

## SURFACE USE AGREEMENT

As President of RM Hiner Construction Co, Inc  
THIS SURFACE USE AGREEMENT ("Agreement") is made and entered into this 6<sup>th</sup> day of February 2013, between Rex Hiner, whose address is 11 Austin Road, Lamar, Colorado 80152 ("Owner"), and HRM Resources, LLC, a Delaware limited liability company, whose address is 410 17<sup>th</sup> Street, Suite 1200, Denver, Colorado 80202 ("HRM").

### RECITALS

- A. Owner is the owner of the surface estate for approximately 51.5 acres, more or less, in that tract of land primarily in the NE/NE/4, Section 36, Township 6 North, Range 66 West, County of Weld, State of Colorado (the "Property") as shown on Exhibit A attached hereto and made a part hereof.
- B. Owner owns the mineral estate underlying the Property. The mineral estate in and under the Property is subject to valid and subsisting oil and gas lease (the "Lease"), which is owned in part by HRM and/or others. Owner owns certain royalty interests under the Leases. HRM and Owner enter into this Agreement to provide for the cooperative use of the surface.
- C. The Lease and Colorado Oil & Gas Conservation Commission ("Commission") rules and regulations allow the owner of the Lease rights under the Property to drill, twin, deepen or recomplete oil and gas wells on the property.
- D. The leasehold rights owned by HRM and others include, among other things, the right of ingress and egress for the purposes of exploration, development, drilling, re-drilling, testing, completion, recompletion, re-entry, deepening, fracturing, re-fracturing, twinning, stimulation, reworking, drilling replacement wells, production and maintenance operations associated with oil and gas wells and associated pipelines and production facilities ("Oil and Gas Operations") located on the Property.

NOW THEREFORE, in consideration of the covenants and the mutual promises set forth herein, including the representations set forth in the recitals, the parties agree as follows:

#### 1. Drillsite Location and Access

- a. HRM shall have the right to access the property for purposes of the initial drilling operations by removing the fence on the east side of the property, more or less directly east of the wellheads as such are shown on Exhibit A and then proceeding directly to the drillsite.
- b. HRM agrees to limit its Oil and Gas Operations conducted in connection with the Wells to that area depicted on Exhibit A and hereinafter referred to as the "Oil and Gas Operations Area or OGOA." The OGOA may be used for Oil and Gas Operations and the location of associated oil and gas production and facilities and also the location and drilling of oil and gas wells that produce from and drain the Property, as well as lands which are pooled or unitized with the Property and/or are directionally or horizontally drilled to bottomhole locations outside the Property. The OGOA shall be limited in size and configuration to as close to the drawing attached as Exhibit A as may be reasonably practical.
- c. HRM agrees to locate, build, repair and maintain tanks, separators, dehydrators, and all other associated oil and gas drilling and production equipment and facilities only within the OGOA as depicted on Exhibit A. HRM reserves the right to expand these facilities within the OGOA as needed to accommodate Future Wells. Such expansion may involve, among other things, installation and connection of flowlines, and installation of additional tank batteries, separators, combustors, and water and oil tanks, all of which shall be adjacent to existing tanks, separators, wells, etc.
- d. Owner agrees that no temporary or permanent building, structure, or other improvement shall be constructed or installed by Owner within the OGOAs.
- e. The OGOAs shall be for the use of Oil and Gas Operations.
- f. Unless otherwise agreed upon by the parties, access to the OGOA shall be along the routes depicted on Exhibit A.

g. With the exception of the initial drilling operations, HRM shall access the OGOA using the existing access road to the greatest extent practical.

h. No party shall unreasonably interfere with the use by the other of an access road.

i. Owner, at its sole cost, may landscape around the Oil and Gas Operating Area, subject to the prior written approval of HRM. HRM shall not be liable for any damage thereto. Owner intends to pasture cattle on the the property. HRM may, or at Owners request, shall install wellhead guards and fencing around the wellheads and production equipment suitable for protecting the production equipment and berms from damage by Owner's cattle. Should HRM not install such fencing and guards Owner shall bear no liability to HRM for any damage to the production equipment or berms caused by Owner's cattle.

j. HRM shall keep the OGOA clean of trash and debris and maintain all facilities in good repair, including painted surfaces.

k. HRM agrees to bear all costs and risks associated with drilling operations in the OGOA, including directional drilling.

## 2. Pipelines and Flowlines

a. Pursuant to the Lease HRM has and to the extent necessary, Owner hereby grants HRM Easements for flowlines and pipelines to be installed on the Property. All pipelines outside of the OGOA shall be installed by HRM or its designee at depths of at least forty-eight (48) inches below the surface of the ground.

b. All pipeline non-exclusive easements shall be fifty (50) feet in width during original construction activities and twenty (20) feet in width for all other operations, maintenance and transportation activities. Flowline non-exclusive easements shall be twenty (20) feet in width for all operations.

c. Upon request by HRM, Owner shall provide at its option the flowline and pipeline non-exclusive easements in a recordable document to HRM.

3. Indemnities: HRM and Owner shall each defend, indemnify and hold the other harmless for injuries to persons and damage to property caused by its own negligence or willful misconduct and for claims for which it is strictly liable.

4. Successors and Assigns: This Agreement and all of the terms included in this Agreement shall be binding upon the heirs, successors and assigns of HRM and Owner, and the benefits of this Agreement shall inure to their heirs, successors and assigns.

5. Covenants Run With the Land: This Agreement and all of the covenants in it shall be covenants running with the land and shall be binding on all parties who succeed to any interest of Owner in the Property. Any subsequent sale of the Property shall be subject to the terms of this agreement.

