

SURFACE ACCESS, USE AND COMPENSATION AGREEMENT

This **SURFACE ACCESS, USE AND COMPENSATION AGREEMENT** ("Agreement") is executed this 12th day of September, 2012, by and between Michael L. Taylor whose address is 996 Washington Street, Craig, CO, 81625 hereinafter referred to as ("**Surface Owner**"), and SWEPI LP, whose address is P. O. Box 576, Houston, Texas 77001-0576 hereinafter referred to as ("**Operator**").



RECITALS:

- A. Operator owns an interest in, has the right to obtain an interest in or may obtain an interest in the future in certain oil and gas leases or mineral interests underlying surface properties owned by Surface Owner in County of Moffat, State of Colorado, which rights affect 437.43 acres, more or less and hereinafter collectively referred to as "**Operator Interests**".
- B. Surface Owner owns record title to the surface estate of the lands described under the Exhibit "A", which is attached hereto and made a part hereof and is hereinafter referred to as the "**Subject Lands**".
- C. Operator intends to use the surface estate of the Subject Lands in connection with Oil and Gas Operations upon and under the terms of the Operator Interests.
- D. Operator and Surface Owner desire to enter into an agreement that memorializes their discussions and agreements regarding Operator's access to and use of the surface estate of the Subject Lands in connection with Oil and Gas Operations upon and under the terms of the Operator Interests.
- E. Surface Owner has leased the surface estate to _____ and Tenant and Surface Owner have reached an agreement to the sharing of the compensation provided in Section 5 below. Operator shall make all cash payments hereunder to Surface Owner, unless instructed otherwise in writing by Surface Owner, as set forth in Section 5 hereof and Surface Owner and Tenant shall have responsibility for the sharing of such payments. The Tenant shall execute this Agreement, consenting to its terms and provisions. Operator shall provide a copy of all notices to the Surface Owner and the Tenant, until Operator is notified by the Tenant and the Surface Owner that the Tenant agreement has terminated (or a new tenant of the property exists).

AGREEMENT:

NOW THEREFORE, in consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

- 1. **Definitions.** As used in this Agreement, the following terms shall have these respective meanings:
 - (a) "**Oil and Gas Operations**" means all activities affecting the Subject Lands that are associated with exploration, drilling or production of oil or gas, through final reclamation of the Subject Lands, including, but not limited to investigating, exploring by geophysical and other methods, prospecting, drilling and mining for and producing oil and gas (including, but not limited to, gas producible from coal bearing formations) and all substances therewith, laying pipe lines, building tanks, power stations, telephone lines, roads and other structures thereon to produce, save, take care of, treat, transport and own said products, and temporary housing of its employees.
 - (b) "**Operator**" means a person with the legal right to conduct Oil and Gas Operations and includes the agents, affiliates, employees and contractors of that person.

- (c) **"Reclaim"** means to substantially restore the surface affected by Oil and Gas Operations to the condition that existed prior to Oil and Gas Operations, less normal industry wear and tear, in accordance with acceptable industry practices and in compliance with the Operator Interests and all applicable laws and regulations in effect at the time of reclamation, or as otherwise agreed to in writing by the Operator and Surface Owner.
 - (d) **"Subject Lands"** shall have the meaning set forth in Recital B.
 - (e) **"Operator Interests"** shall have the meaning set forth in Recital A.
 - (f) **"Surface Owner"** means a person who holds legal or equitable title, as shown in the records of the county clerk, to the surface of the real property on which Oil and Gas Operations are to take place.
 - (g) **"Tenant"** means a person who occupies the Subject Lands in subordination to the Surface Owner's title and with the Surface Owner's permission and assent, express or implied.
2. **Term of Grant.** Rights granted by this Agreement shall continue until the rights of Operator, its successors or assigns, to conduct Oil and Gas Operations upon the Subject Lands under the terms and conditions of the Operator Interests, permanently and irrevocably terminates.
3. **Right of Occupancy; Grant of Right of Ways.** Surface Owner hereby grants Operator, its affiliates, its and their employees and designated agents, and its successors and assigns, the right and privilege to occupy and use the Subject Lands for Oil and Gas Operations, including, but not limited to, right to lay, operate, maintain, repair, replace and remove pipelines to transport oil, gas and water produced, and the right and privilege to use, repair and maintain existing roads and to construct, use, repair and maintain new roads, not to exceed forty-five feet (45') in width, upon the Subject Lands, for ingress and egress to conduct Oil and Gas Operations thereon and upon adjacent lands whether or not owned by Surface Owner. Surface Owner shall be compensated as provided in Section 5
4. **Notice.** Operator shall give notice as required under the Operator Interests as follows:
- (a) Prior to initial entry upon the Subject Lands for activities that do not disturb the surface, including, but not limited to, inspections, stakings, surveys, measurements and general evaluations of proposed routes, locations and sites for Oil and Gas Operations, Operator shall provide at least five (5) business days' notice by certified mail or hand delivery to Surface Owner.
 - (b) No less than thirty (30) days, inclusive of weekends and holidays, before first entering the Subject Lands to conduct Oil and Gas Operations, Operator shall, by certified mail or hand delivery, give the Surface Owner notice of the planned Oil and Gas Operations (hereinafter 'Operations Notice').
 - (c) The notices given under this Agreement shall be to the Surface Owner at the address shown above.
 - (d) The Operations Notice shall include:
 - i. Sufficient disclosure of the planned Oil and Gas Operations. Such disclosure shall include the following:
 - 1. Placement, specifications, maintenance and design of well pads, gathering pipelines and roads to be constructed for Oil and Gas Operations;
 - 2. Ingress and egress upon the Subject Land for Oil and Gas Operations;
 - 3. To the extent known, construction, maintenance and placement of all pits and equipment used or planned for Oil and Gas Operations;

