

## SURFACE USE AND RELEASE AGREEMENT

THIS SURFACE USE AND RELEASE AGREEMENT ("Agreement") is made and entered into this 13th day of February, 2013, by and between **Mr. Troy A. and Roxanne J. Albrighton, husband and wife** ("Owner"), 27323 Weld County Road 70, Gill, CO. 80624, and Saint James Energy Operating, Inc. ("**Operator**"), 11177 Eagle View Drive, Sandy, UT 84092, sometimes referred to each as a "**Party**" or collectively as the "**Parties**".

### WTINESSETH:

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

1. **OWNERSHIP.** Owner is the surface owner of certain lands located in Weld County, Colorado, as more specifically described as follows ("**Lands**"):

**TOWNSHIP 6 NORTH, RANGE 64 WEST, 6 P.M., Section 10:**

Lot B of Recorded Exemption Number 0801-10-3-RE3889.

Recorded 9-9-2005 Reception #3321382

Being a part of the S/2 SW/4 containing 38.986 acres more or less in Weld County, Colorado

Operator owns a working or operating interest in a valid oil and gas lease or leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith (each a "**Lease**," collectively, the "**Leases**").

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator plans to drill or cause to be drilled an oil and/or gas well or wells on the Lands ("**Well(s)**"). Operator agrees that the area used for the drilling and completing of Well(s) will not exceed approximately 2.5 acres in area, the "**Well Site(s)**". In addition, in order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, it is necessary that Operator enter and utilize a portion of the surface of the Lands. A "**Facility**" (collectively, the "**Facilities**") shall include, but not be limited to, access roads, ("**Access Roads**"), pipelines, flow lines, separators, tank batteries, electric lines and other property necessary for Operator to conduct operations on the Wells. 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.** The approximate location of the Wells, the Access Roads to the Well Site and certain other facilities to be constructed on the Lands are depicted on Exhibit "A". Any material changes to such locations may be made by Operator with the written consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations; provided, however, that the Well Site will not

exceed approximately 2.5 acres in area.

4. **CONDUCT OF OPERATIONS.** Operator's operations on the Lands will be conducted pursuant to the terms of the Leases, this Agreement and the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and in a timely and environmentally proper manner.

5. **COMPENSATION AMOUNT.** Operator will pay Owner the sum of \$\_\_\_\_\_ per for the Well Site location and associated Production Facilities and for any new or ~~additional~~ roadways created to access the well sites. Such payment will be made prior to the commencement of any actual site operations ("AMOUNT").

The Amount is hereby acknowledged by Owner as full and final consideration for Operator's use of the Lands for the purposes enumerated in this Agreement and for any and 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 Site(s) and Facilities. Such damages will include, without limitation, damage to growing crops, cropland, the removal, transportation and care of livestock, re-seeding, construction and use of Access Roads and the Preparation and use of the Well Site areas.

If by reason of the activities of the Operator including, drilling, completing, equipping, reworking, refracing, and operating of the Wells, there is unanticipated damage to personal and/or real property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation and/or sprinkler system. Operator will, repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Well's construction and Operator will repair or replace such items after consultation with the Owner within 15 days of occurrence.

*Included in Compensation will be 4 loads of Road Base  
Dropped in Drive way.*

6. **SUBSEQUENT OPERATIONS.** If after the initial drilling, completing and equipping of the Wells and Facilities for production, Operator commences subsequent operations thereto, including, but not limited to, refracturing operations on the Wells, and such operations result in additional crop losses or other losses on the Lands affected thereby, Operator will, repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Well's construction and Operator will repair or replace such items after consultation with the Owner within 15 days of occurrence.

7. **ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS, FENCES AND FACILITIES.** With respect to its operations on the Lands, Operator will comply with the following provisions:

A. Access Roads:

(i) Access Roads will not exceed 20 feet in width.

