

## **SURFACE USE, RIGHT-OF-WAY AND PAD ACCESS AGREEMENT**

THIS AGREEMENT ("Agreement") is effective the 22 day of July 2009, between (, "Surface Owner") **Dean M. Knox, Life Tenant, Roger Lee Knox and Sandra A. Knox, remainderman, Michael D. Knox and Raynell J. Knox,** ( "Surface owner"), and **Mark M. Knox and Tracey Knox,** ("Surface Owner"), c/o Roger Lee Knox whose mailing address is 2739 County Road 306, Parachute, Colorado 81653, **Larry D. Knox,** acting by and through his Attorney-in-Fact, Michael D. Knox ("Surface Owner"), **Danna B. Knox, a/k/a Dana B. Knox,** acting by and through her Attorney-in-Fact, Michael D. Knox ("Surface Owner") parties of the first part,

and Laramie Energy II, LLC, a Delaware limited liability company authorized to do business in Colorado, whose address is 1512 Larimer Street, Suite 1000, Denver, Colorado 80202 ("Operator"), party of the second part.

### **RECITALS**

A. Surface Owners own a portion of the the surface of the real property in Garfield County, Colorado (the "Property"), their combined tracts of land subject to this agreement legally described as:

Township 8 South, Range 96 West, 6<sup>th</sup> P.M.

Section 2: NW/4SW/4, SW/4SW/4

Less and except 5.0 acres in SW corner  
described in Bk 1135 Pg 287.

Section 3: S/2NE/4, E/2SE/4,

Less and except that portion of the NE/4SE/4  
described in that certain deed recorded at Reception  
No. 314808, in Book 571, Page 834, of the records  
of Garfield County, State of Colorado, described  
as follows:

Beginning at the Northwest Corner of the said  
NE/4SE/4; thence due East 540 feet; thence South  
80 2/3 feet; thence West 540 feet; thence North  
80 2/3 feet to the place of beginning. Said excepted  
parcel containing 1.0 acre.

Less and except the West ten acres of the SE/4SE/4

B. Operator is the owner/operator of a working interest in oil and gas leases granting Operator certain rights to minerals adjacent to the Property (collectively, the "Leases").

C. Operator wishes to drill multiple oil and gas wells ("Wells") on the Property from one (1) well pad ( the Well Pad) for the extraction of the minerals described in the Leases. In addition, Operator intends to construct an access road and install pipelines across the Property to the Well Pads.

D. Surface Owner and Operator wish to memorialize their agreement concerning the payment for damages to the surface of the Property in connection with the construction of the Well Pads, the drilling, construction, completion, re-completion, reworking, re-entry, production, maintenance and operation of the Wells, and for the construction, maintenance and use of the pipelines and road located on the Property.

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:

## TERMS

### 1. Wells, Well Pad Access Road, Pipeline and Well Pads.

1.1. Operator may construct one (1) Well Pad on the Property at the locations depicted on the attached and incorporated Exhibit "A" for drilling, completion, re-completion, reworking, re-entry, production, maintenance and operation of the Well(s) on the Property. The Well Pads shall be approximately 200' X 350' and shall be constructed with the approximate total area of disturbance depicted on the attached and incorporated Exhibit "A1" for "lease wells" and up to 275' X 500' for "lease wells" and "off lease wells" provided, however, that in no event shall a Well Pad exceed five (5) acres of disturbed area (including any cuts and fills) during drilling, or three and one-tenth (3.1) acres of disturbed area (including any cuts and fills) after initial reclamation. Operator may drill the maximum number of Wells on a Well Pad permitted by Colorado Oil and Gas Conservation Commission ("COGCC") spacing requirements. As used in this Agreement, "Well" shall mean a well and the accompanying wellbore (either vertically or directionally drilled from a Well Pad) for the production of oil and gas, and all associated casing and wellhead equipment.

1.2. Prior to the commencement of construction of each Well Pad, Operator shall pay

unit leased to operator by Dean M. Knox, Roger Lee Knox and Sandra A. Knox and these four wells shall be referred to as the "lease wells". Lease well damages shall be allocated in the manner set forth herein.

Operator may drill a maximum of twelve (12) additional "off lease wells" from the same pad after it is expanded as outlined in 1.1, provided operator pays, prior to drilling any such wells (if

The payments made for these wells as to "Pad damages" shall be paid to each surface owner based upon the amount of acreage contributed to the overall pad X 70%. For example, if Mark Knox and Tracey Knox contribute two acre out of four acre of total pad disturbance, they would be paid as follows:

- a)
- b)
- c)

If all sixteen wells were ever drilled, (subject to operators additional acquisition of acreage),

The payment for the drilling access road and pipeline, outlined in this Surface Use Agreement, Right-of-Way, and Pad Access Agreement shall be paid to each contributing surface owner based upon the amount of acreage they contribute to the final foot print of the road, based upon permanent width of the right of way. The permanent road will be twenty(20) feet wide and shall extend several thousand feet from the county road, as shown on Exhibit A-1, square footage shall be determined by multiplying twenty (20) feet times the length of the road, using the same road already granted to operator to the Knox 3-08 Pad in the SE/4NE/4.

