

## **SURFACE USE AGREEMENT**

THIS SURFACE USE AGREEMENT ("Agreement") is effective the 1<sup>st</sup> day of May, 2012, by and between **Andrew Peroulis and Argie T. Peroulis as individuals and as Managers of the Andy and Argie Peroulis Family Limited Partnership, a Colorado Limited Partnership**, whose address is P.O. Box 683, Craig, CO 81626 ("Owner") and **Axia Energy, LLC**, whose address is 1430 Larimer Street, Suite 400, Denver, CO 80202 ("Operator").

### RECITALS

- A. Owner owns the surface of the real property in Moffat County, Colorado (the "Property"), legally described as:

Township 7 North Range 92 West 6<sup>th</sup> PM

Section 3: Lots 5, 6, 7, 8, S/2N/2, NW/4SE/4, SW/4

Section 4: Lot 7, S/2NE/4, SE/4NW/4, S/2

Section 5: E/2SE/4

Section 8: E/2NE/4

Section 9: N/2

Section 10: NW/4NW/4

Township 8 North Range 92 West 6<sup>th</sup> PM

Section 5: Lots 7, 8, 9, 10, 16

Section 6: Lots 8, 15, 16, 17, 18, 19, 20, 21, 22, 24, 25, W/2SE/4, E/2SW/4

Section 7: Lots 7, 8, E/2SW/4, SE/4

Section 17: SW/4NW/4, W/2SW/4, NE/4SW/4, NW/4SE/4, E/2SE/4, SE/4NE/4

Section 18: Lots 5, 6, 7, 8, E/2W/2, E/2

Section 19: Lots 5, 6, 7, 8, E/2W/2, E/2

Section 20: S/2NW/4, N/2SW/4, SW/4SW/4

Section 29: E/2E/2, SW/4NE/4, W/2SE/4, SW/4, W/2NW/4

Section 30: Lots 6, 7, E/2NW/4, NE/4, SE/4, N/2SW/4

Section 31: NE/4, NE/4SE/4

Section 32: NW/4, N/2SW/4, W/2NE/4, NW/4SE/4

Section 33: S/2NE/4, N/2SE/4, SE/4NW/4, NE/4SW/4, SE/4SE/4

Section 34: S/2SW/4, SE/4

Township 8 North Range 93 West 6<sup>th</sup> PM

Section 1: Lots 13, 14, SW/4

Section 2: Lots 14, 15, 16, SE/4, SW/4

Section 3: E/2SE/4, E/2W/2SE/4

Section 11: N/2N/2

Section 12: N/2NW/4, E/2SW/4, SE/4

Section 13: E/2, SW/4, S/2NW/4NW/4, N/2SW/4NW/4, E/2NW/4

Section 24: E/2, N/2NW/4, NE/4SW/4

Section 25: NE/4NE/4

- B. Operator holds Oil & Gas Leases underlying the Property.
- C. Operator wishes to enter Owner's Property to explore for and produce oil and gas from its leases and construct drill pads, drill oil and gas wells ("Wells") and associated production facilities, including pipelines on the Property.
- D. Both parties intend that good faith compliance with this Agreement will satisfy their respective duties to reasonably accommodate the operations of the other.

### TERMS

THEREFORE, in consideration of the mutual covenants in this Agreement, and Operator's agreement to pay the damages described in this Agreement, the parties agree as follows:

#### 1. Wells and Well Pads.

- 1.1. In return for the promises and covenants herein stated and the compensation set forth on the attached Schedule of Compensation, Operator may construct the necessary well site pads and other production facilities for drilling, completion, re-completion, reworking, re-entry, production, maintenance and operation of Wells ("Well Pad(s)") on the Property consistent with this Agreement. Operator, its agents, employees, assigns, contractors and subcontractors, may enter upon and use the Well Pads for the purposes of drilling, completing, producing, maintaining, and operating Wells to produce oil, gas and associated hydrocarbons produced from the Property or, subject to Owner's consent, adjacent lands, including the construction and use of frac pits, tank batteries, water disposal pits, production equipment, compressor sites and other facilities used to produce and market the oil, gas and associated hydrocarbons.
  - 1.1.1. No Well Pad shall exceed five (5) acres of disturbed area, including any cuts and fills during drilling. After completion operations for the wells on the pad are finished, the size of the Well Pads shall be reduced to a maximum of three (3) acres. Location of Well Pads shall be subject to Section 2.6 of this Agreement.
  - 1.1.2. As allowed by this Agreement, Operator may drill the maximum number of Wells on the Well Pad(s) permitted by Colorado Oil and Gas Conservation Commission ("COGCC") spacing and density requirements. Operator may drill directionally from Well Pads located on the Property to bottom hole locations located directly under the Property. Subject to Owner's consent, which Owner may withhold at its sole discretion, Operator may directionally and/or horizontally drill from Well Pads located on the Property to bottom hole locations located under Surface Acreage that is adjacent to the Property. Operator agrees to provide Surface Owner with a copy of any drilling permit related to the Property.
  - 1.1.3. As used in this Agreement, "Well" shall mean a well and the accompanying wellbore (either vertically or directionally or horizontally drilled from the Well Pad) for the production of oil and gas, and all associated casing and wellhead equipment.
- 1.2. The slope of a Well Pad to any ditch, road, or other improvement shall not be greater than 2:1.
- 1.3. All above-ground permanent structures on the Well Pad(s) and above-ground pipeline structures shall be painted with appropriate earth-tone colors to blend with the surrounding landscape, and, at the discretion of Operator, shall be screened with appropriate planting as described by the NRCS (National

