

Surface Use and Damages Agreement and Easement

Referenced Lands:      Township 5 North, Range 67 West, 6<sup>th</sup> PM  
                                 Sections 4: NE/4NE/4  
                                 Weld County, Colorado  
                                 Only to the extent of the area outlined on Exhibit "A"  
                                 comprising approximately 360' by 360' and the access  
                                 road also indicated thereon.

Well Pad Name:              Rancho Water Valley Pad

THIS SURFACE USE AND DAMAGES AGREEMENT AND EASEMENT is made effective as of the 20<sup>th</sup> day of December 2011 by and between Tekton Windsor, LLC, a Colorado limited liability company, hereinafter called "Tekton" whose address is 640 Plaza Drive, Suite 290, Highlands Ranch, CO 80129 and Taft Valley, LLC, a Colorado limited liability company whose address is PO Box 269, Windsor, CO 80550, hereinafter called the "Surface Owner".

Tekton proposes to conduct drilling operations upon the above described lands (the "Referenced Lands") from a multi-well drilling and production pad as generally depicted on Exhibit "A" attached hereto and made a part hereof (the "Pad"). The first wells will be the Rancho Water Valley 3-9-4, 2-8-4 and 2-6-4 with ten possible additional wells. Thereafter, Tekton proposes to conduct production operations thereon. Surface Owner represents that to the best of its knowledge it owns and is in possession of the entire surface estate of the Referenced Lands, upon which the well pad is to be located or which may be used to access wells on adjacent lands, upon which the associated equipment may be located; and upon which production operations may be conducted. By this instrument the Surface Owner hereby grants Tekton access on the Referenced Land and on the Pad for conducting the activities provided for herein and Tekton and Surface Owner set forth their agreement concerning the surface damages resulting from the drilling on the Referenced Land, and completing and operation of the wells (collectively, the "Wells") and subsequent production operations on the Pad from each well on the Pad. Notwithstanding anything in this document, this grant is a Non Exclusive access easement for the surface use of the property with Surface Owner retaining all reasonable surface use of the property. Furthermore, Surface owner may cross any pipelines

with pipelines, utilities, fencing or any other structure or use subject to industry safety guidelines.

NOW, THEREFORE, in consideration of the sums stated below and the mutual agreements and covenants provided herein, the sufficiency of which is hereby acknowledged, parties hereby agree as follows:

1. Normal Damages: At least seven days prior to commencing dirtwork for any drillsite(s) within the Referenced Lands; Tekton shall pay to Surface owner the sum of [REDACTED] per well then planned to be drilled from the Pad. At such time as additional wells on a the Pad are planned to be drilled, Tekton shall pay to Surface Owner the sum of [REDACTED] per well at least seven days prior to the spudding of such additional wells. The Pad is to be made available to Tekton in its present condition for any operations conducted by Tekton in connection with the Wells, including, but not limited to, drilling and production activities, workovers, well deepenings, recompletions, fracturing and replacement wells along with the access roads thereto and easements on the Pad associated with flowlines, gathering lines and pipelines and for the placement and maintenance of production equipment and facilities such as flow lines, gas pipelines, separators, treaters, tank batteries, and any other equipment or facilities necessary on the Pad or convenient for the production, transportation, gathering and sale of oil and/or gas from the Well, however none of any such flowlines, gathering lines, and pipelines are to be used for transporting oil and gas production offsite as such transportation pipelines shall be covered in a separate agreement.

2. Abnormal Damages: If, by reasons directly resulting from the activities and/or operations of Tekton, there is damage to real or personal property upon the Referenced Lands which is not associated with usual, convenient and customary operations, including but not limited to, damage to livestock, structures, fences, culverts, cement ditches, and irrigation systems, Tekton shall promptly repair such damage or pay reasonable compensation to Surface Owner.

3. Meeting on Locations: If requested by Surface Owner, Tekton's representative will meet and consult with Surface Owner or Surface Owner's representative, as to the location of the well site, access roads, flow lines, tank batteries, gas sales lines, and other associated production facilities and in regards to coordinating the movement of equipment into and out of the location.

