

**Surface Use and Damages Agreement and Easement  
For Produced Water Injection Well**

**Referenced Lands:** Township 13 South, Range 54 West, 6<sup>th</sup> PM  
Section 11: E/2NW/4, N/2NE/4  
Lincoln County, Colorado

**Well Name:** Smoker 22-11 SWD

**Well Location:** Township 13 South, Range 54 West, 6<sup>th</sup> PM  
Section 11: SW/4SE/4NW/4  
Lincoln County, Colorado

THIS SURFACE USE AND DAMAGES AGREEMENT AND EASEMENT is entered into as of the 17th day of September, 2012 by and between Pine Ridge Oil & Gas, LLC, hereinafter called "Operator" whose address is 600 17<sup>th</sup> Street, Suite 800-South, Denver, Colorado 80202-5402 and Wilma P. Mosher, individually, and James Leroy Mosher and Donna L. Metcalf, sole remaining Trustees of the Donald E. Mosher Testamentary Trust, whose address is 36700 County Road 2G, Hugo, CO 80821, hereinafter jointly called the "Surface Owner".

WHEREAS, Operator proposes to conduct operations upon the above described lands (the "Lands"), for the re-entry and deepening of the existing Smoker 22-11 well as a produced water injection well ("the Well"). If successful, Operator proposes to conduct continuous operations thereon including the injection of produced water from Operator's producing wells, installation of equipment, and burial and maintenance of pipelines, (Disposal Operations). Surface Owner represents that it owns and is in possession of the entire surface estate of the Lands, upon which the Well is located or which may be used to access the well, and upon which the associated equipment may be located; and upon which operations may be conducted. By this instrument the Surface Owner hereby grants Operator access for conducting the operations provided for herein. Operator and Surface Owner herein set forth their agreement concerning the surface damages resulting from such operations including the re-entry, drilling and completing of the Well and subsequent Disposal Operations in the Well on the Lands.

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. **Initial Payment:** Prior to commencing operations for the re-entry of the Well on the Lands, Operator shall pay Surface Owner the sum of [REDACTED] in connection with the re-entry drilling and completion of the Well located on the Lands. [REDACTED] if Operator elects not to pursue Disposal Operations upon the Referenced Lands, due to an unsuccessful completion in the Well. Operator hereby agrees to restore the Lands to as near to their original condition, as reasonably practicable, at the time Operator commenced operations hereunder.

2. **Pipelines:** In the event the Well is completed as a produced water injection well (a Disposal Well), then Operator shall pay [REDACTED] per rod for any pipeline Right-of-Way installed by Operator upon Surface Owner's Lands. Operator shall be allowed to place multiple pipelines in any Right-of-Way, provided it meets all then current regulations and industry standards.

3. **Payments:** [REDACTED] following the successful completion and equipping of the Well, as an injection well (the "Effective Date"), [REDACTED] that Operator has Disposal Operations on the Lands, Operator shall pay Surface Owner the additional consideration of [REDACTED] for [REDACTED] the Well [REDACTED]. Such payment to [REDACTED] and continuing so long thereafter as Operator has Disposal Operations in the Well. The [REDACTED] shall be adjusted annually an amount equal to the average [REDACTED]

[REDACTED] This Agreement shall not terminate for any reason of breach of contract including failure to make a required payment hereunder, unless and until Surface Owner has given written notice of such breach and Operator has failed to remedy such breach within thirty (30) days of receipt of such notice.