Resource Conservation Services) techniques guide. Operator shall use diligent efforts to minimize disturbances to existing trees and vegetation near the Well Pad.

1.4 Noise levels shall not exceed Colorado Oil and Gas Conservation Commission ("COGCC") regulations.

1.5 All drilling fluids and mud shall be handled in accordance with COGCC regulations and shall be removed from the Property, unless otherwise agreed. No fluids, mud, soil, or other substances created or derived from operations conducted off of the Property shall be deposited on the surface estate of the Property. Nothing in this section shall limit Operator's right to bring onto the property, use, and reuse drilling fluid, frac and production water for additional drilling and completion operations.

1.6 At Owner's request, during drilling operations and thereafter, the Well Pad shall be fenced with 32 x 6 woven wire with single barbed wire 6" above the woven wire affixed to sturdy wooden posts spaced six (6) feet apart at a height not less than forty- two (42) inches.

1.7 To the extent practicable, the Well Pad and any roads or pipelines shall be located to avoid any water wells, springs, reservoirs, stock ponds, irrigation, or tail water ditch or pipes ["Water Facility"]. Any Water Facility located within the Well Pad shall be left intact or rerouted to a location approved by Owner so that the delivery of water on the Property is not disrupted. Operator shall be responsible for any repair and/or maintenance of any Water Facility located within the Well Pad. There are drilled water wells and artesian water wells located on the Property and Owner proposes to drill additional water wells on the Property. Location of Well Pads with respect to all water wells shall be subject to Section 2.6 of this Agreement.

1.8 No debris, slash, or other materials shall be burned on the Property (except for the flaring of gas), nor shall such materials be buried on the Property, without the express written consent of Owner, which may be withheld at Owner's sole discretion.

1.9 Reserve or drilling pits used on the Property, if any, shall be plastic lined during drilling and completion operations. All plastic lining shall be removed during initial reclamation and not buried in place. Excavated material shall be replaced within thirty (30) days of finalization of completion operations at the associated Well Pad and the Property reclaimed to substantially its original condition.

1.10 No open pit mining shall be permitted on the Property. The Well Pad shall be maintained in a safe condition and in good order, and shall at all times be kept clean and free from litter and debris. Operator shall utilize electronic field monitor devices or another type of monitoring system standard in the industry on all Wells.

1.11 Compressors. For the considerations outlined on the attached Schedule of Compensation, a natural gas compressor unit(s) may be located on the well pad location. Operator will use sound mitigation measures that are reasonable and customary and that result in sound levels that comply with governmental laws and regulations. If Owner's comments are solicited or requested by any governmental agency during the permitting process for the compressor unit, Owner will not oppose the action. Location of any compressor shall be subject to Section 2.6 of this Agreement.

## 2. Road, Pipelines, and Related Issues.

2.1. Road. In return for the promises and covenants herein stated and the compensation set forth on the attached Schedule of Compensation, Owner grants to Operator the right to use as a means of ingress and egress to and from its oil and gas operations, existing access roads over the Property Additionally,

Operator may construct new roads, if necessary, for access to its Wells and production facility. Upgrading a new road shall be considered construction. The rights granted herein shall extend only to the land, being ten (10) feet on each side of the centerline of any such road.

