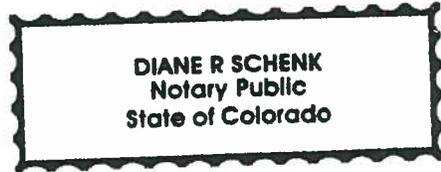
The foregoing instrument was acknowledged before me by Sheryl G. Sherwood, this 3<sup>rd</sup> day of October, 2012.

Witness my hand and official seal.

Diane R. Schenk

Notary Public

My Commission expires 11-19-2014



STATE OF Oklahoma )  
 ) ss.  
COUNTY OF Oklahoma )

The foregoing instrument was acknowledged before me by Davie Menyard, this 3<sup>rd</sup> day of October, 2012

Witness my hand and official seal.

Sherri Farmer

Notary Public

My Commission expires 10/31/2012