(ii) Operator will take reasonable steps to insure that all of its vehicles accessing the Lands on its behalf remain on the Access Roads.

(iii) Operator agrees to side-slope all Access Roads.

(iv) Operator will provide Owner with a minimum of 10 days prior written notice before restoring the surface of all Access Roads to be permanently abandoned by Operator. No later than 10 days following receipt of such notice, Owner may elect, in writing, not to have such Access Roads abandoned by Operator. In such event, Operator will have no liability under this Agreement, the Lease, or otherwise, to restore the surface of the Lands utilized as Access Roads. Failure to timely respond will be deemed as Owner's election that Operator proceed with the abandonment of the Access Roads and the restoration of the surface thereof.

(v) Operator will stockpile and save any topsoil removed while constructing Access Roads or from other areas and replace same and provide for rehabilitation or re-seeding as reasonably directed by Owner.

(vi) Operator will timely, adequately and properly maintain all Access Roads in good repair and condition.

B. Fences:

(i) During drilling operations, Operator will install a temporary fence around the perimeter of the Well site.

C. Surface Restoration:

Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable, and re-seeded if so requested by Owner; provided, however, that Operator's intent to abandon any Access Roads will be subject to the provisions of Paragraph 7(A)(iv) herein.

D. Other:

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

(ii) 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 will be removed and disposed away from the lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands.

(iii) Operator agrees to work with Owner to minimize the surface impact of any new drilling, and whenever possible to utilize existing roads and entryways. Any new flow lines or oil and gas transmission lines which are to be constructed shall be buried to a minimum of not less than four (4) feet below grade level. Operator's activities and operations on the premises will not interfere with, obstruct or delay the use or utilization on the premises of irrigation and/or sprinkler systems now existing or hereafter being utilized on the premises.

7. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinafter provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 20 business days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default.

Except as otherwise agreed in writing, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder will be deemed to be a waiver of any subsequent or continuing breach of the same, nor will any forbearance by Owner to seek a remedy for any breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to such breach; however, in no event will Operator be liable for additional payment for reasonably anticipated damages to the Lands caused by Operator's oil and gas operations.

8. **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 that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the Lands at the request of Operator.

9. **WAIVER OF 30-DAY NOTICE.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other notice or consultation requirements of the COGCC. Operator agrees it will provide notice to Owner 7 days prior to commencement of operations on land.

10. **NOTICE FOR ADDITIONAL OPERATIONS.** Operator will 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.

11. **NOTICES.** Notice by either Party will be promptly given, orally if possible (with the exception of the default notice described in Paragraph 7), with 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 notice to the other:

Owner

Mr. and Mrs. Troy Albrighton  
27323 Weld County Road 70  
Gill, CO 80624  
970-371-1698

Operator

Saint James Energy Operating, Inc.  
11177 Eagle View Drive  
Sandy, UT 84092  
801-576-1154

12. **BINDING EFFECT.** The covenants and conditions herein contained and all of the provisions of this Agreement will inure to the benefit of and will be binding upon the Parties hereto, their respective heirs, representatives, successors or assigns. Owner agrees to contact any and all tenants of Lands or any other third parties utilizing the surface of the Lands that may be affected by Operator's activities on the Lands. It will 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 for the payment of any consideration, if any, due such third party from Owner.

13. **ENTIRE AGREEMENT.** This instrument contains the entire agreement between the Parties and may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective successors or assigns.

14. **TERM** This Agreement will remain in full force and effect for so long as Operator has the right to conduct oil and gas operations on the Lands pursuant to the Leases; provided, however, that the termination of this Agreement will not relieve the Parties from their respective obligations or liabilities arising herein prior to such termination.

15. **COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either Party.

16. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado.

