

## **SURFACE USE AGREEMENT**

This Surface Use Agreement ("Agreement") is dated December 7<sup>th</sup>, 2012 ("Effective Date"), by and between **Forristall Ranch, Inc., a Colorado Corporation**, whose address is 32057 County Road 2J, Hugo, Colorado 80821 ("Owner") and **Cascade Petroleum LLC**, whose address is 1331 Seventeenth Street, Suite 400, Denver, CO 80202 ("Company").

### **RECITALS**

(A) Owner owns the surface estate of the following described lands located in Loncoln County, Colorado ("Lands"):

**Township 10 South, Range 56 West, 6th P.M.**

**Section 22: E1/2, E1/2NW1/4**

**Section 26: N1/2**

**Township 10 South, Range 55 West, 6th P.M.**

**Section 28: W1/2, W1/2E1/2**

**Township 11 South, Range 56 West, 6th P.M.**

**Section 1: Lot 1 (45.23), Lot 2 (45.24), Lot 3 (45.05), Lot 4 (44.79), S1/2N1/2, S1/2 (a/k/a All)**

(B) Owner's interest in the Lands is subject to one or more oil and gas lease(s) covering the Lands, all or portions of which are owned by Company, and which grant Company the right to access, use, and conduct operations on the Lands.

(C) Notwithstanding the rights of Company under the oil and gas lease(s), in the spirit of joint cooperation Owner and Company desire to reach an understanding and agreement regarding Company's surface access, use, and disturbance to the Lands.

### **AGREEMENT**

In consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner and Company agree as follows:

1. **Grant of Access.** Owner hereby grants and conveys to Company the right of access on and across the Lands and the right to use the surface and subsurface of the Lands to explore, develop, produce, transport, and market oil, gas, and associated hydrocarbons.

2. **Compensation.** For the privileges granted in this Agreement, Company agrees to pay the following sums to Owner:

(a) **Drill Site Locations.** Prior to commencement of drilling operations, Company shall pay Owner a one-time payment of \$5,000 per well site covering up to five (5) acres in area (each a "Drill Site Location") constructed on Lands to be used by Company for its exploration, drilling (whether vertical or horizontal wells), completion, deepening, hydraulic fracturing, recompletion, reworking, equipping and production operations. Said payment shall constitute payment in full for all surface damages and/or crop loss associated with any Drill Site Location. In the event a Drill Site Location covers more than five (5) acres in area, Company shall pay Owner \$1,000 per acre in excess of five (5) acres, which shall be prorated as to the actual area covered by the Drill Site Location in excess of five (5) acres, and shall be paid by Company within 30 days following the completion of construction on the Drill Site Location. It is understood and agreed that Company shall have the right to locate more than one wellbore on any Drill Site Location without any further compensation to Owner.

(b) **Lines.** If Company disturbs the Lands to install lines, including but not limited to oil and gas flow lines, pipelines, gathering lines, telecommunication lines, electric lines, and water lines (together the "Lines"), Company shall pay Owner \$16.50 per linear rod of Line within 30 days following the completion of construction on the Lines. If Company installs any Lines in the same trench as any Line, Company will not have to make additional payment. Company may use the Lines to transport oil, gas and other hydrocarbons, water and other substances, or to deliver electricity, to or from Outside Lands, as defined herein.

(c) Roads. If Company disturbs the Lands to construct roads for ingress and egress to and from the Lands or any Drill Site Location ("Access Roads"), Company shall pay Owner \$16.50 per linear rod of Access Road within 30 days following the completion of construction on the Access Road.

