

SURFACE USE AGREEMENT

This Surface Use Agreement ("Agreement") is made effective this 27th day of March, 2014, by and between Joe Edward Amen and Sandra K. Amen, whose address is 3991 WCR 47, Hudson, CO 80642, hereinafter jointly and severally referred to sometimes herein as "Owner"; and Verdad Oil and Gas Corporation, a Texas Corporation, with offices at 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235, hereinafter sometimes referred to as "Operator"; each of the foregoing sometimes referred to individually as a "Party," or collectively as the "Parties."

Recitals

A. Owner owns the surface estate and the mineral estate in the lands located in Weld County, Colorado, (hereinafter referred to as the "Lands") more specifically described as follows:

TOWNSHIP 1 NORTH, RANGE 65 WEST, 6TH P.M.

Section 14: N2NE4

B. Operator, owns a leasehold interest in the lease covering the Lands.

C. Operator wishes to obtain an operations area for horizontal well sites and related activities.

D. Owner wishes to set aside an oil and gas operations area for mineral development under the Land and lands pooled therewith.

E. The parties wish to drill oil and gas wells on the Lands ("Wells") to provide for production and maintenance of the Wells and related facilities in such a manner as to minimize disruption of the Lands and surrounding area.

Agreement

For and in consideration of the covenants and agreements contained herein, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by the Owner, the Parties agree as follows:

1. Operator's Oil and Gas Operations on the Lands

Operator intends to drill or cause to be drilled horizontal oil and/or gas well(s) on the Lands as depicted on Exhibit "A" attached hereto. In order for Operator to drill, construct, complete, produce, maintain, and operate the well(s) and all facilities associated therewith, including, but not limited to, access roads, pipelines, flow lines, separators, tank batteries, electric lines and any other facilities, or property necessary for Operator to conduct operations on the Wells (each

a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize the portion of the surface of the Lands depicted on Exhibit A.

The Parties enter into this Agreement to evidence their entire agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands. In the event the terms of this Agreement conflict with the terms of the Oil and Gas Lease dated September 23, 2010, among Joe Edward Amen and Sandra K. Amen and Montana Oil Properties, Inc. recorded on October 11, 2010 at Reception No. 3724427, the terms of this Agreement shall control (the "Lease").

2. Location

The location of the Wells, well site and other Facilities to be constructed on the Lands are depicted on Exhibit A, attached and incorporated into this instrument by this reference ("Operations Area"). Any material changes to the locations of the well sites, access roads and facilities may be made by Operator with the consent of Owner. Other than the 450 foot by 450 foot Operations Area depicted on Exhibit A, an electrical easement contiguous to County Road 10, the pipeline easement contiguous to County Road 10, and access to the Operations Area via County Road 10, Operator shall not use the surface of the Lands for any purpose, without consent of owner.

3. Conduct of Operations

Operator's operations on the Lands shall be conducted pursuant to the terms of the Lease, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes.

4. Compensation

Operator shall pay Owner the sum of \$_____ ("Amount") for the well site and tank location prior to the commencement of drilling operations. Lessee shall pay Lessor \$_____ annually for the use of the Operations Area. This amount shall be deemed full and agreed consideration for normal damages caused or created by the reasonable and customary drilling, completion, production and maintenance operations associated with the well and facilities within the Operations Area. Operator shall compensate Owner \$40 per rod for all pipelines, underground electrical lines, and roads built by Operator not within the Operations Area. The Operations Area shall be limited to approximately five (5) acres of land while drilling and completion operations are being conducted. Upon completion of the Well, Lessee shall reduce the size of the Operations Area to as small a dimension as reasonably practical for prudent operations. Damages as referenced in this paragraph on the Operations Area will include, without limitation, damages to growing crops and crop land; the removal, transportation and care of any livestock; and use of access roads; and the preparation and use of the wellsite areas. Any subsequent major operations for said wells (refrac, deepening, re-drilling, etc.) except in case of emergency, shall

require ten (10) days prior notice to owner.

