

# SURFACE USE AGREEMENT

## (Tekton Kodak Location)

NW/4 of Sec. 27, T6N, R67W, Weld County, Colorado

This Surface Use Agreement is dated and made effective this 20th day of December, 2012, and is by and between Broe Land Acquisitions II, LLC (hereinafter referred to as "OWNER"), having an office at 252 Clayton Street, 4<sup>th</sup> floor, Denver, CO 80206, and Tekton Windsor, LLC (hereinafter referred to as "OPERATOR"), having an office at 640 Plaza Drive, Suite 290, Highlands Ranch, CO 80129.

- A. OWNER owns the surface and mineral estate of those certain tracts of land more particularly described on Exhibit "A" attached hereto, located in Weld County, Colorado (hereinafter referred to as the "**Property**").
- B. OPERATOR owns interests in oil and gas leases covering lands adjacent to the Property (the "**Adjacent Lands**").
- C. OWNER plans to develop the surface of the Property.
- D. This Agreement sets forth the parties' rights and obligations regarding the relationship between the development of the Property by OWNER and OPERATOR's operation and development of its oil and gas leasehold estate underlying the Adjacent Lands from a surface location on the Property, such rights and obligations to be binding upon the parties' successors and assigns. Such operations and development by OPERATOR may also include, but all wells are not required to include, the participation by OWNER as to its mineral estate and oil and gas interests in both the Property and other nearby lands.
- E. OPERATOR intends to drill, complete and operate vertical, deviated and possibly horizontal oil and gas wells ("**Wells**") on the Property, located on the production sites described on Exhibit "A" attached hereto, known as production pads (the "**Pads**").

In consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### 1. AREAS RESERVED FOR THE EXISTING WELLS AND FUTURE WELLS.

OWNER shall set aside and provide to OPERATOR that portion of the Property hereinafter referred to as the Oil and Gas Operations Areas or "**Pads**" (and also referred to as "Drilling Locations"), such area(s) being depicted on Exhibit "A" attached hereto. The Oil and Gas Operations Areas are to be made available to OPERATOR in their present condition for any operations conducted by OPERATOR in connection with the Wells, including, but not limited to, drilling and production activities, workovers, well deepenings, recompletions, fracturing and replacement wells. Except for the Pads, and the access roads and easements associated with

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flowlines, gathering lines and pipelines as provided in this Agreement, OPERATOR shall not occupy the surface of the Property except in the event of an emergency or for reasonable incidental, temporary and non-damaging activities, for which OPERATOR shall be strictly and solely responsible for any damages that may occur.

## 2. SETBACK REQUIREMENTS.

OWNER will not locate any lot line, building, or structure within any Pad. 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 public roads, production facilities, building units and surface property lines, among other things. In order to give full effect to the purposes of this Agreement, OWNER hereby waives its right to object to the location of any of OPERATOR's facilities on the basis of setback requirements in the rules and regulations of the COGCC, as they may be amended from time to time. OWNER further and similarly waives its right to object to any other state or local setback requirements or other requirements or regulations that are or become inconsistent with this Agreement or that would prohibit or interfere with the rights of OPERATOR, its successors and assigns, to explore for and produce the oil and gas in accordance with this Agreement. OPERATOR or its successors and assigns may cite the waiver in this paragraph in order to obtain a location exception or variance under COGCC rules or from any other state or local governmental body having jurisdiction. OWNER agrees not to object to the use of the surface in the Pads so long as such use is consistent with this Agreement and OWNER will provide OPERATOR or its successors and assigns with whatever written support they may reasonably require to obtain permits from the COGCC or any local jurisdiction.

OWNER may seek to develop the Property for residential real estate, commercial real estate, hunting retreat, and/or a public or private golf course in the future, and may request waivers of the setback requirements for residential or commercial buildings from OPERATOR's production equipment, from the government entities having jurisdiction over such setbacks. OPERATOR agrees to give written support to any such request by OWNER for reduced setbacks provided that the proposed reduction still provides for a setback of no less than 150 feet from OPERATOR's production equipment to any occupied structure. OWNER reserves the right to review and approve the production facility design and construction plans in advance and will not unreasonably delay or withhold such approval. In addition, OPERATOR agrees that OPERATOR will install an eight foot gated clear heart grade of cedar fencing around the outside of such production equipment, and thereafter OPERATOR shall keep the gate(s) locked at all times when no company employees are present at the production equipment site. For purposes of the Agreement "Production Equipment" shall be deemed to include pumps, tanks, separators, dehydrators, compressors, vapor recovery units, wellheads and other equipment reasonably appropriate for the operation and production of the Wells. Within 18 months from the date of this agreement OPERATOR agrees that OPERATOR will emplace an earthen, grass and/or shrubbery topped, privacy berm measuring up to eight feet in height around OPERATOR's Production Equipment within each Pad, the inside base of which shall be nowhere closer than 100 feet to the OPERATOR's Production Equipment or wellheads to the base of such berm and that OPERATOR will retain the minimal surface reasonably required for ongoing operations, subject to minimum setbacks required by the COGCC. Should the construction of a berm be finished prior to all planned Wells being drilled and completed, OPERATOR will have the right to make modifications to the berm so that OPERATOR may continue its drilling and completion

activities. At the end of such activities, OPERATOR will repair any modifications to the berm to the original state within 30 days of completing drilling activity. The Pads shall be depicted and labeled on all subdivision plats or other platted submissions submitted to any government entity having jurisdiction over residential and commercial real estate developments on the Property. In the event OWNER elects that the berm and fence construction should be deferred, OPERATOR and OWNER shall mutually agree upon the anticipated cost of such berm and fence using the average of two third party estimates and such amount shall be paid within 30 months of the date of this agreement or sooner by OPERATOR to OWNER and OPERATOR shall thereafter be released from the obligation to construct such berm and fence other than to cooperate with OWNER at such time as actual berm construction is conducted by OWNER.