(d) Disposal Well. If Company disturbs the Lands to construct any well for injection or disposal of drilling fluids and/or produced water associated with oil or gas drilling and production (a "Disposal Well"), Company shall pay Owner a one-time payment of \$5,000 per disposal site covering up to five (5) acres in area (each a "Disposal Site Location") constructed on Lands to be used by Company for its disposal of drilling fluids and/or produced water associated with oil and gas drilling and production from the Lands or lands pooled therewith. Said payment shall constitute payment in full for all surface damages and/or crop loss associated with any Disposal Site Location and shall be made prior to commencement of operations on the Disposal Site Location. In the event a Disposal Site Location covers more than five (5) acres in area, Company shall pay Owner \$1,000 per acre in excess of five (5) acres, which shall be prorated as to the actual area covered by the Disposal Site Location in excess of five (5) acres, and shall be paid by Company within 30 days following the completion of construction of the Disposal Site Location. In the event Company constructs a Disposal Well (or converts an oil or gas well into a Disposal Well) on a Drill Site Location for which compensation was previously made pursuant to Section 2(a), no additional compensation pursuant to the first sentence of this Section 2(d) shall be required. In addition to the aforementioned payments, Company shall also pay an annual payment of \$1,000 per Disposal Well (the "Disposal Well Rental") for so long as such Disposal Well is used by Company. Company may use a Disposal Well to inject or dispose of drilling fluids or produced water from Outside Lands, as defined herein, provided however, that in such event Company shall pay Owner an additional annual payment of \$6,500 per Disposal Well used by Company in connection with Outside Lands (the "Additional Disposal Well Rental") for so long as any Disposal Well is used by Company to inject or dispose of drilling fluids or produced water from Outside Lands. The Disposal Well Rental and/or the Additional Disposal Well Rental payment(s), as applicable, shall be made on or before the next occurring anniversary date of this Agreement following the commencement of use by Company of such Disposal Well(s) and shall cover the upcoming year. The initial Disposal Well Rental and/or Additional Disposal Well Rental payments shall also include a prorated portion of the Disposal Well Rental and/or Additional Disposal Well Rental, as applicable, for the period of time between commencement of use by Company of such Disposal Well(s) and the next occurring anniversary date of this Agreement.

(e) Central Facilities. If Company installs any compressor, processing facility or tank battery which serves lands in which Company owns an oil and gas leasehold interest outside of the Lands (a "Central Facility"), Company shall pay Owner a one-time payment of \$10,000 covering up to a maximum of ten (10) acres in size. Said payment shall constitute payment in full for all surface damages and/or crop loss associated with any Central Facility and shall be made prior to commencement of operations on the Central Facility. In addition to the aforementioned payment, Company shall also pay an annual payment of \$5,000 for a Central Facility located on the Lands (the "Central Facility Rental"). The Central Facility Rental shall be made on or before the next occurring anniversary date of this Agreement, following commencement of use by Company of such Central Facility and shall cover the upcoming year. The initial Central Facility Rental payment shall also include a prorated portion of the Central Facility Rental for the period of time between commencement of use by Company of such Central Facility and the next occurring anniversary date of this Agreement. The location of the Central Facility shall be determined by the mutual consent of the Owner and Company, which shall not be unreasonably withheld, conditioned or delayed.

Except for any additional compensation paid to Owner pursuant to Section 5 or Section 6(c), Owner agrees that the compensation paid to owner pursuant to this Section 2 constitutes full payment for the rights herein granted and all present and future surface damages that may occur as a result of Company's operations on the Lands. In the event Company elects not to construct any Drill Site Location, Line, Road, Disposal Well, Disposal Site Location or Central Facility on the Lands, no compensation pursuant to this Section 2 shall be paid to Owner.

### 3. Road Easement for Access Roads.

(a) Grant. Owner grants to Company a non-exclusive access easement ("Road Easement") on the Lands for the Access Roads for ingress and egress by Company and

its employees, contractors, sub-contractors, agents, and business invitees as needed to conduct oil and gas operations as described in this Agreement. The Road Easement shall be approximately thirty (30) feet in width, being fifteen (15) feet on each side of the centerline. The Road Easement may be used to access Outside Lands, as defined herein.

