

## SURFACE USE AGREEMENT

THIS AGREEMENT is effective January 1, 2013 by and between Wiregrass West, LTD, 9927 Preakness Stakes Way, Dade City, FL 33525-8630, hereinafter referred to as "Grantor", and Carmony Exploration, LLC, 2838 Crater Lake Lane, Lafayette, Co 80026, or its assignee(s), hereinafter collectively referred to as "Grantee".

For and in consideration of the covenants, terms, conditions, and other goods and valuable considerations hereinafter set forth, Grantor and Grantee hereby agree as follows:

Grantee intends to drill and to operate oil and/or gas wells hereinafter referred to as "the subject wells" within the boundaries of the below described land in Routt County, Colorado, which are owned, leased, partially leased, or may be leased to the Grantor ("the Surface Lands") as follows:

Township 10 North, Range 88 West, 6<sup>th</sup> P.M.  
E/2 SW/4 WEST OF SLATER CREEK in Sec 5  
TOTAL 5.7 Acres

LOT 9 in Sec 5,  
LOTS 8, 9, 13, SW/4 NE/4 in Sec 6,  
H.E.S. NO.180 in Sec 5 & 6,  
TOTAL 217.94 Acres

W/2 SW/4 in Sec 5,  
LOTS 12, 14, 15, 16, 17, SE/4 NW/4, NE/4 SW/4, N/2 SE/4, SE/4 SE/4 in Sec 6,  
TR 38 in Sec 6 & 7,  
LOTS 5-9 & E/2 NE/4 in Sec 7,  
W/2 NW/4 in Sec 8,  
TOTAL 883.07 Acres

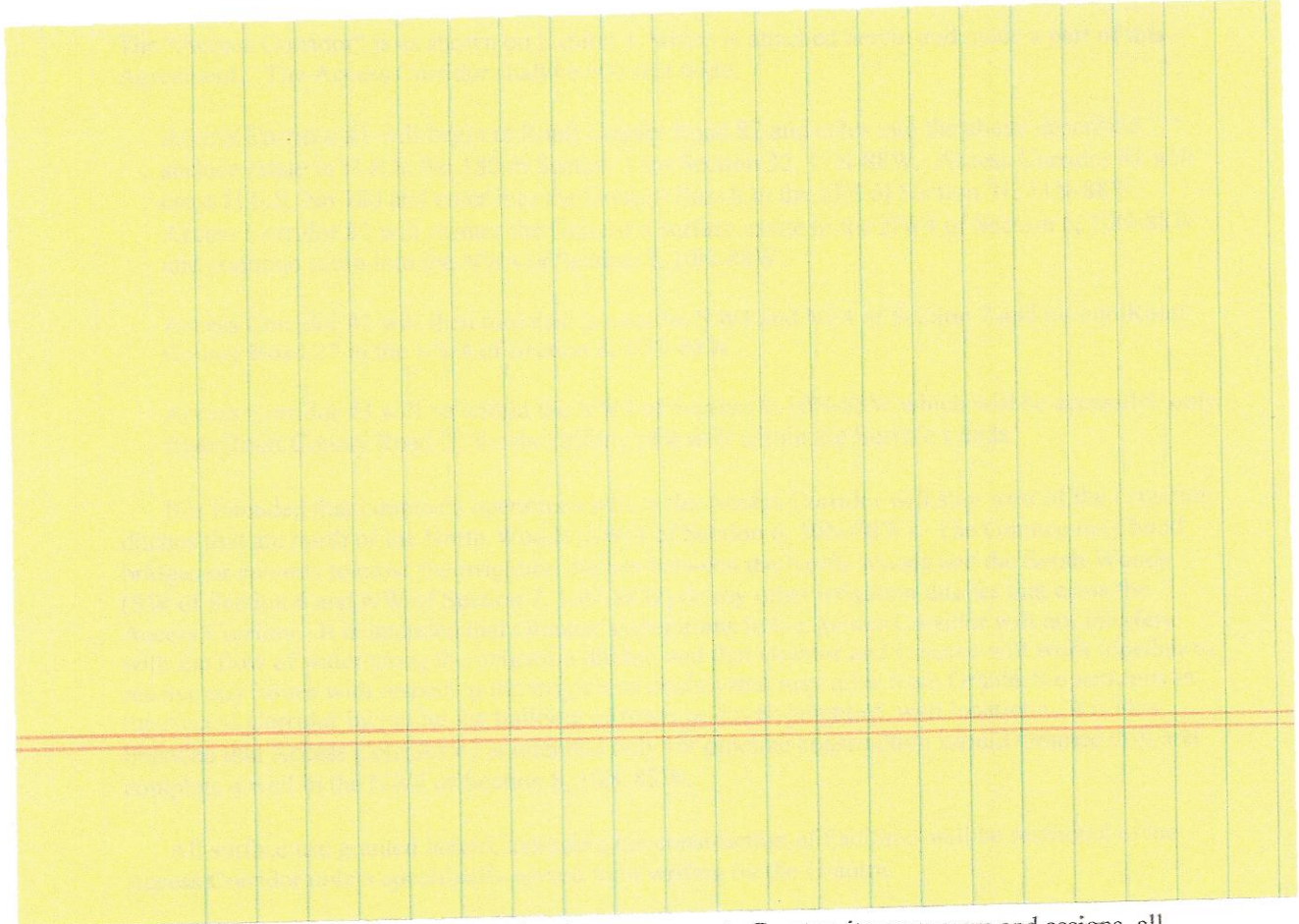
Township 11 North, Range 88 West, 6<sup>th</sup> P.M.  
TR 44 in Sec 30 & 31,  
LOTS 19 and 20 in Sec 30,  
LOTS 6 & 7 Sec 31,  
TOTAL 284.61 Acres

