

Surface LARSON Fair Meadows

Surface Use and Damage Agreement

This Surface Use and Damage Agreement ("Agreement") is made effective the 1st day of September, 2008 by and between Larson Farms, Mr. Jack Larson (Larson/Lessor) 29470 Weld County Road 66, Gill, CO 80624 and Operator Saint James Energy Operating, Inc. (St. James), 11177 Eagle View Drive, Sandy, Utah 84092

RECITALS:

1. Larson, owns the surface of the following described lands in Weld County, Colorado (the "Subject Lands"), to-wit:
 - SW Portion of Section 30, Township 6 North, Range 63 West
 - W ½ of SE Portion of Section 30, Township 6 North 63 West
2. Oil and gas rights, including the right to explore for and develop oil and gas mineral interest underlying the Subject Lands are owned or controlled by Larson Farms.
3. St. James will be entering upon the surface of the Subject lands to explore for, develop and produce oil and gas therefrom. The parties desire to enter into this Agreement in an effort to accommodate each other's use of the Subject Lands and to compensate Lessor for the use of existing roadways and portions of the surface of the Subject Lands in connection with the exploration and development of the oil and gas interests.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

I

Lessor hereby grants to St. James, its agents, employees, contractors and assigns, access and surface rights over and across the portion of Section 30, Township 6 North, Range 63 West for the purpose of surveying roads and well locations;

building, maintaining and utilizing access roads; and drilling, completing and producing or abandoning wells and related production, gathering and transportation facilities. The exact location and placement of these facilities shall be by the mutual direction of the parties. It is the intent of St. James to enter upon the land to drill new wells on the acreage during the fall of 2008. St. James has currently permitted three new wells to be drilled during the Fall of 2008 and Spring of 2009. In Total St. James anticipates the drilling of up to Seven new wells on the subject acreage.

St. James agrees to work with Lessor to minimize the surface impact of the new drilling and whenever possible to utilize existing roads and entryways, The construction repair and maintenance of any new or existing oil field access roadway, shall be at the sole cost and expense of St. James. Such improvements may include culverts, gates, additional road base and gravel. St. James has agreed to install Cattle Guards with additional swing gates at all entry points.

II

As consideration for the access granted herein, and for any surface damages to livestock caused by the activities of St. James and its contractors, agents and employees on the Subject Lands, St. James shall pay \$10,000 to Lessor for each oil and/or gas well site located on the Subject Lands. St. James shall further pay \$10,000 per rod for the new or additional roadways created to access the well site. Said amounts shall be paid to Lessor after a well site has been surveyed and prior to the commencement of drilling at the well site. Additionally, any excess tubular steel not utilized in the drilling or completion of the wells shall be given to Larsen.

It is acknowledged that a well permit to drill in the SW1/4 SE ¼ of Section 30 T6N R63W was granted by the Colorado Oil and Gas on November 17, 2005. This permitted well (Fair Meadows 2-30) was originally granted to Energy Oil and Gas, Inc. and has now become the property and right of St. James. At that time of permitting, a \$ _____ dollars surface damage payment was tendered by Energy Oil and Gas to Larson. The parties agree that only the balance of \$ _____ is now due to Larson for the drilling of this particular location.

All surface damage payments, as herein described, are hereby acknowledged by Lessor as being sufficient and payment in full for damages to the Subject Lands caused or created by the reasonable entry, right-of-way, drilling operations and subsequent operation of said well sites, sales and production flow lines, roads, and production facilities.

III

St James and Lessor indemnify and hold each other harmless from and against all causes of action resulting from their independent operations on the Subject Lands.

IV

This Agreement and the easements, rights and uses granted herein shall terminate upon the latter of (i) the cessation of operations for the production of oil, gas and other hydrocarbons substances from the Subject Lands or (ii) upon the expiration or termination of the rights of St James or any successor to any of the mineral interests underlying the Subject lands. Upon termination of the agreement, St James shall have one hundred and eighty (180) days within which to remove all equipment,

materials and improvements on the Subject Lands. St James shall reclaim each oil and/or gas well site, as nearly as reasonably practical, to its original condition and shall re-seed each such site.

V

Upon the final termination of drilling activities and production and exploration of St James' leasehold on the above property, St James shall return all roads and other rights-of-way or sites as near as practicable to their original condition, and reseed them, unless otherwise agreed. Auto gates shall be removed and fences restored as near as practicable to their original condition, unless otherwise provided or agreed. All Auto gates in place for (3) years or more shall be the property of Lessor.

VI

This Agreement may not be amended except by writing signed by both parties.

VII

The parties shall execute any and all other documents which may be necessary in order to effect the terms and purposes of this Agreement.

VIII

The parties warrant that the terms of this Agreement and all negotiations leading up to this Agreement will be kept confidential. The parties will not disclose any of the terms or negotiations to anyone other than the parties, their respective attorneys or accountant, unless a party hereto make the disclosure has been compelled to do so pursuant to the order of a court or competent jurisdiction as necessary to enforce the terms hereof or is required by law or taxing authorities. The parties further agree that this SURFACE USE AND DAMAGE AGREEMENT shall not be recorded. If it

Saint James Energy Operating, Inc

By: James L. Jensen

Title :President

Lessee

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

On the ____ of September, 2008, before me personally appeared James L. Jensen, as President of St James Energy Operating, Inc. the signor above instrument, who duly acknowledged to me that he executed the same on behalf of said corporation.

My Commission expires; _____

Notary Public