



EASEMENT AND SURFACE USE AGREEMENT
SURFACE LOCATIONS FOR OIL AND GAS WELLS TO BE DRILLED DIRECTIONALLY
UNDER THE EATON COUNTRY CLUB AND HAWKSTONE SUBDIVISION

THIS EASEMENT AND AGREEMENT, made and entered into this 19th day of January, 2012 by and between Donaldson Investments, 3384 East Mulberry Street, Fort Collins, Colorado 80524-8464, Grantor ("Donaldson"), and Francis Energy, Inc., 6600 W. 20th Street, Unit 12, Greeley, Colorado, 80634, Grantee ("Francis").

WITNESSETH:

WHEREAS, Donaldson is the owner of the surface estate of the S/2NW/4 of Section 29, Township 7 North, Range 65 West, 6th P.M., Weld County, Colorado ("Country Club Surface Location). Oil and gas leases are in the process of being obtained from the Eaton Country Club and other lands in the NE/4 of Section 30 of the same Township and Range ("Country Club Lands"), which wells will be directionally drilled to bottom hole locations thereunder ("Country Club Bottom Hole Locations"); and

WHEREAS, Donaldson is the owner of the surface estate of the SW/4 of Section 29, Township 7 North, Range 65 West, 6th P.M., Weld County, Colorado ("Hawkstone Surface Location). Oil and gas leases are in the process of being obtained from the owners of lots in the Hawkstone Subdivision and its subsequent filings and other lands in the SE/4 of Section 30 of the same Township and Range ("Hawkstone Subdivision Lands), which wells will be directionally drilled to bottom hole locations thereunder ("Hawkstone Bottom Hole Locations"); and

WHEREAS, because of setback requirements and the current land use, it will be impractical or impossible for wells to be drilled within the Country Club and Hawkstone Subdivision Lands and it will be necessary for such wells to be drilled directionally from surface locations outside either of such Bottom Hole Locations; and

WHEREAS, Donaldson is willing, for the consideration hereafter stated, to make the surface locations defined on Exhibits A and B ("Surface Locations") available to Francis for the surface locations of such wells, separators, storage tanks, flowlines and other surface facilities as may be necessary or desirable to accommodate the drilling, stimulation, completion, reworking and production of such wells to be bottomed in the Country Club and Hawkstone Bottom Hole Locations as Francis may be permitted to drill by law;

NOW THEREFORE, for and in consideration of the payments hereinafter specified and other good and valuable consideration, receipt of \$20,000 for the initial five wells as specified below is acknowledged, it is hereby agreed between the parties as follows:

1. Grant of Easement. Donaldson hereby grants to Francis, its successors and assigns, an easement, limited in time and extent as provided below, over and across the Country Club and Hawkstone Surface Locations that are described on Exhibits A and B, for the purpose of accessing, establishing, drilling, stimulating,

completing, storing, producing and transporting oil and gas from wells to be bottomed in the Country Club and Hawkstone Bottom Hole Locations. Except for the Surface Locations (as depicted on said Exhibits A and B), the land owned by Donaldson shall not be used by Francis (except for the purposes herein stated and used in the continued operations of the wells drilled by Francis its successors and assigns).

