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Surface Use Agreement and Easement with Subsurface Easement

STATE OF COLORADO )  
 ) KNOW ALL MEN BY THESE PRESENTS  
 COUNTY OF LA PLATA )

This Surface Use Agreement with Subsurface Easement ("Agreement") is made effective as of 2-29-2012 ("Effective Date"), by and between Alfred Serna ("Landowner"), with a mailing address of 3338 CR 330, Ignacio, CO., 81137, and BP America Production Company, ("BP"), with a mailing address of 380 Airport Road, Durango, CO. 81303, collectively or individually referred to as "Parties" or "Party".

WITNESSETH:

WHEREAS, Landowner is the owner of all surface rights in the S/2NE/4 of Section 9, Township 32 North, Range 6 West, N.M.P.M. ("the Property") in La Plata County, Colorado; and

Whereas, BP is the owner of certain leasehold rights and certain rights to drill and produce oil, gas and other minerals in and under the N/2 of Section 9, Township 32 North Range 6 West ("the Tubbs Gas Unit 32-6-9 B") and the S/2 of Section 9, Township 32 North Range 6 West ("the Tubbs Gas Unit 32-6-9 A"); and

WHEREAS, BP, as Operator, desires to drill a directional well, the Tubbs GU 32-6-9 A #2 ("the Well"), in search of oil and/or gas from a surface location on the Property within the Tubbs Gas Unit 32-6-9 B to a bottom hole location within the Tubbs Gas Unit 32-6-9 A, as more fully shown on the plat attached hereto as Exhibit "A"; and

WHEREAS, BP has requested that Landowner grant to BP a surface lease of the Property to drill, complete, operate and produce the Well and to use, construct, change, operate and maintain roads, pipelines and production facilities associated with the Well. Landowner has additionally requested that Landowner grant to BP a subsurface easement to allow the wellbore of the Well to originate at the Drillsite and to traverse the Property to reach the bottom-hole location described above; and

WHEREAS, Landowner and BP desire to enter into this Agreement in accordance with the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of ten dollars (\$10.00) or more, paid or to be paid and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

A. Grant by Landowner to BP:

1. Surface Easement. Landowner does hereby grant BP the right to use so much of the surface of the Property as is reasonably necessary in order to construct, maintain and operate any facility necessary for the drilling and completion of and for the production resulting from the drilling of the Well in accordance with this Agreement. The rights herein granted include the right to install necessary surface facilities, pipe, casing or other equipment necessary to produce oil, gas or other minerals from any zone, horizon or interval in which the Well may be completed. BP shall have the further right to redrill, rework, plug back, side track or alter the Well; to reenter the Well, or re-penetrates any stratum found in the Well, or penetrate some other stratum, and to conduct such other operations as may be necessary or incidental to the directional drilling contemplated herein.
2. Road and Pipeline Easement. Landowner does hereby grant unto BP a right-of-way and easement in, under and across the Property to use, construct, change, operate and maintain roads, pipelines and production facilities associated with said Well as shown on the attached Exhibit "A".
3. Subsurface Easement. Landowner does hereby grant unto BP a continuing right-of-way and easement under, upon and across a tract of land sufficient for BP to directionally drill, complete, operate and produce the Well from the surface location to the boundary of Landowner's Property including the right to penetrate the subsurface underlying the Property.

