

## FIRST AMENDMENT TO SURFACE USE AGREEMENT

This **FIRST AMENDMENT TO SURFACE USE AGREEMENT** ("Amendment") is made and entered into this 7<sup>th</sup> day of June, 2013, by and between **K.P. KAUFFMAN COMPANY, INC.** and/or its assignee ("KPK"), a California corporation with an address of 1675 Broadway, Suite 2800, Denver, CO 80202, and **ALBERT LEE HODGSON and BEVERLY D. HODGSON** ("Surface Owner"), with an address 13255 Weld County Road 46, Platteville, CO 80651. KPK and Surface Owner are collectively referred to herein as the "Parties."

### RECITALS

A. Surface Owner is the owner of the surface estate in property located in Weld County, Colorado, more particularly described below and hereinafter called the "Property", and has the right to use its surface estate to the fullest extent possible with due regard to the owners and lessees of the mineral estate.

Township 4 North, Range 66 West, 6th P.M.  
Section 17: NW/4NW/4

B. KPK is the assignee of certain oil and gas leasehold rights covering portions of the Property and as such, KPK has the right to explore for, develop, drill for and produce certain oil, gas and other hydrocarbons thereon, with due regard for the owner of the surface estate.

C. The Parties entered into that certain Surface Use Agreement dated April 24, 2007, a Memorandum of which was recorded April 30, 2007, at reception number 3472441 in the Office of the Clerk and Recorder of Weld County, Colorado ("SUA"), which provides for the compatible development of the surface estate and the oil and gas leasehold estate and defines specific names, locations and setbacks for existing and future oil and gas wells and production facilities.

D. The purpose of this Amendment is to provide KPK with an increased temporary horizontal oil and gas operations area and permanent horizontal oil and gas operations area for future horizontal drilling operations in a manner compatible with the development of the surface estate.

NOW, THEREFORE, in consideration of the covenants and mutual promises set forth in this Amendment and the SUA, including the recitals, the Parties agree as follows:

1. Term Used within the SUA. A term used in this Amendment shall have the same meaning as the term is used in the SUA.

2. Future Horizontal Oil and Gas Operations Area. The Parties agree and acknowledge that, as of the date of this Amendment, KPK has the right to drill one or more future horizontal well(s) on the existing oil and gas operations areas ("OGOAs") as depicted herein. The Parties agree that the area defined as the "Temporary Horizontal OGOA" on Exhibit A hereto shall be the location of operations relating to the preparation, drilling and completion of horizontal wells and for the temporary location of production facilities for horizontal wells. Except for portions of flowlines and pipeline easements, KPK may not locate wells or permanent production facilities within the Temporary Horizontal OGOA without the permission and consent of Surface Owner, but may use the Temporary Horizontal OGOA only for temporary uses related to the drilling, completion and maintenance (including refracturing operations) of horizontal wells and the temporary location of production facilities.

3. Surface Owner's Use of Temporary Horizontal OGOA. Surface Owner may use the Temporary Horizontal OGOA for grazing, agricultural and recreational uses ("Allowed Uses") during those times that the area is not being used by KPK for oil and gas operations and the location of temporary facilities; provided, however, KPK shall in all events and at all times have priority in the use of the Temporary Horizontal OGOA, and Surface Owner shall discontinue all Allowed Uses upon five (5) days notice from KPK for the periods of time described in the notice. KPK shall in no event be liable for damages caused in whole or in part by its oil and gas operations with respect to the Allowed Uses.

4. Permanent Horizontal OGOA. The Parties agree that the area defined as the "Permanent Horizontal OGOA" on Exhibit A hereto shall be the permanent oil and gas operations area for all future horizontal wells after drilling and completion operations are complete. The Permanent Horizontal OGOA shall be the location of the future horizontal well or wells and may also be used for the location of tanks, separators, dehydrators, compressors and all other associated oil and gas drilling and production equipment and facilities, flowlines and portions of pipeline easements and for all related oil and gas operations for the horizontal location(s). The Permanent Horizontal OGOA is for the exclusive use of KPK for its oil and gas operations and the location of horizontal wells and facilities.