4. Use and impoundment of water on the Subject Lands;
 5. Removal and restoration of plant life;
 6. Surface water drainage changes;
 7. Actions to limit and effectively control precipitation runoff and erosion;
 8. Control and management of noise, weeds, dust, traffic, trespass, litter and interference with the Surface Owner's use;
 9. Interim and final reclamation;
 10. Actions to minimize surface damages to the Subject Lands;
 11. Surface Owner indemnification for injury to persons caused by the Operator.
- ii. The name, address, telephone number and, if available, facsimile number and electronic mail address of the Operator and the Operator's authorized representative; and
 - iii. The offer of compensation, as provided in Section 5 hereof, which shall cover full and complete compensation for damages sustained by the Surface Owner and Tenant, as applicable, for loss of agricultural production and income, lost land value, lost use of and lost access to the Subject Lands and lost value of improvements caused by Oil and Gas Operations.

5. Compensation for Damages.

- (a) In accordance with this Agreement and the Operator Interests, Operator shall pay to Surface Owner:
 - i. The sum of Two Thousand Five Hundred Dollars (\$2,500.00) per net surface acre of range land or pasture land that is actually damaged or occupied by each new Oil and Gas Operation, excluding seismic and other geophysical operations, conducted hereunder.
 - ii. The sum of Four Thousand Dollars (\$4,000.00) per net surface acre of non-irrigated land producing hay that is actually damaged or occupied by each new Oil and Gas Operation, excluding seismic and other geophysical operations, conducted hereunder.
 - iii. The sum of Seven Thousand Dollars (\$7,000.00) per net surface acre of irrigated land producing hay that is actually damaged or occupied by each new Oil and Gas Operation, excluding seismic and other geophysical operations, conducted hereunder.
 - iv. Such payment shall cover full reimbursement for the use, actual damage and occupancy of the Subject Lands, including loss of agricultural production and income, lost land value, lost use of and lost access to the Subject Lands and lost value of improvements caused by Oil and Gas Operations.
- (b) Operator shall not be responsible for allocating compensation between the Surface Owner and any tenant, except that Operator shall compensate a tenant of the Surface Owner for any leasehold improvements damaged as a result of Operator's Oil and Gas Operations, if the improvements are approved and authorized, in writing, by the Surface Owner. Payments made to the tenant must be approved, in writing to the Operator, by Surface Owner within thirty (30) days of the receipt of the Operation Notice. Failure to provide an accurate listing, including replacement valuation of said improvements constitutes acceptance by the Surface Owner to compensate the tenant and to fully indemnify Operator

for the provisions of this Section 5. The compensation shall equal only the cost of repairing or replacing the improvements.

