



SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT is made this 12th day of July, 2012 by and between Coleman Oil & Gas, Inc. (Coleman), with an address of P.O. Drawer 3337, Farmington, New Mexico 87499-3337 and, Gosney & Sons, Inc. (Landowner), with an address of P.O. Box 367, Bayfield, Colorado 81122.

WHEREAS, Landowner owns 100% of the surface of a tract of land in La Plata County, Colorado described as:

TOWNSHIP 33 NORTH – RANGE 07 WEST, NMPM

Section 09: SE/4SE/4

Section 10: W/2SW/4SW/4; NE/4SW/4SW/4

Section 16: NE/4NE/4

(hereinafter the Property); and

WHEREAS, Coleman is the owner of oil and gas leasehold interests underlying or pertaining to the Property and is the operator with respect thereto; and

WHEREAS, the parties have reached an agreement regarding Coleman's use of the Property related to oil and gas development thereon and the drilling of a well from a surface location on the Property;

NOW, THEREFORE, based on the above premises and mutual covenants contained herein, the parties agree as follows:

1. Consideration. Upon execution of this agreement, Coleman shall pay Landowner the sum of \$100.00 and any other good and valuable consideration that has been agreed upon in writing in a side letter agreement, which by this reference becomes a part of this SURFACE USE AGREEMENT, with respect to the use of the Property.

2. Drillsite. Coleman shall only use such portions of the Property as are reasonably necessary; however, the surface area actually disturbed by the drillsite shall in no event be more than 325 feet by 255 feet in size for a single well drillsite. For multiple wells drilled from a single drillsite the drillsite may be reasonably enlarged to accommodate the drilling of additional wells. The initial drillsite shall be located as shown on Exhibit "A". Upon completion of the well, Coleman will reclaim the drillsite to as small an area as reasonably practicable, which shall include reasonably practicable re-contouring to existing grade, replacement of topsoil to at least the depth and quality as existed prior to disturbance, and re-seeding with readily available seed reasonably acceptable to the Landowner. Permanent gravel will be limited to the road and areas immediately around any surface equipment to the minimum extent reasonably necessary for safe operating conditions. Coleman shall have the use of the area, as identified on Exhibit "A" for reworking and repair of the Well to the minimum extent reasonably necessary for safe operating conditions. Rig anchors may be left in place for two years, if well marked in a manner which

Coleman-LEGW



will avoid damage to Landowner's equipment. Thereafter, such rig anchors shall be removed upon written request of the Landowner.

3. Access Road. Coleman may use the existing improved road traveling in a southwesterly direction from Highway 151 entering the property at approximately 37° 06' 53" N and 107° 36' 2" W as it enters the SW/4SW/4 of said Section 10 and terminating at approximately 37° 06' 41" N and 107° 36' 20" W where it exits the SE/4SE/4 of said Section 09 and enters the NE/4NE/4 of said Section 16, as shown on Exhibit "B". (Coleman's use of the existing road in E/2SW/4 of Section 10 is governed by a separate Road Use Agreement.) From this point Coleman shall construct a new access road or improve an existing access road to the wellsite, generally as shown on Exhibit "B". Coleman may also modify the existing intersection in the SE/4SE/4 of Section 09 in order to develop a reasonable and safe turning radius. Coleman will make reasonable efforts to minimize the access road impact to Landowner, Landowner's farming operations and other surface uses. The non-exclusive road easement shall be 20 feet in width. Coleman agrees to place at least 6 inches of road base gravel and at least three inches of topping gravel on the road surface that it constructs or improves. Coleman agrees to be responsible for damages to the road caused by its operations as long as said road is being used by Coleman. Coleman further agrees to repair said damages in a timely and workman like manner. Coleman also agrees to share in the cost of maintenance to the existing access road on an equitable basis.