H.E.S. NO.180 in Sec 31 & 32  
TOTAL 99.64 Acres

TOTAL 1490.96 Acres

- 1. Grant of Surface Use.** Subject to the terms and conditions of this Surface Use Agreement (this "Agreement") Grantor does hereby convey to Grantee, its successors and assigns, a private right to enter upon and use the above described land and premises, together with a right-of-way so long as said private right is used for the purposes herein granted and subject to the terms hereof, to enter upon and across the Surface Lands of Grantor, to construct, maintain, repair and use new and existing limited access roads, together with all necessary water crossings for access to the subject well locations; and, to construct and maintain wellsites, electrical lines, pipelines and all such other related facilities (collectively the "Facilities") as are reasonably necessary for Grantee to properly drill,

equip, complete for production, de-water, produce and/or plug and abandon and reclaim the subject wells, together with the right to use the Surface Lands and premises to conduct the activities described above to develop and produce oil and gas of whatsoever nature or kind from lands inside or outside the Surface Lands, including by drilling wells from the Surface Lands to other property outside the Surface Lands. All locations drilled on the Surface Lands will in all cases be within Access Corridor #1 or Access Corridor #2 or Access Corridor #3.

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2. **Reservations By Grantor.** Grantor hereby reserves unto Grantor, its successors and assigns, all surface, water and mineral uses and the right to grant additional and successive rights-of-way which are not inconsistent with the rights granted to Grantee hereunder.
  3. **Indemnification and Hold Harmless.**
    - a. Grantee, its agents, successors and assigns, will save and hold Grantor harmless from and against any and all claims, demands and causes of action including reasonable expenses, attorney fees and court costs, arising from or in connection with any claim for damages to persons or property caused by any act or failure to act of Grantee in the installation, construction, repair, maintenance of any Facilities and all operations involved with the drilling, completion, production, plugging and abandoning, and/or remediating the Facilities.
    - b. Should Grantor or any third party with the Grantor's express written consent use the rights-of-



way or easement of Grantee herein, Grantor agrees to indemnify and hold Grantee harmless from and against all claims, demands and causes of action including reasonable expenses, attorney's fee, and court costs, for personal injury, death or property damage arising out of or attributable to Grantor's or such third party's willful or negligent act or omission while using said right-of-way or easement of Grantee.