- (c) Surface Owner shall ensure that any new Tenant of Surface Owner shall be bound by this Agreement and that no further compensation, except as provided hereinabove, shall be due by Operator to Surface Owner and Tenant for any Oil and Gas Operations conducted on the Subject Lands.
 - (d) In the event of a change of ownership relating to the Subject Lands, Operator shall not be bound by the same until it is furnished with satisfactory evidence in recordable form of said change of ownership.
6. **Drilling & Earth Moving Operation Restrictions.** Operator agrees that no actual drilling or earth moving operations shall occur on the Subject Lands during the period of September 1 through November 30 annually, unless otherwise agreed to in writing by Surface Owner and Operator. Surface Owner does agree that Operator shall be allowed to conduct any and all other Oil and Gas Operations on the Subject Lands during such period, but only between the hours of 8:00 A.M. and 4:00 P.M., unless otherwise agreed to in writing by Surface Owner and Operator. Notwithstanding the foregoing limitation, in the event Operator, in its sole opinion, determines that an emergency or security situation is occurring or has occurred, Operator will have full unfettered ingress and egress to the Subject Lands for any and all purposes to address such emergency or security situation.
7. **Pipelines.** Operator hereby agrees to bury all oil and natural gas pipelines (and other utilities lines), at least three (3) feet below the surface of the ground, where Operator determines, after consulting with Surface Owner, to be reasonable, necessary and practical.
8. **Well and Tank Battery Locations.** Operator agrees to only use so much of the Subject Land as is reasonably necessary for the drilling of any well or placement and construction of any tank battery, under the Operator interests. Surface Owner shall be compensated as provided in Section 5 above. Operator agrees to fence each drill site or tank battery with a fence and maintain said fence in condition sufficient to turn livestock. Operator agrees that no well shall be drilled within Three Hundred (300') feet of any residence, barn, water well, river, stream or spring now on the Subject Lands without Surface Owner's consent, which shall not be unreasonably withheld.
9. **Reclamation.** Upon termination of the Oil and Gas Operations under this Agreement, Operator shall restore the Subject Lands to as near as practicable, less normal wear and tear, to their condition prior to Oil and Gas Operations in accordance with acceptable industry practices and in compliance with the Operator interests and all applicable laws and regulations, including standards used and approved by the Colorado Oil & Gas Conservation Commission, in effect at the time of restoration. All clean-up and restoration requirements shall be completed by Operator within one (1) year after termination of plugging the last well on the Subject Lands (weather and surface conditions and regulatory agencies permitting). Operator agrees to the following:
- (a) **Fences.** Operator shall restore and replace any and all damage done to any fences of Surface Owner cut or otherwise damaged in exercising any of the rights granted hereby.
 - (b) **Vegetation.** All reseeding shall be done with suitable native grasses. No reseeding (except for barrow pits) will be required on any access road. Surface Owner shall work reasonably with Operator on any reseeding jobs.
 - (c) **Cattle Guards.** Operator shall install new or refurbished cattle guard(s) or furnish adequate upgrades to any existing cattle guard(s) at such time that Operator deems such equipment to be necessary and reasonable for adequate access and entrance to Operator's Oil and Gas Operations on the Subject Lands.
10. **Water Wells.** Operator is hereby granted the right to drill, utilize, operate, maintain, repair, replace and plug and abandon water wells for its use in Oil and Gas Operations hereunder. Upon completion of Operator's Oil and Gas Operations, Surface Owner shall have the right and option to take over and own

any such water wells. Operator makes no representation or warranty of the quality of water or the fitness for any particular purpose use of the water or water well. Surface Owner would accept such water and water well "AS IS, WHERE IS, WITH ALL FAULTS, AND WITHOUT RECOURSE", AND SURFACE OWNER EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. Operator shall provide written notification of intention to plug and abandon any such water well and Surface Owner shall have thirty (30) days in which to notify Operator in writing of Surface Owner's election of whether or not it elects to take over and own any such well. Failure by Surface Owner to so notify Operator within said thirty (30) days shall be deemed an election to not take over and own any such well. Surface owner hereby grants Operator the right to sample existing water wells upon notice. Surface Owner hereby grants Operator the right to install monitoring wells should no suitable water wells be available.