- 2.1.1. Road construction that requires cuts and fills shall be minimized to the maximum extent possible.
- 2.1.2. Culverts shall be installed at ditch and drainage crossings when requested by Owner 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. Operator 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.
- 2.1.3. The road shall at all times be properly graded, drained, graveled, and maintained by Operator from commencement of operations through final reclamation of the Well Pad(s) or termination of this Agreement. Further, Operator shall keep the Road in good order, at all times free from litter and debris.
- 2.1.4. Permanent gates shall be installed at each point where the road intersects perimeter or cross fences. If Owner or Operator chooses to lock any gate on the road, keys shall be provided to the other party.
- 2.1.5. Operator shall abide by a 15 m.p.h. speed limit at all times on all roads.
- 2.1.6. Operator shall use the best available methods, other than hard surfacing, to limit dust. Magnesium chloride shall be applied when requested by Owner, up to a maximum of two (2) times per year.
- 2.1.7. Location of all roadways shall be subject to Section 2.6 of this Agreement, and Owner shall have the right to relocate any road, provided that such relocation does not impose an undue burden on Operator. Any relocated road shall be of similar utility, and all costs associated with such relocation, other than routine maintenance, shall be at Owner's expense. Efforts should be made by Operator to utilize existing roads when feasible.
- 2.1.8. The rights granted herein to use and construct roads shall not include a right of use by the public, or a right to access other lands. Owner reserves the right to use all such roads for any purpose, however, Owner shall not unreasonably interfere with Operator's operations.
- 2.1.9. The right to use Roads conveyed by this Agreement shall not include a right of use to access adjacent lands or adjacent surface owners. In the event of this occurrence, a separate agreement shall be entered into between Owner and Operator upon similar terms as set forth in this Agreement.

2.2. Pipeline. In return for the promises and covenants herein stated and the compensation set forth on the attached Schedule of Compensation, Owner grants to Operator, its agents, employees, contractors, and subcontractors, the right to construct and use gathering pipelines and other utility lines on the property solely for the purpose of gathering and transporting oil and gas, petroleum products and water produced from wells on the property that are owned and operated by the Operator to a sales point that

may or may not be located on the property. Nothing in this Agreement or in any underlying oil and gas lease gives Operator the right to transport oil and gas across the property that is produced from wells off the property. Any such pipeline shall be by separate agreement.

The rights granted herein shall extend to the land ten (10) feet on each side of centerline [with an additional fifteen (15) feet on one side for temporary use during construction] and include the right to lay, construct, reconstruct, replace, renew, operate, maintain, repair, remove pipeline and related pegging facilities. To the extent possible, Operator will place such facilities within the roads used and constructed under Section 2.1 above.

2.2.1. Nothing in this subsection 2.2 shall be construed as granting Operator the right to place any facilities on the Property other than the pipeline, related pipeline equipment to be placed in the Pipeline Easement and compression facilities permitted under the terms of this Agreement. Location of all Pipeline Easement and Compressor Facilities shall be subject to Section 2.6 of this Agreement.

2.2.2. Operator shall provide a plat from time to time indicating location of any active or decommissioned gathering lines. If transmission lines allowed by this Agreement are constructed, Operator may submit a plat of the same to Owner which may, after consultation, be recorded in the Moffat County, Colorado real estate records.

2.3. Road or Pipeline Construction.

2.3.1. Operator shall use its best efforts to provide written notice to Owner at least thirty (30) days prior to any construction or installation under this Section 2.

2.3.2. Operator shall bury all gas pipelines at a depth not less than thirty six (36) inches, and shall install all such pipelines so that they can be detected using a commonly available metal detector.

2.3.3. Operator shall use its best efforts to immediately repair any roadway crossings and fences, with same quality, like or kind, on or enclosing the Property that is damaged or temporarily taken down during any construction.

2.3.4. Any rocks excavated by Operator that are too large (12" or greater) to be incorporated into fill shall be removed.

2.3.5. Operator shall provide Owner with "as-built" survey of all pipelines after construction. It shall be the Operator's responsibility to record necessary documents in Moffat County, and to provide the Owner with a copy of any recorded documents.

2.3.6. Operator shall not use any pipeline easement as a vehicle access point to lands adjacent to the Property. Unless otherwise agreed to by both parties, no gates shall be installed on any fences on or near the boundary lines of the Property.

2.3.7. During installation of any road or pipeline on the Property, and at all times thereafter, Operator shall minimize disruption of, and interference with, any ranching, agriculture, or other operations conducted on the Property now or in the future. No camping, recreation, hunting, or any other non-pipeline related activities are permissible at any time on the Property by Operator.

2.3.8. Within 120 days after installation of any pipeline, or any maintenance or repair of any pipeline that disturbs the surface of the Property, Operator shall restore any affected area to its approximate pre-disturbance topography and revegetate ~~reseed~~ all such areas with appropriate native grasses or alfalfa for ground cover and erosion control as requested by Owner. Operator shall ensure a naturally contoured surface over the pipeline easements.

2.4 Term of Grant. Rights granted in this Section 2 shall continue until: (i) the termination of this Agreement in accordance with Section 8, or (ii) Operator's written surrender of this Agreement.