6. Incorporation of Attachment: Exhibit "A" is hereby incorporated into this Agreement by this reference.

7. No Equipment Storage: HRM shall not allow equipment to be stacked or stored or maintained on the OGOA nor shall employees be housed on any of the OGOA without the express written consent of the Owner.

8. Remedy of Default: In the event the operations of either HRM or Owner are not at any time being conducted in compliance with this Agreement, the defaulting party shall be notified in writing by certified mail of the facts relied upon as constituting a breach thereof, and that party, if in default, shall, within five (5) days after receipt of such notice, commence compliance with the obligations imposed by this Agreement. If the defaulting party does not commence compliance with the obligations imposed by this Agreement within said five (5) day period, the non-defaulting party may enforce its rights under this Agreement

9. Term: This Agreement shall become effective when it is fully executed and shall remain in full force and effect until HRM's leasehold estate expires or is terminated, and HRM has plugged and abandoned the wells and complied with the requirements of the applicable oil and gas lease pertaining to removal of equipment, reclamation, cleanup and all other applicable provisions of the lease and laws and regulations.

10. Entire Agreement: This Agreement sets forth the entire understanding between the parties and supersedes any previous communications, representations or agreements, whether oral or written. No change of any of the terms or conditions herein shall be valid or binding on any party unless in writing and signed by an authorized representative of each party.

11. **Notices:** Notices provided for in this Agreement shall be considered given when placed in the U.S. Mail, Certified / Return Receipt with postage prepaid to the parties at the following address or addresses provided subsequently by the parties or their assigns by virtue of certified mail:

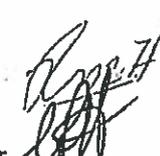


OWNER:  
Rex Hiner Construction Co, Inc  
Rex Hiner  
11 Austin Rd  
Lamar, Colorado 80152

HRM:  
HRM Resources, LLC  
410 17th Street, Suite 1200  
Denver, Colorado 80202

12. **Production OGOA.** The parties agree that at such time as all wells legally permitted to be drilled with in the OGOA have been drilled and placed on production or plugged an abandoned as dry holes, the OGOA shall contract the OGOA to the smallest area that in HRM's opinion can serve for the safe and effective operation of the Wells drilled pursuant to this agreement. HRM and Owner recognize that HRM is agreeing to significantly restrict the area in which it may conduct its ongoing operations. In recognition of such fact, Owner agrees that, HRM may temporarily exceed the boundaries of the OGOA as set forth on Exhibit A, but only during drilling or reworking or other necessary or appropriate operations. The term "Temporarily" as used in this case shall mean, only for that period of time drilling, completion or reworking operations are actually being conducted on a given well. As soon as reasonably possible following the cessation of drilling operations on any given well, HRM shall reclaim any damage to the lands outside the OGOA and withdraw all subsequent operations back within the boundaries of the OGOA.

13. **No Surface Conflict.** Owner represents and warrants that as of the date of this agreement there is no agreement in place of any nature that would interfere with HRM's ability to use the surface for its operations, including, but not limited to agreements to mine the property for gravel. \*



14. **Surface Use Payments.** The parties agree that in consideration of the foregoing, HRM will pay to Owner the sum of \$10,000 per well drilled from the OGOA. Such payment will be due and payable on or before the commencement of actual drilling operations for each well drilled from the OGOA, with the exception of the initial well(s) drilled. Prior to the commencement of actual drilling operations on the initial well(s), HRM shall pay to owner \$20,000. Such payment shall cover the drilling of the initial 2 wells, regardless of whether or not the two wells are drilled at the same time. The foregoing payment shall constitute full and final payment for all such operations conducted within the OGOA and including any and all damages related to the use of the surface specifically including the initial drilling access, which access (as set forth in paragraph 1.a.) shall be from a point more or less directly east of the drillsite location and thence traveling west more or less directly to the drillsite location (the "Temporary Drilling Access"). Once the drilling of the wells contemplated herein is complete, any fences removed to allow the Temporary Drilling Access will be replaced and any damage done to the surface will be reclaimed as close as reasonably practical to its pre-drilling condition.

15. **Location Waiver.** At the request of Owner, HRM has agreed to locate the wellheads for the 7 wells to be drilled directionally pursuant to the terms of this agreement, outside of the Greater Wattenberg Area well location window as established in Rule 318 of the Colorado Oil and Gas Conservation Commission rules and regulations. The surface location of such wells shall be more or less as shown on the plat attached hereto as Exhibit A. Consequently, by signing this agreement, Owner specifically agrees to the location of the wells as shown on Exhibit A and hereby waives any objections to such location.



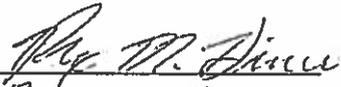
\* Owner may dig a slurry wall 100 feet from any wellhead. If owner requests to place a slurry wall closer than 100 feet to a wellhead, HRM will consider the requests, and if HRM determines that such would not cause an unsafe condition, HRM shall allow the slurry wall to be closer than 100 feet to a wellhead.

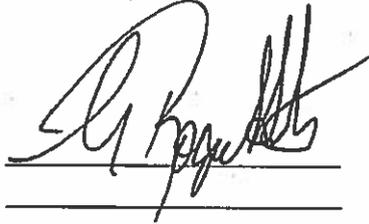


IN WITNESS WHEREOF, the undersigned parties have caused this Agreement to be executed by a duly authorized representative on the day and year first above written.

~~\_\_\_\_\_~~  
Rex Hiner <sup>Mr</sup> President  
RKH Hiner Construction Co Inc

HRM Resources, LLC

By:   
Rex M. Hiner

By: 

Its: President

Its: \_\_\_\_\_

**Exhibit A**  
**Hiner Surface Use Agreement**  
**Township 6 North Range 66 West Section 36: NE/4NE/4**