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**B. Landowner Matters:**

1. Damage Compensation. Landowner agrees that the recited consideration constitutes full payment for all present and future surface damages that may occur to the Property as a result of BP's reasonable operations.
2. Re-Seeding of Disturbed Areas. BP shall comply with the Colorado Oil and Gas Conservation Commission ("COGCC") Rules and Regulations ("Rules") 1003 and 1004.
3. Landowner Use of Drillsite. BP will have exclusive and full use of the Drillsite, as defined below, at all times. Landowner shall not use the Drillsite for storage, access or any other purpose.
4. Cuttings Storage Areas or Pits. The requirements of COGCC Rules 902, 904 and 905, as amended from time to time, shall be followed by BP.
5. Permission to Raise, Move and Install Utility Lines. Landowner hereby grants permission for La Plata Electric Association ("LPEA") to raise, move and install utility lines on the Property when requested by BP in connection with the Well. Landowner agrees to execute utility easements with LPEA as necessary to comply with this Article A.5.
6. Setback Regulations. BP will comply with all valid and applicable local, state and federal laws, rules and regulations pertaining to distance setbacks between the Well and Landowner's existing home, buildings (including portable buildings) and any other habitable structures on the Property.
7. Setback of Future Buildings from BP Well Facilities. Landowner agrees to comply with all valid and applicable local, state and federal laws, rules and regulations pertaining to distance setbacks between the Well and Well facilities, and any future homes, buildings (including portable buildings) and other habitable structures constructed or located on the Property. Regardless of such setback distance requirements, Landowner agrees that all such future structures will be located a minimum distance of at least 150 feet away from the Well and any of the associated wellhead equipment, pipelines and facilities.
8. Waiver of Notice and Consultation. In accordance with sections 305.e(7) and 306.a(3) of the Rules of the COGCC, Landowner waives the right to receive the Landowner Notice and the Advance Notice set forth in COGCC Rule 305.e, and Landowner further waives the right to the Drilling Consultation set forth in COGCC Rule 306.a. Landowner acknowledges the receipt from BP of the information brochure for surface owners described in COGCC Rule 305.e(1)(A). Landowner acknowledges and agrees that BP has complied with all notice and consultation requirements of COGCC Rules 305 and 306. Landowner also waives the right to receive notices under the La Plata County code, including, but not limited, to section 90-77 of said code in connection with the matters addressed in this Agreement.
9. Landowner Use of Property. Landowner expressly acknowledges that this Agreement shall be deemed to fully satisfy any obligation of BP to accommodate, whether under statute or common law, Landowner's use of the surface of the Property, existing or future.

**C. BP Matters:**

1. Drillsite. BP will use only as much of the surface of the Property as is reasonably necessary for operation of the Well and associated facilities. BP estimates that the surface area that will actually be disturbed for the drill site of the Well ("Drillsite") will be approximately 1.7 acres. The Drillsite is more fully identified on the plat attached hereto as Exhibit "A".
2. Excess Material. BP may store material (e.g., soil and gravel) excavated from the Property on the Drillsite to be used for construction reclamation of the Drillsite. BP also may import material from off of the Property for construction and reclamation of the Drillsite. After constructing the Drillsite, should BP determine that there is material in excess of what is required for reclamation and which can reasonably be stored on the Drillsite, then BP may deliver said excess material to a location on the Property that is mutually acceptable to BP and Landowner. Any such excess material so delivered shall become the sole responsibility of Landowner, and BP shall have no further responsibility for said excess material. Should a mutually acceptable location on the Property not be