The remaining 30% of all damages shall be distributed equally among the surface owners that based upon the amount of permanent right of way they contribute for the well, for example, if Larry and Danna Knox contributed 90% of the length of the road used to access the drilling pad Larry and Danna would be paid:

- a)
- b)
- c)

If all sixteen(16) wells were ever drilled, (subject to operators additional acquisition of acreage),

Total damages that would be paid to all of the owners for the road and pads, if all sixteen of the wells were ever drilled, (subject to operators additional acquisition of acreage)damages for on and off lease wells would be paid proportionately as outlined herein.

If only the four "lease wells" are drilled, then total damages that would be paid to all of the owners would be paid proportionately as outlined herein.

In so far and only in so far as all funds due and payable to

1.3. All above-ground permanent structures on the Well Pads and above-ground pipeline structures shall be painted with appropriate earth-tone colors to blend with the surrounding landscape. Any tanks of any nature remaining at the Well Pads after the completion of drilling shall be low profile.

1.4. Operator shall use best efforts to minimize disturbances to existing trees and vegetation near the Well Pads.

1.5. Noise levels shall not exceed state noise restrictions or COGCC regulations.

1.6. All drilling fluids and mud shall be handled in accordance with COGCC regulations.

1.7. Any irrigation or tail water ditch or pipe located within a Well Pad shall be left intact or rerouted to a location approved by Surface 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 a Well Pad.

1.8. 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 Surface Owner, which consent may be conditioned or denied in Surface Owner's sole discretion.

1.9. Reserve or drilling pits used on the Property, if any shall comply with all COGCC regulations concerning such reserve or drilling pits used, if any are used on the Property.

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

1.11. No compressor units or stations, processing plants, or other similar facilities of any kind shall be located on the Property.

## 2. Rights-of-Way.

2.1. Road Right-of-Way. Surface Owner grants to Operator a non-exclusive access right-of-way ("Road Right-of-Way" or "Right-of-Way") across the Property to the Well Pads, on

the existing road and an extension of the existing road leading to the Well Pads at the location depicted on Exhibit "B," for ingress and egress to the Well Pads by Operator and its employees, contractors, subcontractors, agents, and business invitees. The Road Right-of-Way on the existing road shall be approximately twenty (20) feet in width, being ten (10) feet on each side of the centerline of the road, and the Road Right-of-Way on the extension of the existing road shall also be approximately twenty (20) feet in width, being ten (10) feet on each side of the centerline of the new road.

2.1.1. Operator shall improve the existing road, expanding as necessary and filling any eroded portions. The extension of the existing road shall be constructed as follows:

- The actual road shall cover the entire Road Right-of-Way, meaning that it shall be approximately twenty (20) feet in width, being ten (10) feet on each side of the centerline of the road;
- Six (6) inches top soil shall be removed; and
- There shall be a six (6) inch base consisting of three (3) inch minus rock.

Operator shall maintain the road in accordance with the specifications for BLM Resource Roads, as described in "Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development," 4<sup>th</sup> Edition, prepared by the United States Department of the Interior, except as otherwise provided in this Agreement.

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 Surface Owner where roads cross 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 any 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 Pads or termination of this Agreement. Further, Operator shall keep the Right-of-Way in good order, at all times free from litter and debris.

2.1.5. Upon request of Surface Owner, permanent gates shall be installed at each point where the road intersects perimeter or cross fences. If Surface Owner or Operator chooses to lock any gate on the road, keys will be provided to the other party.

2.1.6. Operator shall abide by a 15 m.p.h. speed limit at all times on the road.

2.1.7. Operator shall use the best available methods, other than hard surfacing, to limit dust from the road. Magnesium chloride shall be applied when requested by Surface Owner, up to a maximum of four (4) times per year.

2.1.8. Surface Owner shall have the right to relocate the road to accommodate their uses of the Property, 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 Surface Owner's expense.

2.1.9. The Rights-of-Way conveyed by this Agreement shall be for the private use of Operator, its agents, employees, contractors and subcontractors to access the Well Pads only, with no right of use by the public, or for access to other lands. Surface Owner reserves the right to use the road for any purpose that does not unreasonably interfere with Operator's operations.

2.1.10. Operator's access on the Property is specifically limited to its right to use the Right-of-Way as described in this Agreement.

2.2. Pipeline Right-of-Way. Surface Owner grants to Operator a non-exclusive pipeline right-of-way ("Pipeline Right-of-Way" or "Right-of-Way"), approximately twenty-five (25) feet in width, across the Property to the Well Pads at the location approved by Surface Owner and depicted on the attached and incorporated Exhibit "A," to construct, maintain, inspect and operate a single gas pipeline with a maximum diameter of eight inches (8") for the transportation of oil, gas, petroleum products and any other substances recovered during oil and gas production, whether fluid or solid, any products and derivatives of any of those substances, and any combinations and mixtures of any of those substances, from the Well Pads to a location off of the Property. Operator may also install a 2" – 4" diameter water line laid in a common trench with the aforementioned pipeline to allow for the capability to move produced water or fresh water through the water line. During initial construction of the gas pipeline only, Surface Owner also grants to Operator a license for the use of twenty-five (25) feet parallel to and adjoining one side of the Pipeline Right-of-Way.