4. Pipeline Tie-In. Coleman may install one gas and one water gathering pipeline in a single trench, located as shown on Exhibit "C" which shall be used only to gather gas and fluids produced from wells located on the drillsite shown on Exhibit "A" or within the same 320 acre spacing and proration unit. The pipeline easement shall be 40 feet in width only during construction, maintenance and repair of the pipelines, and 20 feet in width centered on the pipelines thereafter. Such pipelines shall be buried to a minimum depth of 36 inches below the surface at the time of installation.

5. Noise Abatement. Coleman will comply with COGCC Rule 802 concerning Noise Abatement, and shall install sound walls, sound insulated buildings, buried hospital grade mufflers in series, and/or other devices, as necessary to comply with said Rule.

6. Equipment. No equipment (other than the drilling rigs) placed on location shall exceed twenty feet in height above ground level at the well without Landowner permission. The minimum amount of equipment that is reasonably necessary for operations and production shall be placed on the location at all times; any permanent equipment shall be placed only on the graveled production areas. No tanks in excess of twenty feet tall or wellsite compressors without any needed noise abatement equipment as set forth above shall be used to produce any well located on the subject lands or lands pooled therewith. The wellhead and all visible equipment shall be fenced by a stock fence, reasonably acceptable to the Landowner, constructed in conformance with all applicable regulations so long as the material is non-combustible and allows for adequate ventilation, and the gate(s) shall be locked.



7. **Pits.** Coleman shall use synthetic liners for any pits. Liners shall comply with specifications set forth in COGCC Rule 904. Coleman shall close and reclaim the drilling pit during interim reclamation in accordance with COGCC Rule 905 and Series 1000 Rules.

8. **Reclamation.**

A. Interim reclamation. After the initial construction of a new well (including, but not limited to, the construction of road access, pipelines, wellpad, well drilling and well completion), those areas of land not required to be used for ongoing production operations will be promptly reclaimed. These areas to be reclaimed include the pipeline surface disturbance and the wellpad surface disturbance outside ongoing production use area. Reclamation shall consist of removal of all foreign substances, grading disturbed areas to irrigation grade, replacement of topsoil to the depth and quality that existed prior to disturbance, and seeding with a readily available seed mixture specified by Landowner. Reclamation shall be performed in a reasonable amount of time after initial construction, recognizing practical limitations of weather and season. Seeding shall be performed by drilling and fertilizing. Any and all work shall be reasonably acceptable to Landowner. However, all remediation shall meet or exceed all COGCC rules and regulations. Coleman shall maintain such disturbed areas and facilities free of noxious weeds.

B. Subsequent Surface Disturbance. All subsequent disturbances to areas reclaimed under 8.A. herein shall also be reclaimed by Coleman within a reasonable amount of time, recognizing practical limitations of weather and season. Coleman shall notify Landowner of such subsequent disturbances; including but not limited to, well servicing, well re-drill, or pipeline repairs, within 15-days of starting such activity; with the exception of emergency repairs. For the purposes of this paragraph, subsequent disturbance does not include disturbance to the graveled areas of the road and wellpad used during normal production operations, and Coleman may maintain or excavate in these areas without subsequent damage payment to Landowner. Compensation for surface damages for subsequent and new disturbance shall be paid to Landowner on the same per acre basis that has been agreed upon in connection with the execution of this Agreement, including any side letter agreement, but shall not be less than one-half the per acre market value of the property used for roads and gathering lines nor less than the per acre market value of Property utilized for other purposes.

C. Final Abandonment. After cessation of production or continuous operation of any well, all disturbed areas will be promptly reclaimed by Coleman in accordance with COGCC Series 1000 Rules, and Landowner's property shall be fully restored to its current use, including removal of any portion of roads and graveled areas which Landowner does not authorize to be left in place, recontouring to conform to surrounding grade, restoration of topsoil, and re-seeding. Upon termination of this Agreement, Coleman may abandon its pipelines in-place, in accordance with then-applicable rules and regulations.