4. Waiver of Thirty Day Notices: Surface Owner hereby waives the thirty (30) day advance notices required by the COGCC Rule 305, as amended, and agrees to execute a separate waiver for filing with the COGCC if requested by Tekton as to the First Well.

5. Notice to Tenants: With respect to notices required to be given under COGCC's Rule 305, it shall be the responsibility of the notified Surface Owner to give notice of the proposed operation to the tenant farmer, lessee or other party that may own or have an interest in any crops or surface improvements that could be affected by such proposed operations. As a courtesy to Surface Owner and tenant(s), Tekton will attempt to notify said third party prior to commencement of any operation, but shall be under no obligation to do so.

6. Topsoil Reclamation: All topsoil removed during drill site preparation and reserve and water pits construction shall be on Referenced Lands, (but not including buried flow lines and gas pipeline installations, which will be accomplished by trenching, not to exceed 36 inches in width) shall be segregated and kept separate from subsoil. Prior to replacing topsoil, bentonite drilling mud and fluids remaining in pits as a result of the drilling operations shall be removed. After subsoils have been replaced, topsoil shall be restored to its original location and condition as nearly as reasonably practical in the course of restoration activities. Tekton shall re-establish natural grasses even if it takes multiple attempts and take all reasonable steps necessary to assure there is no soil erosion directly resulting from the activities and/or operations of Tekton caused by the wind.

7. Site Restoration: Upon completion of any activity by Tekton, the premises shall be restored, including the clean-up of any potential contamination, to its original condition as nearly as reasonably practical within thirty (30) days in compliance with the standards of the State of Colorado and the County of Weld. Adequate road base material shall be applied to improve field access roads and tank battery sites. All unneeded surface equipment and materials associated with the activity, such as concrete, plastic, pipe, cable, and similar waste materials and refuse, shall be removed. Weather permitting, reclamation and restoration operations shall be completed as soon as is reasonably feasible following completion of drilling and subsequent related operations.

8. Cropland Drillsite Locations: All crop damages, if any, will be paid according to prevailing local rates. If necessary, the Colorado Department of Agriculture will arbitrate for any conflict between surface owner's damage claims and Tekton's proposed settlement.
9. Mud, Reserve and Water Pits: Tekton agrees to use reasonable efforts to minimize the use of mud, reserve and water pits upon the Referenced Lands. In situations where pits are used by Tekton, such pits shall be adequately fenced with such fencing to be regularly maintained.
10. Prohibitions: The possession of firearms, alcohol, and dogs or the use of animal calls and air horns by employees, contractors or representatives of Tekton upon the Referenced Lands shall be prohibited. No hunting or fishing by Tekton or their agents shall be allowed. No activities by Grantee shall be allowed which are not related to the exploration for and the drilling and production of oil and gas.
11. Gates and Livestock: If livestock are present, the employees, contractors or representatives of Tekton shall give due consideration to livestock upon the Referenced Lands and shall close all gates after use or shall post a gate guard at any such gate that is opened for a period longer than that necessary to allow for immediate traffic to pass so as to prevent any livestock from passing through the gates. Tekton will be allowed their own key for all gates accessing the wellsite(s).
12. Road and Equipment Maintenance: Tekton shall maintain existing and newly constructed roads to minimize excessive dust and avoid erosion. Areas prone to wear and tear shall be maintained with adequate road base and gravel. Road markers shall be installed to assure effective road location identification. Water bars, culverts and double ditching shall be used to protect the surface and shall be regularly maintained. Tekton agrees that all equipment and other operational items shall be maintained in good condition and repair in compliance with Weld County and State of Colorado laws and in accordance with industry standards.
13. Successor, Assigns and Agents: This Surface Damage Agreement and Easement shall be binding upon and inure to the benefit of the parties hereto, their agents, successors, and assigns. Tekton may only assign its rights hereunder to a responsible and qualified party that is authorized to operate in the State of Colorado by the COGCC. This Agreement may be

executed in counterparts and/or on different dates, each of which shall be deemed to be an original for the purpose hereof.