2. Payments to Donaldson. As consideration for this easement and agreement, Francis agrees to pay to Donaldson the sum of \$4,000.00 per well drilled. Francis has paid herewith, and Donaldson acknowledges receipt of, the sum of \$20,000.00 as consideration for the first five wells (the "Initial Wells") drilled on the Surface Locations set forth on either Exhibits A or B. Payment for additional wells will be made if, as and when drilling of such wells is commenced. The \$20,000.00 payment made herewith shall not be refundable if Francis is unable to acquire the leases discussed above.
3. Agreement to Assign. As additional consideration for the use of the Surface Locations, Francis, for itself, its successors and assigns, agrees that it will assign to Donaldson an overriding royalty interest equal to 1.00% of 8/8ths of production of oil and gas from and under each Lease which Francis obtains insofar as it covers all or any part of the Country Club and Hawkstone Bottom Hole Locations. The overriding royalty interest assigned hereunder shall be payable only out of production saved and marketed under the Leases insofar as they cover lands in the Country Club and Hawkstone Bottom Hole Locations and shall be subject to the same proportionate reduction and deduction of post-production costs as provided for royalty payments in the Leases. Francis will assign the overriding royalty interest described herein on or before Francis makes an assignment of any Leases or operations for drilling operations has commenced whichever first occurs. Such overriding royalty interest assignments shall be recorded in the real property records of Weld County, Colorado.
4. Duration of Easement and Agreement. The portions of the easements not used for the purposes described herein shall be released on or before five years from the date hereof. This agreement, and the easement herein granted, shall remain in effect so long as Francis, its successors and assigns, owns any oil and gas interest, including, but not by way of limitation, leasehold interests, overriding royalty interests, production payments and operating rights, in the Country Club and/or Hawkstone Bottom Hole Locations, or any part thereof, except regardless if any oil and gas interest is still owned by Francis or its successors or assigns this easement and agreement shall terminate if Francis or its successors or assigns cease drilling or production, actual or constructive, on the Country Club or Hawkstone Bottom Hole Locations for a period of 10 years.
5. Rights of Mineral Owners and Lessees in the Surface Locations. The parties recognize that Donaldson does not own the minerals underlying the Country Club and Hawkstone Surface Locations. It is the intention of Donaldson to grant to

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Francis all such rights as it owns to use the surface and subsurface of the Surface Locations for the purposes herein set forth, but Donaldson shall not be deemed to have granted, or attempted to grant, to Francis any rights that Donaldson does not own.

6. Assignment. The surface rights created by this agreement shall not be assignable without Donaldson's prior written consent, which shall be not arbitrarily or unreasonably withheld.
7. Binding Effect. This easement and agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties.
8. Attorney's Fees and Costs. In the event either of the respective parties hereto shall default in any of their covenants and obligations herein provided, and the party not in default shall commence legal or equitable action against the defaulting party, the defaulting party expressly agrees to pay all reasonable expenses of said litigation, including a reasonable sum for attorney's fees.

IN WITNESS WHEREOF, the parties have hereunto caused their signatures to be affixed the day and year first above written.

GRANTOR:

DONALDSON INVESTMENTS, LLC

By: Michael J. Donaldson
Michael J. Donaldson, Member

GRANTEE:

FRANCIS ENERGY, INC.

By: Nicholas D. Francis
Nicholas D. Francis, President

[acknowledgments attached]

(Handwritten initials)
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STATE OF COLORADO)
) ss.
COUNTY OF Weld)

The foregoing instrument was acknowledged before me this 19th day of January, 2012, by Michael J. Donaldson as Member of Donaldson Investments, LLC.

Witness my hand and official seal.

My commission expires: March 14, 2012

[Signature]
Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF Weld)

