

## SURFACE USE AND RENTAL AGREEMENT

THIS AGREEMENT, entered into this 2nd day of January, 2013, by and between Schutte Farms LLC, a Colorado limited liability company, whose address is PO Box 130, Burlington, CO 80807, hereinafter referred to as "SURFACE OWNER" (whether one or more) and Pronghorn Operating, LLC, whose address is 8400 E. Prentice Ave., Ste 1000., Greenwood Village, CO 80111, hereinafter referred to as "PRONGHORN".

### WITNESSETH:

1. That Surface Owner is the owner of the surface estate as concerns the following described real property, herein described as the "LANDS", to-wit:

Township 13 South, Range 46 West, of the 6<sup>th</sup> P.M.

Section 4: Lots 9 (40.23), 10 (40.26), 11 (40.14), 12 (40.15), 13 (40.17),

14 (40.18), 15 (40.22) and 16 (40.20) (S/2)

Section 9: All

In the County of Cheyenne, State of Colorado

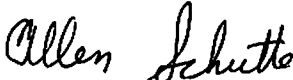
Containing 961.55 acres, more or less

2. That PRONGHORN does desire to enter upon the above described lands for the express purpose of drilling an exploratory oil and gas well.
3. PRONGHORN agrees to consult with surface owner as to the location of roads and the mitigation of damages to the surface lands used in oil and gas operations. PRONGHORN will notify surface owner a minimum of 48 hours prior to conducting surface operations.
4. That the parties hereto do expressly agree that fair and just compensation for surface damage and disruption shall be in the amount of Five Thousand, Eighty and No/100 dollars (\$5,080.00), to be paid prior to a drilling rig being moved onto said property, with said damages to be allotted as follows:
  - a. For road costs across said lands to the well site and access route, the sum of \$10.00 per rod; being a total of Two Thousand, Eighty and No/100 dollars (\$2,080.00), for an estimated 208 rods of road.
  - b. For use of the lands and well location, the sum of Three Thousand and No/100 Dollars (\$3,000.00).
5. That in addition to the foregoing compensation, PRONGHORN does expressly agree and guarantee to Surface Owner the following:
  - a. That the storage pit as utilized by PRONGHORN shall be reclaimed by PRONGHORN as soon as is practicable, but in no event until said pit is dry.
  - b. That when the well site is vacated by PRONGHORN, they will use their best efforts to reclaim the well site as nearly as is practicable to the condition it was in prior to initiating drilling operations.
  - c. That PRONGHORN will remove and save all topsoil from the well site for use in reclamation.
  - d. That PRONGHORN will be responsible for all garbage clean-up and pick-up, and will maintain the area free of all litter, weeds and debris so long as operations continue and until the well site has been reclaimed.
  - e. That if said well is produced, PRONGHORN will fence the well site and install cattle guards, if necessary, as determined after consultation with Surface Owner.
  - f. That PRONGHORN will be responsible for maintenance of all roads, fences and other facilities installed as part of their operations.
  - g. That PRONGHORN, upon termination of operations, will use their best efforts to reclaim any lands used for roads as nearly as practicable to the condition it was in prior to initiating of their oil and gas operations. In lieu of reclamation by PRONGHORN, Surface Owner shall have the option to release PRONGHORN from this obligation and assume responsibility for maintenance of said road.
6. That if PRONGHORN, after consultation with Surface Owner, chooses to locate a tank battery at other than the well site location, PRONGHORN shall pay the sum of One Thousand and No/100 Dollars (\$1,000.00), prior to the installation.

7. That if PRONGHORN, after consultation with Surface Owner, installs pipelines on the lands, PRONGHORN will pay Surface Owner a sum equal to Ten and No/100 Dollars (\$10.00) per rod for all easements related to pipelines and pipeline interconnections, which shall be a one time payment as full and final settlement and satisfaction for any and all damages of any nature to the lands and Surface Owners operations, and for execution of a recordable Easement & Right-of-Way document identifying the location of said pipeline. Said pipelines shall be buried below plow depth and shall be reclaimed by PRONGHORN upon cessation of operations, unless Surface Owner provides written consent for pipelines to be abandoned in place.
8. That the Surface Owner does expressly agree to accept the foregoing described compensation for surface damage and disruption, and covenants, in accordance with the normal use of the surface estate for a mineral development of oil and gas reserves, and accordingly does release PRONGHORN from any further claims upon the same. Nothing contained herein shall be construed as a release for damages to the surface estate suffered as a result of abnormal use thereof, nor shall PRONGHORN use any portion of the surface estate for mineral development other than that which may be used in the normal course of said mineral development.
9. That the Surface Owner does expressly agree to hold the contents of this Agreement to be confidential between Surface Owner and PRONGHORN, unless PRONGHORN shall fail to make the payments or fulfill the covenants herein agreed.
10. PRONGHORN does expressly agree to hold the Surface Owner harmless for any and all liability of whatever nature and kind, and any and all resulting damages therefrom, as a result of the mineral development upon the foregoing described well site. It is the agreement of the parties hereto that PRONGHORN shall assume exclusive and absolute liability for all activities conducted upon the above described premises for the purposes of mineral development as proposed by said PRONGHORN.
11. Surface Owner and PRONGHORN agree that this agreement and all terms described herein shall apply to any additional and subsequent exploratory wells drilled by PRONGHORN on the lands described herein.
12. This agreement is binding upon the parties hereto and to their, heirs, successors and assigns. This agreement may be assigned or transferred by either party.

**IN WITNESS WHEREOF**, this Surface Use and Rental Agreement is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not his document has been executed by all parties hereinabove named as Surface Owner.

**SCHUTTE FARMS, LLC**



Allen Schutte, President

**PRONGHORN OPERATING, LLC**

Zane Kuenzler, Managing Member