14. Damages and Indemnity: Tekton on behalf of itself and all employees, contractors and representatives conducting work upon the Referenced Lands pursuant to this Agreement agrees that it will be fully and solely responsible to Surface Owner for damages and indemnity as herein set forth. Tekton shall at all times carry Liability Insurance through a major carrier in the amount of \$5 million dollars to cover any and all operations on the Referenced Lands and Pad and such policy shall name the Surface Owner as Additional Insured as to such operations. Tekton shall provide proof of such prior to commencing operations and upon written notice from time to time.

a) Damages. Tekton shall be responsible for all damages directly or proximately caused by its operations to persons, property, including but not limited to gates, bridges, roads, culverts, cattle guards, fences, dams, water bars, dikes, natural vegetation, grain and grain fields, pastures, hay meadows, stock watering facilities, livestock and all other improvements.

Should any fences be destroyed or damaged, directly or proximately caused by the operations of Tekton, they shall be repaired by Tekton within forty-eight (48) hours of notification by Surface Owner, or Surface Owner may conduct or contract for third parties to conduct such repairs and bill Tekton for actual time and expenses incurred at a rate not to exceed \$50.00 per hour.

b) Indemnity. Tekton agrees to indemnify and hold harmless Surface Owner and Surface Owner's agents and employees against any loss, liability, expense or damage incurred by third persons or damage to property arising out of or resulting from Tekton's actions on the Referenced Lands, including violation of law, order, rule or regulation, except any such injury or death caused directly by Surface Owner's gross negligence or willful misconduct.

15. Colorado Oil and Gas Conservation Commission: Tekton agrees to comply with all the COGCC rules and regulations regarding the activities proposed herein.

16. Interpretation: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Colorado, except to the extent that it shall be necessary to comply with federal laws, rules or regulations. No covenants or conditions not expressed in this Agreement

shall effect or be effective to interpret, change or restrict this Agreement. No change or amendment of any of the provisions hereof shall be binding unless in writing executed by both parties hereto, nor shall any waiver be deemed effective unless executed in writing.

If any action is brought or commenced to enforce the terms and provisions of this Agreement, the court shall award the prevailing party its costs, expenses, and reasonable attorney's fees so incurred.

17. Termination: In the event no wells are drilled upon the Referenced Lands within eighteen (18) months of the effective date this Agreement shall terminate. Further, upon the plugging and abandonment of all wells drilled hereunder and reclamation of the surface as provided for herein, this Agreement shall terminate.

18. Additional Provisions:

a) Liens. Tekton shall, at its sole cost, keep the property free and clear of liens and encumbrances resulting from its activities hereunder.

b) No Warranty. This Agreement extends to the rights of Surface Owner in the Referenced Lands and is in no way a guarantee or warranty of Surface Owner's ownership interest.

c) Recordation of This Agreement. This Agreement shall not be placed of record without the written consent of both parties. However, at the request of either party hereto, the parties agree to execute a Memorandum of Agreement suitable for recording, and which may be recorded by either party, generally referring to this Agreement and describing in general or specific terms, the location of any site or facility of Tekton. In the event such Memorandum of Agreement is placed on record, Tekton agrees to execute and deliver to Surface Owner, upon termination of its use of the Referenced Lands, a release instrument, suitable for recording, to terminate the rights contained herein and under said Memorandum of Agreement. This Agreement shall be considered confidential in nature by the parties hereto.

d) Non Exclusive Easement. Need Non exclusive roadway easement language over existing road. Surface Owner upon completion/upgrade of the access road from Highway

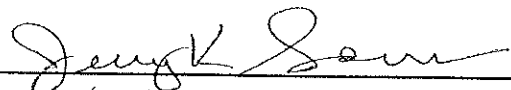
257/County Road 19 to the Pad under the terms of this Agreement shall deliver to Tekton a executed and acknowledged Easement for Road Purposes in the form that is attached hereto as Exhibit "B" in order to convey the road easement lands as shall be shown on Exhibit "B". The road easement shall be 30 feet in width.

e) Prior Trollco Easement. This Agreement is entered into pursuant to and subject to that certain Exclusive Easement for Access to Oil Well Site, recorded at Reception Number 3709878 in the records of Weld County, Colorado, dated August 3, 2010, by and between Surface Owner and Trollco, Inc. with Tekton as assignee of Trollco, Inc.