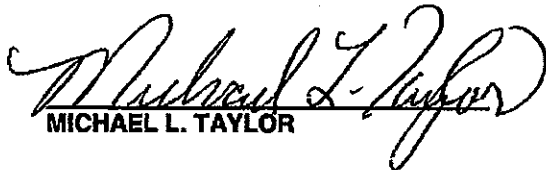
11. **Disposal Wells.** Operator is hereby granted the right to drill, utilize, operate, maintain, repair, replace and plug and abandon produced water disposal wells for its use in Oil and Gas Operations hereunder.
12. **Storage and Repair of Equipment.** Operator shall not allow any construction equipment or materials to be stored on the Subject Lands beyond ninety (90) days after completion of construction operations, unless approved, in advance, by Surface Owner. Operator shall have the right to repair and maintain equipment upon the Subject Lands.
13. **No Weapons, Drugs and Alcohol.** Operator shall not permit or allow its affiliates, agents, employees, successors or assigns to carry any firearms, crossbows or other weapons while on the Subject Lands. Operator, its affiliates, agents, employees, successors or assigns are not permitted to hunt on the Subject Lands. Operator, its affiliates, agents, employees, successors or assigns are not permitted to consume, be under the influence of or possess alcohol or drugs on the Subject Lands.
14. **Notice of Repairs or Damage.** Surface Owner may notify Operator in writing of any necessary cleaning or repairs to fences and/or other property of Surface Owner that is damaged as a result of Operator's Oil and Gas Operations, and shall allow Operator a reasonable time to commence the necessary cleaning or repairs.
15. **Indemnification.**
 - (a) Operator, its successors and assigns, hereby agree to relieve, release, indemnify, and hold harmless and agree to defend Surface Owner, its managers, members, successors, assigns, employees, agents, invitees, and licensees from any and all claim of damage to any person or property arising out of use of the Subject Lands for Oil and Gas Operations by Operator for damages proximately caused by Operator, which damages include specifically but without limitation, all damages sounding in tort (whether by way of nuisance, trespass, ultra hazardous activity or otherwise) and/or involving environmental contamination and its incident response, compensation or liability, and also including all expenses, reasonable attorneys' fees, court costs, witness fees, and other monies expended by or incurred by Surface Owner, its managers, members, successors, assigns, employees, agents, invitees and licensees in the event it shall become necessary for Surface Owner, its managers, members, successors, assigns, employees, agents, invitees and licensees to defend themselves from any claims made by anyone as a result of Operator's Oil and Gas Operations, on, across or over the Subject Lands, but not otherwise. Operator agrees specifically to comply with all lawful and applicable federal, state, tribal, and local environmental regulations in effect upon the Subject Lands.
 - (b) Surface Owner, its successors and assigns, does hereby agree to relieve, release, indemnify, and hold Operator harmless and agree to defend Operator from any claim of damage to any person or property arising out of use of the Subject Lands, including the bridging of any pipeline, by Surface Owner, its successors, assignees, invitees, tenants and licensees, for damages proximately caused by Surface Owner, its successors, assigns, invitees, tenants and licensees, which damages include specifically but without limitation, all damages sounding in tort (whether by way of nuisance, trespass, ultra hazardous activity or

otherwise) and/or involving environmental contamination and its incident response, compensation or liability, and also including all expenses, reasonable attorneys' fees, court costs, and witness fees, and other monies expended by or incurred by Operator or its agents, in the event it shall become necessary for Operator or its agents to defend themselves from any claims made by anyone as a result of the use of any future wells and rights-of-way, including the crossing of any pipeline, by Surface Owner, its successors, assigns, invitees, tenants and licensees, but not otherwise.