(b) Construction. Access Roads will be limited to approximately thirty (30) feet in width. Culverts shall be installed at ditch and drainage crossings when requested by Owner, in writing, where roads cross such ditches or drainages, and shall be sized to prevent obstruction to the free flow of the volumes of water being carried, inclusive of flood stages. Company shall protect all water sources and conveyance structures, including but not limited to the natural flow of creeks, wells, and ditches, from all operational activities and shall immediately remedy any diversion, curtailment, or blockage of water flows or contamination of water sources caused by Company's operations on the Lands.

(c) Existing Roads. Company shall be entitled to use any existing roads located on the Lands. Should Company damage any existing roads, fences or gates, Company shall immediately repair the same to Owner's reasonable specifications at Company's own expense.

(d) Cattle Guards, Gates and Fences. Upon Owner's written request, the Company shall construct cattle guards at all places where Company requires access through Owner's fences. Permanent gates shall be installed at each point where an Access Road intersects perimeter or cross fences. If Owner or Company chooses to lock any gate on an Access Road or an existing road being used by Company, keys shall immediately be provided to the other party.

(e) No Public Use. The use and construction of any Access Roads shall not include a right of use by the public. Owner reserves the right to use all Access Roads for any purpose that does not unreasonably interfere with Company's operations.

(f) Maintenance. Company shall be responsible for maintaining all Access Roads and any existing roads utilized by Company, at Company's sole cost and expense, provided however, that Company may seek contribution for construction and maintenance costs from (i) Owner for any commercial use by Owner of any Access Road or existing road, or (ii) from any third party, in the event Owner grants such third party an easement or right of way covering, or otherwise authorizes such third party to use, any Access Road or existing road.

#### 4. Easement for Lines.

(a) Grant. Owner grants to Company, its agents, employees, contractors, and subcontractors, a non-exclusive easement ("Line Easement"), approximately thirty (30) feet in width across the Lands to construct, maintain, inspect, and operate Lines. The Line Easement may be used to transport oil, gas, other hydrocarbons, water, electricity and other substances to or from Outside Lands, as defined herein.

(b) Lines. All pipelines will be buried a minimum of forty-eight (48) inches below the surface and Company shall, when reasonably practical, place all pipelines in the same trench and along and adjacent to existing roads and/or Access Roads. Company may install as many Lines in a trench as it desires. The Lands disturbed during installation and maintenance of the Lines will be limited to approximately ninety (90) feet in width, reverting to thirty (30) feet in width upon completion of installation or maintenance operations.

5. Operations Outside the Lands. Owner acknowledges that Company now owns, or may in the future acquire, oil and gas leases covering lands other than the Lands (the "Outside Lands"). Owner further acknowledges that it may be prudent for Company, in Company's sole discretion, to use roads, pipelines (oil, gas, and water) and power lines that extend across both the Lands and the Outside Lands or install compressors or blowers that serve wells on both the Lands and the Outside Lands. Owner hereby grants Company the right to use the Lands, and any Drill Site Location, Line, Access Road, Disposal Site Location, Disposal Well or Central Facility constructed on the Lands, in connection with operations on Outside Lands. Company shall compensate Owner for any such use on the same terms and conditions set forth in this Agreement, provided however, that to the extent a Drill Site Location, Line, Access Road or

Central Facility is used in connection with operations on both the Lands and Outside Lands, Company shall be obligated to pay Owner for only one such usage.

6. General Operational Requirements.

(a) Topsoil. In all operations conducted by Company on the Lands requiring the removal of soil, the topsoil will be separated from the subsurface soil and following the completion of operations, Company will place the topsoil and subsurface soil back in proper order and restore the surface of the Lands to its original condition and contour as nearly as practicable.