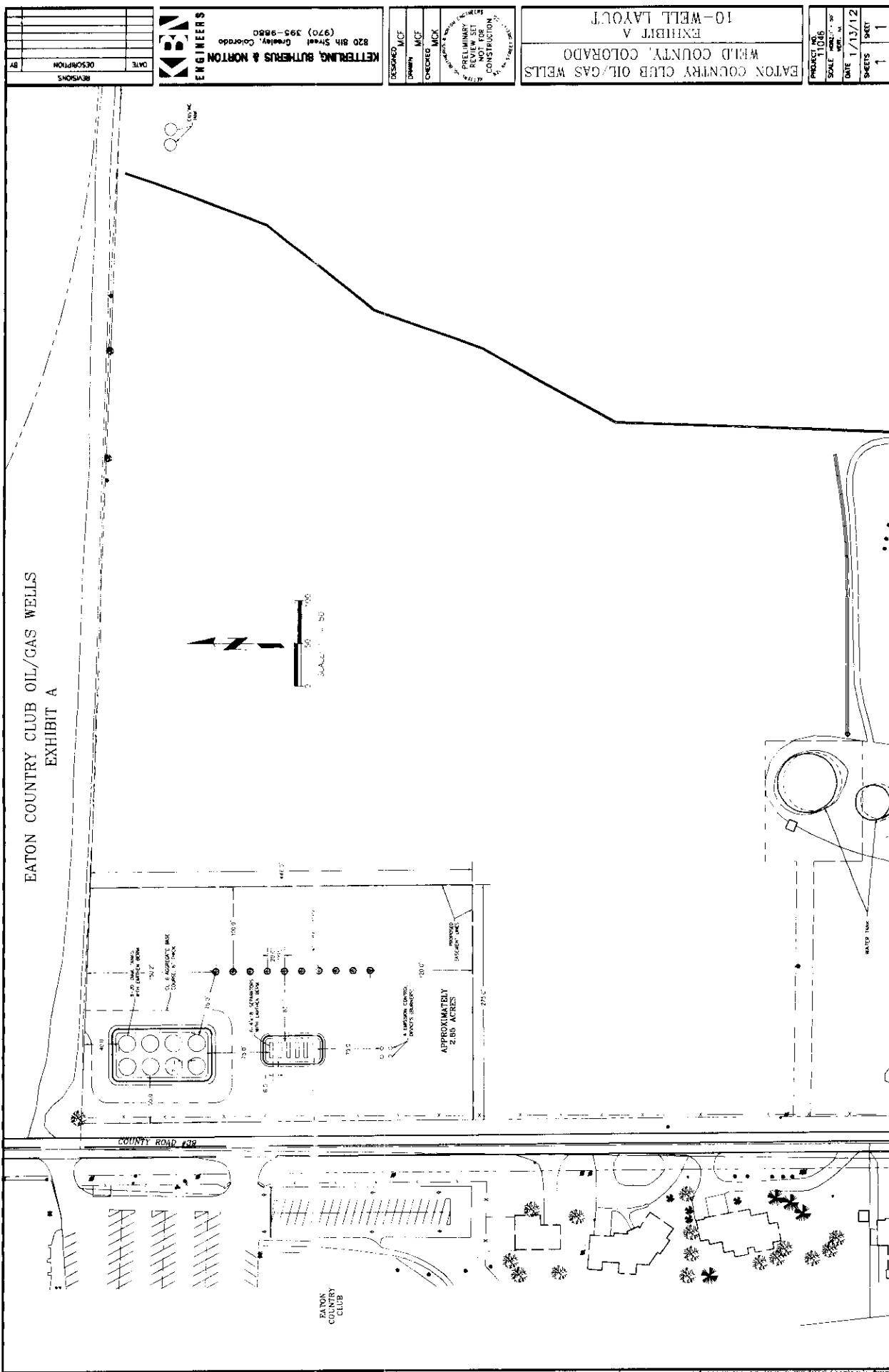
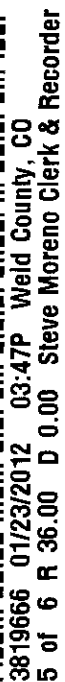
The foregoing instrument was acknowledged before me this 19th day of January, 2012, by Nicholas D. Francis as President of Francis Energy, Inc.