4. **Abnormal Damages:** If, by reasons directly resulting from the Disposal Operations, there is damage to real or personal property upon the Lands which is not associated with usual, convenient and customary operations, including but not limited to, damage to livestock, structures, fences, gates, cattle guards, culverts, cement ditches, and irrigation systems, Operator shall promptly repair such damage or pay reasonable compensation to Surface Owner.
5. **Meeting on Locations:** If requested by Surface Owner, Pine Ridge's representative will meet and consult with Surface Owner or Surface Owner's representative, as to the location of the well site, access roads, in regards to coordinating the movement of equipment into and out of the location. The design, construction and/or installation of the well site location, access roads, flow lines and other associated facilities will be at the discretion of Pine Ridge.
6. **Notice to Tenants:** With respect to notices required to be given to Tenants, it shall be the responsibility of the 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), Operator will attempt to notify said third party prior to commencement of any Activities, but shall be under no obligation to do so. Surface Owner shall supply any contact information needed to make such notification.
7. **Topsoil Preservation and Reclamation:** All topsoil removed during drill site preparation and reserve and water pits construction and operation, (but not including buried flow lines, which will be accomplished by trenching, if less than 24 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 and/or may be spread on the surface. 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. Operator shall replant natural grasses and take all reasonable steps necessary to assure there is no soil erosion caused by the wind directly resulting from the Activities of Operator.
8. **Site Restoration:** Upon completion of the Well by Operator, the premises shall be restored to its original condition as nearly as reasonably practical. All unneeded surface equipment and materials associated with the activity, such as, plastic, pipe, cable, and similar waste materials and refuse, shall be removed and Pit Liner buried. Weather permitting, reclamation and restoration operations shall be completed as soon as is reasonably feasible following completion of drilling and subsequent related operations or the plugging and abandonment of the last well on each well pad, as applicable.
9. **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 Operator's proposed settlement.
10. **Mud, Reserve and Water Pits:** Operator agrees to use reasonable efforts to minimize the size of mud, reserve and water pits upon the Lands. Such pits shall be adequately fenced with such fencing to be regularly maintained.
11. **Prohibitions:** The possession of firearms, alcohol, and illegal drugs upon the Lands shall be prohibited. No open fires, hunting or fishing shall be allowed. Access to the Lands shall be limited to existing constructed roads.
12. **Gates and Livestock:** If livestock are present, the employees, contractors or representatives of Operator shall give due consideration to livestock on the 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. Operator will be allowed their own key or lock for all gates accessing the wellsite.

13. **Road Maintenance:** At Operator's discretion, adequate road base material shall be applied to improve field access roads where necessary. Operator shall maintain existing and newly constructed roads utilized by Operator to minimize excessive dust and avoid erosion. Road markers shall be installed to assure effective road location identification. At the discretion of Operator, water barriers, culverts and double ditching shall be used to protect the surface and shall be regularly maintained. Surface Owner hereby consents (per COGCC rule 907d.3B.iii) to allow Operator to apply drilling fluids, including water based bentonitic drilling fluid, to the site and access road for maintenance and dust control.

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

15. **Damages and Indemnity:** Operator on behalf of itself and all employees, contractors and representatives conducting work upon the 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.

a) **Damages.** Operator shall be responsible for all damages directly or proximally caused by its operations to persons, property, including but not limited to gates, bridges, roads, culverts, cattle guards, fences, dams, water barriers, 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 proximally caused by the operations of Operator, they shall be repaired by Operator within forty-eight (48) hours of receiving notification from Surface Owner, or Surface Owner may conduct or contract for third parties to conduct such repairs and [REDACTED]

b) **Indemnity.** Operator 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 Operator's Activities on the 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.

16. **Colorado Oil and Gas Conservation Commission (COGCC):** Operator agrees to comply with all the COGCC rules and regulations regarding the activities proposed herein.

17. **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 the 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.

18. **Additional Provisions:**

a) **Liens.** Operator shall, at its sole cost, keep the Lands 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 Lands and is in no way a guarantee or warranty of Surface Owner's ownership interest.

c) **Recordation.** This Agreement shall not be placed of record, 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 terms, the location of the Well, or pipeline. In the event such Memorandum of Agreement is placed on record, Operator agrees to execute and deliver to Surface Owner, upon termination of its use of the Lands, an instrument of release, 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) Upon termination of this Agreement, either voluntarily or otherwise, Operator shall restore the Lands as nearly as practicable to their original condition, and properly plug and abandon any wells thereon in accordance with the rules and regulations of the COGCC.

e) Operator agrees [REDACTED] other than during extraordinary or emergency circumstances when prohibited by the [REDACTED]. Operator agrees to [REDACTED] dispose of the produced water and to [REDACTED] in a timely manner.

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

OPERATOR:

Signed: Carl A. Boecher Date: 10/30/12  
Carl A. Boecher, Sr. Landman  
Pine Ridge Oil and Gas, LLC

SURFACE OWNER:

Signed: Wilma P. Mosher Date: 10/30/2012  
Wilma P. Mosher

Signed: James Leroy Mosher Date: 9-18-12  
James Leroy Mosher  
Trustee of the Donald E. Mosher Testamentary Trust

Signed: Donna L. Metcalf Date: 9-18-12  
Donna L. Metcalf  
Trustee of the Donald E. Mosher Testamentary Trust