(b) Reclamation. Upon termination of this Agreement, Company shall commence operations and continue in a diligent manner to fully reclaim and re-seed areas to a condition as similar as is practicable to that existing prior to the commencement of Company's activities, or in accordance with any then applicable federal, state, or local laws and regulations. All reseeded shall be done on a timely basis by Company, taking into account the seasons and weather conditions with a seed mix that is appropriate for the Lands, and such seed mix shall be chosen to assist in minimizing soil erosion due to wind on those portions of the Lands disturbed by Company. All reclamation shall be done within six (6) months after the termination of this Agreement, season and weather conditions permitting. Company further agrees to spread fertilizer on disturbed areas to hold the soil from rain and wind erosion.

(c) Damage to Lands. If, by reasons directly resulting from the operations of Company, there is damage to real or personal property upon the Lands, including, but not limited to, damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, the damage will be repaired or replaced by Company, or Company shall pay reasonable compensation to Owner for the damage or an amount equal to the reasonable costs to repair the damage.

(d) Water Testing. Company shall test Owner's domestic water supply prior to commencement of, and following, drilling operations on the Lands in order to ensure that said water supply is not adversely affected by Company's drilling operations. Company shall also test any surface water reservoirs that exist year-round and are located within 500 feet of Company's operations on the Lands prior to commencement of, and following any such operations on the Lands. In the event it is determined that Company's operations have adversely affected Owner's domestic water supply or surface water reservoirs, then Company, at its own expense, shall use its best efforts to return said water supply to pre-operation conditions.

7. No Firearms. Company's employees, agents, contractors and/or other parties entering upon the Lands on Company's behalf shall not have firearms, archery equipment or trapping equipment in their possession on the Lands.

8. No Fishing or Hunting. Company's employees, agents, contractors and/or other parties entering upon the Lands on Company's behalf shall not hunt or fish on, or bring dogs onto the Lands.

9. Drugs/Alcohol. The use of drugs and/or alcohol while on the Lands by employees, agents, contractors and/or other parties entering upon the Lands on Company's behalf is strictly forbidden.

10. Nonexclusive Use. The rights of Company to use the Lands are nonexclusive, and Owner reserves the right to grant successive easements on or across the Lands on such terms and conditions as Owner deems necessary or advisable, provided they do not unreasonably interfere with the operations of Company.

11. Default and Termination. In the event of the failure by Company to timely make any payment required under this Agreement or to otherwise comply with any term of this Agreement, Owner shall notify Company in writing of the failure. Company shall have thirty (30) days after receipt of the notice to completely cure the default. Owner's failure to pursue any remedy for any particular default shall not act as a waiver of Owner's rights to pursue any other remedy for that default. The receipt and acceptance of any rent, payment, compensation, or royalty by Owner from Company shall not be construed as a waiver of any breach, default, or violation of this Agreement, or any oil and gas lease, whether the breach, default, or violation is

known or unknown at the time of acceptance of payment by Owner. Company may make any disputed payment under protest with reservation of all rights.

12. Authority. Owner represents and warrants that Owner has the right, power, and authority to enter into this Agreement. Owner further represents that Owner is lawfully entitled to receive payments due under this Agreement and that there exist no liens, judgments or other encumbrances pursuant to which third parties claim, may claim, or are entitled to such payments and Owner agrees to release, defend, and hold Company harmless for any breach of these representations.

13. Term. Rights granted by this Agreement shall continue in full force and effect until Company's leasehold estate covering the Lands (or the Outside Lands, to the extent a Drill Site Location, Line, Access Road, Disposal Site Location, Disposal Well or Central Facility is used in connection with operations on Outside Lands) expires or is terminated, Company ceases operations on the Lands (or the Outside Lands, to the extent a Drill Site Location, Line, Access Road, Disposal Site Location, Disposal Well or Central Facility is used in connection with operations on Outside Lands) under the terms granted herein, or Company has plugged and abandoned the well(s) and conducted all reclamation in accordance with this Agreement and applicable state rules and regulations, whichever is later. Notwithstanding the foregoing, the release, discharge or indemnity from and against liability contained herein shall survive the expiration of this Agreement.