17. **AGREEMENT TO ARBITRATE ANY DISPUTE OVER THIS AGREEMENT OR OPERATOR'S OPERATIONS ON THE LANDS.** If any dispute arises between Owner and Operator with respect to this Agreement, the Lease, or from Operator's operations on the Lands, such dispute will be resolved through arbitration. Any such arbitration will be conducted by the Judicial Arbitrator Group ("JAG") in Denver, Colorado, by a single arbitrator employed by or associated with JAG. Such arbitrator will have at least 10 years experience in oil and gas, either by work directly in the industry or as a lawyer or a judge familiar with oil and gas issues.

Either Party may serve upon the other a demand for such arbitration, which should be served by fax and mail, or by hand delivery. Owner and Operator agree that if either of them initiates a demand for such arbitration, Owner and Operator will thereafter attempt to mutually agree on the selection of one of the JAG arbitrators to be the arbitrator. Owner and Operator will confer on

the selection of such arbitrator within 10 days after the demand for arbitration is served, and will agree upon the selection of a JAG arbitrator, if possible, within 20 days after the arbitration demand has been served. In the event that Owner and Operator are unable to agree on the selection of such arbitrator within this 20-day time period, then Owner and Operator will each submit to JAG, via fax, the names of three arbitrators (meeting the requisite experience specified above) who are employed by or associated with JAG, who each would find acceptable to be the arbitrator. Such submission to JAG will be made on the fifth business day after the 20-day time period referenced above has expired. JAG will thereafter select from the names submitted by Owner and Operator a single arbitrator who will hear and decide the arbitration. The arbitrator will issue an arbitration decision within 30 days after the arbitration hearing is concluded. In the event that JAG no longer exists, the arbitration will be conducted by an American Arbitration Association arbitrator under the rules of the American Arbitration Association then existing. Any decision by the arbitrator relating to the dispute between Owner and Operator will be final and binding upon both Owner and Operator.

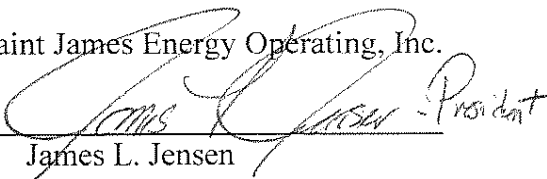
18. **SUCCESSIONS.** This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, administrators, trustees, executors and assigns.

19. **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.

20. **ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a breach of this Agreement will be entitled to its reasonable attorney's fees and costs incurred therein.

IN WITNESS WHEREOF, the Parties have set their hands, the day and year first above written.

Saint James Energy Operating, Inc.

  
James L. Jensen - President

Surface Landowners

  
Troy A. Albrighton

  
Roxanne J. Albrighton

# EXHIBIT A




Natural Gas line  
will run parallel with  
service road within  
10' of the road starting  
at East side of Pad.

*Kent Moore*  
*2/25/2013*

## PROJECT DATA

- 4 OIL TANKS - 12.5' DIAMETER
- 2 WATER PITS - 8.5' DIAMETER
- 6 SEPARATORS
- 6 PROPOSED WELLS
  - 3 WELLS TO BE DRILLED AT THIS TIME
  - 3 FUTURE BOUNDARY/INFILL WELLS

