

## **SURFACE USE AGREEMENT AND GRANT OF EASEMENTS**

THIS SURFACE USE AGREEMENT AND GRANT OF EASEMENTS (“Agreement”) is effective March 1, 2013 by and between **Jerry L. Green** whose mailing address is P.O Box 417, Hayden, CO 81639-0417, hereinafter called the “Surface Owner or Owner” and **PetroShare Corp**, a Colorado S Corporation, whose mailing address is 284 So. Larkspur Dr., Castle Rock, CO 80104, hereinafter called “PetroShare or Operator”.

A. Owner owns the surface of the real property in Moffat County, Colorado (the “Property”) legally described as:

**Township 6 North, Range 90 West, 6<sup>th</sup> P.M.**  
**Section 25: Lots 3,4,5,6,11,12,13,14 (W2)**

**Containing 335.54 acres, more or less**  
**Moffat County, Colorado**

B. Operator is the owner/operator of certain working interest in Oil and Gas Leases as set forth below:

1. **Oil and Gas Lease dated 4/05/2011, recorded as 20103147 in the Records of Moffat County, Colorado, from, Patricia & Robert Wilshusen as Lessor, insofar as this Lease covers the following lands:**

**Township 6 North, Range 90 West, 6th P.M.**  
**Section 25: W/2**

**Containing 335.54 gross acres**

2. **Oil and Gas Lease dated 10/31/2008, recorded as 20104936 in the Records of Moffat County, Colorado, from, Jim F. Kowach as Lessor, insofar as this Lease covers the following lands:**

**Township 6 North, Range 90 West, 6th P.M.**  
**Section 25: W/2**

**Containing 335.54 gross acres**

3. **Oil and Gas Lease dated 10/31/2011, recorded as 20103288 in the Records of Moffat County, Colorado, from, Barbara Wilaby as Lessor, insofar as this Lease covers the following lands:**

**Township 6 North, Range 90 West, 6th P.M.**  
**Section 25: W/2**

**Containing 335.54 gross acres**

The undersigned hereby ratifies, approves, confirms and adopts the above described Oil and Gas Lease and acknowledges that said lease is valid and in full force and effect covering the entire interest of the undersigned in the above-described lands.

C. Operator wishes to drill oil and gas wells (“Wells”) with associated necessary pipelines on the Property and also to directionally access adjacent lands from a surface location of the Property for the extraction of oil, gas and associated hydrocarbons from said adjacent lands.

## TERMS

THEREFORE, in consideration of the mutual covenants in this Agreement, and Operator's agreement to pay the damages described in this Agreement, the parties agree as follows:

### 1. Wells and Well Pads.

1.1. Operator may construct the necessary well site pads for drilling, completion, recompletion, reworking, re-entry, production, maintenance and operation of Wells ("Well Pads") on the Property consistent with this Agreement. Operator, its agents, employees, assigns, contractors and subcontractors, may enter upon and use the Well Pads for the purposes of drilling, completing, producing, maintaining, and operating Wells to produce oil, gas and associated hydrocarbons produced from the Property, including the construction and use of frac pits, tank batteries, water disposal pits, production equipment, compressor sites utilizing electrical power, and other facilities used to produce and market the oil, gas and associated hydrocarbons.

1.1.1. No Well Pad shall exceed four (4) acres of disturbed area, including any cuts and fills during drilling. After completion operations for the wells on the pad are finished, the size of the Well Pad(s) shall be reduced to a maximum of two and one-half (2½) acres). However, if Operator needs to work on wells or drill additional wells as provided for hereunder, then Operator shall be allowed to re-access the original Well Pad boundaries and or temporary work space not to exceed four (4) acre of disturbed area.

1.1.2. As allowed by this Agreement, Operator may drill the maximum number of Wells on the Well Pad(s) permitted by Colorado Oil and Gas Conservation Commission ("COGCC") spacing and density requirements. Operator may drill directionally from Well Pads located on the Property to bottom hole locations located directly under the Property or to bottom hole locations that are adjacent to the Property.

1.1.3. As used in this Agreement, "Well" shall mean a well and the accompanying wellbore (either vertically or directionally drilled from the Well Pad) for the production of oil and gas, and all associated casing and wellhead equipment.