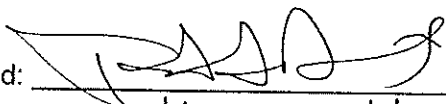
f) Prior Notice of Pipeline Location. This agreement is entered into pursuant to and subject to that certain Notice of Pipeline Location, recorded at Reception Number 3637580 in the records of Weld County, Colorado, dated April 16, 2009, by Kerr-McGee Gathering, LLC.

g) Authority to Execute. All signatory Parties hereto represent and warrant that they possess the requisite power and authority on behalf of the limited liability companies listed below to enter into and perform this Agreement and carry out the transactions contemplated under this Agreement.

IN WITNESS WHEREOF, the parties have set their hands effective as of the day and year first above written.

Signed:   
Date: 12/20/11

**Jerry K. Sommer, President and CEO of Tekton Energy, LLC, Manager of Tekton Windsor, LLC**

Signed:   
Date: 12-20-11

**Todd Bruteig, Manager of aft Valley, LLC**

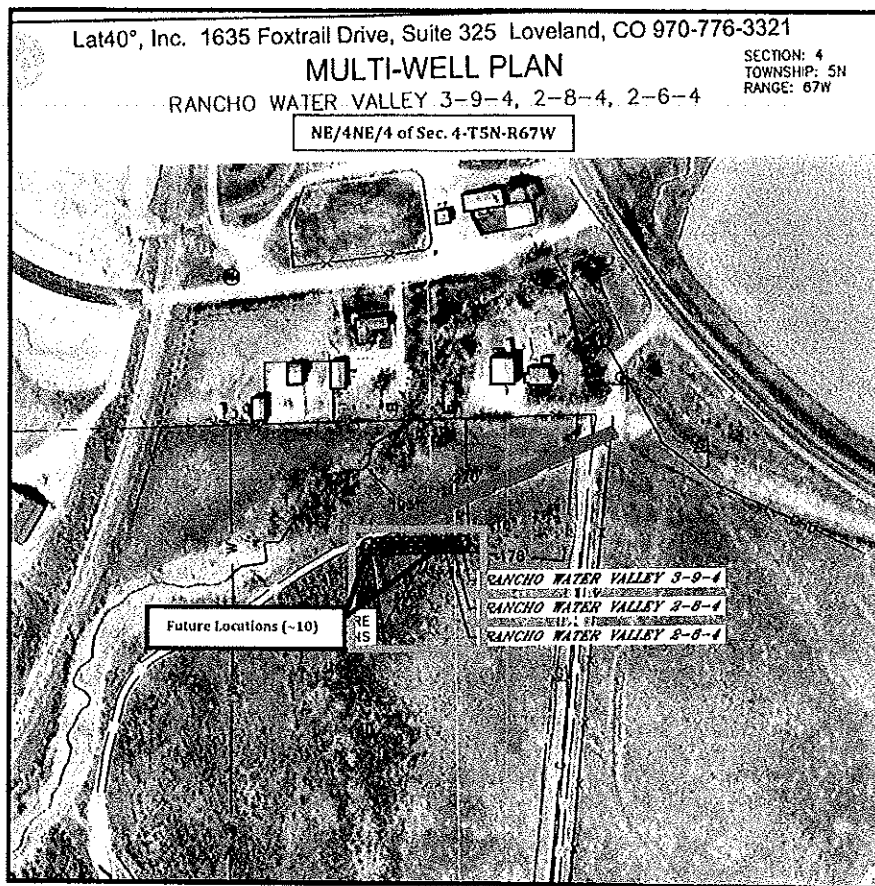
## EXHIBIT "A"



Attached to and made a part of that certain Surface Use and Damages Agreement and Easement  
between TAFT VALLEY, LLC and TEKTON WINDSOR, LLC, Dated December 10, 2011

### Well Pad Location

(Rancho Water Valley Area – NE/4NE/4 of Section 4, Township 5 North, Range 67 West, 6<sup>th</sup> P.M.

Weld County, Colorado



-  Access Road (Existing) Approximate 30" Width
-  Well Pad Location (Approximate Dimensions 360' x 360')