5. Waiver of Setback Requirement.

a. Surface Owner understands and acknowledges that the Colorado Oil and Gas Conservation Commission ("COGCC") has rules and regulations that apply to the distance between a wellhead and building units, high occupancy building units, designated outside activity areas, public roads, production facilities, and surface property lines, among other things, as may be amended in the future. In order to give full effect to the purposes of this Amendment, Surface Owner hereby waives its right to object to the location of oil and gas wells and facilities



on the basis of setback requirements in the rules and regulations of the COGCC, as those rules and regulations may be amended or superseded from time to time, or of any local jurisdiction. For the operations contemplated by this Amendment, Surface Owner hereby specifically waives the high density setback distances in the COGCC rules and regulations and any applicable local jurisdiction.

b. Surface Owner further and similarly waives its right to object to any other state or local setback requirements, notice and consultation requirements, or other requirements or regulations that are or become inconsistent with this Amendment or that would prohibit or interfere with the rights of KPK to explore for and produce the oil and gas in accordance with this Amendment. KPK may cite the waiver in this Paragraph 5 in order to obtain a location exception or variance under COGCC rules or from any other state or local governmental body having jurisdiction over oil and gas operations. Surface Owner agrees not to object to the use of the surface within the oil and gas operations areas, production facility location and pipeline easements provided for herein and in Exhibit A so long as the proposed use is consistent with this Amendment. Surface Owner will provide KPK with any and all written support it may reasonably require to obtain permits from the COGCC or any local jurisdiction.

c. Surface Owner grants consent to locate the horizontal wells greater than 50 feet from and existing well pursuant to COGCC Rule 318A.(c.). Surface Owner grants consent to locate the proposed horizontal wells outside of the GWA windows as defined in COGCC Rule 318A(a). Additionally, Surface Owner shall grant any necessary property line waivers required under COGCC rule 603.

6. Consultation. If requested by Surface Owner, prior to heavy equipment operations on each wellsite, KPK's representative will meet and consult with the Surface Owner or Surface Owner's representative as to the location of the wellsite, access roads, flowlines, tank batteries, and other associated production facilities.

7. Waiver of Thirty Day Notice. Surface Owner hereby waives the minimum thirty-day written notice requirement described in the notice Letter provided by KPK to the Surface Owner when it initially gave notice of its intent to drill on Surface Owner's property.

8. Replacement of Exhibit A. The Parties agree that Exhibit A attached and made a part hereto replaces and supersedes Exhibit A to the SUA.

9. The Agreement Continues in Effect/Conflicts. Except as specifically amended by this Amendment, the terms and conditions included in the SUA shall continue in full force and effect. In the event of a conflict between this Amendment and the SUA as to the matters covered herein, this Amendment shall control.

10. Binding on Successors and Assigns/Covenant that Runs with the Land. This Amendment and SUA are binding upon the Parties and their successors and assigns and inure to their benefit. This Amendment and the SUA shall be covenants that run with the land.

11. Counterpart Execution. This Amendment may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same instrument.

12. Recording. This Amendment shall be recorded with the Clerk and Recorder of Weld County, Colorado.

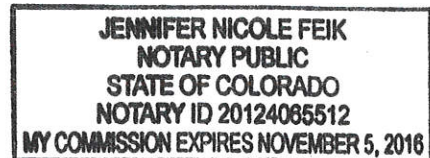
# ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss.  
COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 7th day of June, 2013, by Kevin P. Kauffman as Chairman and CEO of K. P. Kauffman Company, Inc.

Witness my hand and official seal.

My commission expires: November 5, 2016



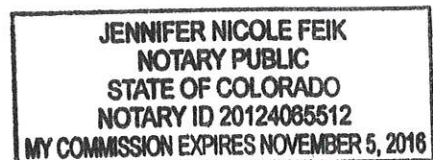
Jennifer Nicole Feik  
Notary Public

STATE OF COLORADO )  
 ) ss.  
COUNTY OF Weld )

The foregoing instrument was acknowledged before me this 7th day of June, 2013, by Albert Lee Hodgson.

Witness my hand and official seal.

My commission expires: November 5, 2016

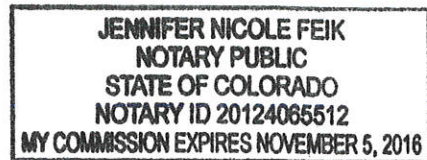


Jennifer Nicole Feik  
Notary Public

STATE OF COLORADO )  
 ) ss.  
COUNTY OF Webb )

The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of June, 2013, by Beverly D. Hodgson.

Witness my hand and official seal.



My commission expires: November 5, 2016

Jennifer Nicole Feik  
Notary Public

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be executed by a duly authorized representative on the date set forth in the acknowledgment, to be effective on the date first above written.

**SURFACE OWNER**

**K.P. KAUFFMAN COMPANY, INC**

By Albert Lee Hodgson  
Name: Albert Lee Hodgson

By Kevin P. Kauffman  
Name: Kevin P. Kauffman  
Title: Chairman and C.E.O.

By Beverly D. Hodgson  
Name: Beverly D. Hodgson