

Surface Damage and Release Agreement

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 25th day of November, 2014 by and between Keith Sagehorn and Diane Sagehorn ("Owner") whose address is 43754 Highway 6, Holyoke, Colorado 80734 and Omimex Petroleum, Inc., whose address is 7950 John T. White Road, Fort Worth, Texas 76120.

Whereas; Omimex represents that it has the right to drill the wells described below (collectively, the "Well") on the lands described as the SW/4 of Section 34, Township 6 North, Range 45 West, 6th P.M. (the "Lands") to search, explore, and produce hydrocarbon products pursuant to rights granted to it under a certain oil and gas lease at Phillips County Reception No. 218062 (the "Lease"):

SAGEHORN 12-34-6N-45W

Township 6 North, Range 45 West, 6th P.M.
Section 34: NW/4SW/4

SAGEHORN 14-34-6N-45W

Township 6 North, Range 45 West, 6th P.M.
Section 34: SE/4SW/4

Whereas; Owner and Omimex wish to memorialize their agreement concerning the payment for damages to the surface of the Lands in connection with the access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Well and all pipelines, associated with the Well and located on the Lands.

Therefore, for and in consideration of the covenants and agreements contained herein, and for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Omimex agree as follows:

1. Omimex shall pay Owner the sum of [REDACTED] per well for a total of [REDACTED] ("Damage Amount"). Such payment shall constitute payment in full by Omimex and its affiliates for all normal damages, including but not limited to damages to growing crops, associated with the access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of the well. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all access roads, preparation and use of the drill site area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flow lines, gas pipelines, separators, and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas there from.
2. If, by reason of Omimex's operations, there is damage to personal property or injuries to persons or livestock located on the Lands or there is damage to the surface of the Lands caused by negligence of Omimex or an unreasonable use of the surface of the Lands by Omimex that is not associated with reasonable and normal drilling, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Well, including but not limited to damage to structures, fences, culverts, center pivots, water wells and springs and cement ditches, damaged caused by fires, spills, discharges or releases, or damages to growing crops due to drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Well on or after April 15, 2015, excluding the permanent access road and permanent well site as described in paragraph 7(a), such damages shall be repaired or replace by Omimex or Omimex shall promptly pay Owner for such damage.
3. Owner represents that there is no tenant on the Lands.

4. Except as provided in paragraph 2 above, for cases of unreasonable surface use and/or negligence by Omimex and as provided for in this Agreement, Owner for itself and successors and assigns, does hereby, in consideration of the Damage Amount, release relinquish and discharge Omimex, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owner may have by reason of the drilling of the Well and all other damage or injury to the Lands caused by the drilling, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Well, and owner accepts the Damage Amount as full compensation.
5. Owner hereby agrees that by its payment of the Damage Amount, Omimex has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated to the extent that Owner has the right to waive for the same for the benefit of Omimex and provided that the foregoing shall not serve to waive, modify or amend any applicable law, rule, regulation or order of any Federal, state or local governmental authority.
6. Owner acknowledges that Omimex's representative has met with and consulted with Owner (or representative) as to the location of the wellsite, access road, flow line, and other associated production facilities and that this Agreement incorporates the results of such meeting(s) and consultation(s).
7. In conducting operations on the Lands, Omimex shall:
 - a. Limit the size of the well site to 300' x 300' during any drilling, completion, recompletion or work-over operations, and the wellsite shall be no more than one quarter (1/4) acre in size during other periods. The Wells are depicted on Exhibits A-B. The access road shall be limited to 30 feet in width during drilling, completion, recompletion and workover operations. The permanent access road to the wellhead location shall be limited to 7.5 feet in width being two rows of growing crops. The access roads are further defined and limited by this Agreement by the location as depicted on the attached Exhibits C (the "Access Road"). Drilling and completion shall not extend beyond April 15, 2015.
 - b. There will be no pits used for the drilling operation. Steel tank pits shall be used.
 - c. No later than April 15, 2015, unless areas are part of ongoing operations, then within six months after the permanent abandonment per COGCC rules and regulations of any well, unless Omimex and Owner mutually agree to postponement because of crop weather or other considerations. Omimex shall (a) remove all machinery, material and structures used in connection with such well and not used in other operations on the Lands, (b) fill in and level off all excavations, pits, or other alterations in the surface of the land caused in connection with such well (c) restore the surrounding land and means of ingress and egress to their original condition so far as reasonably practical, but in any event at least to a condition whereby normal and routine agricultural operations can resume, (d) restore to standard set by the COGCC (e) remove all gravel from the Lands, and (f) employ measures as appropriate to prevent wind erosion, water erosion, and nonsource pollution.
 - d. Use best efforts to (a) keep the Well sites free from weeds and debris, (b) keep the Lands in a safe, neat and orderly manner; (c) not allow litter, debris,