2.5 Evolution of Use. Operator's use of the easements shall be limited according to the terms of this Agreement, and the doctrine of "normal evolution of use" shall not apply to Operator's use of the easements.

2.6 Location of Surface Facilities. No activity described in Sections 1 or 2 of this Agreement, including surveying and seismic or geophysical, shall occur on Owner's Property, other than routine operations on existing facilities without first advising Owner and without Operator reasonably consulting with Owner as to location, impacts and alternatives. Operator will use reasonable efforts to accommodate Owner's ranching operations. No pipelines, pipeline equipment or compression facilities or roadways may be placed on the Property except those required to handle and transport gas produced on the Property to and from the storage facility and to transport substances, including water, utilized in operations thereon. Owner may designate reasonable routes for the construction of roads and pipelines and location of compressor facilities on the premises, and roads and pipelines and compressor facilities installed or constructed thereafter by Operator shall be located in conformance with such designated routes. Such designated routes shall not unreasonably restrict the operations on the Property. In no event shall any Well Pad, new Well, pipeline, valve, compressor, or equipment or other surface facilities of Operator be placed within Five Hundred Feet (500') of a house, structure or water well or spring existing at the time of the execution hereof or water well hereafter drilled prior to location of a proposed Well Pad in its vicinity, without the written consent of Owner. Operator shall give Owner thirty (30) days' written notice of any proposed roads, pipeline and/or compressor locations and shall conduct an onsite consultation with Owner during staking and surveying. All roads accessing the facilities shall be closed to public use, but shall be available for use by Owner.

2.7 Limited Operations during Lambing and Big Game Hunting Seasons. In addition to Section 2.6 above, except in the event of a bona fide emergency or unless Owner grants written permission, Operator shall cease all construction activities, road construction and maintenance and drilling and completion operations, as well as reclamation, on Owners' Property during lambing season (May 1<sup>st</sup> through June 15<sup>th</sup>) and big game hunting season (August 15<sup>th</sup> through December 1<sup>st</sup>). During such time periods normal operation and maintenance of production facilities will be limited to the hours between 9:00 a.m. and 3:30 p.m.. Notwithstanding the foregoing, Operator shall not enter the Property at all during lambing season without having notified Owner and scheduled entry in the manner least likely to have an impact on lambing.

2.8 Conservation Reserve Program (CRP) Lands. Operator is aware that a portion of the Property may be enrolled in the Conservation Reserve Program (CRP) administered by the USDA and agrees that all operations conducted on those lands enrolled in CRP will be conducted in accordance with the USDA office guidelines and policies. In the event that Operator enters Property, Operator will indemnify and hold harmless the Owner from any costs or penalties as a result of land not being in compliance with the program. The Operator further agrees that it will pay all costs of restoring the land to compliance with the program. Finally, Operator agrees that in the event that any Program payments are withheld or the USDA demands refund of prior payments or any penalties are assessed, Operator will reimburse the Owner for these penalties refunded or withheld payments.

2.9 Completion Pits. If deemed necessary, Operator may build completion pits ("Completion Pit") on the Property for the purposes of storage of completion fluids utilized in the completion of Operator's wells. Operator shall pay the same price per acre occupied by the completion pit as Operator pays for a well pad site.

2.9.1 Completion Pit shall be lined with a minimum of 24 ml plastic (or as required per COGCC regulations) and all plastic lining shall be removed during initial reclamation and not buried in place. Operator will be responsible for all reclamation of the Completion Pit and, as part of the reclamation, Operator shall remove all construction materials no longer necessary for the operation of the Completion Pit and remove compaction from the soil in areas no longer necessary of the operation of the Completion Pit. The Completion Pit and access road shall be returned to the approximate original topography and revegetated with appropriate native vegetation for ground cover and erosion control. Subsidence in any reclaimed area shall be corrected by adding additional topsoil. Crop lands shall be returned to grass or alfalfa, as requested by Owner, and sagebrush areas shall be planted with native grasses and vegetation that existed prior to disturbance.

2.9.2 At all times while Completion Pit is being utilized and until such time as Completion Pit is reclaimed, Completion Pit shall be fenced with 32 x 6 woven wire with single barbed wire 6" above the woven wire affixed to sturdy wooden ~~steel~~ posts spaced six (6) feet apart at a height not less than forty-two (42) inches.

2.9.3 Owner agrees to give its approval of any permit that is deemed necessary by Operator from Moffat County, the State of Colorado or other lawful authority claiming jurisdiction over the Completion Pit and operations related to thereto.

2.9.4 In an effort to minimize truck traffic, completion pit may be utilized for storage and/or use on wells not located on the pad.