9. **Indemnification.** Coleman agrees to indemnify, defend and hold Landowner harmless from and against any and all expenses, liability, injury, losses or damages resulting

from or relating to Coleman's operation and maintenance of the well(s), equipment, road and gathering pipelines and related operations and activities on the property, provided, however, Coleman does not indemnify Landowner for expenses, losses or damages resulting in whole or in part from Landowner's conduct on the Property. Coleman shall promptly repair any and all damage to Landowners property, improvements and fixtures which results from Coleman's operations.

10. Term. This agreement shall be effective as of the above date and shall continue until production at the wells ceases and a Notice of Plugging and Abandonment is filed with the COGCC. Coleman shall have ninety days within which to remove all facilities and fixtures.

11. Compliance with the Law. Coleman shall comply with all applicable county, state and federal laws, regulations and permit requirements.

12. Heirs/Assigns. This agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, successors and assigns.

13. Recording. Either party shall have the right to record this Agreement in the records of La Plata County, Colorado, and shall have the further right, but not the obligation, to record from time to time any as-built plats that may be drawn approximately depicting and identifying the location of the access road, pipelines and the drillsite on the Property. Upon so recording, each such plat shall be deemed to be an amendment to this Agreement and incorporated herein.

14. Entire Agreement. This Agreement, and any Side Letter Agreement made a part hereof, is the final agreement between the parties and supersedes any and all prior oral agreements regarding surface use related to the wells and facilities and improvements described herein. Except as provided in paragraph 13 above, this Agreement shall not be amended except in writing signed by both parties.

15. Applicable Law. This agreement shall be interpreted under the laws of the State of Colorado.

16. Waiver of Notice and Consultation. In accordance with sections 305.e(7) and 306.a(3) of the Rules of the COGCC, Landowner waives the right to receive the Landowner Notice and the Advance Notice set forth in COGCC Rule 305.e, and Landowner further waives the right to the Drilling Consultation set forth in COGCC Rule 306.a. Landowner acknowledges and agrees that Coleman has complied with all notice and consultation requirements of COGCC Rules 305 and 306. Landowner also waives the right to receive notices under the La Plata County code, including, but not limited, to section 90-77 of said code in connection with the matters addressed in this Agreement.

17. Temporary Parking. Landowner agrees that during times of construction or other significant work, Coleman may park vehicles in areas near the work site or along roads.

18. No Waiver of Other Rights. With the exception of those duties and obligations that each Party has specifically agreed to assume and perform in this Agreement, those duties and



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Tiffany Lee Parker
Laplata County Clerk

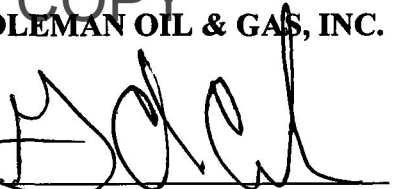
obligations which have been confirmed or clarified in this Agreement and the rights specifically granted to, waived or relinquished by a Party in this Agreement, this Agreement will not be construed to waive or relinquish any Party's legal rights in, to or under the Property. Nor does this Agreement, subject to the foregoing exceptions, waive the rights of either Party under any applicable laws, rules or regulations pertaining to the Property.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

GOSNEY & SONS, INC.

By 
Don L. Gosney, President

COLEMAN OIL & GAS, INC.

By 
G. Chris Coleman, Vice President

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UNOFFICIAL COPY



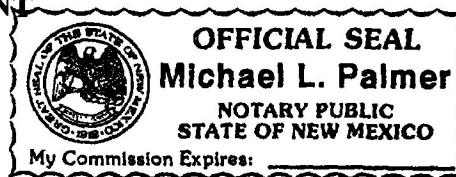
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Tiffany Lee Parker
Laplata County Clerk

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)



The foregoing instrument was acknowledged before me this 12 day of JULY, 2012, by G. Chris Coleman, Vice President of Coleman Oil & Gas, Inc. for and on behalf of said corporation.