junk or refuse to accumulate on the Lands; (d) minimize noise and light consistent with any federal, state, or local regulation for agricultural property, (e) to employ appropriate measures to prevent wind erosion, dust, and loss of soil on the Lands; (f) not to deposit, store or dispose on the Lands any fluids, mud, soil, waste or other substance generated off the Lands, and (g) not to store, release or discharge toxic or hazardous chemicals or wastes, except those necessary to the operation of the well, within Omimex's control.

e. Omimex's use of the Lands is limited to the Wells and the Access Road only on the Lands. Use of the Lands for the Wells shall be limited to the well head and pumping unit only and no other equipment, well house, separator or related, and provided, further Omimex agrees to install low-profile pumping units that will avoid interference with any center-pivot sprinkler irrigation. Access Roads shall be used solely for (1) ingress and egress for the transportation of vehicles, materials, equipment, personnel and products to and from the Well related to Omimex's drilling, completion, and operation of the Well, and (2) installation and maintenance of gas gathering pipelines, and, electrical and water flow lines associated with the Well only.

f. There shall be no oil road surface or hard surfacing of roads nor any permanent roads constructed. All improvements, maintenance and construction shall be at Omimex's sole cost and expense. When this Agreement expires, or if it is otherwise terminated, (a) the gravel or other evidence of the roads shall be removed and the surface reasonably restored to its condition prior to the construction of the roads and as further provided in this Agreement for restoration and reclamation or, (b) at the option of Owner, to be evidenced solely in writing by Owner, some or all of the road may be left. If left Owner accepts the roads in their existing condition and all ownership, responsibility and cost associated with said roads shall immediately vest in Owner.

g. A copy of any water samples collected related to the well per COGCC rules and regulation shall be furnished to the Owner per COGCC rules and regulations.

h. Any gas gathering pipelines, electrical and water flow lines, installed by Omimex on the Lands shall be buried to a depth of at least forty-eight (48) inches below the surface and shall be contained within the Access Road and site for the Well and be used solely for the Well. If Omimex fails to use any gas gathering pipelines, electrical and water flow lines for a period of excess of thirty-six (36) consecutive months, the line or system, as the case may be shall be deemed abandoned and Omimex shall promptly take all actions necessary or desirable to clean up, mitigate the effects of use, and render the same environmentally safe and fit for abandonment. All such clean up and mitigation shall be performed in compliance with all federal, state, and local laws, rules and regulations. Omimex shall provide Owner with a plat or map show the precise depth, length and location of all gas gathering pipelines, electrical and water flow line connected to the wells within in sixty (60) days after installation.

i. Omimex shall not (1) use or have access to any fresh water (existing wells reservoirs, ponds, springs or similar) on or appurtenant to the Lands, (2) cause or allow non-fresh water discharge on the Lands or adjacent lands or (3) have any right to drill any water wells, without prior written consent of the

Owner, which Owner may condition or deny in its sold and absolute discretion. Omimex may use produced water from the non-fresh water formations for its drilling and completion operations. Omimex shall not take any action that will be permanently and materially alter natural water drainage.

- j. Omimex shall not be permitted to have, or allow, pets, alcohol or illegal drugs on the Lands. Neither Omimex nor its employees, contractors, subcontractors, agents or business invitees may reside on the Lands overnight for any reason except during operations which, may be conducted overnight. Personal and/or leisure activities are prohibited.