1.2. As consideration for damages to be incurred by Operator on the Property, Operator shall pay Owner [REDACTED] for the initial two (2) well Well Pad that is constructed on the Property with such payment to be received by Owner prior to construction commencement. In addition, prior to the commencement of drilling operations of any additional well, after the initial two wells, on an existing Well Pad constructed hereunder, Operator shall pay Owner [REDACTED] per new well that is drilled from such existing Well Pad located on the Property.

1.3. In the Event a well is completed as a well capable of producing oil and/or gas and a tank battery is set, then PetroShare shall pay Surface owners an additional consideration of [REDACTED] per Well Pad, annually on the anniversary date of the date of first oil and/or gas sales from each Well Pad until all wells on such Well Pad are plugged and abandoned. Surface owners shall allow an access road to the wellhead sufficient for vehicles to pass in the course of normal production operations.

1.4. The Slope of a Well Pad to any ditch, road, or other improvement shall not be greater than 2:1.

1.5. All above-ground permanent structures on the Well Pad(s) and above-ground pipeline structures shall be painted with appropriate earth-tone colors to blend with the surrounding landscape, and, at the discretion of Operator, shall be screened with appropriate planting as described by the NRCS (National Resource Conservation Services) techniques guide. Operator shall use diligent efforts to minimize disturbances to existing trees and vegetation near the Well Pad.

1.6. Noise levels shall not exceed Colorado Oil and Gas Conservation Commission (“COGCC”) regulations.

1.7. All Drilling fluids and mud shall be handled in accordance with COGCC regulations. No fluids, mud, soil, or other substances created or derived from operations conducted off of the Property shall be deposited on the surface estate of the Property. Nothing in this section shall limit Operator’s right to bring onto the property, use, and reuse drilling fluids, frac fluids, and production oil and water for additional drilling and completion operations.

1.8. PetroShare shall construct and maintain five wire perimeter fences sufficient to turn livestock around all pits (if any), tanks and other surface facilities.

1.9. PetroShare shall replace any fencing and or cattle guards cut or damaged during drilling, completion and production operations.

1.10. Any irrigation or tail water ditch or pipe located within the Well Pad shall be left intact or rerouted to a location approved by Owner so that the delivery of water on the Property is not disrupted. Operator shall be responsible for any repair and/or maintenance of any irrigation ditch or pipe located within the Well Pad.

1.11. No debris, slash, or other materials shall be burned on the Property (except for the flaring of gas), nor shall such materials be buried on the Property, without the express written consent of Owner, which shall not be unreasonably withheld.

1.12. If required by COGCC, reserve or drilling pits used on the Property, if any, shall be plastic lined during drilling and completion operations. All plastic lining shall be removed during initial reclamation and not buried in place. Excavated material shall be replaced within thirty (30) days of finalization of completion operations at the associated Well Pad.

1.13. No open pit mining shall be permitted on the Property. The Well Pad shall be safe, in good order, and shall at all times be kept free from litter and debris. Operator shall utilize electronic field monitor devices or another type of monitoring system standard in the industry on all Wells.

## 2. Road, Pipelines, and Related Issues.

2.1 Road. Owner grants to Operator an exclusive access easement (“Road Easement”) on the Property for ingress and egress by Operator and its employees, contractors, sub-contractors, agents, and business invitees as needed to conduct oil and gas operations as described in this Agreement. The Road Easement shall be approximately thirty (30) feet in width, being fifteen (15) feet on each side of the centerline.

2.1.1. The road shall be constructed in accordance with the standards of BLM Resource Roads, as described in “Surface Operating Standards for Oil and Gas Exploration and Development,” 3<sup>rd</sup> Edition, prepared by BLM/FS Rocky Mountain Regional Coordinating Committee.