- found, then BP may remove such excess material from the Property; provided that BP shall make a reasonable attempt to minimize the amount of excess material that it removes from the Property.
3. Firewood. Should BP cut down or trim any trees on the Property during its operations and should Landowner so desire, BP will cut wood greater than 4 inches in diameter into firewood ranging from 12 to 18 inches in length and place such firewood in a pile (not stacked) just off of the Drillsite, road or pipeline route, as BP deems appropriate for Landowner's use. In BP's sole discretion, it may purchase firewood to satisfy the foregoing firewood obligation. All wood less than 4 inches in diameter will be chipped and spread on the Drillsite, access road, reclamation areas or pipeline route, as BP deems appropriate. Firewood will not in any case be split for the Landowner. BP will not be responsible for the theft of any firewood. Any such wood not requested to be cut into firewood by Landowner will be buried or chipped and spread on the Drillsite, access road, reclamation areas or pipeline route, as BP deems appropriate.
  4. Survey Plats. Upon Landowner's request in writing, BP will provide to Landowner a copy of any survey plat obtained by BP depicting the Drillsite or any access roads, pipelines or facilities on the Property.
  5. Recording of Agreement. BP may record this Agreement in the records of La Plata County, Colorado. BP may also, in its sole discretion and without the joinder of Landowner, execute and record from time to time written declarations with accompanying survey plats, and any amendments to same, for the purpose of locating and describing the Drillsite, access roads, pipelines and other Well facilities. The recording of such declarations, and any amendments, will serve for all purposes to locate and describe the Drillsite, access roads, pipelines or other referenced Well facilities.
  6. Maintenance and Repair of Access Roads. BP will reasonably maintain any existing roads that are used by BP on the Property in their pre-existing condition or better, in BP's sole discretion. BP will maintain any new roads that may be constructed by BP on the Property to BP's standards. BP will make all necessary repairs to the roads caused by BP's use. However, BP will not be required to snow plow or otherwise clear any road of snow.
  7. Burial of Pipelines. BP will, to the extent reasonably practicable, bury all water and gas pipelines to a minimum depth of 36 inches below the surface at the time of installation, unless subsurface conditions such as rock prohibit the installation of the line to that depth at a reasonable cost.
  8. Noise Abatement. BP will comply with COGCC Rule 802 concerning noise abatement and will install sound walls, mufflers and/or other devices, if necessary under the rule.
  9. Well Equipment. BP will make a reasonable effort to keep to a minimum the amount of Well equipment installed at the Drillsite.
  10. Reclamation.
    - a. Initial Construction. After the drilling and completion of the Well, and the construction of any associated facilities such as the well pad, access roads and pipelines, those areas of land that BP will not use for continuing production operations will be reclaimed as described in Article B.2, above. Reclamation will be performed within a reasonable amount of time after completion and first delivery of the Well or construction of any associated facilities, recognizing practical limitations of weather and season. BP does not guaranty seed germination.
    - b. Subsequent Surface Disturbance. All subsequent disturbances by BP to areas reclaimed under the preceding paragraph will be similarly reclaimed by BP within a reasonable amount of time, recognizing practical limitations of weather and season. BP will make a reasonable attempt to notify Landowner in advance of any significant subsequent disturbance activities on the Property; including but not limited to, Well servicing, Well re-drill, and pipeline repairs, with the exception of emergency repairs.
    - c. Final Abandonment. Any areas disturbed by BP, and which are required to be reclaimed, by BP in accordance with applicable laws, rules and regulations as set forth in Article B.2, above, unless Landowner desires that the roads and Drillsite remain in their then present condition and regulatory approval for same is obtained, if required.



11. Indemnification. BP agrees to indemnify, defend and hold Landowner harmless from and against any and all expenses, losses or damages resulting from or relating to BP's operation and maintenance of the Well, facilities, access roads and pipelines; provided, however, BP will not indemnify, defend and hold Landowner harmless from such expenses, losses or damages to the extent resulting from or relating to, in whole or in part, the negligence or willful misconduct of Landowner or Landowner's employees, contractors, guests or invitees.
12. Compliance with the Law. BP will comply with all applicable laws, rules and regulations.
13. Temporary Parking. Landowner agrees that during times of construction or other significant work, BP may park vehicles in areas near the work site or along roads.