14. Indemnification. Company shall hold Owner harmless from all claims, actions, causes of action, expenses, and costs of every kind and character, including reasonable attorneys fees, for all damages or injuries of any kind to persons or property arising out of the conduct of its officers, employees, agents, contractors, invitees, and guests with respect to Company's operations on the Lands, except those claims resulting from the negligence or willful misconduct of Owner, or invitee or guest of Owner. Owner shall hold Company harmless from all claims, actions, causes of action, expenses, and costs of every kind and character, including reasonable attorneys fees, for all damages or injuries of any kind to persons or property arising out of the conduct of Owner, its invitees, and guests on the Lands, except those claims resulting from the negligence or willful misconduct of Company, its officers, employees, agents, contractors, invitees, and guests.

15. Miscellaneous.

(a) Definitions. The use of the terms "Owner" and "Company" in this Agreement shall be deemed to mean such party and its agents, employees, assigns, directors, managers, or successors in interest.

(b) Notice. All notices required by this Agreement shall be in writing and shall be served personally or by first-class mail, postage prepaid to the following:

If to Owner

**Forristall Ranch Inc., c/o John A. Forristall  
32057 County Road 2J, Hugo, Colorado 80821  
Phone: (719) 743-2133**

If to Company

**Cascade Petroleum LLC  
1331 Seventeenth Street, Suite 400  
Denver, CO 80202  
Attn: Jason D. Dean  
Phone: (303) 407-6500**

(c) Covenant Running with the Land. This Agreement is a covenant running with the land and the terms, conditions and provisions of this Agreement shall extend to and be binding upon the parties to this Agreement, their heirs, executors, administrators, successors, and assigns. This Agreement may be assigned in whole or in part by Company.

(d) Recordable Instruments. Upon the request of Company, Owner shall execute and deliver any appropriate recordable Road Easements, Line Easements, or surface

leases for Disposal Site Locations or Central Facilities located on the Lands pursuant to this Agreement.

(e) Full Agreement. This Agreement, and the oil and gas lease covering the Lands, in the event the Owner owns a mineral interest in the Lands, supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of Owner and Company pertaining to the subject matters of this Agreement. No supplement, amendment, or alteration or modification of this Agreement shall be binding unless executed in writing by Owner and Company.

(f) Governing Law. This Agreement shall be interpreted according to the laws of the State of Colorado without regards to its conflict of laws principles.

(g) Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be resolved by arbitration conducted in Denver, Colorado, and shall be administered by the American Arbitration Association under its commercial rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(h) Proportionate Reduction. Any compensation due to Owner under this Agreement shall be proportionately reduced based upon Owner's fee ownership of the surface of the Lands.

(i) Cooperation. Owner agrees that it will cooperate with Company in satisfying necessary permitting requirements.

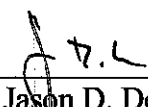
(j) Storage. Owner agrees not to place or store any personal property or material of any kind, including but not limited to vehicles, farm equipment, hay or other crops, on any Drill Site Location or Disposal Site Location or the area disturbed by a or Central Facility.

(k) Statutory/Regulatory Compliance. This Agreement shall be deemed to satisfy all local, state, and federal statutory and regulatory surface owner notice, consultation and accommodation requirements, including but not limited to, the notice and consultation requirements of Colorado Oil and Gas Conservation Commission Rules 305 and 306, and the obligation to reasonably accommodate Owner's use of the Lands under Colo. Rev. Stat. § 34-60-127, and Owner hereby waives any claims with respect thereto, except for actions to enforce this Agreement.

(l) Counterparts. This Agreement may be executed by in any number of counterparts, each which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument.

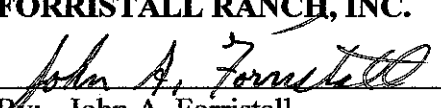
COMPANY

CASCADE PETROLEUM LLC

  
By: Jason D. Dean  
Its: Vice President Land

OWNER

FORRISTALL RANCH, INC.

  
By: John A. Forristall  
Its: Secretary/Treasurer