- 2.1.2. Road construction that requires cuts and fills shall be minimized to the maximum extent possible.
- 2.1.3. Culverts shall be installed at ditch and drainage crossings when requested by Owner where road crosses such ditches or drainages, and shall be sized to prevent obstruction to the free flow of the volumes of water being carried, inclusive of flood stages. Operator shall protect all water sources and conveyance structures, including but not limited to the natural flow of creeks, wells, and ditches, from all operational activities and shall immediately remedy and diversion, curtailment, or blockage of water flows or contamination of water sources.
- 2.1.4. The road shall at all times be properly graded, drained, graveled, and maintained by Operator from commencement of operations through final reclamation of the Well Pad(s) or termination of this Agreement. Further, Operator shall keep the Road Easement in good order, at all times free from litter and debris.
- 2.1.5. Permanent gates or cattle guards shall be installed at each point where the road intersects perimeter or cross fences. If Owner or Operator chooses to lock any gate on the road, keys shall be provided to the other party.
- 2.1.6. Operator shall abide by a 15 M.P.H speed limit at all times on all roads.
- 2.1.7. Operator shall use the best available methods to limit dust. Magnesium chloride shall be applied when requested by Owner, up to a maximum of two (2) times per year.
- 2.1.8. Owner shall have the right to relocate any road, provided that such relocation does not impose an undue burden on Operator. Any relocated road shall be of similar utility, and all costs associated with such relocation, other than routine maintenance, shall be at Owner's expense.
- 2.1.9. The Road Easement conveyed by this Agreement shall not include a right of use by the public to other lands. Owner reserves the right to use all such roads for any purpose that does not unreasonably interfere with Operator's operations.
- 2.1.10. Consideration. As consideration for the grant of the Road Easement, prior to commencing any use or construction, Operator shall pay Owner a one-time payment of [REDACTED] per linear foot of Road Easement.
- 2.1.11. Road Easement Parking. Operator shall ensure that Operator equipment and vehicles do not remain parked on or alongside the Road Easement or Pipeline Easement after initial construction unless necessitated by an emergency in which case the equipment or vehicles may remain temporarily.

2.2 Pipeline and Utility Easement. Owner grants to Operator, its agents, employees, contractors, and subcontractors, a non-exclusive pipeline and utility easement ("Pipeline Easement") approximately fifteen (15) feet in width along and across the Property to the Well Pad(s), to construct, maintain, inspect, and operate, a pipeline or pipelines, utility lines, and pigging facilities solely for: 1) transporting oil, gas, petroleum products, water, and any other substances recovered during oil and gas production under this Agreement, whether fluid or solid, any products and derivatives of any of those substances, and any combinations and mixtures of any of those substances; 2) movement of water, and 3) providing electric, fiber

optics or other utility services. Owner also grants to Operator a license for the use of 25 feet parallel to and adjoining on side of the Pipeline Easement as appropriate for temporary use during the initial installation of the pipelines and utilities.

2.2.1 Nothing in this subsection 2.2 shall be construed as granting Operator the right to place any facilities on the Property other than the utility, pipeline, related pipeline equipment to be placed in the Pipeline Easement and compression facilities permitted under the terms of this Agreement.

2.2.2. Consideration. As consideration for the grant of the Pipeline Easement, prior to commencing any use or construction on the Pipeline Easement, Operator shall pay Owner a one-time payment of [REDACTED] per linear foot but only as to that portion of the Pipeline Easement that is not located within the Road Easement. In the event pipelines and or utilities are placed within the boundaries of the Road Easement then it is deemed that Consideration has been paid pursuant to Section 2.1 of this Agreement for that portion of the Pipeline Easement that is located within the Road Easement.

2.3 Salt Water Disposal Well. Owner hereby grants, lets and leases unto Operator the right of access, drill pad construction, the drilling and utilization of a salt water disposal well at a mutually agreeable location on the Property to dispose of water in a geologic formation that provides structural integrity as set forth by the COGCC. Both Parties agree that a Salt Water Disposal well is environmentally preferable to utilizing water trucks to dispose of produced water from Operators operations on the Property due to limiting the number of truckloads required to dispose of produced water.

2.3.1 Operator will file for a permit and receive proper approval and authorizations according to COGCC rules and regulations for the drilling and utilization of a salt water disposal well (the "SWD Well") for use by Operator to dispose of produced water that is obtained via its oil and gas drilling and production operations located on the Property on in the area. Operator shall provide to Owner a copy of the approved COGCC SWD Well permit when it becomes available.

2.3.2 Effective as of the date that Operator commences the drilling of the SWD Well ("Effective Date"), Operator shall pay to Owner an initial consideration of [REDACTED]. This amount shall maintain this Agreement in Full force from the Effective Date to the one year anniversary of said Effective Date.

2.3.3 On or before the one year anniversary of the Effective Date and each subsequent year thereafter that Operator desires to maintain its rights under this Agreement for the SWD Well, Operator shall pay to Owner an annual payment of [REDACTED] if the well has been utilized during the prior 12 months, or [REDACTED] if the well has not been utilized during the prior 12 months ("Annual Rental"). The Annual Rental shall maintain this Agreement in full force and effect for the next consecutive 12 month period and there shall be no limitation on the number of years the well may be in service. In the event Operator inadvertently fails to timely deliver subsequent Annual Rentals, Owner shall deliver written notice to Operator that it has not received the Annual Rental and Operator shall have fifteen (15) business days after receipt of notice to either deliver said payment or elect to terminate its rights to dispose of water under the terms of this Agreement.

2.3.4 Operator will place oil storage tanks, skim tanks and water storage tanks on the location for operational purposes. The tanks shall be painted in a color approved by Owner and the outward appearance shall always be maintained in a professional and

tasteful manner with no trash or weed accumulation being allowed. In the event that additional tankage is required at a future date, Operator shall request in writing a modification to this paragraph with reasons for the request detailed. Owner shall not unreasonably withhold such consent as long as the request is reasonable and will add to the efficiency of the SWD.

2.3.5 Operator shall be liable for any injury to persons, property, or livestock caused by or incident to the operations of Operator, its agents, employees, contractors, or subcontractors on the SWD Well or the Property, or any extraordinary damages due to spills of materials, explosions, or any other harmful activity of Operator. Operator shall obtain all necessary permits or other governmental approvals and decrees required to drill and utilize the SWD Well. Operator shall indemnify and hold harmless Owner from and against any and all liability, damages, costs, expenses, fines, penalties and fees (including without limitation reasonable attorney and consultant fees) incurred by or asserted against Operator arising from or regarding or relating to the operations of Operator, its agents, or subcontractors on the Property, including but not limited to damage caused by the SWD Well and its associated equipment failure. Such indemnification shall extend to and encompass, but shall not be limited to, all claims, demands, actions or other matters with arise under the common law or other laws designed to protect the environment and public health or welfare. Operator shall, at Owner's option defend Owner or reimburse Owner as expenses are incurred for Owner's defense against any claims, demands, actions, or other matters, whether brought or asserted by federal, state, or local governmental bodies or officials, or by private persons, which are asserted pursuant to or brought under any such laws. All of Operator's obligations stated in this section shall survive termination of this Agreement.

2.4 Completion Pits. Operator does not anticipate in the need for Completion Pits at this time. If deemed necessary, Operator and Owner agree to negotiate in good faith the terms and conditions of such work prior to any construction operations being commenced.

## 2.5 Easement Construction.

- 2.5.1 Operator shall use its best efforts to provide written notice to Owner at least one (1) week prior to any construction or installation under this Section 2, with the exception of initial construction which may proceed immediately upon execution of this Agreement.
- 2.5.2 Operator shall bury all pipelines placed within any pipeline easement at a depth not less than thirty six (36) inches, and shall install all such pipelines so that they can be detected using a commonly available metal detector.
- 2.5.3 Operator shall use its best efforts to immediately repair any roadway crossings and fences on or enclosing the Property that is damaged or temporarily taken down during any construction on or use of any pipeline easement.
- 2.5.4 Any rocks excavated by Operator that are too large (12" or greater) to be incorporated into fill shall be relocated on the Property to a location agreed upon by Owner.
- 2.5.5 Operator shall provide Owner with "as-built" survey of all pipelines after construction. It shall be the Operator's responsibility to record necessary

documents in Moffat County, and to provide the Owner with a copy of any recorded documents.

- 2.5.6 Operator shall not use any pipeline easement as a vehicle access point to lands adjacent to the Property. Unless otherwise agreed to by both parties, no gates shall be installed on any fences on or near the boundary lines of the Property.
- 2.5.7 During installation of any road or pipeline of the Property, and at all times thereafter, Operator shall minimize disruption of, and interference with, any ranching, agriculture, or other operations conducted on the Property now or in the future. No camping, recreating, hunting, or any other non-pipeline related activities are permissible at any time on the pipeline or road easements or the Property by Operator. Operator shall dispose of any trees or brush damaged during installation of the road and/or pipeline.
- 2.5.8 Within 120 days after installation of any pipeline, or any maintenance or repair of any pipeline that disturbs the surface of the Property, Operator shall restore any affected area to its approximate pre-disturbance topography and re-seed all such areas with appropriate native grasses or alfalfa for ground cover and erosion control as requested by Owner. Operator shall insure a naturally contoured surface over the pipeline easements.
- 2.5.8. The location of all initially constructed Wells Pads, roads, pipelines shall be as set forth in the map of proposed locations as set forth in Exhibit A unless otherwise agreed to by the Parties. In the event that Operated changes the proposed location as set forth in Exhibit A, Owner shall not unreasonably withhold consent.

2.6 Term of Grant. The pipeline and road easements granted herein shall continue until: (i) the termination of this Agreement in accordance with Section 8, or (ii) Operator's written surrender of the easement whichever occurs first.

2.7 Evolution of Use. Operator's use of the easements shall be limited according to the terms of this Agreement, and the doctrine of "normal evolution of use" shall not apply to Operator's use of the easements.

3. Weed Control. Operator shall be responsible for controlling all noxious weeds on all areas of its operations.

3.1 Notification. If Operator locates, or Owner notifies Operator in writing of the location of noxious weeds on any areas subject to this Section 3, Operator shall implement control procedures before the noxious weeds go to seed.

4. Erosion Control. Operator shall be responsible for controlling all erosion of soils at any Well Pad and easement, and on areas adjacent to the Property that is caused by the activities of Operator or its employees, contractors, sub-contractors, or agents. Such erosion control shall include, without limitation, recontouring, reseeding and re-vegetating such lands and restoring any reservoirs or waterways to their previous quality and capacity. Operator's responsibility for erosion control pursuant to this Section 4 shall be ongoing and shall continue even after termination of Operator's use of a Well Pad or easement, until (i) such time as Owner provides Operator with a written release of Operator's further obligation to control erosion on the Property, or (ii) one year has passed since the last Well was plugged and abandoned or the termination of the easement, as the case may be.

5. Reclamation.

5.1 Initial Reclamation. Within two (2) years after initial disturbance to a Well Pad, except for areas required for current operations such as roads, the wellhead(s), permanent facilities, water pits, and room for future workover operations, Operator shall restore all disturbed areas in accordance with this subsection 5.1 Such restoration shall commence immediately following completion of the Wells and establishment of equipment on a Well Pad, the completion of a road, and/or the completion of a pipeline, as the case may be.

5.1.1 Operator shall submit copies of a site-specific reclamation plan along with copies of each approved Application for Permit-to-Drill (Form 2), including any conditions of approval for all Wells on the Property, prior to commencement of construction operations with heavy equipment. All interim and final reclamation goals shall be included in the site-specific reclamation plan.

5.1.2 Operator shall provide Owner with: (i) cut and fill diagrams for construction of the Well Pads, including cross sections and plan views with topographic contours; and (ii) a site map showing the location of wellbores, drilling and completion pits, access roads, soil stockpiles, and the layout of drilling and completion equipment.

5.1.3 Operator shall remove all construction materials, in-fill pits and holes no longer necessary of the operation of the Well(s). The operational Well Pad shall be returned to the approximate original topography and seeded with appropriate native vegetation for ground cover and erosion control. Subsidence in any reclaimed area shall be corrected by adding additional topsoil. Crop lands shall be returned to grass or alfalfa, as requested by Owner, and sagebrush areas shall be planted with native grasses and vegetation that existed prior to disturbance.

5.1.4 A minimum of twelve (12) inches of favorable growth medium shall be reapplied during interim and final reclamation. If this quantity of material is not available, existing soils shall be treated with amendments and fertilizer to create a favorable growth medium.

5.1.5 The Well Pad(s) and easements shall be mulched immediately after seeding with weed-free straw or other type of weed-free mulch. Operator shall be responsible for protecting re-plantings, including fencing to exclude animals.

5.1.6 Additional disturbance of native or previously reclaimed areas shall be minimized. If any subsequent disturbances of surface areas are undertaken at any time, the same reclamation and re-vegetation obligations shall apply. Recontouring shall not be required in areas that have been successfully reclaimed.

5.2 Final Reclamation. Final reclamation shall return the entire site to its original topography and vegetation, and shall be complete and successful within three (3) years after the last Well is plugged and abandoned. However, if at the end of the three (3) year period Operator has not completed a successful reclamation because of events beyond its control, Owner agrees to grant Operator in writing a reasonable extension of time to achieve a successful reclamation. Upon final termination of operations, Owner may request culverts and fencing to be left in place, in which case they shall thereafter belong to Owner.

6. Water. Operator will not use any water from the Kowach Reservoir located on the Property, , For all drilling, completion and Well Pad and road construction, Operator shall have the continuing ability to drill and access any well water located on the Property. The Owners needs of water for agricultural uses shall be senior to Operators needs of water, however, in the event of conflicting desires for use of water, the parties shall mutually agree as to the best use alternative. Operator shall take all necessary steps to prevent its operations from polluting any water well, water spring or other water source located on the Property. As such, Operator shall obtain water samples from any water on the property prior to drilling and completion activities to establish a baseline water quality. Thereafter, Owner may provide a written request to Operator to take a periodic water samples from such water on the Property to compare against any baseline water sample, such request shall not be more frequent than on a yearly basis. Surface Owner agrees to aid and assist in the identification of any active or abandon or new water wells located on the property.

7. Hunting. Operator will not allow any hunting to be conducted on the Property by its employees and contractors. No firearms will be allowed in any vehicle that is utilized by Operators employees or contractors.

8. Termination. This Agreement shall terminate upon the later of: (i) the expiration or termination of the Lease and easements granted; or (ii) upon completion of final reclamation. No termination of this Agreement by Owner, Operator or otherwise shall relieve Operator of any obligation under this Agreement incurred or occurring prior to and through the date of termination, including Operator's liability for or obligation to perform any maintenance, reclamation, mitigation, corrective action, or expenditures required pursuant to common law or any federal, state or local statute, regulation, rule or ordinance. Upon termination of the rights granted under this Agreement, Operator shall execute and deliver to Owner, within thirty (30) days of written demand therefore, an acknowledgment that this Agreement has been terminated. If Operator fails or refuses to deliver that acknowledgment, a written notice by Owner reciting any such failure or refusal and that this Agreement is terminated shall, sixty (60) days after the date of recording of that notice, be conclusive evidence against Operator and all persons claiming under Operator of the termination of this Agreement.

9. General Provisions.

9.1. Consultation. Operator shall consult with Owner regarding all significant operations involving Operator's use of the Property. Operator shall use its best efforts to notify Owner at least seven (7) days prior to beginning any work on the Property involving heavy equipment, including but not limited to drilling, excavating, and cutting roads or laying pipelines. Owner hereby waives the minimum thirty (30) day written advance notice required by the COGCC Rule 305, as amended, and agrees to execute a separate waiver for filing with the COGCC if requested by Operator.

9.2 Surveys, Plans. Prior to construction, Operator shall provide Owner with COGCC well permits and applications, as well as surveys and plans of the Well Pad site, easements, roads, pipelines and equipment location.

9.3 Liability of Operator. Except for the damages covered by this Agreement, Operator shall be liable for any injury to persons, property, or livestock caused by or incident to the operations of Operator, its agents, employees, contractors, or subcontractors ("Operator Group") on the Property, or any extraordinary damages due to spills of materials, explosions, or any other harmful activity of Operator. Operator shall indemnify and hold harmless Owner from and against any and all past, present and future liability, damages, costs, expenses, fines, penalties and fees (including without limitation reasonable attorney and consultant fees) incurred by or asserted against Owner arising from or regarding or relating to the Operator Group's use of the Wells, Well Pad(s) or easements or any other rights granted by this Agreement. Such indemnification shall extend to and encompass, but shall

not be limited to, all claims, demands, actions or other matters which arise under the common law or other laws designed to protect the environment and public health or welfare including, without limitation the following laws (as amended) and any regulation promulgated under their authority: Endangered Species Act of 1973 (16 U.S.C § 1531, *et seq.*); Clean Water Act (33 U.S.C § 1251, *et seq.*); Clean Air Act (42 U.S.C § 741, *et seq.*) National Environmental Policy Act (42 U.S.C § 4321, *et seq.*); Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C § 9601, *et seq.*); Solid Waste Disposal Act (42 U.S.C § 6901, *et seq.*); Toxic Substance Control Act (16 U.S.C § 2601, *et seq.*); Safe Drinking Water Act (42 U.S.C § 300f, *et seq.*); Occupational Safety and Health Act (29 U.S.C § 651, *et seq.*) ;and any applicable state or local statutes, regulations or ordinances. Operator shall, at Owner's option, defend Owner or reimburse Owner as expenses are incurred for Owner's defense against any claims, demands, actions or other matters, whether brought or asserted by federal, state or local governmental bodies or officials, or by private persons, which are asserted pursuant to or brought under any such laws. All of Operator's obligations stated in this subsection 9.3 shall survive termination of this Agreement.

9.4 Regulations: No part of this Agreement shall be construed to relieve Operator from any or all COGCC or regulations, present and future.

9.5. No Off-Site Substances. Operator shall not store or dispose of on the Property any soil, waste, or other substance generated off of the Property, except water to be used for fracing purposes or disposal services.

9.6. Prohibited Items and Activities. Operator shall not be permitted to have, or allow, firearms, crossbows, pets, alcohol, or illegal drugs on the Property. Personal and/or leisure activities are prohibited. No employees, contractors, subcontractors, agents, guests or invitees of Operator shall reside on the Property overnight, with the exception of personnel deemed critical to well operations by the Operator.

9.7. Insurance. Operator shall keep its operations insured for automobile, liability, and workmen's compensation insurance, and for any damages incurred on the Property.

9.8. Operator Liens. Operator shall, at its sole expense, keep the Property free and clear of all liens and encumbrances resulting from Operator's and its agents' activities on the Property, and shall indemnify and hold harmless Owner from and against any and all liens, claims, demands, costs, and expenses, including, without limitation, attorney fees and court costs, in connection with or arising out of any work done, labor performed, or materials furnished.

9.9. No Warranty of Title. This Agreement is made subject to any and all existing easements, rights-of-way, liens, agreements, burdens, encumbrances, restrictions, and defects in title affecting the Property. Owner does not in any way warrant or guarantee title to the Property.

9.10. Subrogation of Rights. Operator shall have the right to discharge or redeem for Owner, in whole or in part, any mortgage, tax, or other lien on the Property that could jeopardize Operator's rights under this Agreement, in which case Operator shall be subrogated to such rights of the party to whom payment is made for purposes of securing and collecting the amounts paid on behalf of the Owner.

9.11. Waiver. The failure of either party to enforce any of its rights under this Agreement upon any occasion shall not be deemed a waiver of such rights on any subsequent occasion(s). The waiver, either express or implied, by and party of any of the rights, terms or conditions in this Agreement shall not be deemed as or constitute a waiver of any other rights, terms or conditions in this Agreement. Any waiver, in order to be valid and effective, must be in writing.

9.12. Notice. Wherever provision is made in this Agreement for the giving, service, or delivery of any notice, statement, or other instrument, such notice shall be given by: (i) personal delivery, (ii) by email with read receipt or (iii) United States certified return receipt mail, postage prepaid, addressed to the party entitled to receive the same at the address stated in the introductory paragraph; provided, however, that each party may change that party's mailing address by giving to the other party written notice of change of such address in the manner provided in this subsection. Mail shall be deemed to have been given, served and delivered upon the third delivery day following the date of the mailing; personal delivery shall be deemed to have been given, served and delivered upon receipt.

9.13. COGCC Notices.

9.13.1 Upon request, Owner shall be provided with a copy of any "Change of Operator" notice filed with the COGCC pursuant to Rule 312.

9.13.2 A copy of any notice filed with the COGCC regarding public health, safety, or emergency matters shall be delivered to Owner simultaneously with the COGCC notice. In the event of a spill of E&P waste or any substance, Operator shall immediately notify Owner, verbally or by telephone if possible, and identify the quantity, location, and type of substance released. In the event of a surface or subsurface loss of well control, Operator shall notify Owner, verbally or by telephone if possible, as soon as possible. Any verbal or telephonic notification under this subsection shall be documented in writing and provided to Owner in accordance with subsection 9.14.

9.13.3. Copies of all forms, notices, plans, tests, or other documentation regarding spills or blow-outs shall be provided to Owner at the same time as filing with the COGCC, local government representative, or any other regulatory agency.

9.13.4. A copy of any Operator requests for variance from surface use or reclamation regulations, not requiring a petition and notice to Owner, shall be delivered to Owner at the same time as delivery to the COGCC.

9.13.5 Operator agrees to comply with all COGCC rules and regulations regarding the activities proposed herein. Owner agrees that in the event there is a need for additional submissions to the COGCC requiring Owner's approval and/or signature for issues relating to the above referenced wells, including but not limited to Surface Location Exceptions to Rule 318, that Owner will not withhold such approval or signature.

9.14 Authority. Operator represents and warrants that it has full authority to commit to this Agreement. Operator shall provide Owner with a copy of all leases, including pooling or communitization agreements, and spacing orders, under which it is operating on the Property.

9.15. Survival of Obligations. All obligations, indemnifications, duties, and liabilities undertaken by Operator under this Agreement shall survive the termination of this Agreement.

9.16. Merger of Prior Agreements. This Agreement and the Lease contain the sole and entire agreement and understanding of the parties with respect to the entire subject matter on the Property. All prior discussions, negotiations, commitments, agreements, and understandings relating to the subjects of this Agreement on the Property, and the Lease are merged into them. In the event of

any conflict between the terms of this Agreement and the Lease, the terms of this Agreement shall control.

9.17. Amendments. This Agreement may only be amended by the written agreement of both parties. This Agreement cannot be amended or terminated orally.

9.18. Assignment. This Agreement is assignable by the parties.

9.19. Headings. Section headings or captions contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision.

9.20. Construction. Whenever required by the context of this Agreement, the singular shall include the plural, and vice versa; and the masculine gender shall include the feminine and neuter genders, and vice versa. The provisions of this Agreement have been independently, separately and freely negotiated by the parties as if drafted by both of them. The parties waive any statutory or common law presumption that would serve to have this Agreement construed in favor of or against either party.

9.21. Severability. If any provision of this Agreement is illegal, invalid, or unenforceable under present or future laws applicable to this Agreement, the parties intend that the remainder of this Agreement shall remain in full force and effect so as to fulfill as fully as possible the intent of the parties as expressed by the then existing terms of the Agreement, including the invalidated provision.

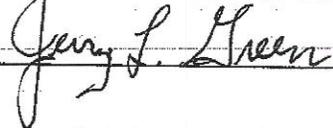
9.22. Applicable Law and Attorney Fees. This Agreement and the rights of the parties under it shall be governed by and interpreted in accordance with the laws of the State of Colorado, by the district Court of Moffat County, Colorado. In the event of a dispute involving or related to any term or condition of this Agreement, the non-breaching party shall be entitled to recover its reasonable costs and attorney fees, including post-judgment collection costs, in addition to actual damages.

9.23. Heirs, Successors and Assigns. Subject to any limitations on assignment provided in this Agreement, this Agreement shall run with the land and be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

9.24. Owner/Operator Communication. Owner and Operator shall communicate, no less often than once per year during the term of this Agreement, to review this Agreement's provisions and Operator's surface use. If there are any respects in which Operator is not in compliance with this Agreement, the parties shall agree upon what measures shall be taken to address the issues and agree upon a schedule if necessary for implementing above referenced measures (if necessary).

**OWNER:**

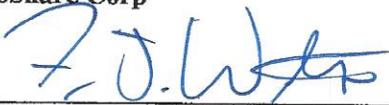
Jerry L. Green – Surface Owner

  
\_\_\_\_\_

**OPERATOR:**

PetroShare Corp

By:

  
\_\_\_\_\_  
Frederick J. Witsell  
President

ACKNOWLEDGMENT

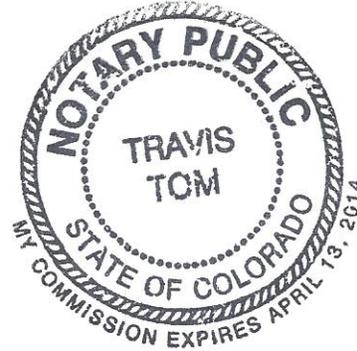
STATE OF Colorado  
COUNTY OF Arapahoe

I, the undersigned authority, a Notary Public in and for said county, in said state hereby certify that **Frederick J. Witsell, President of PetroShare, Corp**, who is known to me, acknowledged before me on this day, that being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation and for the consideration therein set forth.

Given under my hand and seal of office this 4 day of March, 2013.

My commission expires:  
04/13/2014

  
Signature of Notary  
Printed Name: Travis Tom



ACKNOWLEDGMENT

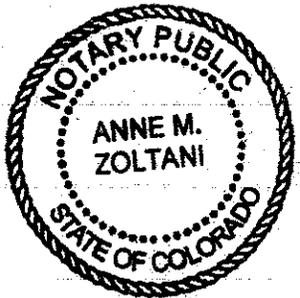
STATE OF Colorado

COUNTY OF Route March

On this 1st day of February 2013, before me, a Notary Public, personally appeared Jerry L Green known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed the same as his free act and deed.

WITNESS my hand and notarial seal the day and year in this certificate above written.

My commission expires:  
4/19/14



Anne Zoltani  
Signature of Notary  
Printed Name: Anne Zoltani

ACKNOWLEDGMENT

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, the undersigned authority, a Notary Public in and for said county, in said state hereby certify that **Frederick J. Witsell, President of PetroShare, Corp**, who is known to me, acknowledged before me on this day, that being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation and for the consideration therein set forth.

Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Signature of Notary  
Printed Name: \_\_\_\_\_