My Commission Expires:

11-28-2015 Michael L. Palmer
Notary Public

UNOFFICIAL COPY

ACKNOWLEDGMENT

STATE OF COLORADO)
COUNTY OF LA PLATA)

The foregoing instrument was acknowledged before me this 19th day of July, 2012, by Don L. Gosney, President of Gosney & Sons, Inc. for and on behalf of said corporation.

My Commission Expires:

8/30/14 Sharon Kinton
Notary Public

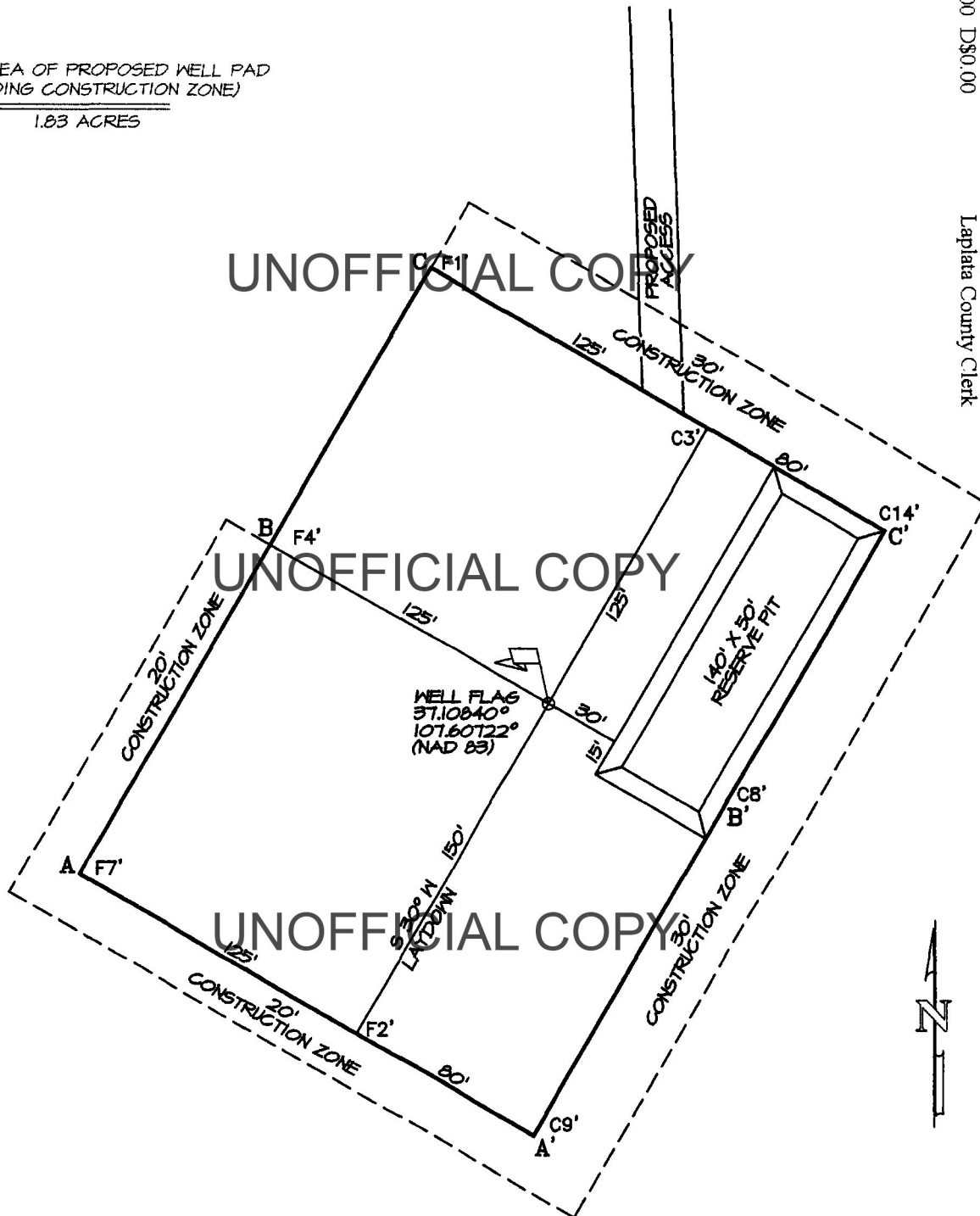


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PAD DRAWING

Tiffany Lee Parker
Laplata County Clerk

1.83 ACRES

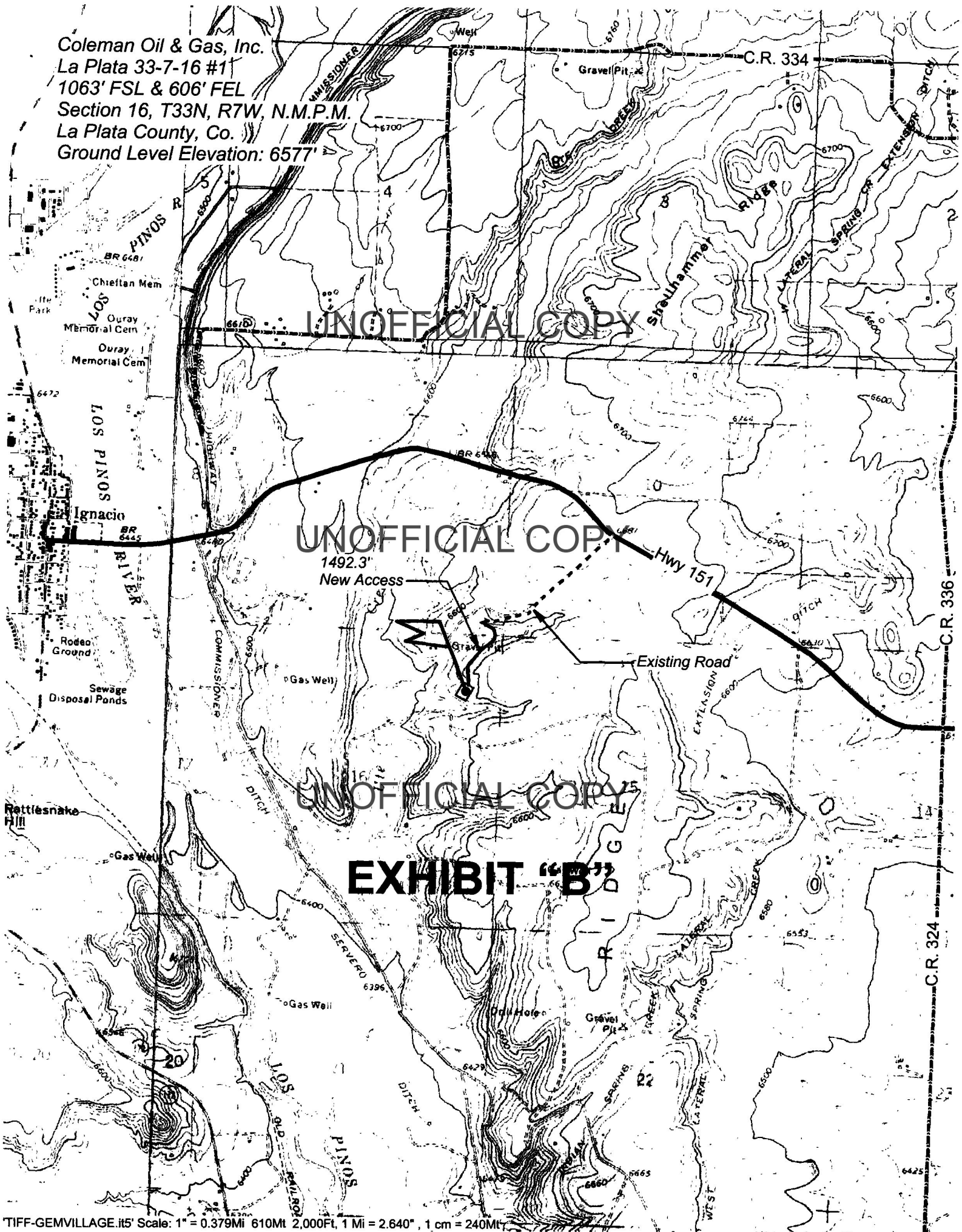


CHECKED BY: K.R.