## ALBRIGHTON WELL PAD OVERALL LAYOUT



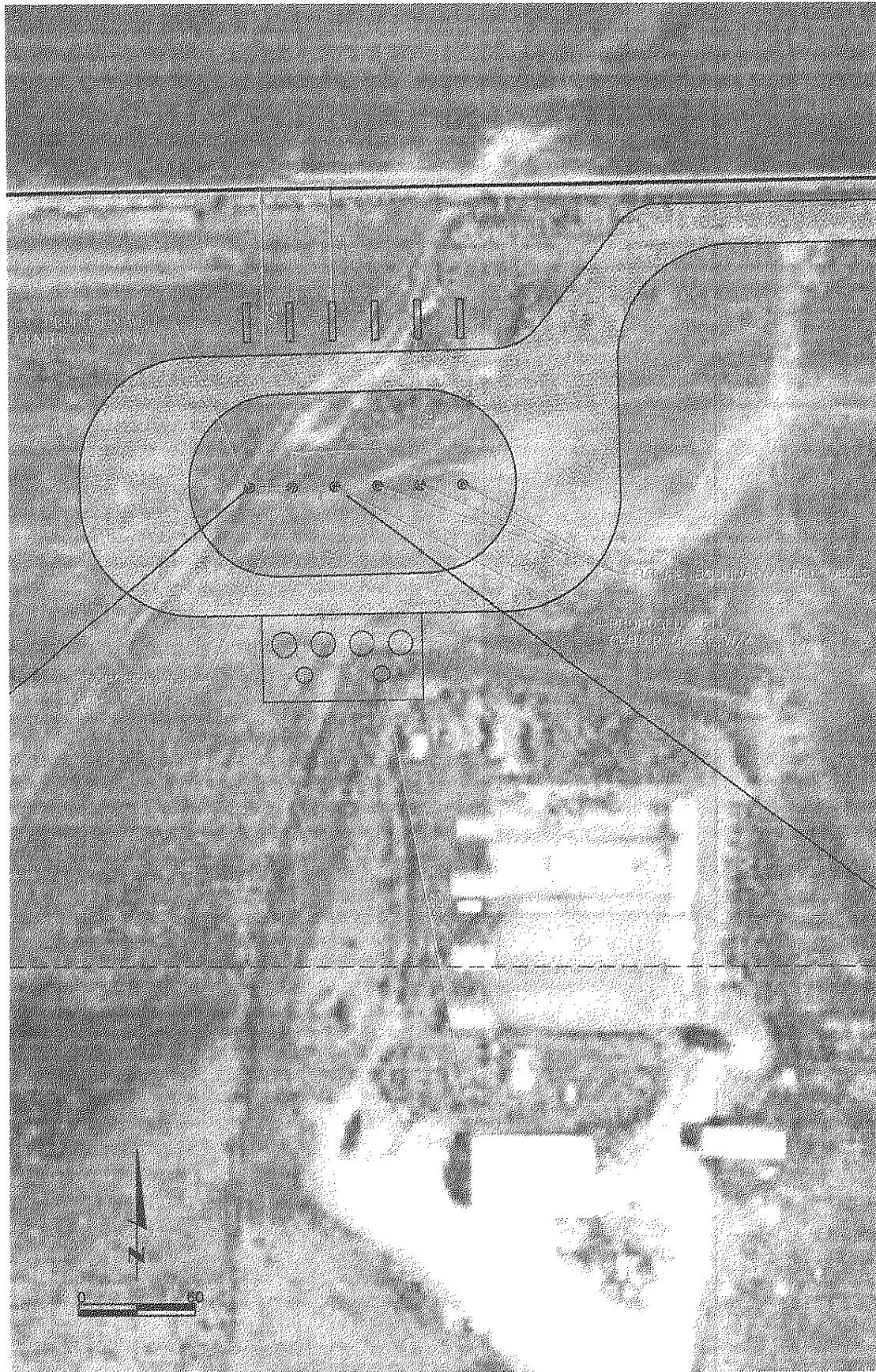
**LAMP RYNEARSON & ASSOCIATES, P.A.**  
2775 Industrial Loop  
Columbia, SC 29204  
(803) 733-1100

Designed by: **EKW**  
Project: **Task 1**  
Date: **2/25/2013**  
Drawn by: **EKW**  
Checked by: **EKW**  
Reviewed by: **EKW**

Scale: **1" = 300'**  
North Arrow: **North**



EXHIBIT A 1



LAMP RYNEARSON  
ASSOCIATES

4715 Innovation Drive  
Fort Collins, CO 80525  
www.LRA-inc.com

970.226.0342 | P  
970.226.0879 | F

drawn by: EKM designed by: EKM reviewed by: EKM project - task number: 0213005.01 date: 2/25/2013 book and page: revisions:

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