

## SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT ("Agreement"), dated effective this 24<sup>th</sup> day of February 2014, is made by and between the undersigned, McKay Farms, whose address is 420 Peregrine Point, Eaton, Colorado 80615, herein called "Owner", and Grynberg Petroleum Company, 3600 S. Yosemite, Suite 900, Denver, Colorado 80237, herein called "Operator";

WHEREAS, Owner represents that they are the surface owners and in possession of an interest in part or all of the surface estate for the following described lands in Weld County, Colorado, said land herein called "Lands", to wit;


Township 7 North, Range 64 West, 6th P.M.  
Section 2: East 1/2

WHEREAS, Owner recognizes that Operator has the right to conduct operations on the Lands pursuant to Oil & Gas Lease(s) covering the Lands and Owner and Operator's desire to minimize any surface damage to the Lands and to reach an agreement regarding such surface damage;

WHEREAS, Operator is the Record Title Owner of oil and gas lease C67169 underlying the subject lands;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained and other valuable consideration, the sufficiency of which is hereby acknowledged, Owner and Operator agree as follows:

I. Payment to Owner. Prior to commencement of drilling operations on the Lands, Operator shall pay Owner the following sum as full settlement and satisfaction of all damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, completion, deepening, retracing, recompletion, reworking, equipping and production operations, unless otherwise specifically provided herein:

 for damages per new well on the Lands (and a like amount for any subsequent wells to be located on the Lands) in which Owner owns the entire surface estate, together with any lands used for road purposes, production facilities, pipelines, storage tanks, flowlines or other necessary facilities in connection with the well site.

B. If, by reasons directly resulting from the operations of Operator, there is damage to real or personal property upon the Lands which is not associated with usual and customary operations, including, but not limited to, damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, such damage will be repaired or replaced by Operator, or Operator will pay reasonable compensation to Owner for such additional actual damage or an amount equal to the reasonable costs to repair such actual damages.

C. Owner agrees to notify any surface tenant that may be affected by Operator's operations on the Lands and Owner may allocate the payments made hereunder with such surface tenant as they shall mutually determine between themselves and Operator shall have no liability therefor.

2. Consultation. If requested by Owner, prior to heavy equipment operations on each well site, Operator's representative will meet and consult with Owner (or Owner's representative) as to the location of the well site, access road, flowlines, tank batteries and other associated production facilities.

3. Operator Obligations. In conducting operations on the Lands, Operator shall:

- A. Locate the well site(s), access road, flowlines, tank batteries and other associated production facilities as depicted on Exhibit "A" attached -hereto and by this reference made a part of this Agreement.
- B. Limit the size of each well site to approximately 200 feet by 300 feet during any drilling, completion, recompletion or workover operations and shall be no more than 1/4 acre in size during other periods. The area required for any tank battery location associated with each well shall be limited to approximately one-half acre in size upon completion of construction. Access roads shall be limited to approximately 30 feet in width during drilling, completion, deepening, retracing, recompletion, reworking, equipping and production operations. The permanent access roads to the wellhead and tank battery location shall be limited to 20 feet in width.
- C. Erect fencing and cattle guards as necessary around well site, access roads, equipment and tank batteries to prevent interference with livestock.
- D. Operator will utilize "closed-loop" systems (ie: no reserve or mud pits) for drilling, completion and production activities at all well sites.
- E. Reclaim the well site as nearly as practicable to its original condition and if the location is in pasture, reseed the location with native grasses. Weather permitting, reclamation operations shall be completed within three months following drilling and subsequent related operations, unless Operator and Owner mutually agree to postponement because of crop or other considerations.
- F. Use reasonable efforts to keep the well, Lands, and production facilities free of weeds and debris.

4. Road Use and Compensation. Operator agrees to use existing roads on the Lands wherever possible, and in conformance with acceptable and prudent oilfield standards and practices. Operator shall make a one time payment, in advance, to Owner in the amount of [REDACTED] per year per each well drilled, for the use of any existing road(s) or for construction of any new road(s) required by Operator, as damages and rental for the first year. Operator further agrees to pay to Owner, as damages and rental, an annual payment in the amount [REDACTED] per rod for each successive year or part thereof that Operator

shall use said road(s). The annual payment shall be due on the anniversary date of this agreement following the first full year covered by the one-time payment, and the first such annual payment shall be prorated to account for that part of the year covered by the initial payment. The annual rental payment shall allow Operator an easement and right-of-way for the road(s) for each year so long as the Operator continues to use the road(s) and the annual payment is made as required herein.

4. Waiver of Thirty Day Notice. Owner hereby waives the minimum thirty day written notice requirement described in the Notice Letter provided by Operator to Owner when it initially gave notice of its intent to drill on the Lands.

5. Successors and Assigns. When Operator is used in this Agreement, it shall also mean the successors and assigns of Operator, as well as its employees and officers, agents, affiliates, contractors, subcontractors and/or purchasers. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of Owner and Operator and may be executed in counterparts.

6. Confidentiality. Owner agrees to keep the amount of consideration paid hereunder by Operator confidential and shall not disclose such information without the advance written consent from Operator. Operator may record a memorandum evidencing the existence of this Agreement.

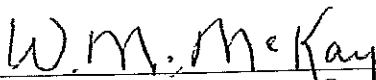
7. Governing Law/Venue. This Agreement shall be interpreted according to the laws of the State of Colorado. Venue for any dispute shall be Weld County, Colorado.

8. Written Modifications/Notices. This Agreement may only be amended in writing signed by both parties. All notices to either party shall be in writing addressed to the parties at the address first set forth above.

AGREED TO AND ACCEPTED AS OF THE DATE FIRST WRITTEN ABOVE.

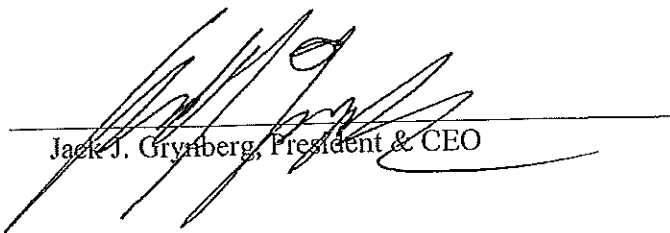
OWNER: MCKAY FARMS

By:

  
William McKay, Partner, Owner

OPERATOR: GRYNBERG PETROLEUM COMPANY

By:

  
Jack J. Grynberg, President & CEO