2.10 Reserved Rights. Surface Owners reserve the right to use the Property for their own purposes (pasturing livestock, hunting and recreation) which shall not interfere with Operators oil and gas operations. Operator, shall conduct the oil and gas operations in a good and workmanlike manner and will not litter the Property with debris and will keep its work areas in a clean and sanitary condition. No unused equipment or supplies shall be stored on the Property by Operator. Movable equipment shall be deemed stored if it has not been utilized by Operator for its intended purpose for a period of ninety (90) days or more.

2.11 Operator shall not relocate, cut, lay down or remove any existing fences or water lines without the prior written consent of Surface Owners and shall repair all fences or water lines damaged by the oil and gas operations.

3 Weed Control. Operator shall be responsible for controlling all noxious weeds on all areas of its operations, including at well sites, production facilities, roads and pipelines.

3.1. Notification. If Operator locates, or Owner notifies Operator in writing of the location of, noxious weeds on any areas subject to this Section 3, Operator shall implement control procedures before the noxious weeds go to seed.

4. Erosion Control. Operator shall be responsible for controlling all erosion of soils at any Well Pad or along the route of any road or pipeline, and on areas adjacent to the Property that is caused by the activities of Operator or its employees, contractors, sub-contractors, or agents. Such erosion control shall include, without limitation, re-contouring, reseeding and re-vegetating such lands and restoring any reservoirs or waterways to their previous quality and capacity. Operator's responsibility for erosion control pursuant to this Section 4 shall be ongoing and shall continue even after termination of Operator's use of a Well Pad, road or pipeline, until (±) such time as Owner provides Operator with a written release of Operator's further obligation to control erosion on the Property.

5. Reclamation.

5.1. Initial Reclamation. Within one (1) year after initial disturbance to a Well Pad, except for areas required for current operations such as roads, the wellhead(s), permanent facilities, water pits, future drilling and completion operations, and room for future workover operations, Operator shall restore all disturbed areas in accordance with this subsection 5.1. Such restoration shall commence immediately following completion of the Wells and establishment of equipment on a Well Pad, the completion of a road, and/or the completion of a pipeline, as the case may be.

- 5.1.1 Operator shall submit copies of a site-specific reclamation plan along with copies of each approved Application for Permit-to-Drill (Form 2), including any conditions of approval for all Wells on the Property, prior to commencement of construction operations with heavy equipment. All interim and final reclamation goals shall be included in the site-specific reclamation plan.
- 5.1.2 Operator shall provide Owner with: (i) cut and fill diagrams for construction of the Well Pads, including cross sections and plan views with topographic contours; and (ii) a site map showing the location of wellbores, drilling and completion pits, access roads, soil stockpiles, and the layout of drilling and completion equipment.
- 5.1.3 Operator shall remove all construction materials, in-fill pits and holes no longer necessary of the operation of the Well(s), and remove compaction from the soil in areas no longer necessary of the operation of the Well(s). The operational Well Pad shall be returned to the approximate original topography and seeded with appropriate native vegetation for ground cover and erosion control. Subsidence in any reclaimed area shall be corrected by adding additional topsoil. Crop lands shall be returned to grass or alfalfa, as requested by Owner, and sagebrush areas shall be planted with native grasses and vegetation that existed prior to disturbance.
- 5.1.4 A minimum of twelve (12) inches of favorable growth medium shall be reapplied during interim and final reclamation. If this quantity of material is not available, existing soils shall be treated with amendments and fertilizer to create a favorable growth medium.
- 5.1.5 The Well Pad(s) and easements shall be mulched immediately after seeding with weed-free straw or other type of weed-free mulch. Operator shall be responsible for protecting re-plantings, including fencing to exclude animals.
- 5.1.6 Additional disturbance of native or previously reclaimed areas shall be minimized. If any subsequent disturbances of surface areas are undertaken at any time, the same reclamation and re-vegetation obligations shall apply. Re-contouring shall not be required in areas that have been successfully reclaimed.



5.2 Final Reclamation. Final reclamation shall return the entire site to its original topography and vegetation, and shall be complete and successful within three (3) years after the last Well is plugged and abandoned. However, if at the end of the three (3) year period Operator has not completed a successful reclamation because of events beyond its control, Owner agrees to grant Operator in writing a reasonable extension of time to achieve a successful reclamation. Upon final termination of operations, Owner may request culverts and fencing to be left in place, in which case they shall thereafter belong to Owner.