5. **Additional Surface Use Provisions:**

With respect to its operations on the Lands, Operator shall comply with the following provisions:

a. **Surface Reclamation:**

- i. For any grading operations, top soil shall be stripped and stockpiled, and replaced at the conclusion of operations in each location.
- ii. Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator shall be restored by Operator to their original contour as nearly as is reasonably practicable.

b. **Access Roads/Facility:**

- i. Owner hereby grants and conveys to Operator and its successors and assigns an easement and right-of-way for the purpose of constructing, using and maintaining access roads as depicted on Exhibit A hereto (not to exceed 20 feet in width), locations for facility equipment and subsurface gathering lines for each well drilled upon Owner's land, flow lines, pipelines, and pipeline interconnections for one year from the date of commencement of surface activities for drilling operations and so long thereafter as oil or gas is produced or capable of being produced from any Well drilled on Owner's land. The easement and right-of-way granted herein shall only be used for products produced from the Lands and lands pooled therewith. Ingress and egress roads, well site areas, surface equipment locations and tanker truck service areas shall be as set forth on Exhibit A hereto.
- ii. Pipeline easements shall be 50 feet in width during construction and 30 feet in width thereafter. No compressors or above ground equipment which is appurtenant to the pipeline shall be located outside of the Permanent Operations Area. Landowner shall have the right to cross pipeline easements with roadways and other utilities; provided that, such crossing is made at an angle of not less than 60 degrees and not more than 90 degrees. Landowner shall also have the right to install and maintain easements that are both adjacent to and/or within the pipeline easements for utility lines, including, but not limited to those for water, gas, sewer, electric, telephone, cable, television, and fiber optic and other pipelines; provided, however: i) any new underground facilities that travel along a pipeline easement shall be located a distance horizontally of at

least ten (10) feet from parallel existing pipelines; ii) any new underground facilities shall have at least twenty-four (24) inches of vertical clearance between such new facility and a pipeline; and iii) any overhead power lines shall be at least twenty (20) feet above the ground. Landowner agrees that it will notify each utility company that, except in cases of emergency, the Oil Company must be contacted at least ten (10) business days prior to commencement of any trenching or digging activities within ten (10) feet of their easement areas. Landowner may plant shallow root vegetation in the right-of-way and may maintain irrigation systems thereon. Landowner may also build and maintain unpaved trails along the pipeline easements. Oil Company shall not be liable for damage to the vegetation, irrigation system, or trails as a result of maintenance operations in the pipeline easements.

iii. Use of the Land shall be limited to facilities that are reasonably necessary to produce, transport, treat, and store oil and gas and other products produced from the Lands and lands pooled therewith. No compressors shall be located on the Lands, except for wellhead compressors located in the Operations Areas necessary to transport gas from the Lands to the border thereof.

c. Other:

- i. Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.
- ii. If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Well(s), there is damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 4, and upon Owner's notification to Operator, Operator shall repair or replace such items after consultation with and to the reasonable satisfaction of the Owner, which repair or replacement shall be accomplished by Operator within twenty-eight (28) days after final consultation with Owner.
- iii. Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells shall be removed and disposed of away from the Lands by Operator no later than 30 days after the completion of the Wells. No such items shall be burned or buried on the Lands by Operator.

- iv. Operator will install cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.
- v. Operator shall install all noise mitigation measures as required by the Colorado Oil and Gas Conservation Commission and local regulations.
- vi. Operator shall employ reasonable efforts to recycle volatile organic compounds from tanks and separators in order to minimize escape of VOC's into the environment. Operator shall not permit the release or discharge of any toxic or hazardous chemicals or wastes on the Land. Any spill of oil, grease, solvents, chemicals, or hazardous substances on the Land which are reportable to regulatory authorities under applicable law or regulations shall be immediately reported within twenty-four (24) hours to Landowner by telephone, fax, or e-mail, to be followed by copies of written notices which Operator has filed with regulatory authorities within five (5) business days after such filing.
- vii. The smallest reasonable amount of produced oil, petroleum liquids, natural gas or other hydrocarbons shall be retained within the Operations Area. Operator shall use its best efforts to remove production as quickly as possible to reduce any potential for fire or explosion at any production site. Operator agrees that all reasonable precautions possible will be taken to prevent fire on the Land. Operator shall drill pitless or line all reserve pits and remove all fluids, solids, and pit liners upon reclamation. There shall be no production pits on the Lands. No drilling fluids shall be disposed of on the Lands and no injection wells shall be drilled on the Lands.
- viii. The compensation provided for herein is acknowledged by Owner as sufficient and in full satisfaction for damages and use of the Land caused or created by the reasonable and customary entry, rights-of-way, and operation and use of roads and well sites, but do not include damage to livestock, buildings, or improvements, or injuries to persons. This Agreement does not relieve Operator from liability due to Operator's negligence or due to spills or discharges of any hydrocarbon or toxic substance or hazardous chemicals or wastes, or from leaks or breaks in Operator's pipelines. Damage to or loss of livestock shall be paid for by Operator at the higher of market value or replacement cost. Any pollution of the Lands or groundwater due to spills or leaks of hydrocarbons, chemicals, produced water, or other oilfield waste, shall

be reclaimed to the pre-contamination condition of the Land and/or groundwater.

- ix. Baseline water quality and quantity tests shall be conducted and paid for by Operator on all water wells on the Lands prior to drilling and such wells shall be tested thereafter as required by the COGCC. Testing parameters will be those customarily used and those required by regulation. Test results shall be provided to Owner. Owner shall be entitled to conduct its own tests at its cost. Test results will be provided to Operator.

6. **Default and Right to Cure**

In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner shall notify Operator of such alleged default in full and complete detail, in a writing delivered to Operator by certified mail, return receipt requested. Operator shall have thirty (30) days from its actual receipt of the written notification in which to pay, in the event of alleged non-payment, or to commence and diligently pursue a cure of any other alleged default, and upon such lapse of time, should such alleged default still remain in effect, then and only then shall Owner have the right and option to declare a default under this Agreement.

7. **Waivers**

Except as otherwise agreed in a subsequent writing subscribed to by both parties, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder shall be deemed to be a waiver of any subsequent or continuing breach of the same, nor shall any forbearance by Owner to seek a remedy for any particular alleged or actionable breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to any other alleged or actionable breach; however in no event shall Operator be liable for consequential damages.

8. **COGCC Waivers**

Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other and/or future notice or consultation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC Rules 305 and 306.

Additionally, Owner hereby waives the Greater Wattenberg Area ("GWA") special well location, spacing and unit designation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC rules 318A.a and 318A.c. These GWA waivers are solely intended to minimize surface disturbance on Owner's lands while fully complying with Owner's wishes of this Surface Use Agreement.

9. Indemnity/Release

Owner hereby releases and agrees to hold harmless Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands within the Operations Area, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement. This release shall not apply to environmental damage to the Lands or water resources other than those resulting from customary, prudent operations. Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator.

10. Notice for Additional Operations

Operator shall comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.

11. Notices

Notice by either Party shall be timely given, orally if possible (with the exception of notices described in Paragraphs 5(C)(ii) and 6 above), with additional and immediate subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated in the introductory paragraph of this Agreement; or to such other place as either Party may from time to time designate by written notice delivered in the way described in this paragraph to the other.

12. Binding Effect

The covenants and conditions herein contained and all of the provisions of this Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives, successors and assigns. Owner agrees to notify any and all tenants of Lands and any other third parties utilizing the surface of the Lands who may be affected by Operator's activities on the Lands. It shall be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement; and payment of consideration, if any, which may be due any such third party from Owner as a result of Operator's actions on the Land under this Agreement shall be the sole obligation of Owner, and Owner shall protect, defend and indemnify Operator from any and all claims and demands from such third parties as a result of Operator's actions under this agreement.

