

Surface Use Agreement

This Surface Use Agreement ("Agreement") is made effective this 23rd day of January, 2015, by and between Cervi Enterprises Inc. ("Owner"), whose address is PO Box 1930, Greeley, CO 80632; and Verdad Oil & Gas Corporation ("Operator"), a Texas Corporation, with offices at 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235, 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 63 WEST, 6TH P.M.
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Operator, or its affiliates, owns a working interest in valid leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith (each a "Lease," collectively, the "Leases").

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

2. **CONDUCT OF OPERATIONS:** Owner hereby grants Operator, its agents, employees, and related service companies access and use of the Operations Area(s) (defined below) for the purpose of drilling, completing, and producing one or more oil and/or gas wells and together with a right-of-way across Owner's Lands necessary to construct and maintain one access road and other facilities in connection with the wells to be drilled by Operator. The Parties agree Operator's operations on the Lands shall be conducted pursuant to the terms of the Leases, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes and case law.
3. **COMPENSATION:** As compensation for normal and customary damages and the use of Owner's surface estate, Operator agrees to the following:

This amount shall be deemed full and agreed consideration for the reasonable use and customary ingress, egress, rights-of-way, drilling, completion, gathering lines, production and maintenance operations associated with all wells on the Operations Area(s).

4. LOCATION: The location of the Operations Area and future Operations Area to be constructed and ways of ingress and egress on the Lands are depicted on Exhibit A, attached hereto and incorporated into this instrument by this reference. Except as described herein and depicted on the attached Exhibit A and in case of an emergency, the Lands shall not be disturbed by Operator.
5. PIPELINES: The location of a permanent gas gathering line shall be granted by Owner and shall be located adjacent to one of the two road rights-of-way shown on Exhibit A. The form of pipeline right of way agreement is attached hereto as Exhibit C. The pipe constructed under this Agreement shall be placed at a depth of not less than 48 inches below the surface of the ground. Owner agrees to execute a pipeline right of way agreement in the form of that attached hereto as Exhibit C which will be recorded with the Weld County Clerk and Recorder. Lands disturbed during the construction of a pipeline shall be restored by Operator to their original contour as nearly as is reasonably practicable and Operator shall reseed with native grass, and continue to reseed until grass is regrown. Gas gathering lines shall be limited to the line referenced in this paragraph. In the event a third-party gas gathering company wishes to install a gathering line on the Lands, said third-party gas gathering company shall negotiate the location and compensation therefore with Owner. Owner may withhold consent to install a third-party gathering line at its discretion.
6. ADDITIONAL SURFACE USE PROVISIONS:

With respect to its operations on the Lands, Operator shall comply with the following provisions:

- A. The Operations Area(s) shall be limited to approximately five (5) acres of land while drilling and while completion operations are being conducted. After Operator's drilling and completing operations are completed, the Operations Area(s) shall be restricted to a production site to as small a dimension as reasonably practical for prudent operations, and not to exceed 2.5 acres. There shall be no more than two Operations Area(s) on the Lands. The first is shown on Exhibit A. The second Operations Area shall be located in the northeast of the section as close to the north section line as is feasible.
- B. Subsequent wells drilled in the Operations Area(s) shall be drilled as close to previously drilled wells as possible but no further than 20 feet apart.
- C. Other operators which may have a right to drill and produce minerals under the Lands may, at the election of Owner, share the Operations Area(s) with Operator so long as their operations do not interfere with Operator's operations.
- D. Except as shown on Exhibit A, all surface facilities shall be located in the Operations Area(s).
- E. Surface Reclamation: All areas of the Operations Area(s) occupied or utilized by Operator shall be restored by Operator to their original contour and condition as nearly as is reasonably practicable as such lands are no longer used and again upon permanent cessation of Operator's operations on the Lands. Upon reclamation, Operator agrees to reseed with native grass, and continue to reseed and water until grass is regrown. Top soil shall be stripped and stockpiled, and replaced at the conclusion of operations in each location.
- F. 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 but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, crops, grasses, trees or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 3, 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.
- G. 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 completion of the Wells. No such items shall be burned or buried on the Lands by Operator.