8. Owner waives the minimum thirty (30) day written notice requirement described in the Notice Letter provided by Omimex to Owner regarding the Wells.
9. The Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties, and may be executed in counterparts to comprise one document.
10. The Agreement expressly prohibits the drilling of a disposal or injection well on the Lands. Owner and Omimex agree that all underground storage rights for carbon sequestration, disposal water from oil and gas production, and any other storage right shall be considered as owned by the Owner rather than the owner of the oil, gas, and minerals rights. Omimex agrees not to store carbon sequestrations, disposal water from oil and gas production, nor any other byproducts of oil and gas production underground on the Lands.
11. Omimex will indemnify, defend, protect, and hold Owner, and if applicable, Owner's officers, directors, employees, agents, successors and assigns harmless from any and all claims, liens, liabilities, demands, suits, causes of action, expenses, losses, damages and cost (including, without limitation, any attorney fees) which may be asserted against Owner or Omimex by any third party, including Omimex's employees and agents, arising from or on account of any operations, acts or omissions of the Omimex under this Agreement, except to the extent arising from Owner's gross negligence or willful misconduct.
12. Omimex shall purchase and keep in force a policy or policies of commercial general liability insurance relating to the use of the surface of the Lands in an aggregate amount of at least Five Million Dollars (\$5,000,000.00) for drilling operations and at least One Million (\$1,000,000.00) for all other operations on or affecting the surface. Proof of this insurance is a prerequisite to any entry on or use of the surface of the Lands by Omimex.
13. Omimex shall, at its sole expense, keep the Lands free and clear of all liens and encumbrances resulting from Omimex's and its agents' activities on the Lands, 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. Nothing in this paragraph shall prevent Omimex from pledging its leasehold interest, reserves, or production as collateral for a loan.
14. Any rights to use the surface of the Lands shall terminate upon the earlier of termination of the Lease or December 1, 2029; provided, however that should the Lease still be in effect on or after December 1, 2029 that this Agreement may be

automatically renewed, in part or whole, as to each Well, for successive ten year periods by payment of an additional \$3,600.00 per Well on or before the successive ten year renewal date with said right of renewal by Ominex to continue so long as the Lease continue in full force and effects. However, no termination of this Agreement by Owner, Ominex or otherwise shall relieve either party of any obligation under this Agreement incurred or occurring prior to and through the date of termination including Ominex'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 law or regulation. Upon termination of the rights granted under the Agreement, Ominex shall execute and deliver to Owner, within thirty (30) days after written demand therefor, an acknowledgement that this Agreement has been terminated.

15. 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 Phillips County, Colorado district court. 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.

16. All rights granted in this Agreement are limited to the specific grant(s) described in this Agreement and the Owner reserves to itself and its successors and assigns all rights not specifically granted to Ominex in this Agreement, including the right to grant third parties successive easements and rights-of-way across the Lands, all oil, gas and minerals that Owner presently possesses on and under the Lands, the right to farm, to erect and maintain posts, braces, fences, gates and cattle guards where necessary to protect livestock, graze and otherwise fully use and enjoy the Lands.

17. In addition to all legal and equitable remedies available to Owner, Owner's remedies for a default or breach by Ominex of this Agreement shall also include \$500.00 per incident, provided, however, that Ominex shall have two weeks from receipt of written notification from Owner at Ominex's office in Fort Worth, Texas of the alleged default or breach to rectify the same prior to paying the [REDACTED]. If default or breach is rectified in the two weeks then no payment is due.

18. Ominex agrees to pay prorata that portion of the real property taxes payable to the Phillips County Treasurer for any acreage within the SW/4 of Section 34, Township 6 North, Range 45 West, 6th P.M. used within any given calendar year by Ominex. If paid by Owner these changes shall be reimbursed by Ominex upon sixty (60) days written notice by Owner to Ominex. Such notice shall include a copy of the property tax notice and the calculation of the prorata amount.

IN WITNESS WHEREOF, the parties have set their hands on the date and year written above.

Owner:


Keith Sagehorn


Diane Sagehorn

Ominex Petroleum, Inc.



Clark P. Storms, Vice President