13. **Confidentiality**

In addition to any other confidentiality requirements provided for herein, Owner agrees to keep the terms and conditions of this agreement confidential and shall not disclose such matters to any third party, unless owner is ordered to do so by specific order of the court in a legal proceeding. Notwithstanding the foregoing, owner may disclose terms to owner's legal advisors, and payment terms to owner's official tax advisors and appropriate government taxing authorities. While the specific terms hereof are to be held in strict confidence by Owner, a memorandum of this agreement shall be executed by the parties and Operator or Owner may, at their option, record the memorandum of this agreement in Weld County, Colorado, and provide the recorded instrument to the other party.

14. **Entire Agreement**

This instrument contains the entire agreement between the Parties and all prior negotiations and representations are merged within this instrument, and the terms of such may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective heirs, representatives, successors or assigns.

15. **Termination**

This Agreement shall remain in effect for as long as the Wells located on the Lands are producing and until the Lands are reclaimed pursuant to the terms hereof and until specifically terminated by Operator in a writing delivered to Owner. All rights to indemnification and requirements for reclamation and provisions relating thereto shall survive termination of this Agreement.

16. **Counterparts**

This Agreement shall be executed in duplicate originals, each party to retain one such original. This Agreement shall be binding if properly signed and fully executed and sent by facsimile transmitted to the other Parties. Without affecting the validity of the foregoing manner of execution, the Parties agree to follow-up such facsimile executions with standard paper originals signed by the parties as soon as may be practical.

17. **Governing Law and Venue**

This Agreement shall be governed by, construed and enforced in accordance with the laws of the state of Colorado.

18. Force Majeure

The passage of any deadline or time relevant under this instrument shall be deemed tolled, and nonperformance of any required obligation that Operator may have under this instrument shall be excused without penalty to Operator as to any time period, in which Operator is prevented or hindered from performing due to any governmental action or inaction, and any force majeure which shall include without limitation any act, circumstance, event or condition beyond the control of Operator which shall include without limitation any act, warning or threat of terrorism, war, revolution, rebellion, insurrection, riot, civil commotion, blockade, embargo, shortage of necessary expertise, and shortage or lack of transportation and delivery of necessary tools, equipment, material and supplies due to market conditions, act or restraint of government, strike, lockout, picketing, boycott, or damage by earthquake, fire, hurricane, tornado, flood, wind, storm, temperature extreme or other weather instability, disaster or condition, or by reason of any other circumstance or combination of same beyond Operator's control.

19. Attorney's Fees and Costs

The Parties agree that in any action, claim or controversy resulting from a claimed breach of this Agreement, each party shall bears its own costs, expenses and attorney fees. The provisions of this paragraph do not apply to any actions other than breach, or a claim thereof, including without limitation indemnification provisions.

20. Authority of Signatories

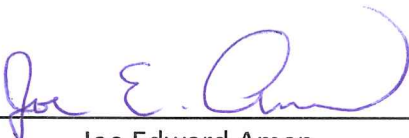
The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.

21. Binding Effect

This Agreement constitutes a covenant running with the Lands and shall be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, authorized representatives, executors and assigns.

Agreed to and made effective the date first written above, by the parties:

Owner:



Joe Edward Amen



Sandra K. Amen

Operator:

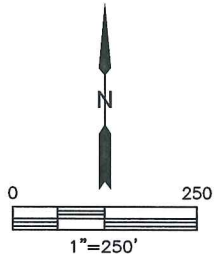
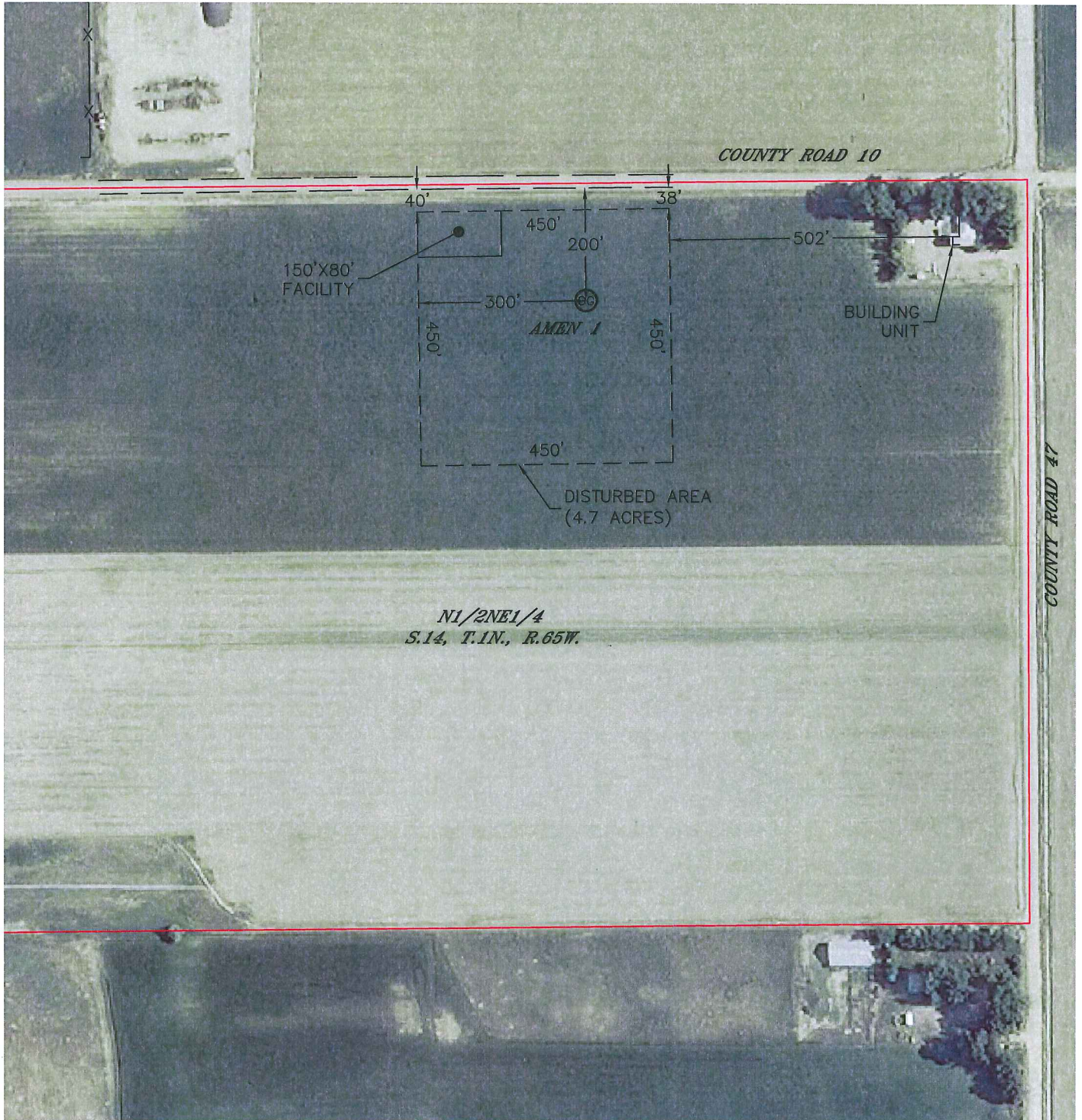
Verdad Oil and Gas Corporation

By: 

Arthur Beecherl, VP of Operations

EXHIBIT A

AMEN WELL PAD



PROPERTY LINE ARE APPROXIMATE & ARE FOR GRAPHICAL PURPOSES ONLY.
NO FIELD SURVEY HAS BEEN COMPLETED

DATE: 3/13/2014
PROJECT#: 2014028