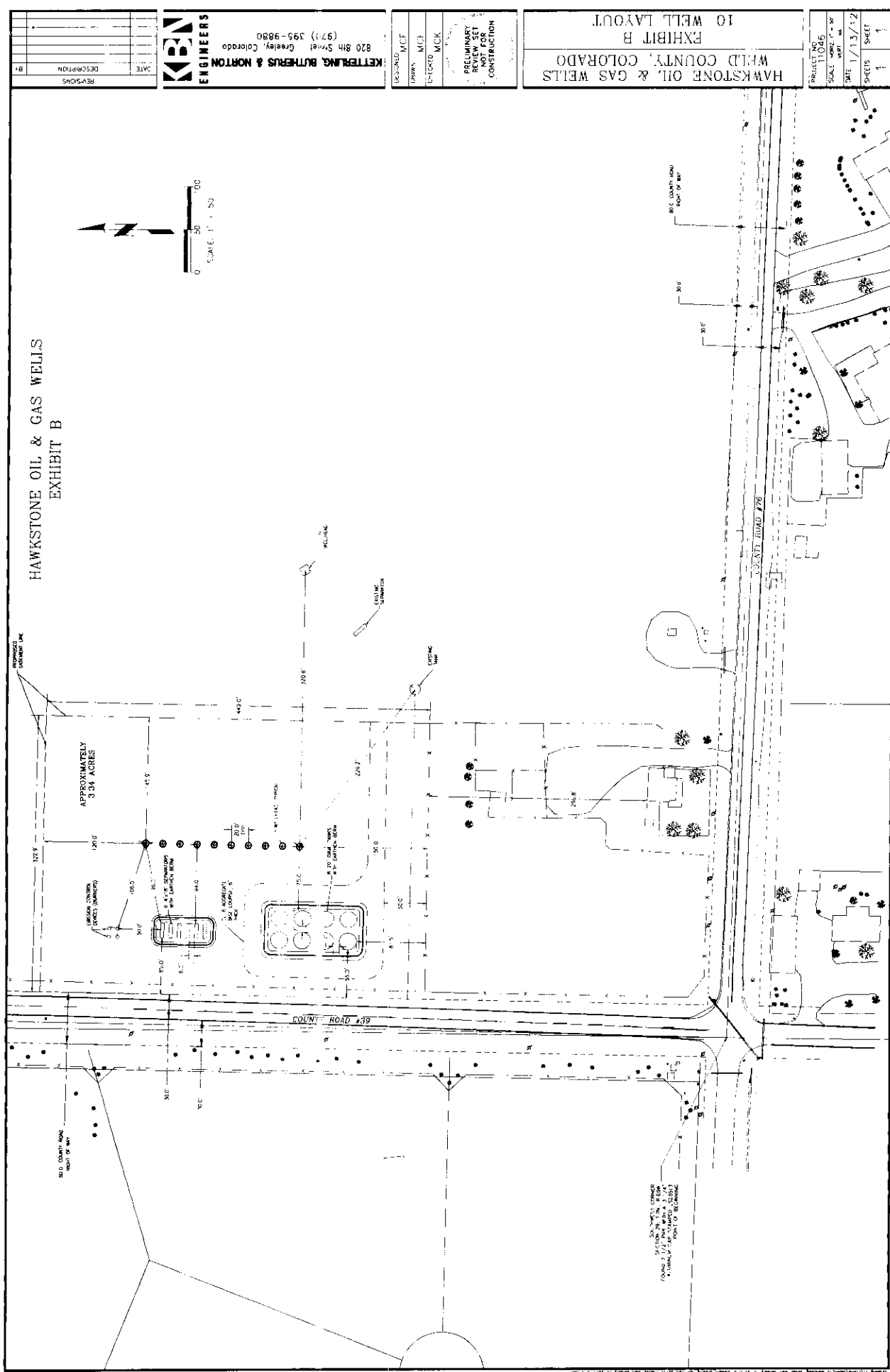
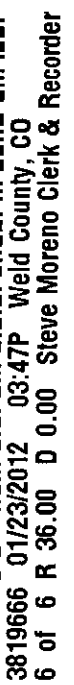
Witness my hand and official seal.

My commission expires: March 14, 2012

[Signature]
Notary Public

[Signature]
7/20/12





Mr. O
Mr.