6. Water. Operator shall not obtain a well permit or adjudicate a water right or well on the Property and shall have no right to use any water located on the Property for all drilling, completion and Well Pad and road construction, except as expressly agreed in writing by Owner, which consent may be withheld at Owner's sole discretion. The Owner's needs of water for agricultural uses shall in all cases be senior to Operator's needs of water. Operator shall take all necessary steps to prevent its operations from polluting any water well, water spring or other water source located on the Property. As to any Well located within one-half (1/2) mile of a water well on the Property, Operator shall test the water well for volume of flow and water quality, both prior to commencement of drilling operations on the Well and after completion of the Well, to ensure that there has been no damage to the water well.

7. Hunting. Operator will not allow any hunting to be conducted on the Property by its employees and contractors. No firearms will be allowed in any vehicle that is utilized by Operators employees or contractors.

8. Termination. This Agreement shall terminate upon the later of: (i) the expiration or termination of the underlying Oil and Gas Leases as extended or renewed; or (ii) upon completion of final reclamation. No termination of this Agreement by Owner, Operator or otherwise shall relieve Operator of any obligation under this Agreement incurred or occurring prior to and through the date of termination, including Operator's liability for or obligation to perform any maintenance, reclamation, mitigation, corrective action, or expenditures required pursuant to common law or any federal, state or local statute, regulation, rule or ordinance. Upon termination of the rights granted under this Agreement, Operator shall execute and deliver to Owner, within thirty (30) days of written demand a recordable release acknowledging that this Agreement has been terminated. If Operator fails or refuses to deliver that acknowledgment, a written notice by Owner reciting any such failure or refusal and that this Agreement is terminated shall, sixty (60) days after the date of recording of that notice, be conclusive evidence against Operator and all persons claiming under Operator of the termination of this Agreement.

## 9. General Provisions.

9.1 Evaporation Pits & Disposal Wells. This Agreement does not authorize Operator to construct evaporation pits or to drill and operate a salt water disposal (SWD) well on the Property. In the event that Operator wishes to utilize the Property for such pits or an SWD, the parties will attempt to negotiate a supplement to this Agreement, absent which Operator shall not place such facilities on the Property.

9.2 Surveys, Plans. Prior to construction, Operator shall provide Owner with COGCC well permits and applications, as well as surveys and plans of the Well Pad site, easements, roads, pipelines and equipment location.

9.3 Liability of Operator. In addition to the damages covered by this Agreement, Operator shall be liable for any injury to persons, property, or livestock caused by or incident to the operations of Operator, its agents, employees, contractors, or subcontractors ("Operator Group") on the Property, or any damages

due to spills of materials, explosions, or any other harmful activity of Operator. Operator shall indemnify and hold harmless Owner from and against any and all past, present and future liability, damages, costs, expenses, fines, penalties and fees (including without limitation reasonable attorney and consultant fees) incurred by or asserted against Owner arising from or regarding or relating to the Operator Group's use of the Wells, Well Pad(s) or easements or any other rights granted by this Agreement. Such indemnification shall extend to and encompass, but shall not be limited to, all claims, demands, actions or other matters which arise under the common law or other laws designed to protect the environment and public health or welfare including, without limitation, the following laws (as amended) and any regulation promulgated under their authority: Endangered Species Act of 1973 (16 U.S.C. § 1531, *et seq.*); Clean Water Act (33 U.S.C. § 1251, *et seq.*); Clean Air Act (42 U.S.C. § 741, *et seq.*); National Environmental Policy Act (42 U.S.C. § 4321, *et seq.*); Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601, *et seq.*); Solid Waste Disposal Act (42 U.S.C. § 6901, *et seq.*); Toxic Substance Control Act (16 U.S.C. § 2601, *et seq.*); Safe Drinking Water Act (42 U.S.C. § 300f, *et seq.*); Occupational Safety and Health Act (29 U.S.C. § 651, *et seq.*); and any applicable state or local statutes, regulations or ordinances. Operator shall, at Owner's option, defend Owner or reimburse Owner as expenses are incurred for Owner's defense against any claims, demands, actions or other matters, whether brought or asserted by federal, state or local governmental bodies or officials, or by private persons, which are asserted pursuant to or brought under any such laws. All of Operator's obligations stated in this subsection 9.3 shall survive termination of this Agreement.

9.4 Regulations: No part of this Agreement shall be construed to relieve Operator from any or all COGCC or regulations, present and future.

9.5 No Off-Site Substances. Operator shall not store or dispose of on the Property any soil, waste, or other substance generated off of the Property, except water to be used for fracing purposes or disposal services.

9.6 Prohibited Items and Activities. Operator shall not be permitted to have, or allow, firearms, crossbows, pets, alcohol, or illegal drugs on the Property. Personal and/or leisure activities by Operator are prohibited. No employees, contractors, subcontractors, agents, guests or invitees of Operator shall reside on the Property overnight, with the exception of personnel deemed critical to Well operations by the Operator.