4. **Conditions and Limitations.** The grant of the surface use contained in Paragraph 1 hereof is hereby granted upon the following express conditions and limitations:

- a. Grantee shall notify Grantor prior to its initial entry upon the surface estate of Grantor, and Grantee shall consult with Grantor about the location of all roads, pipelines, wellsites and any and all other Facilities to be located upon the surface estate of Grantor. Grantee shall not commence any operation until Grantee has consulted with Grantor.
- b. Grantor does herein give Grantee the right to take reasonably necessary action to comply with the requirements of local and state authorities. Grantee shall at all times act in accordance with best oil field practices to preserve the Surface Lands and shall comply with the requirements of local and state authorities including, without limitation, the requirements of the Colorado Oil and Gas Conservation Commission with respect to operations such as contemplated herein, the maintenance of the surface of property, reclamation and consultation with the surface owner. The Grantee shall provide the Grantor a copy of all notices provided to the Colorado Oil and Gas Conservation Commission at approximately the same time that the Grantee sends such notice to the Colorado Oil and Gas Conservation Commission.
- c. Grantee shall surround its pumpjacks and all production equipment and/or pits with fences acceptable to the Grantor sufficient to exclude livestock. To the extent that the Grantee padlocks any gate, the Grantee shall provide the Grantor and any person designated by the Grantor who leases any portion of the Surface Lands for grazing the ability to access the fenced-in area at any time the Grantor or such grazing lessee desires. The Grantee may do this by providing the Grantor and the grazing lessee with a key to the padlock, or by using a broken chain with the Grantee's padlock connecting one part of the chain, and the Grantor's padlock connecting the other part of the chain.
- d. If Grantee drills a water well on the Surface Lands, Grantor may use water from said well for domestic or livestock purposes. Any connection charges and expenses will be paid by Grantor and said use will be at Grantor's risk. When said well is abandoned, Grantor may request transfer of said water well to the Grantor or any person designated by the Grantor and such transfer shall include, at no cost to the Grantor, the casing, pump, pumping unit, pipelines, tanks, and other equipment associated with the production, use, or transportation of such water.
- e. Grantee will set a minimum of 500 feet of surface casing in any producing well, but in no event shall surface pipe be set at a depth less than required by the Colorado Oil and Gas Conservation Commission or other regulating bodies.
- f. Grantee shall fill in all pits constructed by Grantee and remove from the premises all dumped material including but not limited to machinery, parts, cable and trash, and the surface shall be restored as nearly as practicable to its original condition upon abandonment of a location. No material, machinery, parts or trash shall be dumped in any abandoned well.
- g. All pipelines and underground Facilities will be buried to not less than three feet below the surface.

- h. Grantee agrees to construct, maintain, and use the Facilities in conformance with acceptable and prudent oil field standards and practices.
  - i. Upon termination of this Agreement as provided below, the Grantee shall have one year to remove all of its property and to comply with its other obligations hereunder at Grantee's sole cost, risk, and expense. If any wells on the Surface Lands are plugged and abandoned, Grantee agrees that within six months thereof Grantee will restore the Surface Lands impacted by such well and related Facilities to as near its original condition as practicable, including reseeded of grasslands using a seed mixture approved by Grantor.
  - j. Grantee shall not permit any of its employees, agents or contractors performing operations on the subject lands to bring any firearm, explosive device, weapon, alcoholic beverage, or illegal drugs on the Surface Lands (which, for the purposes of the foregoing, includes (without limitation) marijuana).
  - k. Grantee's employees, agencies and contractors shall at all times carry identification and shall promptly and courteously produce such identification upon request of Grantor's representatives.
  - l. Neither Grantee, its employees, agents or contractors will bring dogs or other animals, in vehicles or otherwise, onto the subject lands without the permission of the Grantor.
  - m. No employee, agent or contractor of Grantee shall hunt, prospect for antlers, fossils or antiquities, fish, recreate, or conduct any illegal activities on the Surface Lands.
  - n. Absent Grantor's written consent, Grantee shall not allow its contractors or employees to store equipment on the Surface Lands, nor shall employees be housed on the Surface Lands except as a normal part of the drilling and completion operations.
5. **Compensation to Grantor.** In consideration for the grant of surface use pursuant to this Agreement, Grantee agrees to tender to Grantor the following amounts:

CONFIDENTIAL



CONFIDENTIAL

**6. Miscellaneous Provisions.**

- a. This Agreement shall remain in full force and effect from the date hereof, and so long thereafter as the oil and gas leases that Grantee or its successors and assigns may access from the Surface Lands remain in effect.
- b. Dispute Resolution:
  - i. Mediation. The parties agree to attempt to resolve "Disputes" (as defined below) by submitting the Dispute to mediation in the State of Colorado. Any party to this Agreement may commence mediation by providing to the other parties a written request for mediation, setting forth the subject of the Dispute and the relief requested. The parties will each select a single attorney experienced in oil and gas law, which attorney has not previously represented either: (i) the party selecting such attorney or (ii) any affiliate of such party. The two attorneys so selected will then select a third person who will be mediator for the Disputes. The parties will cooperate with one another in scheduling the mediation proceedings promptly to take place in the Denver metropolitan area, not later than 20 days after such request for mediation. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts, and attorneys, and by the mediator, are confidential.

privileged, and inadmissible for any purpose, including impeachment, in any other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.


- ii. Disputes Not Resolved By Mediation. Any Dispute not resolved by mediation may be thereafter resolved as any party may elect. Venue for any action under this Agreement shall be in Routt County, Colorado. This Agreement is made under, shall be construed in accordance with, and shall be governed by the laws of the State of Colorado without regard to conflicts of laws principles.
- iii. Definition of "Dispute." For the purposes of the preceding paragraph, the term "Dispute" means all claims, disputes, or other controversies arising out of, or relating to, this agreement or the operations of the Grantor or the Grantee hereunder (hereinafter collectively referred to as a "Dispute").
- c. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, (iv) sent by e mail, notice of receipt required, or (v) transmitted by hand delivery, telegram, or facsimile, addressed as set forth above or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (A) upon hand delivery or delivery by facsimile or e mail, with accurate confirmation generated by the transmitting facsimile machine or computer, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (B) on the third (3rd) business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur.
- d. This Agreement and other documents delivered in connection herewith represent the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by both parties. No evidence shall be admissible in any court concerning any alleged oral amendment hereof.
- e. This Agreement binds and inures to the benefit of our respective representatives, successors, and assigns.
- f. Each of us hereto agrees for ourselves and our successors and permitted assigns to execute any and all further instruments necessary for the fulfillment of the terms of this Agreement.
- g. Either party to this Agreement may record a memorandum of this Agreement in the records of Routt County, Colorado, provided that the memorandum does not include the terms of compensation contained in Section 5 except as both parties may agree.

The terms, covenants, and provisions hereof shall be binding upon and inure to the benefit of the parties hereto, their successors, and assigns and the rights and easements herein granted shall be assignable together or separately, wholly or in part.

IN WITNESS WHEREOF, the Agreement is executed the date first set forth above.

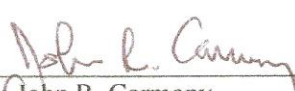
GRANTOR

Wiregrass West, LTD

  
By: Donald Porter  
Title: President

GRANTEE

Carmony Exploration, LLC

  
By: John R. Carmony  
Title: Manager