

Surface Use Agreement

This Surface Use Agreement ("Agreement") is made effective this 10 day of March, 2017, by and between Lost Creek Land and Cattle Company LLC, whose address is PO Box 85, Roggen, CO 80652, hereinafter referred to as "Owner"; and Verdad Resources LLC, with offices at 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235, hereinafter sometimes referred to as "Operator"; each of the foregoing sometimes referred to individually as a "Party," or collectively as the "Parties."

For and in consideration of the covenants and agreements contained herein, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by the Owner, the Parties agree as follows:

1. **OWNERSHIP.** Owner is the surface owner of certain lands, such lands and improvements thereon hereinafter sometimes referred to as the "Lands", located in Weld County, Colorado more specifically described as follows:

TOWNSHIP 3 NORTH, RANGE 62 WEST, 6TH P.M.

Section 8: All

Section 17: E2, NW4

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled an oil and/or gas well on the Lands. In order for Operator to drill, construct, complete, produce, maintain, and operate the well and all facilities associated therewith, including, but not limited to, access roads, pipelines, gathering lines, flow lines, separators, tank batteries, electric lines and any other facilities, or property necessary for Operator to conduct operations on the well(s) (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands.

The Parties enter into this Agreement to evidence their agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. **Wellsite Locations.** The approximate location of the operations area is identified on Exhibit A attached and incorporated into this instrument by this reference ("Operations Area"). Operator's wells are to be drilled on the Operation Area depicted. Any material changes to the locations of the Operation Area, access roads, and facilities may be made by Operator with the consent of Owner, which shall not be unreasonably withheld.
4. **Conduct of Operations.** Operator's operations on the Lands shall be conducted pursuant to the terms this Agreement and the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes.

6. **Additional Surface Use Provisions.** With respect to its operations on the Lands, Operator shall comply with the following provisions:
- a. **Surface Reclamation.** The Operations Area shall be reclaimed upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator shall be restored by Operator to their original contour as nearly as is reasonably practicable.
 - b. **Access Roads.** Owner hereby grants, bargains, assigns and conveys to Operator and its successors and assigns an easement and right-of-way for the purpose of constructing, using and maintaining access roads (not to exceed 20 feet in width) to the Operations Area.
 - c. **Pipelines.** Should operator drill and complete one or more wells capable of producing oil and/or gas it may be necessary to construct gathering pipelines to transport the products to market. The parties will negotiate in good faith the linear foot price, location, size and other terms of a Right of Way Agreement therefor.
 - d. **Other:**
 - i. If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the well(s), there is damage to personal property of the Owner, including, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 5, and upon Owner's notification to Operator, Operator shall repair or replace such items after consultation with and to the reasonable satisfaction of the Owner, which repair or replacement shall be

accomplished by Operator within thirty (30) days after final consultation with Owner.

- ii. Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells shall be removed and disposed away from the Lands by Operator no later than 30 days after the plugging of the wells. No such items shall be burned or buried on the Lands by Operator.
 - iii. Operator shall keep the well pad free and clear of noxious weeds and trash.
 - iv. Operator agrees to fence off the perimeter of the well sites with temporary fencing if reasonably requested by Owner. Operator will install cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.
 - v. Operator shall restore the surface of the land Owner to the condition existing prior to operations in so far as is reasonably possible and as a minimum shall comply with Rules 1004 and 1004 of the COGCC. Operator will revegetate all disturbed areas at times designated by such COGCC Rules, until there is healthy grass growth in the disturbed areas equal to or greater than 75% of the density and vigor of grasses in contiguous undisturbed areas. Absent unreasonable prices, Operator shall use H2 Enterprises, of 4626 CR 65, Keenesburg, CO 80643, for such restoration and revegetation activities. If H2 Enterprises charges unreasonable prices, or if H2 Enterprises is otherwise unavailable, Operator shall use such other company as Owner consents to, and Owner's consent shall not be unreasonably withheld.
7. **Default and Right to Cure.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner shall notify Operator of such alleged default in full and complete detail, in a writing delivered to Operator by certified mail, return receipt requested. Operator shall have thirty (30) days from its actual receipt of the written notification in which to pay, in the event of alleged non-payment, or to commence and diligently pursue a cure of any other alleged default, and upon such lapse of time, should such alleged default still remain in effect, then and only then shall Owner have the right and option to declare a default under this Agreement.
8. **Waivers.** Except as otherwise agreed in a subsequent writing subscribed to by both parties, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder shall be deemed to be a waiver of any subsequent or continuing breach of the same, nor shall any forbearance by Owner to seek a remedy for any particular alleged or actionable breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to any other alleged or actionable breach; however in no event shall Operator be liable for consequential damages.