2.2.1. Operator shall bury all pipelines placed within the Pipeline Right-of-Way at a depth not less than forty-two (42) inches from the top of the shallowest pipeline, and shall install all such pipelines so that they can be detected using a commonly available metal detector.

2.2.2. Nothing in this subsection 2.2 shall be construed as granting Operator the right to place any facilities on the Property other than the described pipelines to be placed in the Pipeline Right-of-Way.

2.3. Construction.

2.3.1. Operator shall provide written notice to Surface Owner at least two (2) weeks prior to any construction under this Section 2.

2.3.2. Operator shall repair any fence on or enclosing the Property that is damaged or temporarily taken down during any construction on or use of the Rights-of-Way within twenty-four (24) hours of the time such fence is damaged or taken down. Any fence to be cut shall be H-braced and dead-manned prior to being cut.

2.3.3. Operator shall immediately restore or repair any irrigation or tail water ditch or pipeline that is damaged during any construction on or use of the Rights-of-Way so that the delivery of water on the Property is not disrupted.

2.3.4. During construction of the road and/or the pipeline on or within the Rights-of-Way, and at all times thereafter, Operator shall minimize disruption of, and interference with, any ranching, agriculture, hunting or other operations conducted on the Property now or in the future.

2.3.5. Within 180 days after construction of the road and/or pipeline on or within the Rights-of-Way, or any maintenance or repair of the road or a pipeline that disturbs the surface of the Property, Operator shall restore any affected area, except road surfaces, to its pre-construction condition and re-vegetate all such areas with alfalfa or dry land pasture according to NRCS standards. Promptly following termination of the Rights-of-Way, Operator shall reclaim and restore the area where the road and/or pipelines were constructed to its pre-construction condition, and re-vegetate the reclaimed area as described in the preceding sentence, or, with respect to the pipelines, Operator (in Surface Owner's sole discretion) may leave specified pipelines buried in place and sever and cap such pipeline(s) at the boundary lines of the Property.

2.4. Compliance with Law. Operator, its agents, designees, assignees and successors-in-interest shall, in connection with the use of the Rights-of-Way, comply with all applicable federal, state and local laws, rules and regulations applicable to Operator's use of the Rights-of-Way, including, by way of example and not limitation, the common law and all other laws designed to protect the environment and public health or welfare.

2.5. Term of Grant. A Right-of-Way shall continue until: (a) the termination of this Agreement in accordance with Section 7, or (b) Operator's written surrender of the Right-of-Way.

2.6. Evolution of Use. Operator's use of the Rights-of-Way 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 Rights-of-Way.

3. Weed Control. Operator shall be responsible for controlling all noxious weeds on the Well Pads and Rights-of-Way. Operator shall also be responsible for preventing such noxious weeds from spreading to any lands adjacent to those areas.

3.1. Adjacent Areas. In the event noxious weeds spread to areas adjacent to the Well Pads and/or Right(s)-of-Way, Operator shall be responsible for controlling the noxious weeds on those lands as well, provided that such adjacent areas were free of such noxious weeds prior to construction of the Well Pads or Right(s)-of-Way, as the case may be. If the adjacent areas of the Property were not free of such noxious weeds prior to such construction, Operator's responsibility shall be limited to reasonable control of such noxious weeds only on the lands that comprise the Well Pads and Right(s)-of-Way.

3.2. Notification. If Operator locates, or Surface 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.

3.3. Term of Responsibility. Operator's responsibility for noxious weed control under this Section 3 shall be ongoing and shall continue even after final reclamation, until the first to occur of (a) Surface Owner providing Operator with a written release of Operator's further obligation to control noxious weeds on the Property, or (b) one year has passed since the last Well was plugged and abandoned or the termination of the Right-of-Way, as the case may be.

4. Erosion Control. Operator shall be responsible for controlling all erosion of soils at the Well Pads and Rights-of-Way, and on areas adjacent to the Property that is caused by the activities of Operator or its employees, contractors, subcontractors, 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 the Well Pads or a Right-of-Way, until (a) such time as Surface Owner provides Operator with a written release of Operator's further obligation to control erosion on the Property, or (b) one year has passed since the last Well was plugged and abandoned or the termination of the Right-of-Way, as the case may be.

## 5. Reclamation.

5.1. Initial Reclamation. As soon as reasonably practical after initial disturbance to a Right-of-Way, except for areas required for current operations such as roads, Operator shall restore all disturbed areas in accordance with this subsection 5.1. Initial reclamation of a Well Pad shall commence within six (6) months after completion of initial drilling and completion operations on that Well Pad and be diligently pursued to completion.

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.