- H. There shall be no underground gas storage, sequestration of any substances, or underground disposal of waste. There shall be no pits on the Lands.
 - I. Operator shall keep the well pad free and clear of noxious weeds and trash during operations.
 - J. Operator agrees to fence off the perimeter of the well sites with temporary fencing if 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.
 - K. All operations and facilities shall be ducted and maintained to avoid and minimize any impact on Owner's other land including but not limited to spills, open pits, and odors. All facilities shall be painted "tan" or in such other color as Owner may request to minimize the visual impact of the facilities.
 - L. Operator's employees shall not park on the Lands outside of the Operations Area(s) and are permitted to park in the Operations Area(s) only while conducting operations on behalf of the Operator. No living quarters shall be constructed upon the Lands, except that drilling crews and geologists or service personnel may use temporary "dog houses" during drilling, completion, or reworking activities.
 - M. None of Operator's employees, agents, or contractors, or any other person under the direction or control of Operator shall be permitted to carry firearms or any other weapon on the Lands and such persons shall not hunt, fish, or engage in recreational activities on the Lands. No dogs will be permitted on the Lands at any time. Operator will notify all of its contractors, agents, and employees that no dogs, firearms, weapons, hunting, fishing, or recreational activities will be allowed on the Lands. None of Operator's employees, agents, or contractors, or any other persons under the direction or control of Operator, shall possess or be under the influence of alcohol, marijuana, or illegal drugs while on the Lands.
 - N. Operator shall be responsible for instituting procedures during grading or other operations to mitigate to the greatest extent possible dust escaping the Operations Area(s). There shall be no above ground power lines located on the Lands.
 - O. Operator shall enforce a speed limit of 20 mph for all personnel on the Lands.
 - P. Baseline water quality and quantity tests shall be conducted and paid for by Operator on all water wells on the Land prior to drilling and such wells shall be tested on a yearly basis thereafter. Testing parameters will be those customarily used and those required by regulation. Test results shall be provided to Landowner. Landowner shall be entitled to conduct its own tests at its cost. Test results will be provided to Operator.
 - Q. In addition to the foregoing, Operator shall comply with the Cervi Ranch Rules attached hereto as Exhibit 'D' and incorporated herein by this reference.
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. Operator shall have fifteen (15) days from its receipt of the written notification in which to pay, in the event of alleged non-payment, or thirty (30) days to cure any other alleged default, and upon such lapse of time, should such alleged default still remain in effect 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 without limitation the provisions and allowed waivers under COGCC Rules 305 and 306. Notwithstanding the foregoing, Operator shall give Owner ten days' written notice (by facsimile or email) prior to moving onto the Lands with heavy equipment.
- 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 shall, and hereby expressly agrees to defend, indemnify and hold Owner, its subsidiaries and affiliates, its successors, assigns, employees, shareholders, officers, directors, trustees and agents, harmless from and against any and all loss, expense, liens, claims, demands and causes of action of every kind and character (including those of the parties, their agents and employees), for death, personal injury, property damage or other liability, damage, fine or penalty, including costs, attorney fees and settlements arising out of or in connection with the Operator's operations, activities, and/or work, and any act or omission of Operator or any of its subcontractors, agents, employees, invitees or licensees. Operator is required by COGCC Rule 708 to carry liability insurance.
11. NOTICE FOR ADDITIONAL OPERATIONS: Operator shall comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.
12. NOTICES: Notice by either Party shall be timely given, orally if possible, with additional subsequent written confirmation sent by personal delivery, courier, mail, postage prepaid and addressed to either Party at the address as designated above; 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.
13. BINDING EFFECT: The covenants and conditions herein contained and all of the provisions of this Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives, successors, and assigns. Owner agrees to notify any and all tenants of the Lands and any other third parties utilizing the surface of the Lands who may be affected by Operator's activities on the Lands. It shall be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement. Payment of consideration, if any, which may be due any such third party from Owner as a result of Operator's use of the Lands under this Agreement shall be the sole obligation of Owner and Owner shall protect, defend and indemnify Operator from any and all claims and demands from such third parties as a result of Operator's actions under this agreement.
14. CONFIDENTIALITY: The Parties agree to keep the terms and conditions of this Agreement confidential and shall not disclose such matters to any third party, unless Owner is ordered to do so by specific order of the court in a legal proceeding. Notwithstanding the foregoing, Owner may disclose the terms of this Agreement to Owner's legal advisors, and payment terms to Owner's legal advisors, tax advisors, and appropriate government taxing authorities. While the specific terms hereof are to be held in strict confidence by Owner, Operator may record a memorandum of this agreement in Weld County, Colorado, and with any other appropriate agency of government.