16. **Confidentiality:** Operator, Surface Owner and, if applicable, Tenant hereby warrant and represent that Operator, Surface Owner and, if applicable, Tenant shall not disclose or publish in any form or fashion the amounts or details of this Agreement, except for providing the existence and other information pertaining to this Agreement to regulatory agencies, it being understood that such warranty and representation forms part of the consideration of this Agreement.
17. **Reasonable Accommodation Provision.** Surface Owner acknowledges and agrees that upon execution of this Agreement, Operator has fully complied with and satisfies all reasonable accommodation provisions of the Oil and Gas Conservation Act at C.R.S. Section 34-60-127.
18. **Notice Waiver.** In accordance with COGCC Rule 305.e.(7), Surface Owner waives the Landowner Notice, the thirty (30) day Advance Notice, and notice of final reclamation operations required by COGCC Rule 305 and the Oil and Gas Conservation Act at C.R.S. § 34-60-106(14), as amended, with respect to all oil and gas operations, and agrees to execute a separate waiver for filing with the COGCC if requested by Lessee. This waiver applies to all oil and gas operations proposed by Lessee under this Agreement.
19. **Consultation Waiver.** In accordance with COGCC Rule 306.a.(3), Surface Owner waives surface owner consultation as required by COGCC Rules 333 and 306, as amended, with respect to all oil and gas operations, and agrees to execute a separate waiver for filing with the COGCC if requested by Lessee. This waiver applies to all oil and gas operations proposed by Lessee under this Agreement.
20. **Governing Law.** The laws of the State of Colorado shall control the rights of the parties under this Agreement.
21. **Waiver.** By signing this Agreement, neither party waives its statutory and common law rights to occupancy and enjoyment of their respective estates, except as expressly provided in this Agreement.
22. **Amendment.** This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties with respect thereto. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all parties.
23. **Counterparts.** This Agreement may be executed in counterparts. Each counterpart shall constitute an original and all counterparts together shall constitute one and the same document. Receipt by party hereto of an executed copy of this Agreement by facsimile shall constitute conclusive evidence of execution and delivery of the Agreement by the signatory thereto.
24. **Assignment.** All rights and obligations under this Agreement shall run with the Subject Land and shall inure to the benefit of and be binding upon the heirs, successors, or assigns of each party. Either party hereto may assign this Agreement and agrees to provide prompt written notice, including a copy of the assignment or conveyance, to the other party.
25. **Entire Agreement.** This Agreement and the exhibits hereto and thereto, contain the entire agreement of the Parties with respect to the subject matter hereof and supersede all previous agreements or communications among the Parties, verbal or written, with respect to the subject matter hereof.
26. **Memorandum.** The parties hereto agree to execute a memorandum of this Agreement, which shall be in form sufficient to record in the Moffat County real property records, in the form attached.

Dated effective as of the date first written above.

SURFACE OWNER



MICHAEL L. TAYLOR

OPERATOR

By: 

Title: Attorney-in-Fact

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The undersigned Tenant has leased the Subject Lands from the Surface Owner, and has read and understands this Agreement. The undersigned Tenant hereby consents and agrees to the terms and provisions of this Agreement (including the Recitals), and agrees that Tenant shall cooperate with Operator and not interfere with the surface rights granted to Operator under this Agreement. Tenant specifically agrees that any payments by Operator's to Surface Owner, as set forth in Section 5 hereinabove, includes all of Tenant's share of compensation due from Operator under the terms of this Agreement, and Tenant hereby releases Operator from any liability for failure of Surface Owner to pay Tenant its proportionate share of the total compensation as discussed in Section 5 herein. Tenant agrees to execute such documents as Operator may require to effect the intent of the parties to this Agreement.

Tenant of the Subject Lands

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN SURFACE ACCESS, USE AND COMPENSATION AGREEMENT EXECUTED THIS 12th DAY OF September, 2012, BY AND BETWEEN MICHAEL L. TAYLOR, AS SURFACE OWNER, AND SWEPI LP, AS OPERATOR.

Township 3 North, Range 91 West, 6th P.M.

Section 10: SW4NE4, NW4SW4, NW4, N2SW4, Part of S2SW4 Lying West of County Road 41 (9.00), Part of S2SW4 Lying South of a Line 1100' South of North Line and Lying East of County Road 41 (2.00),

Township 3 North, Range 91 West, 6th P.M.

Section 15: Part of N2NW4 Lying West of County Road 41 (61.00), Part of N2NW4 Lying E of County Road 41 (18.00)

LESS AND EXCEPT:

A Tract or Parcel of land Containing 7.57 acres more or less, located in the SW4NW4, NW4SW4, SW4SW4, SE4SW4 of Section 10, the NE4NW4 of Section 15 all of which is in the T3N-R91W 6th P.M. Colorado. A strip of land 60 feet in width with 30 feet each side of the following described survey, beginning at a point on the west line of the SW4NW4 of Section 10, from which point the SW corner of said tract bears S0°17'W for 662.8 feet, thence S43°53'E for 479.9 feet, thence S26°43'E for 392 feet, thence S45°23'E for 316 feet, thence S26°33'E for 416 feet, thence S48°43'E for 280 feet, thence S21°23'E for 214 feet, then S6°18'E for 500 feet, thence S30°58'E for 260 feet, thence S6°03'E for 656 feet, thence S50°15'E for 212 feet, thence S30°40'E for 232 feet, thence S2°48'E for 233 feet, thence S19°39'E for 311 feet, thence S51°12'E for 995 feet to the east line of the NE4NW4, Section 15, whence the SE corner of said tract bears South for 154 feet.

Containing 437.43 acres, more or less.