5.1.2. Operator shall provide Surface Owner with: (a) cut and fill diagrams for each Well Pad, including cross sections and plan views with topographic contours; and



(b) a site map for each Well Pad showing the location of wellbores, the cutting pit, the access road, soil stockpiles, and the layout of drilling and completion equipment.

5.1.3. All disturbed areas not reasonably needed for production operations (subject to the size provisions for the Well Pads) shall be recontoured by placing clean fill material back into cut areas to approximate original contours. Slopes shall be recontoured to minimize areas that exceed a 3:1 slope. Any areas exceeding the 3:1 slope criteria or high walls shall be reclaimed using enhanced stabilization and erosion prevention methods. Areas recontoured during interim reclamation shall be reseeded with the intent of establishing native vegetation suitable for final reclamation. If the reseeded fails to reestablish healthy native vegetation, Operator shall continue reseeding in subsequent planting seasons until healthy native vegetation is established.

5.1.4. Operator shall remove all construction and/or drilling waste materials, in-fill holes no longer necessary for the operation of the Well(s), and remove compaction from the soil in areas 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 Surface Owner, and sagebrush areas shall be planted with native grasses and vegetation that existed prior to disturbance.

5.1.5. Any rocks excavated by Operator that are too large (8" or greater) to be incorporated into fill shall be removed. Any usable timber, fence posts, and firewood shall be stockpiled at mutually agreed locations. All slash shall be incorporated in fill or removed.

5.1.6. 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.

5.1.7. The Well Pads shall be mulched immediately after seeding with weed-free straw or other type of weed-free mulch. Operator shall be responsible for protecting replantings, including fencing to exclude animals.

5.1.8. 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 one year after the last Well is plugged and abandoned. However, if at the end of the one year period Operator has not completed a successful reclamation because of events beyond its control, Surface Owner agrees

to grant Operator in writing a reasonable extension of time to achieve a successful reclamation. Upon final termination of operations, Surface Owner may request roads, culverts and/or fencing to be left in place, in which case they shall thereafter belong to Surface Owner.

6. Water. With the exception of right of Lessee to use free of cost associated water encountered during drilling for no additional charge and granted in the Leases pertaining to associated water encountered below Surface Casing, this Agreement does not give Operator any right to use any water or water rights of Surface Owner, except as otherwise expressly agreed in writing by Surface Owner. 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. If any such well, spring or other water source is located on the Property, Operator shall hire a third-party expert, mutually agreed upon by the parties, to test the amount and water quality of such well(s), spring(s) or water source(s) both (a) prior to Operator conducting drilling operations and (b) upon completion of a Well as a producer or dry hole. In the event such test results confirm (in the sole opinion of the third-party expert), that any such well, spring or water source was contaminated or damaged by Operator's operations, Operator agrees to either (a) drill a new water well at Operator's expense of at least the same quality and volume as the damaged well prior to Operator's operations, or (b) provide Surface Owner a replacement water source in a like volume to such damaged well, spring or water source, at its source or at a mutually agreed location. Operator shall begin construction on any new water well or source, as the case may be, within sixty (60) days after receipt of the expert's report of contamination or damage, and shall complete such construction within six (6) months. Operator shall provide potable water by truck or other means to Surface Owner in an amount sufficient for normal household uses until construction is completed.

7. Termination. This Agreement shall terminate: (a) upon the expiration or termination of the Leases; or (b) upon completion of final reclamation. No termination of this Agreement by Surface 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 Surface Owner, within thirty (30) days after written demand therefore, an acknowledgment that this Agreement has been terminated. If Operator fails or refuses to deliver that acknowledgment, a written notice by Surface Owner reciting any such failure or refusal 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.

8. General Provisions.

8.1. Consultation. Operator shall consult with Surface Owner regarding all significant operations involving Operator's use of the Property. Operator shall notify Surface Owner at least two (2) weeks prior to beginning any work on the Property involving heavy equipment, including but not limited to drilling, excavating, cutting roads or laying pipes.

8.2. Waiver of Notice. Execution of this Agreement hereby specially waives the 30-day notice requirements contained in COGCC Rule 305 and satisfies the consultation requirement contained in Rule 306 with respect to any and all Wells drilled from the Well Pads.

8.3. Surveys, Plans and As-Built. Prior to construction, Operator shall provide Surface Owner with COGCC well permits and applications, as well as surveys and plans of the Well Pad sites, Rights-of-Way, and road and pipeline locations. Operator shall provide Surface Owner with "as-built" surveys of such improvements after construction.

8.4. Liability of Operator. 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 Property, or any extraordinary damages due to spills of materials, explosions, or any other harmful activity of Operator. Operator shall indemnify and hold harmless Surface 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 Surface Owner arising from or regarding or relating to the use of the Wells, Well Pads or Rights-of-Way 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 Surface Owner's option, defend Surface Owner or reimburse Surface Owner as expenses are incurred for Surface 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 8.4 shall survive termination of this Agreement.

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

8.6. 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.

8.7. 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.

8.8. Insurance. Operator shall keep its operations insured, or comply with applicable self-insurance laws and regulations, for automobile, liability, and workers' compensation insurance, and for any damages incurred on the Property.

8.9. Taxes. Operator shall pay any additional taxes assessed against the Property as a result of any improvements placed on the Property by Operator.

8.10. 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 Surface 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.

8.11. Liquidated Damages. In addition to and not in lieu of all other rights and remedies exercisable by Surface Owner under this Agreement and at law or in equity, in the event of any violation of any term, condition or provision of this Agreement by Operator or its employees, contractors, sub-contractors, agents or business invitees, Surface Owner shall notify Operator of such alleged violation within thirty (30) days after it is discovered. Operator shall respond to such notice within thirty(30) days, either disputing the alleged violation or acknowledging it. In the event Operator disputes the allegation, Surface Owner's and Operator's representatives shall consult within thirty (30) days after Operator has responded to negotiate a resolution of the allegation. If the parties are unable to reach a resolution, either party may file an action in the Garfield County District Court requesting a judicial determination. If Operator acknowledges violating, or is found by the court to have violated, the provision of this Agreement that is the subject of the dispute, it shall pay liquidated damages in the amount of

prevailing party, as determined by the court, shall be awarded its costs and reasonable attorney fees.

8.12. 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. Surface Owner does not in any way warrant or guarantee title to the Property.

8.13. Subrogation of Rights. Operator shall have the right to discharge or redeem for Surface 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 that mortgage, tax, or other lien or incidental right.

8.14. Non-Exclusive Use and Reservations. All rights granted in this Agreement are limited to the specific grants described in this Agreement. Operator waives any rights it may have to use or condemn additional easements, rights-of-way, wells, well pads, or anything else, on, over, across or through the Property not specifically provided for in this Agreement,

including any express or implied rights it may now have or in the future acquire under any other instrument, from any fractional interest Surface Owner, or at law or in equity. Except as may be specifically provided elsewhere in this Agreement, this Agreement does not, in any way, convey any water rights or the right to use water, nor does it convey any rights to construct a compressor or related facility, or to mine, drill, remove, process, treat or produce, in any way, oil shale or other minerals not specifically provided for in this Agreement that are located or may be located in, on or beneath the Property. Surface Owner reserves to itself and its successors and assigns all rights not specifically granted to Operator in this Agreement.

8.15. 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 any 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.

8.16. 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: (a) personal delivery, or (b) United States first class 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 8.16. 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.

8.17. COGCC Notices.

8.17.1. Surface Owner shall be provided with a copy of any "Change of Operator" notice filed with the COGCC pursuant to Rule 312.

8.17.2. A copy of any notice filed with the COGCC regarding public health, safety, or emergency matters shall be delivered to Surface Owner simultaneously with the COGCC notice. In the event of a spill of E&P waste or any substance, Operator shall immediately notify Surface 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 Surface Owner, verbally or by telephone if possible, as soon as possible. Any verbal or telephonic notification under this subsection 8.17.2 shall be documented in writing and provided to Surface Owner in accordance with subsection 8.16.

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

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

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

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

8.20. Merger of Prior Agreements; Conflicts. This Agreement contains the sole and entire agreement and understanding of the parties with respect to its entire subject matter. All prior discussions, negotiations, commitments and understandings relating to the subject of this Agreement are merged into it. In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of the Leases, the terms and conditions of this Agreement shall control.

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

8.22. 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.

8.23. 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.

8.24. 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.

8.25. 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 Garfield 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.


8.26. Heirs, Successors and Assigns. Subject to any limitations on assignment provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns. Assignment by Operator of some or all of its rights hereunder shall not release Operator from liability under this Agreement, unless specifically released by Surface Owner in writing. Such release shall not be unreasonably withheld when requested by Operator.

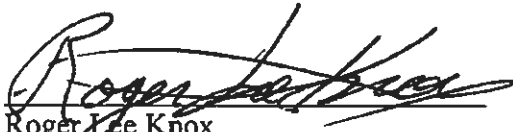
**OPERATOR:**


LARAMIE ENERGY II, LLC


  
Kenneth G. Leis, Attorney-in-Fact


**SURFACE OWNERS:**

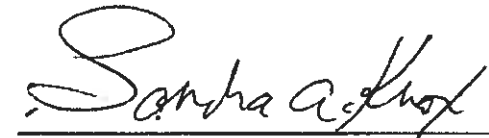
  
Dean M. Knox


  
Roger Lee Knox


  
Michael D. Knox


  
Mark M. Knox

  
Larry D. Knox, acting by and through  
by and through his Attorney-in-Fact  
Michael D. Knox

  
Sandra A. Knox

  
Raynell J. Knox

  
Tracey Knox


  
Danna B. Knox, a/k/a Dana B. Knox, acting  
by and through his Attorney-in-Fact  
Michael D. Knox

STATE OF Colorado                    )  
  ) ss.  
COUNTY OF Boulder            )

The foregoing instrument was subscribed and sworn to before me on July 22, 2009, by Larry D. Knox, acting by and through his Attorney-in-Fact, Michael D. Knox and Danna B. Knox, a/k/a Dana B. Knox, acting by and through her Attorney-in-Fact, Michael D. Knox.

My commission expires: Jan 2, 2010

Witness my hand and seal.

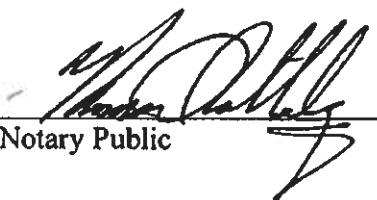
  
\_\_\_\_\_  
Notary Public

STATE OF Colorado                    )  
  ) ss.  
COUNTY OF Boulder            )

The foregoing instrument was subscribed and sworn to before me on July 22, 2009, by Dean M. Knox.

My commission expires: Jan 2, 2010

Witness my hand and seal.

  
\_\_\_\_\_  
Notary Public



STATE OF Colorado            )  
  ) ss.  
COUNTY OF Berksh        )

The foregoing instrument was subscribed and sworn to before me on  
July 22, 2009, by Roger Lee Knox.

My commission expires: Jan 30, 2010

Witness my hand and seal.

  
\_\_\_\_\_  
Notary Public

STATE OF Colorado            )  
  ) ss.  
COUNTY OF Berksh        )

The foregoing instrument was subscribed and sworn to before me on  
July 22, 2009, by Sandra A. Knox.

My commission expires: Jan 30, 2010

Witness my hand and seal.

  
\_\_\_\_\_  
Notary Public

STATE OF Colorado            )  
  ) ss.  
COUNTY OF Bartolo        )

The foregoing instrument was subscribed and sworn to before me on  
July 22, 2009, by Michael D. Knox.

My commission expires: Jan 31, 2010

Witness my hand and seal.

  
Notary Public

STATE OF Colorado            )  
  ) ss.  
COUNTY OF Bartolo        )

The foregoing instrument was subscribed and sworn to before me on  
July 22, 2009, by Raynell J. Knox.

My commission expires: Jan 31, 2010

Witness my hand and seal.

  
Notary Public

STATE OF Colorado )  
 ) ss.  
COUNTY OF Garfield )

The foregoing instrument was subscribed and sworn to before me on July 22, 2009, by Mark M. Knox.

My commission expires: Jan 31, 2010

Witness my hand and seal.

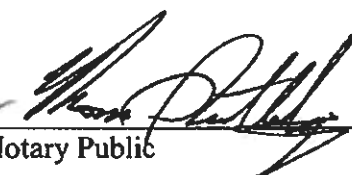
  
Notary Public

STATE OF Colorado )  
 ) ss.  
COUNTY OF Garfield )

The foregoing instrument was subscribed and sworn to before me on July 22, 2009, by Tracey Knox.

My commission expires: Jan 31, 2010

Witness my hand and seal.

  
Notary Public

STATE OF COLORADO     )  
  ) ss.  
COUNTY OF Mesa     )

The foregoing instrument was subscribed and sworn to before me on  
23<sup>rd</sup>, 2009, by Kenneth G. Leis, Attorney-in-Fact for Laramie Energy II.

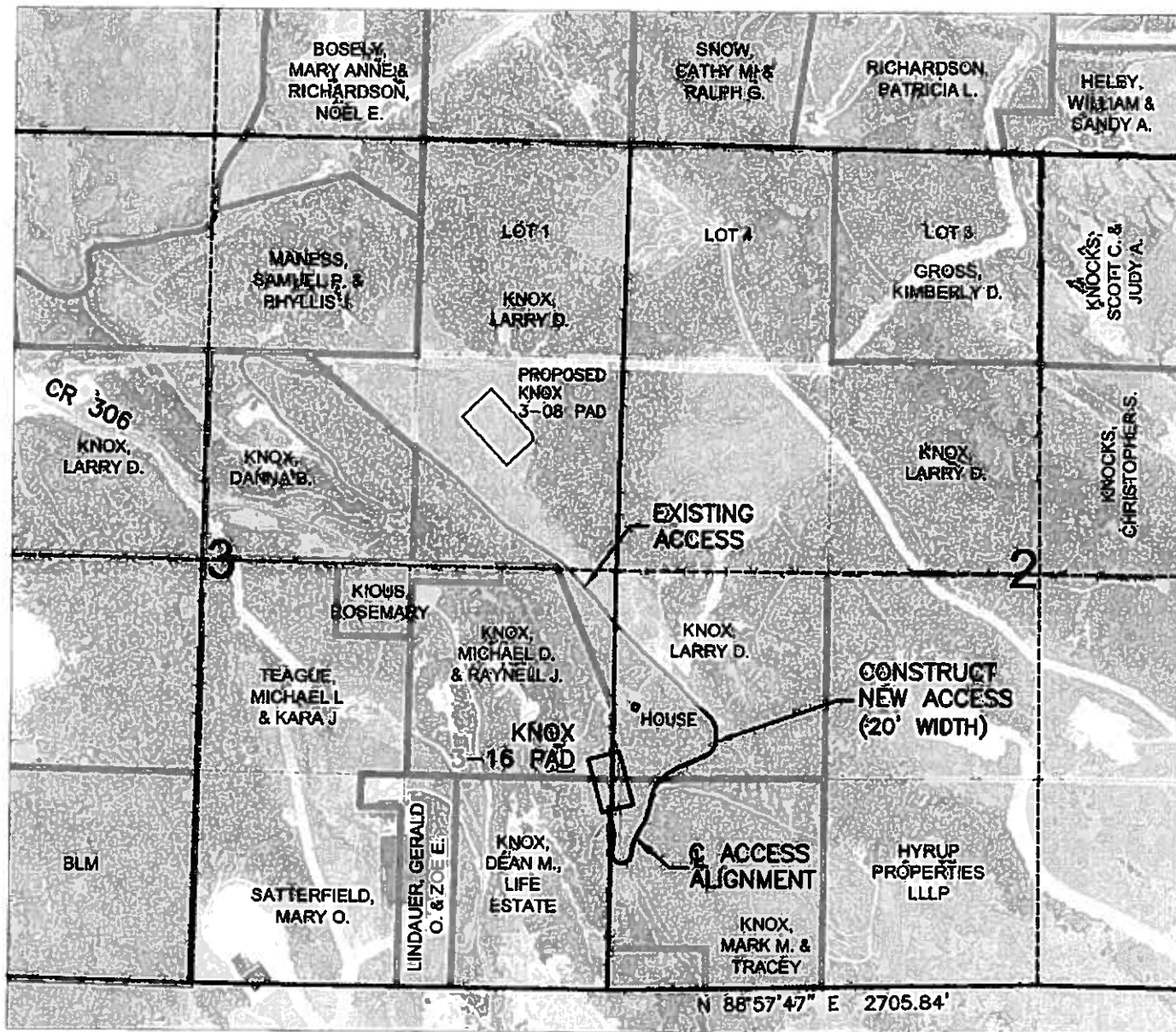
My commission expires: Jan 30, 2010

Witness my hand and seal.

  
\_\_\_\_\_  
Notary Public

# EXHIBIT "A"

## PAD LOCATION & ACCESS ROAD ALIGNMENT



### APPROXIMATE ACCESS ROAD ACREAGE (20' WIDTH):

DANNA KNOX: EXISTING ACCESS ±1.4 ACRES  
 LARRY KNOX: EXISTING ACCESS ±1.3 ACRES  
 LARRY KNOX: PROPOSED ACCESS ±0.3 ACRES  
 MARK & TRACEY KNOX: PROPOSED ACCESS ±0.4 ACRES  
 DEAN KNOX, LIFE ESTATE: PROPOSED ACCESS <0.1 ACRES

TOTAL=3.4 ACRES

NOTE: SUBJECT TO  
ASBUILT SURVEYS

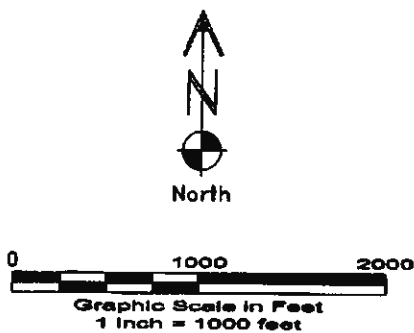
Sheet 1 of 2

7/16/09

**GEO SURV**  
 LAND SURVEYING AND MAPPING  
 520 STACY COURT, SUITE "B"  
 LAFAYETTE, CO. 80026  
 Ph 303 666 0379 Fx 303 665 6320