15. TERMINATION: This Agreement shall remain in effect unless and until the permanent cessation of operations by Operator, relinquishment of Operator's Lease, or untimely curing of a material breach of the terms of this Agreement. Operator shall deliver notice in writing delivered to Owner of its intent to cease operations and reclaim the Operations Area(s). All rights to indemnification and requirements for reclamation and provisions relating thereto shall survive termination of this Agreement.
16. COUNTERPARTS: This Agreement may be signed in separate counterparts and shall be binding if properly signed and fully executed and sent by facsimile transmitted to the other Parties.
17. GOVERNING LAW AND VENUE: This Agreement shall be governed by, construed and enforced in accordance with the laws of the state of Colorado. Weld County, Colorado, shall be the forum for resolution of all disputes under this Agreement.
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. 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.

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

OWNER:
Cervi Enterprises Inc., a Colorado Corporation



By: Mike Cervi, President

OPERATOR:
Verdad Oil & Gas Corporation, a Texas Corporation



By: Philip W. Davis, Vice President-Land

TOWNSHIP 3 NORTH, RANGE 63 WEST, 6TH P.M., WELD COUNTY, CO
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Exhibit 'A' (continued)

Access road for original location:

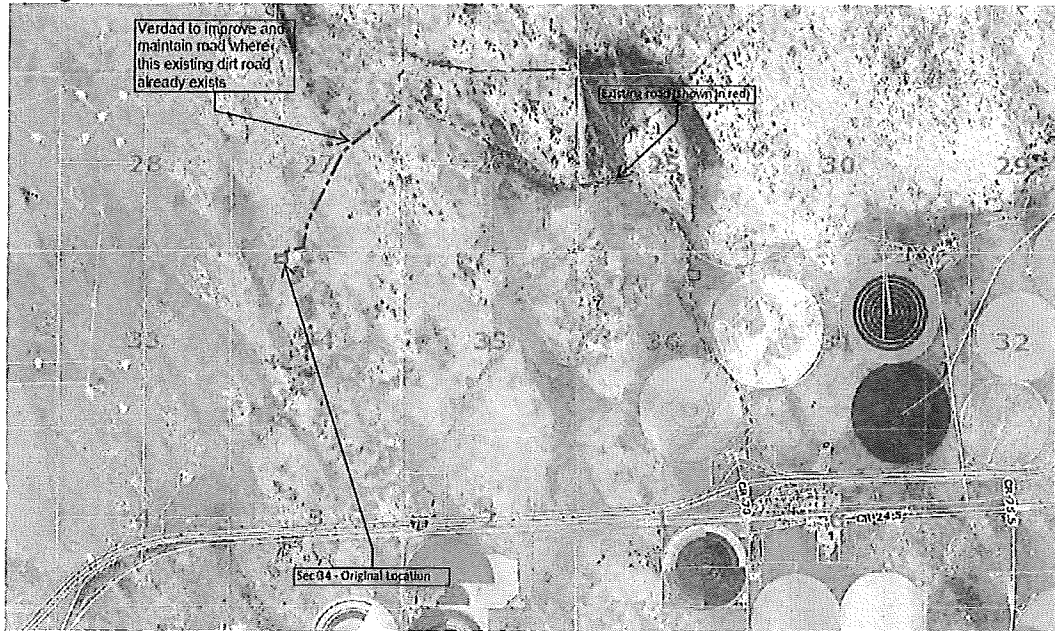


EXHIBIT "D"
TO SURFACE USE AGREEMENT DATED JANUARY 23, 2015,
BETWEEN CERVI ENTERPRISES INC., AND VERDAD OIL & GAS CORPORATION

CERVI RANCH RULES

1. Respect all Cervi property.
2. Stay on lease roads or locations at all times.
3. No faster than 20 mph on access roads depending on weather and conditions. Access easements granted in this Agreement shall be non-exclusive. Owner shall have full use of said access easements provided that Owner's use does not materially interfere with or impair Operator's operations.
4. No littering or smoking on the property.
5. Yield to all ranch activity and cattle.
6. If there are to be more than 20 vehicles on the ranch per day, gate guards must be present.
7. Roads will be graded at Owner's reasonable discretion.
8. Report all damage immediately to Mike Cervi.
9. All roads, facilities and pipelines must be agreed upon by Owner and Operator.
10. Owner has the right to excuse vendors or contractors from coming back onto the Lands for violation of rules.
11. Pipelines shall be installed in or along existing roads, or route otherwise agreed to by Owner and Operator.
12. Operator shall control erosion in the Operations Area(s).
13. Complaints and/or problems arising from Operator's activities on the Lands shall be handled promptly through the specified representatives.
14. Operator agrees to use good faith efforts to minimize damage to the surface of the Lands, while both Owner and Operator acknowledge that some damages are inherent to oil and gas operations.