**D. General Provisions:**

1. Term. This Agreement is effective as of the Effective Date and will continue until (i) all oil and gas leases underlying the Tubbs Gas Unit 32-6-9 A expire, (ii) production from the Well and any additional wells producing from the Unit have permanently ceased and are permanently plugged and abandoned, (iii) any compressor on the Property is no longer being used and (iv) any Salt Water Disposal well in the Unit has ceased being used and is plugged and abandoned. After expiration, BP will have a reasonable period of time within which to remove such Well equipment and facilities from the Property as it deems appropriate or as required by applicable rules, regulations or laws.
2. No Waiver of Other Rights. With the exception of those duties and obligations that each Party has specifically agreed to assume and perform in this Agreement, those duties and obligations which have been confirmed or clarified in this Agreement and the rights specifically granted to, waived or relinquished by a Party in this Agreement, this Agreement will not be construed to waive or relinquish any Party's legal rights in, to or under the Property, including but not limited to rights of ingress or egress, access or other reasonable surface use, now owned or hereafter acquired by a Party under any oil and gas lease or other agreement or instrument pertaining to the Property. Nor does this Agreement, subject to the foregoing exceptions, waive the rights of either Party under any applicable laws, rules or regulations pertaining to the Property.
3. No Application to Other Wells. The rights, duties and obligations of the Parties and other confirmatory or clarifying matters regarding the Well and its related facilities in this Agreement pertain only to the Well, except that roads, pipelines and facilities may be utilized for other wells. This Agreement is not intended to, and will not be interpreted to, apply to any other well that may now be located or hereafter be drilled within the Unit, whether or not located on the Property. Each Party retains all of his/her/its legal rights with respect to such other well or wells, including, but not limited to, those legal rights referenced in the preceding paragraph.
4. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Parties and their respective heirs, successors and assigns. In addition, BP and its successor Well Operator may assign this Agreement to successive Operators of the Well. Assignment of this Agreement by either Party will act to terminate the assigning Party's duties, obligations and liabilities under this Agreement from and after the date that the non-assigning Party receives a true copy of the assignment, with the exception of any indemnity or monetary obligations accruing prior to such date.
5. Applicable Law. This Agreement will be interpreted under the laws of the State of Colorado.
6. Entire Agreement. This Agreement contains the final agreement, clarifications and confirmations of the Parties as to the matters addressed, and supersedes any and all prior oral or written negotiations, understandings and agreements regarding the Well and its related facilities, roads and pipelines. Except with respect to matters described in Article D.9 below, this Agreement may not be modified unless the modification is in writing and is signed by Landowner and an authorized representative of BP.
7. Further Assurance. The Parties agree, at any time and from time to time, upon the reasonable request of either Party and without additional consideration, to take or do all such further acts and things, and furnish and deliver all such further documentation and material (including any document or instrument requested by local, state or federal authorities) which, in the opinion of the requesting Party, may be necessary or useful in carrying out the purposes of this Agreement.





8. Regulatory Conditions. If BP is required by any regulatory agency as a condition of approval to either change the location of the well to be drilled or the configuration of the Drillsite, BP reserves the right to unilaterally amend the SUA to conform to the new location(s) and/or configuration(s) as approved by the regulatory agency.
9. Memoranda of Understanding. BP will comply with any applicable La Plata County Memorandum of Understanding (MOU) regarding electrification of the Well.
10. Counterparts. This Agreement may be executed in two or more original counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.
11. Side Letter Agreement. This Agreement is subject to the terms of a Side Letter Agreement ("SLA") dated 2-29-2012, by and between Landowner and BP the terms of which are fully incorporated herewith.
12. Benefit to Other Parties. This Agreement is and shall also be for the benefit of all other parties owning the right to drill and produce under any drilling and spacing order, pooling order, oil and gas lease, operating agreement, or unleased mineral interest in the Tubbs Gas Unit 32-6-9 A to the extent same pertains to the Well or any replacement or substitute well therefore.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the dates indicated below, but effective as of the Effective Date.

Alfred Serna

Alfred Serna

BP America Production Company

By: E. M. Sierra  
E. M. Sierra  
Attorney-in-Fact WGT

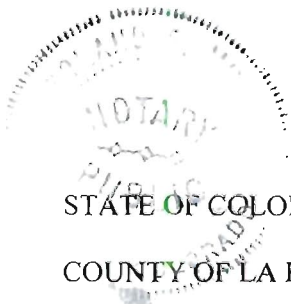
STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF HARRIS            )

SUBSCRIBED AND SWORN TO before me this 30 day of April, 2012,  
by E. M. Sierra, Attorney-in-Fact for BP America Production Company, a Delaware Corporation.

My commission expires:

12/12/15

Bryan K  
Notary Public



STATE OF COLORADO            )  
  ) ss.  
COUNTY OF LA PLATA        )

SUBSCRIBED AND SWORN TO before me this 29 day of February, 2012,  
by Alfred Serna.

My commission expires:

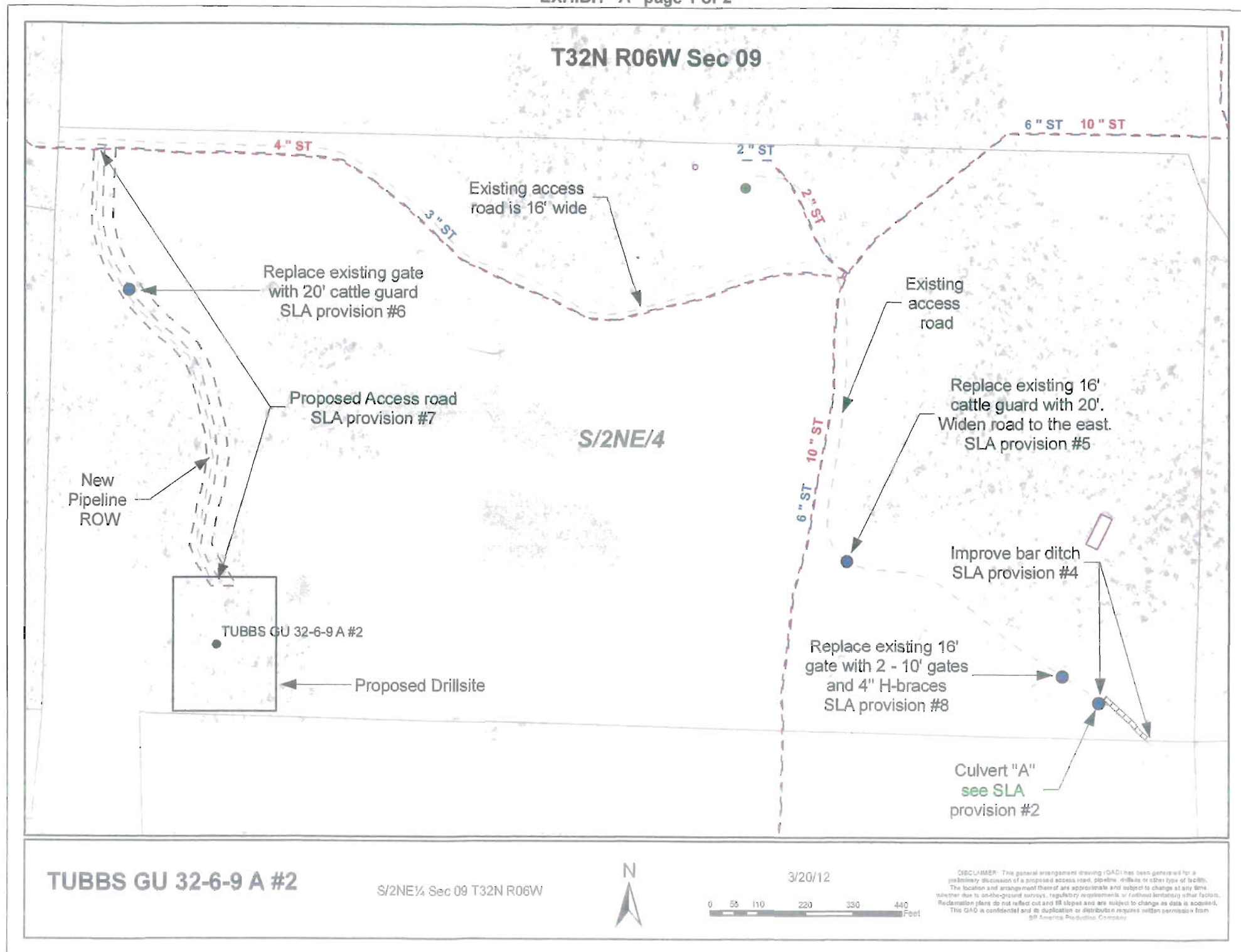
2-2-2013

R. Mon  
Notary Public



Tiffany Lee Parker  
Laplata County Clerk

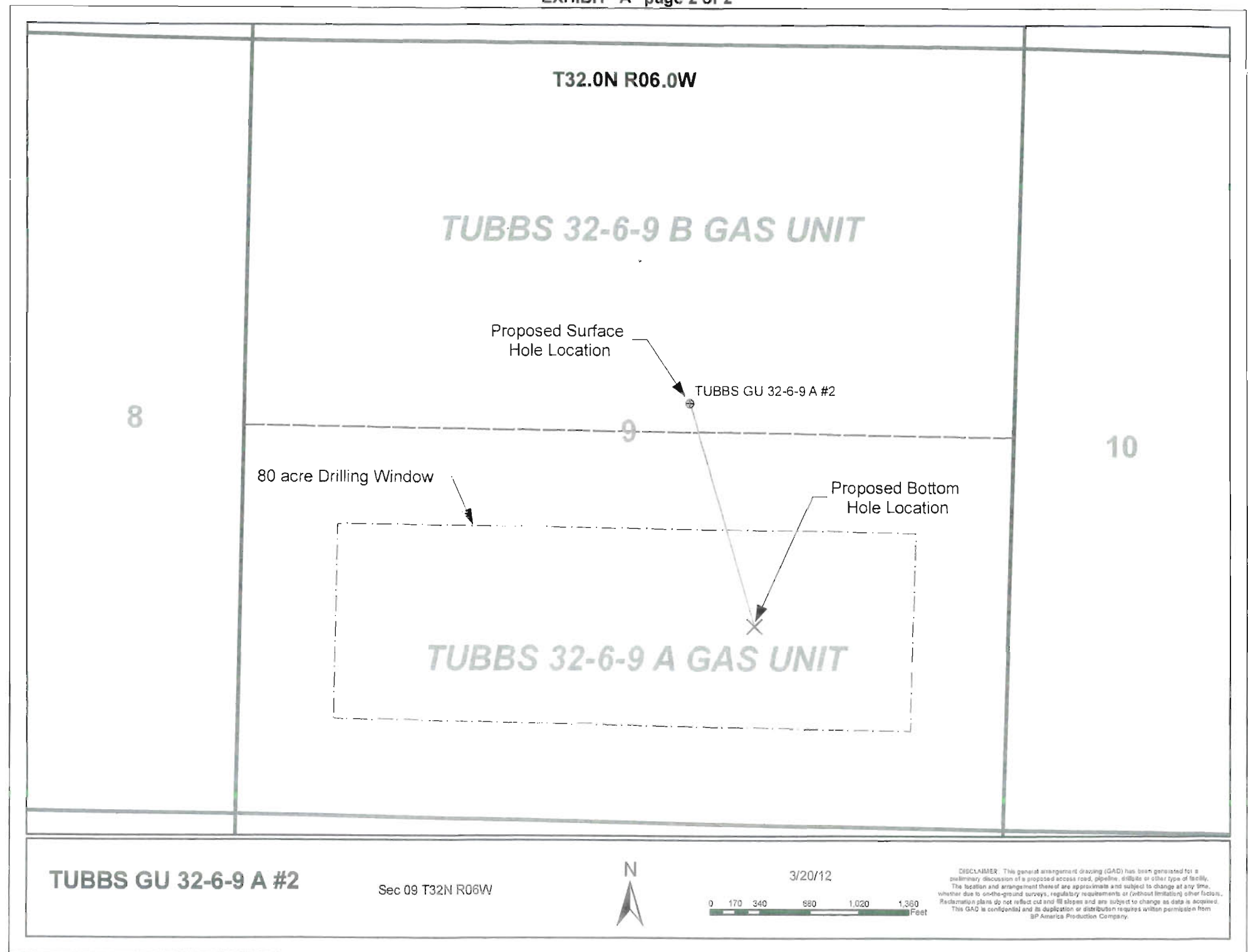
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Tiffany Lee Parker  
Laplata County Clerk

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**TUBBS GU 32-6-9 A #2**

Sec 09 T32N R06W



3/20/12

DISCLAIMER: This general arrangement drawing (GAD) has been generated for a preliminary discussion of a proposed access road, pipeline, dike or other type of facility. The location and arrangement thereof are approximate and subject to change at any time, whether due to on-the-ground surveys, regulatory requirements or (without limitation) other factors. Reclamation plans do not reflect cut and fill slopes and are subject to change as data is acquired. This GAD is confidential and its duplication or distribution requires written permission from BP America Production Company.