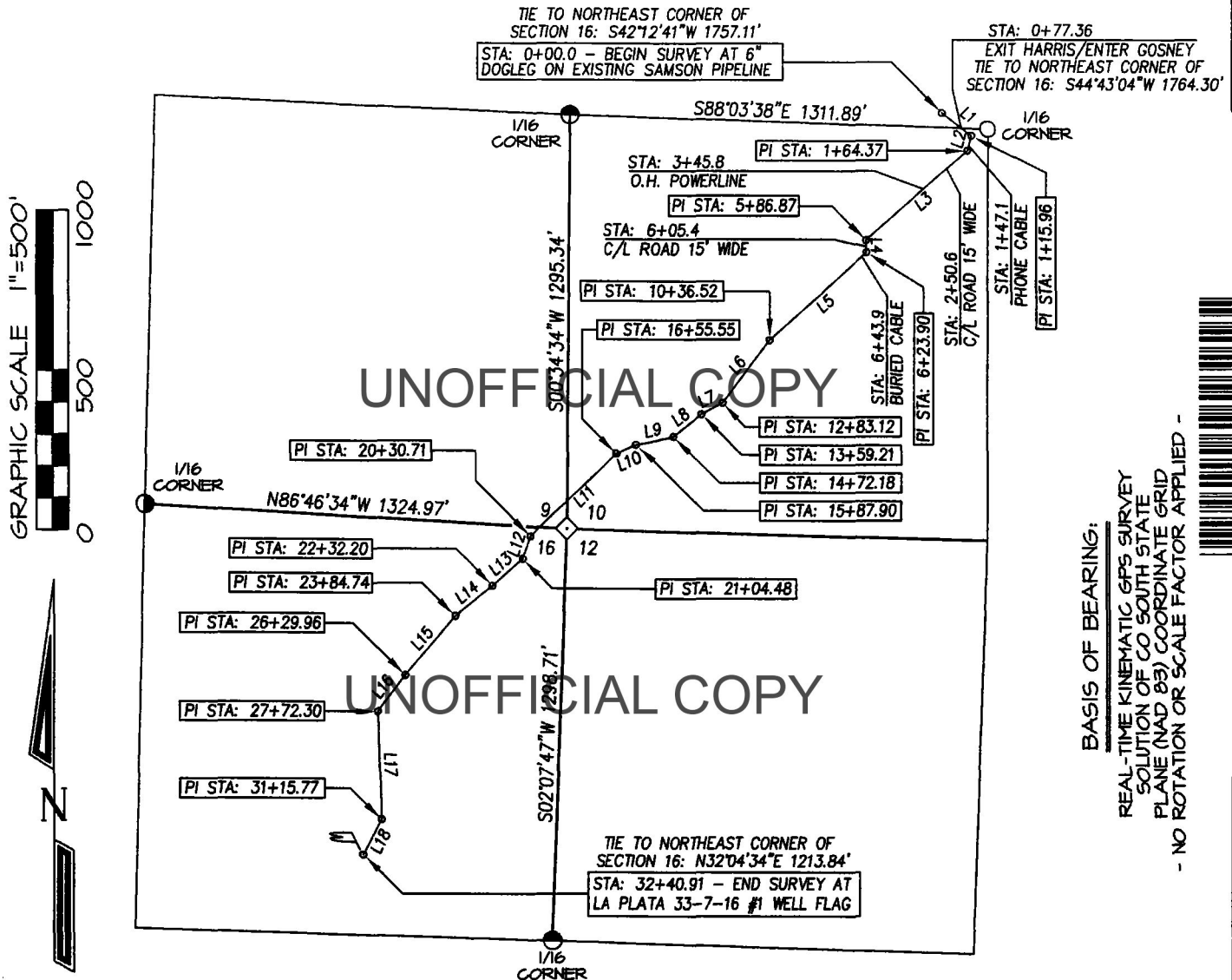
EXHIBIT "A"