9. **COGCC Waivers.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other and/or future notice or consultation requirements of the COGCC, including for the purpose of the one well described herein, the provisions and allowed waivers under COGCC Rules 305 and 306. Additionally, Owner hereby waives the Greater Wattenberg Area ("GWA") special well location, spacing and unit designation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC rules 318A.a, 318A.c and 603.a.(2).
10. **Indemnity/Release.** Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator. Owner hereby releases and agrees to hold harmless Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement.
11. **Notices.** Notice by either Party shall be timely given in writing, and orally if possible (with the exception of notices described in this Agreement requiring written notice), with additional and immediate subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time to time designate by written notice delivered in the way described in this paragraph to the other:
12. **Recording.** Operator may request that Owner execute a memorandum of this agreement and record it in the records of Weld County, Colorado and with any other appropriate agency of government.

15. **Entire Agreement.** This instrument contains the entire agreement between the Parties and all prior negotiations and representations are merged within this instrument, and the terms of such may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective heirs, representatives, successors or assigns.
16. **Termination.** This Agreement shall remain in effect unless and until specifically abandoned by Operator in a writing delivered to Owner, or filed by Operator in the records of Weld County, Colorado. All rights to indemnification and requirements for reclamation and provisions relating thereto shall survive termination of this Agreement.
17. **Counterparts.** This Agreement shall be binding if properly signed and fully executed and sent by facsimile transmitted to the other Parties. Without affecting the validity of the foregoing manner of execution, the Parties agree to follow-up such facsimile executions with standard paper originals signed by the parties as soon as may be practical.
18. **Force Majeure.** The passage of any deadline or time relevant under this instrument shall be deemed tolled, and nonperformance of any required obligation that Operator may have under this instrument shall be excused without penalty to Operator as to any time period, in which Operator is prevented or hindered from performing due to any governmental action or inaction, and any force majeure which shall include without limitation any act, circumstance, event or condition beyond the control of Operator which shall include without limitation any act, warning or threat of terrorism, war, revolution, rebellion, insurrection, riot, civil commotion, blockade, embargo, shortage of necessary expertise, and shortage or lack of transportation and delivery of necessary tools, equipment, material and supplies due to market conditions, act or restraint of government, strike, lockout, picketing, boycott, or damage by earthquake, fire, hurricane, tornado, flood, wind, storm, temperature extreme or other weather instability, disaster or condition, or by reason of any other circumstance or combination of same beyond Operator's control.
19. **Authority of Signatories.** The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.
20. **Binding Effect.** This Agreement constitutes a covenant running with the Lands and shall be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, authorized representatives, executors and assigns.

Remainder of page intentionally blank

Agreed to and made effective the date first written above, by the parties:

Owner:

LOST CREEK LAND AND CATTLE COMPANY LLC



By: CHARLES P. FAIRCHILD
Title: MANAGER
Date: 3/14/17

By: _____
Title: _____
Date: _____

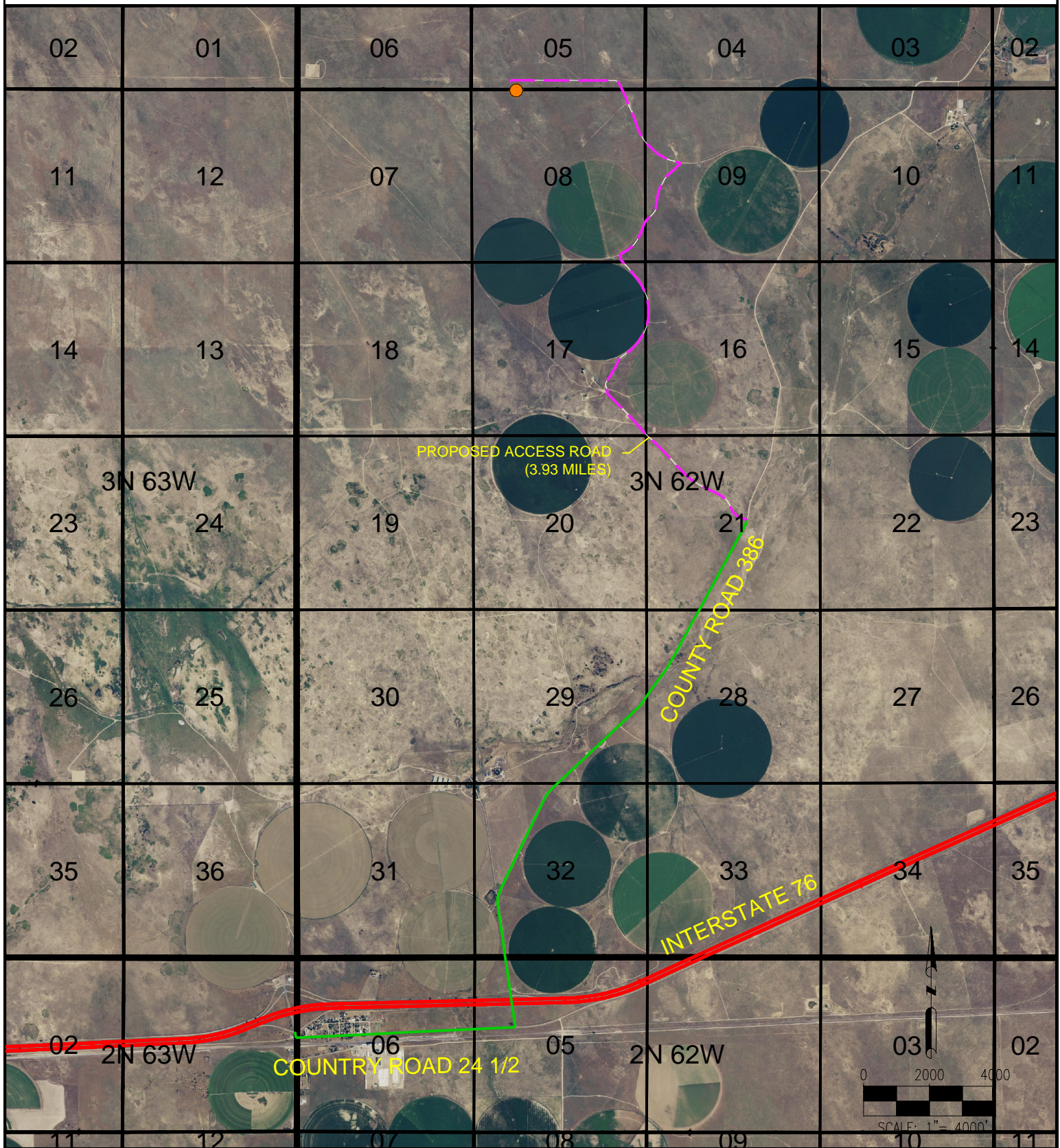
Operator:

VERDAD RESOURCES LLC



By: Philip W. Davis
By: Philip W. Davis
Title: Vice President of Land
Date: 3/10/2017

LOST CREEK 03N-62W-08NW PAD ACCESS ROAD MAP



LEGEND:

- = PROPOSED WELL
- = PROPOSED ACCESS ROAD
- = EXISTING ROAD
- = HAUL ROUTE

DISCLAIMER:
THIS PLOT DOES NOT REPRESENT A MONUMENTED LAND SURVEY AND SHOULD NOT BE
RELIED UPON TO DETERMINE BOUNDARY LINES, PROPERTY OWNERSHIP OR OTHER
PROPERTY INTERESTS. PARCEL LINES, IF DEPICTED HAVE NOT BEEN FIELD VERIFIED AND
MAY BE BASED UPON PUBLICLY AVAILABLE DATA THAT ALSO HAS NOT BEEN
INDEPENDENTLY VERIFIED.

DATA SOURCE:
AERIAL IMAGERY: NAIP 2015
PLSS: BLM

PUBLICLY AVAILABLE DATA SOURCES HAVE NOT BEEN
INDEPENDENTLY VERIFIED BY ASCENT.

PREPARED BY:



7535 Hilltop Circle
Denver, CO 80221
(303) 928-7128
www.ascentgeomatics.com

FIELD DATE:

03-03-17

DRAWING DATE:

03-08-17

BY:

DJP

CHECKED BY:

MDC

SITE NAME:

LOST CREEK 03N-62W-08NW PAD

SURFACE LOCATION:

NW 1/4 NW 1/4 SEC. 8, T3N, R62W, 6TH P.M.

WELD COUNTY, COLORADO

PREPARED FOR:

