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SURFACE USE AGREEMENT COGCC

This Surface Use Agreement ("Agreement") is dated July 2, 2013 ("Effective Date"), by and between Charles E. Tallman Farms, Inc., a Colorado corporation, whose address is ~~27411 W. 1st Ave. Ste 100, Greenwood Village, CO 80111~~ ("Owner") and Chemco Inc., a Colorado corporation, whose address is 5299 DTC Blvd. Ste 1140, Greenwood Village, CO 80111 ("Company").

RECITALS

(A) Owner owns the surface estate of lands located in Kiowa County, Colorado, more particularly described in **Exhibit A** to this Agreement (the "Lands").

(B) Owner's interest in the Lands is subject to the oil and gas lease(s) covering the Lands as described on **Exhibit B** (the "Leases"), all or portions of which are owned by Company, and which grant Company the right to access, use, and conduct operations on the Lands.

(C) Notwithstanding the rights of Company under the Leases, in the spirit of joint cooperation Owner and Company desire to reach an understanding and agreement regarding Company's surface access, use, and disturbance to the Lands.

AGREEMENT

In consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner and Company agree as follows:

1. **Grant of Access.** Owner hereby GRANTS and CONVEYS to Company the right of access on, over, and across the Lands and the right to use the surface and subsurface of the Lands to explore, develop, produce, transport, and market oil, gas, and associated hydrocarbons. The rights of access and use granted in this Section 1 include, without limitation, the right to drill, test, complete, fracture, rework, recomplete, and deepen one or more wells (whether vertical or horizontal).

2. **Compensation.** In exchange for the rights and privileges set forth in this Agreement, Company agrees to pay Owner an amount equal to 1.0% of the oil, gas, and associated hydrocarbons produced, saved, and marketed from the Leases only insofar as the Leases cover the Lands, subject to the following terms and conditions:

(a) **Post Production Costs and Applicable Taxes.** The payment for the oil, gas, and associated hydrocarbons physically produced, saved, and marketed from the Leases only insofar as the Leases cover the Lands will be valued and paid to Owner based upon the sales proceeds actually received by Company or, if appropriate, Company's affiliate, as a result of the first sale of the affected production to an unaffiliated party, less the Owner's proportionate share of all Post-Production Costs and a proportionate share of all production, ad valorem, severance, and other applicable taxes. "Post Production Costs" means all costs actually incurred by Company or its affiliate and all losses of produced volumes whether by use as fuel, line loss, flaring, venting, or otherwise from and after the wellhead to the point of first sale. These costs

include without limitation, all costs of gathering, marketing, compression, dehydration, transportation, removal of liquid or gaseous substances or impurities from the affected production, and any other treatment or processing required by the first sale to an unaffiliated party of the affected production. For compensation calculation purposes, Company shall never be required to adjust the sales proceeds to account for the purchaser's costs or charges downstream of the point of sale.

(b) Proportionate Reduction. If Company owns less than 100% of the leasehold interest under any of the Leases, or in the event any of the Leases cover less than the full fee mineral estate in the Lands, then the compensation set forth in this Section 2 will be reduced proportionately with respect to Company's interest in the Leases or the partial fee mineral interest covered by the Leases.

(c) Entire Compensation. Except for any additional compensation paid to Owner pursuant to Sections 3(c) and 6(c) of this Agreement, Owner agrees that the compensation paid to Owner pursuant to this Section 2 constitutes full payment for the rights granted in this Agreement for the Agreement's full term and all present and future surface damages that may occur as a result of Company's operations on the Lands.

3. Road Easement for Access Roads.

(a) Grant. Owner grants to Company a non-exclusive access easement ("**Road Easement**") on the Lands for Access Roads for ingress and egress by Company as needed to conduct oil and gas operations as described in this Agreement. The term "Access Roads" means those roads the Company constructs or uses for ingress and egress to and from the Lands or any well site covering up to 5 acres in area (a "**Drill Site Location**"). The Road Easement shall be approximately 30 feet in width, being 15 feet on each side of the centerline. The Road Easement may be used to access Outside Lands, as defined in this Agreement.

(b) Construction. Access Roads will be limited to approximately 30 feet in width. Culverts shall be installed at ditch and drainage crossings when requested in writing by Owner where roads cross such ditches or drainages, and the culverts shall be sized to prevent obstructing the free flow of the volumes of water being carried. Company shall protect from all operational activities all water sources and conveyance structures, including but not limited to the natural flow of creeks, wells, and ditches, and shall immediately remedy any diversion, curtailment, or blockage of water flows or contamination of water sources caused by Company's operations on the Lands.

(c) Existing Roads. Company shall be entitled to use any existing roads located on the Lands. Should Company damage any existing roads, fences or gates, Company shall immediately repair the same to Owner's reasonable specifications at Company's own expense.

(d) Cattle Guards, Gates and Fences. Upon Owner's written request, the Company shall construct cattle guards at all places where Company requires access through Owner's fences. Permanent gates shall be installed at each point where an Access Road intersects perimeter or cross fences. If Owner or Company chooses to lock any gate on an

order and restore the surface of the Lands to its original condition and contour as nearly as practicable.

(b) Reclamation. Upon termination of this Agreement, Company shall commence operations and continue in a diligent manner to fully reclaim areas to a condition as similar as is practicable to that existing prior to the commencement of Company's activities or in accordance with any then applicable federal, state, or local laws and regulations. All reclamation shall be done within six months after the termination of this Agreement, season and weather conditions permitting.

(c) Damage to Lands. If Company's operations directly damage real or personal property upon the Lands, including, but not limited to, damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, the damaged property will be repaired or replaced by Company, or Company shall pay reasonable compensation to Owner for the damage or an amount equal to the reasonable costs to repair the damage. In no event shall the amount of damages exceed the fair market value (as determined by the use of the property at the time the damages are sustained) of the property actually damaged by Operator.

(d) Water Testing. Company shall have the right, but not the obligation, to test Owner's well water or other surface water located on the Lands prior to commencement of operations on the Lands or Outside Lands.

7. No Firearms. Company shall not have firearms, archery equipment, or trapping equipment in their possession on the Lands.

8. No Fishing or Hunting. Company shall not hunt or fish on, or bring dogs onto the Lands.

9. Drugs/Alcohol. Company is strictly forbidden from using drugs and/or alcohol while on the Lands.

10. Nonexclusive Use. The rights of Company to use the Lands are nonexclusive, and Owner reserves the right to grant successive easements on or across the Lands on such terms and conditions as Owner deems necessary or advisable, so long as such successive easements do not unreasonably interfere with the operations of Company.

11. Default and Termination. In the event of the failure by Company to timely make any payment required under this Agreement or to otherwise comply with any term of this Agreement, Owner shall notify Company in writing of the failure. Company shall have 30 days after receipt of the notice to cure the default to Owner's reasonable satisfaction. Owner's failure to pursue any remedy for any particular default shall not act as a waiver of Owner's rights to pursue any other remedy for that default. The receipt and acceptance of any payment, compensation, or royalty by Owner from Company shall not be construed as a waiver of any breach, default, or violation of this Agreement, or any oil and gas lease, whether the breach, default, or violation is known or unknown at the time of acceptance of payment by Owner. Company may make any disputed payment under protest with reservation of all rights.

Access Road or an existing road being used by Company, keys shall immediately be provided to the other party.

(e) No Public Use. The use and construction of any Access Roads shall not include a right of use by the public. Owner reserves the right to use all Access Roads for any purpose that does not unreasonably interfere with Company's operations.

(f) Maintenance. At Company's sole cost and expense, Company shall be responsible for maintaining all Access Roads and any existing roads utilized by Company, except that Company may seek contribution for construction and maintenance costs from (i) the Owner for any commercial use by Owner of any Access Road or existing road, or (ii) from any third party, in the event Owner grants such third party an easement or right of way covering, or otherwise authorizes such third party to use, any Access Road or existing road.

4. Easement for Lines.

(a) Grant. Owner grants to Company a non-exclusive easement ("**Line Easement**"), approximately 30 feet in width across the Lands to construct, maintain, inspect, and operate lines, including but not limited to oil and gas flow lines, pipelines, gathering lines, telecommunication lines, electric lines, and water lines (together the "**Lines**"). The Line Easement may be used to transport oil, gas, other hydrocarbons, water, electricity, and other substances to or from Outside Lands, as defined below.

(b) Lines. All Lines will be buried a minimum of 36 inches below the surface and Company shall, when reasonably practical, place all Lines in the same trench and along and adjacent to existing roads and/or Access Roads. Company may install as many Lines in a trench as it desires. The Lands disturbed during installation and maintenance of the Lines will be limited to approximately 90 feet in width, reverting to 30 feet in width upon completion of installation or maintenance operations.

5. Operations Outside the Lands. Owner acknowledges that Company now owns, or may in the future acquire, oil and gas leases covering lands other than the Lands (the "**Outside Lands**"). Owner further acknowledges that it may be prudent for Company, in Company's sole discretion, to use roads, pipelines (oil, gas, and water), and power lines that extend across both the Lands and the Outside Lands or install compressors or blowers that serve wells on both the Lands and the Outside Lands. In consideration of the compensation described in Section 2 of this Agreement, Owner hereby grants Company the right to use the Lands, and any Drill Site Location, Line, Access Road, or any compressor, processing facility or tank battery which serves Outside Lands (a "**Central Facility**") constructed on the Lands, in connection with operations on Outside Lands.

6. General Operational Requirements.

(a) Topsoil. In all operations conducted by Company on the Lands that require the removal of soil, the topsoil will be separated from the subsurface soil, and following the completion of operations, Company will place the topsoil and subsurface soil back in proper

12. Authority. Owner represents and warrants that Owner has the right, power, and authority to enter into this Agreement. Owner further represents that Owner is lawfully entitled to receive payments due under this Agreement and that there exist no liens, judgments, or other encumbrances pursuant to which third parties claim, may claim, or are entitled to such payments and Owner agrees to release, defend, and hold Company harmless for any breach of these representations.

13. Term. Rights granted by this Agreement shall continue in full force and effect until Company's leasehold estate covering the Lands (or the Outside Lands, to the extent a Drill Site Location, Line, Access Road or Central Facility is used in connection with operations on Outside Lands) expires or is terminated, Company ceases operations on the Lands (or the Outside Lands, to the extent a Drill Site Location, Line, Access Road, or Central Facility is used in connection with operations on Outside Lands) under the terms of this Agreement, or Company has plugged and abandoned its well(s) and conducted all reclamation in accordance with this Agreement and applicable state rules and regulations, whichever is later. Notwithstanding the foregoing, the release, discharge, or indemnity from and against liability contained in this Agreement shall survive this Agreement's expiration.

14. Indemnification. COMPANY SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD OWNER HARMLESS FROM ALL CLAIMS, ACTIONS, CAUSES OF ACTION, EXPENSES, LOSSES, LIABILITIES, DAMAGES, AND COSTS OF EVERY KIND AND CHARACTER, INCLUDING REASONABLE ATTORNEYS' FEES, WHETHER ARISING OUT OF CONTRACT, TORT, STRICT LIABILITY, NEGLIGENCE, VIOLATION OF LAW, AND/OR ANY CAUSE WHATSOEVER FOR ALL DAMAGES OR INJURIES OF ANY KIND TO PERSONS OR PROPERTY ARISING OUT OF THE CONDUCT OF COMPANY ON THE LANDS, BUT NOT THOSE CLAIMS RESULTING FROM THE NEGLIGENCE, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT OF OWNER. OWNER SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD COMPANY HARMLESS FROM ALL CLAIMS, ACTIONS, CAUSES OF ACTION, EXPENSES, LOSSES, LIABILITIES, DAMAGES, AND COSTS OF EVERY KIND AND CHARACTER, INCLUDING REASONABLE ATTORNEYS' FEES, WHETHER ARISING OUT OF CONTRACT, TORT, STRICT LIABILITY, NEGLIGENCE, VIOLATION OF LAW, AND/OR ANY CAUSE WHATSOEVER FOR ALL DAMAGES OR INJURIES OF ANY KIND TO PERSONS OR PROPERTY ARISING OUT OF THE CONDUCT OF OWNER ON THE LANDS, BUT NOT THOSE CLAIMS RESULTING FROM THE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF COMPANY.

15. Miscellaneous.

(a) Definitions. The use of the terms "Owner" and "Company" in this Agreement shall be deemed to mean such party's parents, subsidiaries, affiliates, contractors, subcontractors of any tier and each of its and their officers, employees, agents, invitees, and guests.

(b) Notice. Any notices required to be given or otherwise delivered in connection with this Agreement shall be given in writing and delivered personally or sent by registered or certified mail, return receipt requested, or by facsimile. Such notices shall be

effective when delivered, if delivered personally, or when placed in the mail (if so placed in accordance with the below addresses), or when received if the notice is sent by facsimile.

If to Owner


Phone: 
Fax: 

If to Company

Chemco Inc.
5299 DTC Blvd. Ste 1140,
Greenwood Village, CO 80111
Phone: 303.771.7777
Fax: 303.773.9021

(c) Payments are Covenant-Running with the Land. The covenants to pay the sums provided in Sections 2, 3(c), and 6(c) of this Agreement shall be covenants running with the surface ownership of the Lands (the "Surface Estate") and shall not be held or transferred separately from the Surface Estate. Any sums paid under this Agreement shall be paid to the person or persons owning the Surface Estate as of the date of the first sale of the affected production to an unaffiliated party. Company shall not, however, become obligated to make such payments to any subsequent purchaser of the Surface Estate until the first day of the month following the receipt by Company of notice of change of ownership, which shall consist of the original or certified copies of the instrument or instruments evidencing a complete chain of title from the Owner to the party claiming such ownership.

(d) Access Rights are Covenant Running with the Land. The access rights set forth in Section 1 of this Agreement shall be binding upon the Lands and each and every part thereof, and the present and future owners of the Lands, and shall continue for the benefit of Company and its successor and assigns.

(e) Recordable Instruments and Further Assurances. Upon the request of Company, Owner shall execute and deliver any appropriate recordable Road Easements, Line Easements, or surface leases for Central Facilities located on the Lands pursuant to this Agreement. Moreover, each party to this Agreement, at the request of the other party and without additional consideration, shall execute and deliver to the requesting party any other assignments, deeds, agreements, contracts, instruments, and other documents as the requesting party may reasonably request in order to perform, accomplish, perfect, or record, if reasonably necessary, the rights granted under this Agreement or to otherwise carry out the intention of this Agreement.

(f) Successors and Assigns. Subject to Section 15(c) of this Agreement, this Agreement shall extend to and be binding upon the parties to this Agreement, their heirs,

executors, administrators, successors, and assigns. Company may assign this Agreement in whole or in part.

(g) Full Agreement. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of Owner and Company pertaining to the subject matters of this Agreement. No supplement, amendment, or alteration or modification of this Agreement shall be binding unless executed in writing by Owner and Company.

(h) Governing Law. THIS AGREEMENT SHALL BE INTERPRETED ACCORDING TO THE LAWS OF THE STATE OF COLORADO WITHOUT REGARDS TO ITS CONFLICT OF LAWS PRINCIPLES.

(i) Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be resolved by arbitration conducted in Denver, Colorado, and shall be administered by the American Arbitration Association under its commercial rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(j) Confidentiality; Memorandum of Agreement. Owner must keep this Agreement confidential and will not disclose the terms of this Agreement to any third party without the prior written consent of Company, which consent may be withheld for any or no reason, unless required to do so by law. Notwithstanding the foregoing, Owner must provide a copy of this Agreement to any potential purchaser or transferee prior to the sale or transfer of all or any portion of the Lands. Owner authorizes Company, without the joinder of Owner, to record in the county in which the Lands are located a Memorandum of Surface Use Agreement providing notice to the public of the existence of this Agreement.

(k) Cooperation. Owner agrees that it will cooperate with Company in satisfying necessary permitting requirements.

(l) Storage. Owner agrees not to place or store any personal property or material of any kind, including but not limited to vehicles, farm equipment, hay, or other crops on any Drill Site Location or the area disturbed by a Central Facility.

(m) Statutory/Regulatory Compliance. This Agreement shall be deemed to satisfy all local, state, and federal statutory and regulatory surface owner notice, consultation and accommodation requirements, including but not limited to, the notice and consultation requirements of Colorado Oil and Gas Conservation Commission Rules 305 and 306 and the obligation to reasonably accommodate Owner's use of the Lands under Colo. Rev. Stat. § 34-60-127, and Owner hereby waives any claims with respect thereto, except for actions to enforce this Agreement.

(n) No Real Property Interest. The compensation to Owner set forth in this Agreement is not a real property interest in the Leases.

(o) Not to be Construed Against Drafter. This Agreement shall not be construed more strictly against one party than the other merely because one of the parties or its

counsel may have initially drafted the Agreement. Both the Company and Owner have contributed substantially and materially to the preparation of this Agreement.

(p) Counterparts. This Agreement may be executed by in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument.

[Signature page follows.]

COMPANY

CHEMCO INC.

[Signature]
By: G. W. Neher
Its: President

OWNER

CHARLES E. TALLMAN FARMS, INC.

[Signature]
By: Linda R. Tallman
Its: President

ACKNOWLEDGMENTS

STATE OF COLORADO)
COUNTY OF Adair) ss.
)

The foregoing Agreement was acknowledged before me this 8th day of July, 2013, by G. W. NEHER, as PRESIDENT of Chemco Inc. a Colorado corporation, on behalf of said corporation.

Witness my hand and official seal.



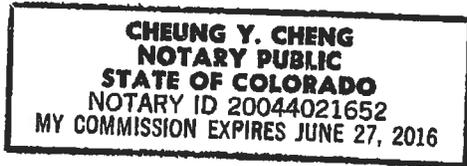
[Signature]
Notary Public

My commission expires: 05/17/2014

STATE OF COLORADO)
) ss.
COUNTY OF Weld)

The foregoing Agreement was acknowledged before me this 2nd day of July, 2013, by Linda Ray Tallman as President of Charles E. Tallman Farms, Inc. a Colorado corporation, on behalf of said corporation.

Witness my hand and official seal.

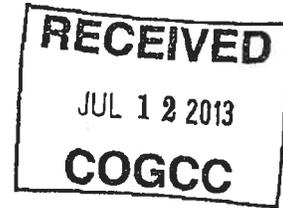


Cheung Y Cheng
Notary Public

My commission expires: June 27, 2016

Exhibit A

The Lands



Township 19 South, Range 45 West, 6th P.M.
Section 2: Lots 3, 4, S/2NW/4 (a/k/a NW/4)

Exhibit B

The Leases

Oil and Gas Lease dated January 7, 1994, recorded in Book 412 Page 504

Oil and Gas Lease dated January 7, 1994, recorded in Book 410 Page 164

Oil and Gas Lease dated January 7, 1994, recorded in Book 410 Page 224

Oil and Gas Lease dated January 7, 1994, recorded in Book 410 Page 168

Oil and Gas Lease dated January 7, 1994, recorded in Book 412 Page 325

all in the records of Kiowa County, Colorado