

## **SURFACE USE AGREEMENT**

THIS SURFACE DAMAGE AGREEMENT (“Agreement”) is entered into by and between FRANCIS PROPERTIES, LLC (“Owner”), whose address is 36141 S. Ocotillo Canyon Drive, Tucson, Arizona 85747, the owner of the surface in Part of the NW/4, Section 4, Township 5 North, Range 66 West of the 6<sup>th</sup> P.M. Weld County, Colorado (the “Property”), and SYNERGY RESOURCES CORPORATION (“Company”), whose address is 20203 Highway 60, Platteville, CO 80651 (together “the parties”).

WHEREAS, Company owns the leasehold right to access the Property to explore for and produce oil and gas therefrom; and,

WHEREAS, Company and Owner desire to enter into this Agreement as a supplement to, but not in derogation of, Company’s leasehold rights;

WHEREAS, Company indemnifies the Owner of any Environmental issues that may arise from the Oil and Gas Drilling and/or Oil and Gas Production from the said wells below. This includes, but is not limited to; Oil Spills, Flow-back Spills, Production Emissions, Gas line/ Flow Line leaks.

WHEREAS, The Owner acknowledges that the payment herewith is full payment for all Drilling and Future Operations Damage. This includes Crop loss for the 2013 growing season.

NOW THEREFORE; in consideration of the terms and conditions and the mutual promises and covenants contained herein:

Owner hereby releases and discharges Company, its agents, employees, contractors and licensees from and against any and all claims by Owner for surface damages, including: locating, drilling, stimulating, completing, re-stimulating, recompleting, deepening, producing, maintaining, plugging, and abandoning the oil and gas well shown below, whether as a dry hole or at the end of its productive life; installing and operating associated pipelines and production facilities; and, constructing, maintaining and reclaiming the well pad, production facilities, pipelines and roads (collectively the “Operations”) (the well and production facilities are hereinafter collectively referred to as the “Well”):

Twelve Horizontal “Kelly Farm” and “Northridge” Wells and their Associated Production Equipment; as identified on the Attached Exhibit. The right on Ingress and Egress and shown on said Exhibit and a third party NGL Gathering line to be negotiated at a later date will not be unreasonably withheld.

The parties agree that Company shall have the right to drill multiple directional wells from the single site referenced above. Company shall pay Owner the sum of \$10.00 or more for the drilling of a well each time a well is drilled on or from the location, the associated production equipment for each well installed on the property by Company.

AND,

Owner hereby grants, demises and conveys such easements and rights-of-way on and across the Property as are identified on Exhibit A attached hereto.

#### ADDITIONAL PROVISIONS

1. Company may exercise its rights hereunder for all purposes necessary for Company to perform the Operations, including the right of ingress and egress across the Property to access the Well, and to install and operate pipelines. Company may assign or delegate to a third party the right to install and operate pipelines in order to connect the Well to a gas gathering system. The access easement shall be non-exclusive and capable of use by Owner and its successors, lessees and assigns.

2. Notwithstanding Owner's release of Company from any and all surface damage claims, Company shall compensate Owner for damage to personal property or to improvements on the Property, such as damage to buildings, fences, gates, culverts and livestock, and for other such extraordinary losses or damages caused by Company. Company agrees to promptly compensate Owner for such extraordinary losses and damages. Any failure to reach mutual agreement with respect to such compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

3. Company hereby agrees to indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage arising out of Company's Operations, unless, and to the extent that, Owner's negligence causes or contributes to such third party claims.

4. Owner has requested that all consultation be conducted directly with Owner. Accordingly, Owner shall have the responsibility of notifying any affected tenant, lessee or other party who may own or have an interest in any crops or surface improvements, which could be affected by the Operations. Owner agrees that all damages claimed by a surface tenant, lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby agrees to indemnify and hold Company harmless from and against any such claims.

5. Company agrees to perform all reclamation in accordance with the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), unless a variance therefrom is granted by the COGCC upon the request of Owner. Company shall keep the well pad, the production facilities, and the pipeline and access easements free of weeds and debris.