**LARAMIE ENERGY II LLC**  
**KNOX 3-16 PAD**

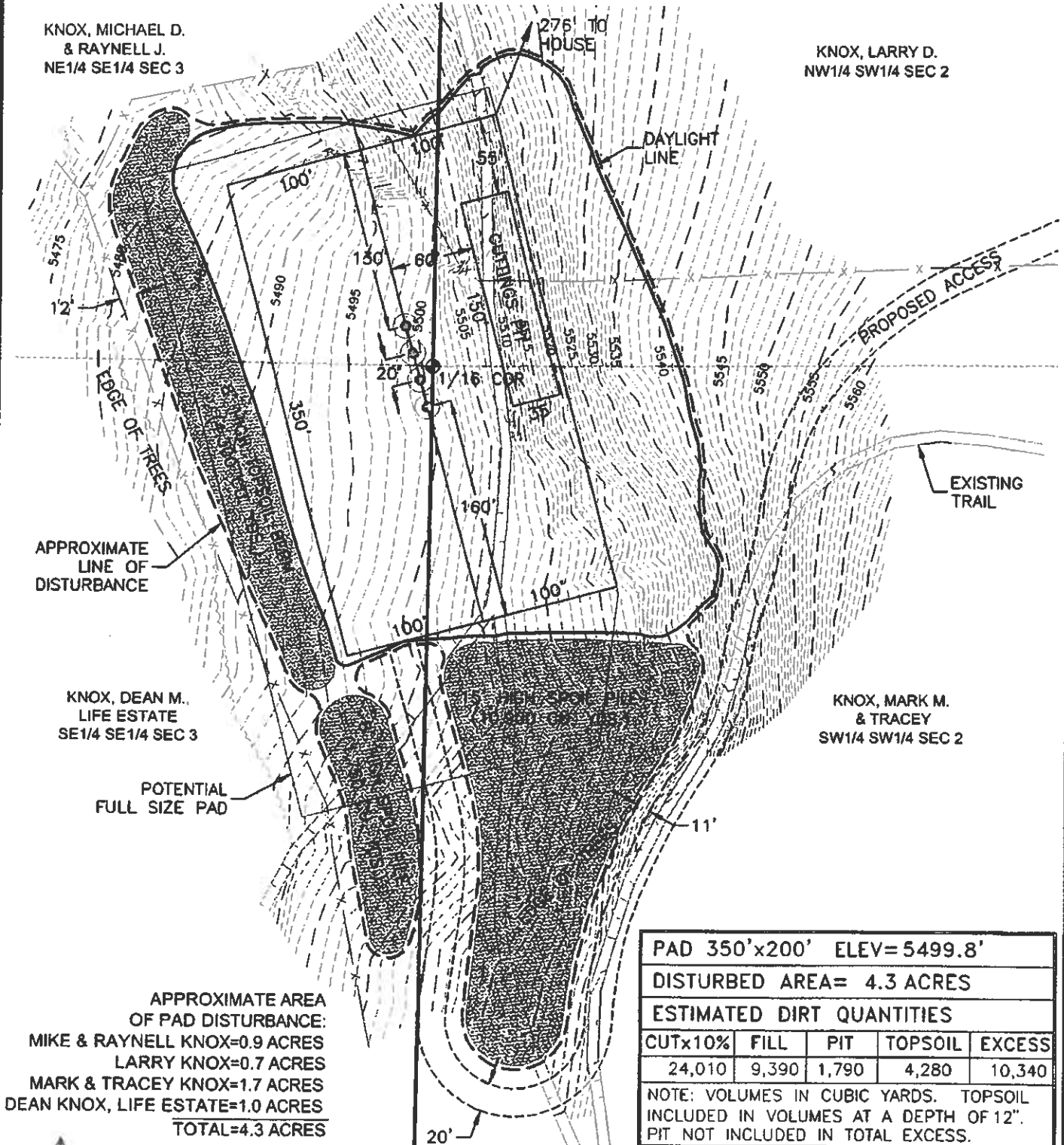
E1/2 SE1/4 SEC. 3 T8S R96W  
 W1/2 SW1/4 SEC. 2 T8S R96W  
 6th PM GARFIELD COUNTY COLORADO



# EXHIBIT "A1"

KNOX, MICHAEL D.  
& RAYNELL J.  
NE1/4 SE1/4 SEC 3

KNOX, LARRY D.  
NW1/4 SW1/4 SEC 2

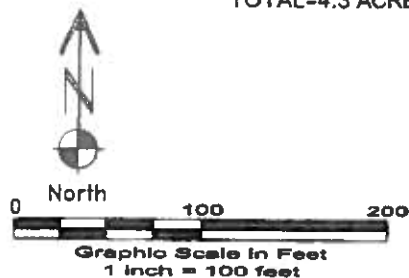


KNOX, DEAN M.  
LIFE ESTATE  
SE1/4 SE1/4 SEC 3

KNOX, MARK M.  
& TRACEY  
SW1/4 SW1/4 SEC 2

APPROXIMATE AREA  
OF PAD DISTURBANCE:  
MIKE & RAYNELL KNOX=0.9 ACRES  
LARRY KNOX=0.7 ACRES  
MARK & TRACEY KNOX=1.7 ACRES  
DEAN KNOX, LIFE ESTATE=1.0 ACRES  
TOTAL=4.3 ACRES

PAD 350'x200' ELEV=5499.8'				
DISTURBED AREA= 4.3 ACRES				
ESTIMATED DIRT QUANTITIES				
CUTx10%	FILL	PIT	TOPSOIL	EXCESS
24,010	9,390	1,790	4,280	10,340
NOTE: VOLUMES IN CUBIC YARDS. TOPSOIL INCLUDED IN VOLUMES AT A DEPTH OF 12". PIT NOT INCLUDED IN TOTAL EXCESS.				



Sheet 2 of 2

7/16/09

**GEO SURV**  
LAND SURVEYING AND MAPPING  
520 STACY COURT SUITE "B"  
LAFAYETTE, CO. 80026  
Ph 303 666 0379 Fx 303 665 6320

**LARAMIE ENERGY II LLC**  
**KNOX 3-16 PAD**

E1/2 SE1/4 SEC. 3 T8S R96W  
W1/2 SW1/4 SEC. 2 T8S R96W  
6th PM GARFIELD COUNTY COLORADO