9.7 Insurance. Operator shall keep its operations insured, or comply with applicable self-insurance laws and regulations, for automobile, liability, and workmen's compensation insurance, and for any damages incurred on the Property.

9.8 Operator Liens. Operator shall, at its sole expense, keep the Property free and clear of all liens and encumbrances resulting from Operator's and its agents' activities on the Property, and shall indemnify and hold harmless Owner from and against any and all liens, claims, demands, costs, and expenses, including, without limitation, attorney fees and court costs, in connection with or arising out of any work done, labor performed, or materials furnished. Operator shall pay any and all additional taxes which may be levied against Property due to Operator's specific operations and/or improvements constructed by Operator upon the Property.

9.9 No Warranty of Title. In the event of whole or partial failure of Owners' title, Owner shall not be liable for any damages caused thereby to Operator, Operator having relied upon its determination of title prior to the execution of this Agreement by Owner. Further, Owner shall not be required to return any monies previously paid by Operator predicated upon errors made by Operator in determining Owner's title.

9.10 Subrogation of Rights. Operator shall have the right to discharge or redeem for Owner, in whole or in part, any mortgage, tax, or other lien on the Property that could jeopardize Operator's rights under this Agreement, in which case Operator shall be subrogated to such rights of the party to whom payment is made for purposes of securing and collecting the amounts paid on behalf of the Owner.

9.11 Waiver. The failure of either party to enforce any of its rights under this Agreement upon any occasion shall not be deemed a waiver of such rights on any subsequent occasion(s). The waiver, either express or implied, by any party of any of the rights, terms or conditions in this Agreement shall not be deemed as or constitute a waiver of any other rights, terms or conditions in this Agreement. Any waiver, in order to be valid and effective, must be in writing.

9.12 Notice. Wherever provision is made in this Agreement for the giving, service, or delivery of any notice, statement, or other instrument, such notice shall be given by: (i) personal delivery, or (ii) United States first class mail, postage prepaid, addressed to the party entitled to receive the same at the address stated in the introductory paragraph; provided, however, that each party may change that party's mailing address by giving to the other party written notice of change of such address in the manner provided in this subsection. Mail shall be deemed to have been given, served and delivered upon the third delivery day following the date of the mailing; personal delivery shall be deemed to have been given, served and delivered upon receipt.

9.13. COGCC Notices.

9.13.1 Owner shall be provided with a copy of any "Change of Operator" notice filed with the COGCC pursuant to Rule 312.

9.13.2 A copy of any notice filed with the COGCC regarding public health, safety, or emergency matters shall be delivered to Owner simultaneously with the COGCC notice. In the event of a spill of E&P waste or any substance, Operator shall immediately notify Owner, verbally or by telephone if possible, and identify the quantity, location, and type of substance released. In the event of a surface or subsurface loss of well control, Operator shall notify Owner, verbally or by telephone if possible, as soon as possible. Any verbal or telephonic notification under this subsection shall be documented in writing and provided to Owner in accordance with subsection 9.14.

9.13.3 Copies of all forms, notices, plans, tests, or other documentation regarding spills or blow-outs shall be provided to Owner at the same time as filing with the COGCC, local government representative, or any other regulatory agency.

9.13.4 A copy of any Operator requests for variance from surface use or reclamation regulations, not requiring a petition and notice to Owner, shall be delivered to Owner at the same time as delivery to the COGCC.

9.14. Authority. Operator represents and warrants that it has full authority to commit to this Agreement. Operator shall provide Owner with a copy of all leases, including pooling or communitization agreements, and spacing orders, under which it is operating on the Property.

9.15. Survival of Obligations. All obligations, indemnifications, duties, and liabilities undertaken by Operator under this Agreement shall survive the termination of this Agreement.

9.16. Merger of Prior Agreements. This Agreement and the Lease contain the sole and entire agreement and understanding of the parties with respect to the entire subject matter on the Property. All

prior discussions, negotiations, commitments, agreements, and understandings relating to the subjects of this Agreement on the Property, and the Lease are merged into them. In the event of any conflict between the terms of this Agreement and the Lease, the terms of this Agreement shall control.

9.17. Amendments. This Agreement may only be amended by the written agreement of both parties. This Agreement cannot be amended or terminated orally.

9.18. Binding Effect. Operator may assign this Agreement to an affiliate or a reputable Operator. If it assigns to a third party, Operator will only be released from its obligations hereunder if Owner consents to such assignment, which shall not be unreasonably withheld. This Agreement shall be binding upon the heirs, personal representatives, successors and assigns of the parties hereto, and by taking an assignment of this Agreement, the assignee assumes all of the duties and responsibilities of the Operator.