6. Commencement of the Operations with heavy equipment is estimated to begin on a date to be determined by the Company but following appropriate notice as set forth in the rules and regulations of the COGCC. Owner accepts this notice and acknowledges that this notice complies with, or hereby waives, all COGCC requirements that it be given advance notice by Company of the proposed Operations. Owner acknowledges receiving from Company a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as the surface owner.

7. Company shall construct and install the well pad, roads, pipelines and production facilities, including, but not limited to, pumping units, tanks, heater/treaters, separators and emission control units, at the specified surface locations and with the size and design shown on Exhibit A attached hereto. Owner acknowledges and agrees that Company has consulted in good

faith with Owner as to its proposed Operations, in accordance with COGCC requirements, or hereby waives such requirements. Owner expressly waives the application of any COGCC setbacks inconsistent with this Agreement, including, but not limited to, setbacks for high density areas and surface lot lines.

8. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Company to accommodate Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary.

9. Owner agrees to include a note on any annexation, subdivision plat, planned unit development or other land use designation for which Owner may apply to put successors or assigns on notice that the Property is subject to this Agreement.

10. In construing this Agreement, no consideration shall be given to the fact or presumption that one party has had a greater or lesser hand in drafting this Agreement than any other party. Any and all exhibits attached hereto, and all defined or industry terms used, are incorporated herein by reference for all purposes.

11. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either party to remove a matter to federal court.

12. Each of the undersigned principals of the parties represents and warrants that such person has the requisite corporate or legal authority to bind the respective parties to this Agreement.

13. Concerning any matter relating to the Operations, Owner may contact:

Operator:	SYNERGY RESOURCES CORPORATION
Person to Contact:	CRAIG RASMUSON
Address:	20203 HIGHWAY 60 PLATTEVILLE, CO 80651
Telephone:	970-737-1073 Office
Email:	craigrasmuson@syrginfo.com

Owner:	FRANCIS PROPERTIES, LLC
Person to Contact:	NICHOLAS FRANCIS
Address:	36141 SOUTH OCOTILLO CANYON DR TUCSON, AZ 85747

Telephone:	970-381-3591 Cell
Email	tucsonfr@aol.com

14. This Agreement shall extend to and bind Owner and Company, and their respective heirs, personal representatives, successors and assigns.

15. This Agreement shall become effective when it is fully executed and shall remain in full force and effect until Company's leasehold estate expires or is terminated, and Company has plugged and abandoned the Well and conducted reclamation in accordance with this Agreement and applicable COGCC rules and regulations.

IN WITNESS WHEREOF, the parties have executed this Agreement this 7-10-13 day of July, 2013.

**OWNER: FRANCIS PROPERTIES, LLC**

*Nicholas Francis*  
By: NICHOLAS FRANCIS, OWNER

**COMPANY: SYNERGY RESOURCES CORPORATION**

*Craig Rasmuson*  
By: CRAIG RASMUSON, VICE PRESIDENT of OPERATIONS

Acknowledgements

STATE OF COLORADO     )  
  ) §  
COUNTY OF WELD        )

The foregoing instrument was acknowledged before me by Nicholas Francis as Operating Manager for Francis Prop, LLC, a Colorado Limited Liability Company, this 10 day of July, 2013.

Witness my hand and official seal.

(Seal)



*Brianne N Visconti*  
Notary Public, State of Colorado  
Printed Name: Brianne N Visconti  
Commission Expires: 6/12/2016

Acknowledgements

STATE OF COLORADO     )  
  ) §  
COUNTY OF WELD        )

The foregoing instrument was acknowledged before me by Craig Rasmuson as VP of Operations of Synergy Resources Corporation, this 10 day of July, 2013.

Witness my hand and official seal.

(Seal)



*Brianne N Visconti*  
Notary Public, State of Colorado  
Printed Name: Brianne N Visconti  
Commission Expires: 6/12/2016

**EXHIBIT A**

**SURVEY OF PROPERTY SHOWING DRILLING LOCATIONS, EASEMENTS, ETC**

# Site Location