Coleman Oil & Gas, Inc.
La Plata 33-7-16 #1
1063' FSL & 606' FEL
Section 16, T33N, R7W, N.M.P.M.
La Plata County, Co.
Ground Level Elevation: 6577'



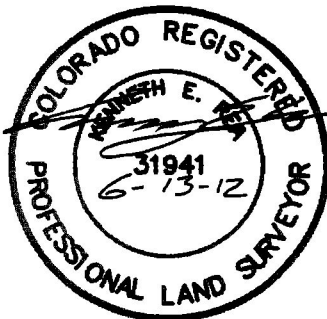
COLEMAN OIL & GAS, INC.: LA PLATA 33-7-16 #1
PROPOSED PIPELINE LOCATED IN THE SW/4 OF SECTION 10, THE SE/4 SE/4 OF SECTION 9,
& THE NE/4 NE/4 OF SECTION 10, T33N, R7W, N.M.P.M., LA PLATA COUNTY, COLORADO



BASIS OF BEARING:
REAL-TIME KINEMATIC GPS SURVEY
SOLUTION OF CO SOUTH STATE
PLANE (NAD 83) COORDINATE GRID
- NO ROTATION OR SCALE FACTOR APPLIED -

OWNERSHIP	STATION	FEET/RODS
Ronald W. & Annette H. Harris	0+00.0 TO 0+77.36	715.67 / 4.04
Gosney & Sons Inc.	0+77.36 TO 32+40.91	3163.55 / 191.73

- denotes found 2" alum. cap L.S. #24315
- ◇ denotes found 2-1/2" alum. cap L.S. #30082
- and ● denote found 3-1/4" S.U.I.R. alum. cap



LINE	BEARING	LENGTH
L1	S51°52'16"E	115.96'
L2	S15°17'31"W	48.41'
L3	S48°48'33"W	422.50'
L4	S02°25'24"E	37.03'
L5	S47°47'38"W	412.62'
L6	S37°25'58"W	246.60'
L7	S61°50'38"W	76.09'
L8	S51°45'49"W	112.97'
L9	S77°04'28"W	115.72'

LINE	BEARING	LENGTH
L10	S66°10'36"W	67.65'
L11	S46°11'47"W	375.16'
L12	S18°39'06"W	73.77'
L13	S48°37'35"W	127.72'
L14	S51°28'32"W	152.54'
L15	S40°12'51"W	245.22'
L16	S36°47'19"W	142.34'
L17	S01°40'52"E	343.47'
L18	S27°41'48"W	125.14'

DRAWN BY: K.R.
CHECKED BY: K.R.
FILE NO. CM001MP
DATE: 2/10/12
DATE: 5/9/12
JOB NO. CM001

PREPARED FOR:
COLEMAN OIL & GAS, INC.

NORTHSTAR
SURVEYING & MAPPING, INC.

768 County Rd. 308
DURANGO, CO. 81303
(970) 385-0851

I, KENNETH E. REA, A REGISTERED PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THE SURVEY REPRESENTED BY THIS PLAT WAS MADE UNDER MY DIRECT SUPERVISION AND THAT THIS PLAT ACCURATELY REPRESENTS THIS SURVEY TO THE BEST OF MY KNOWLEDGE AND BELIEF.

EXHIBIT "C"

BEST AVAILABLE IMAGE
AT TIME OF SCANNING

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 Tiffany Lee Parker
 Laplata County Clerk