9.19. Headings. Section headings or captions contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision.

9.20. Construction. Whenever required by the context of this Agreement, the singular shall include the plural, and vice versa; and the masculine gender shall include the feminine and neuter genders, and vice versa. The provisions of this Agreement have been independently, separately and freely negotiated by the parties as if drafted by both of them. The parties waive any statutory or common law presumption that would serve to have this Agreement construed in favor of or against either party.

9.21. Severability. If any provision of this Agreement is illegal, invalid, or unenforceable under present or future laws applicable to this Agreement, the parties intend that the remainder of this Agreement shall remain in full force and effect so as to fulfill as fully as possible the intent of the parties as expressed by the then existing terms of the Agreement, including the invalidated provision.

9.22. Applicable Law and Attorney Fees. This Agreement and the rights of the parties under it shall be governed by and interpreted in accordance with the laws of the State of Colorado, by the District Court of Moffat County, Colorado. In the event of a dispute involving or related to any term or condition of this Agreement, the non-breaching party shall be entitled to recover its reasonable costs and attorney fees, including post-judgment collection costs, in addition to actual damages.

9.23. Recording of Surface Use Agreement. The parties agree that this Surface Use Agreement shall not be recorded in the real estate records. However, Surface Owners agree, upon the request of Operator, to execute a Memorandum of this Surface Use Agreement suitable for recording.

9.24. Heirs, Successors and Assigns. Subject to any limitations on assignment provided in this Agreement, this Agreement shall run with the land and be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

10. Breach. In the event Surface Owners consider that Operator has failed to comply with any obligation hereunder, express or implied, Surface Owners shall notify Operator in writing specifying in what respect Surface Owners claim that Operator has breached this Agreement. Operator shall then have sixty (60) days after receipt of said notice within which to remedy, or commence to remedy, all or any part of the breaches alleged by Surface Owners. The service of said notice shall be a condition precedent to the bringing of any action by Surface Owners on said Agreement for any cause, and no action for damages shall be brought until the lapse of sixty (60) days after service of such notice on Operator. Neither the service of said notice nor the doing of any acts by Operator aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that the Operator has failed to perform all

its obligations hereunder. Should Operator refuse or otherwise fail to remedy such breach, Surface Owners shall be entitled to any remedy authorized by law, including, if appropriate, specific performance, rescission, forfeiture or damages. The prevailing party in any litigation shall be entitled to recover all costs and expenses of litigation, including reasonable attorney fees, incurred by such party in the enforcement of any portion of this Agreement. It is mutually understood and agreed that this Agreement shall be governed by the laws of the State of Colorado, both as to interpretation and performance. Any payment due hereunder that is not paid when due shall bear interest at the rate of twelve (12%) percent per annum.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OWNER:

*Andrew Peroulis*  
Andrew Peroulis, as an individual and as Manager of  
The Andy and Argie Peroulis Family Limited Partnership

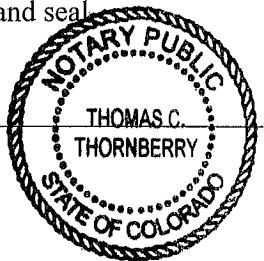
*Argie T. Peroulis*  
Argie T. Peroulis as an individual and as Manager of  
The Andy and Argie Peroulis Family Limited Partnership

STATE OF COLORADO     )  
  ).ss  
COUNTY OF MOFFAT     )

The foregoing instrument was subscribed and sworn to before me on the 7<sup>th</sup> day of May 2012, by Andrew Peroulis and Argie T. Peroulis as individuals and as Managers of the Andy and Argie Peroulis Family Limited Partnership,.

Witness my hand and seal

My Commission Expires:



*Thomas C. Thornberry*  
Notary Public

OPERATOR:

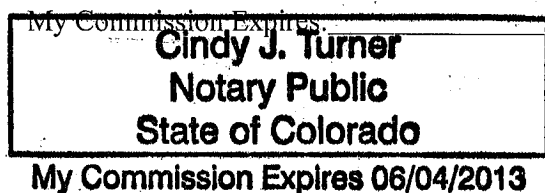
AXIA ENERGY, LLC  
My Commission Expires 05/13/2014

By: *Tab McGinley*  
TAB MCGINLEY  
Vice President of Land

STATE OF COLORADO     )  
  ).ss  
COUNTY OF DENVER     )

The foregoing instrument was subscribed and sworn to before me on the 10<sup>th</sup> day of May, 2012, by Tab McGinley, Vice President of Land for Axia Energy, LLC.

Witness my hand and seal.



*Cindy J. Turner*  
Notary Public