OWNER shall require any purchaser or assignee of any portion of its interest in the Property to execute waivers acceptable to OPERATOR stating that said purchaser or assignee waives any requirement for any drilling, completion, or production equipment located within a Pad to be located further than 100' from the purchaser or assignee's property boundary line or 150' from the planned construction of any building.

### **3. GATHERING LINES AND FLOWLINES.**

Subject to the limitations hereinafter described, OPERATOR has a continuing right and entitlement to own, operate, maintain, repair and replace all flowlines, gathering lines and other pipelines that may be necessary to its operations on the Property. This Agreement is intended to confine the placement of those pipelines to certain specified locations within the Property ("Petroleum Pipeline Easements"). The location of the Petroleum Pipeline Easements shall be mutually agreed upon in writing giving due consideration to utilizing the most direct economic routing and such agreement shall not be unreasonably withheld. OPERATOR will provide OWNER with as-built diagrams of the underground facilities located with the Petroleum Pipeline Easements. OWNER's development plans may require the relocation of existing gathering lines to designated easement corridors. OPERATOR shall not object to any such relocation so long as such relocation is reasonable and feasible from a technical and engineering standpoint and complies with all applicable rules and regulations. All such relocations shall be at OWNER's cost and expense as hereafter described. OPERATOR shall abandon any portion of a flowline or pipeline easement or access road that will no longer be used for its operations. To abandon a flowline or pipeline, OPERATOR shall flush the line with water and notify OWNER in writing of the abandonment and the location of the abandoned pipeline; OPERATOR shall be required to dig up and remove the line once abandoned.

At such time as OWNER desires to have any pipeline relocated to a Petroleum Pipeline Easement (define), it shall give written notice to OPERATOR who shall promptly prepare, or commission the preparation of, a cost estimate to accomplish the relocation. As soon as available, OPERATOR will then provide the cost estimate to OWNER who will then have the opportunity to review same and make a final determination about whether it wishes to proceed with the relocation. If OWNER elects to have OPERATOR effectuate the pipeline relocation, it shall tender the estimated costs of such to OPERATOR together with its written request to commence the project as soon as reasonably practicable, or as otherwise requested by OWNER. If it has not already done so, OWNER shall also deliver to OPERATOR an executed and acknowledged Grant of Easement on the form that is attached hereto as Exhibit "B" in order to convey the Petroleum Pipeline Easement lands as shown on Exhibit "B" and OWNER shall also deliver to OPERATOR a similar Grant of Easement as to the subsurface paths of the wells

drilled hereunder. The Petroleum Pipeline Easements shall be thirty (30') feet in width during construction, installation or relocation operations and otherwise reduced to twenty (20') feet in width for post-construction usage. The Petroleum Pipeline Easements shall be depicted and labeled on all subdivision plats or other platted submissions submitted to any government entity having jurisdiction over residential and commercial real estate developments on the Property. Upon delivery of fully executed and notarized Exhibit "B" Grants of Easement, the rights granted herein shall be limited to the lands legally described in such Grants of Easement.

All pipelines shall be located within the Petroleum Pipeline Easements unless otherwise agreed upon between OWNER and OPERATOR. OPERATOR acknowledges that the Petroleum Pipeline Easement will be non-exclusive and agrees that it will not object to its concurrent use by other oil and gas operators or utilities, as OWNER may grant from time to time, so long as such other parties comply with COGCC or other governing authority guidelines. Notwithstanding the foregoing, OWNER shall not permit, nor shall it place any other utility or structure within ten feet horizontally or two feet vertically of any OPERATOR pipeline.

If OWNER's development plans anticipate that paved roadways will or may in the future cross over then existing pipelines. Operator agrees to pay for the cost to sleeve any pipeline that is to be crossed by such roadways, such payment to be made in advance of the work and OWNER shall not permit any paved roadway crossing of any pipeline until the sleeving of the affected line has been completed. Further, OPERATOR will not object to the crossing of any pipeline facility or other property of OPERATOR with roads or utilities by OWNER after same has been constructed as long as done in compliance with the provisions and requirements of this Article 3 and OWNER's agreement to pay the actual costs to have OPERATOR sleeve such pipelines and other reasonable costs to assure the safety of such crossing(s). OWNER shall not be charged any crossing or easement fees.

OPERATOR shall not, without the prior written consent of OWNER, have the right to lay additional flowlines or pipelines on the Property, outside the Petroleum Pipeline Easements. All flowlines and pipelines shall be buried to a depth of approximately 54 inches from the surface. OWNER shall maintain a minimum of 42 inches and not more than 72 inches of cover over all pipelines and flowlines during any of OWNER's operations on the Property. The construction and burying of additional flowlines, gathering lines and pipelines shall be at the sole cost and expense of OPERATOR or its gas purchaser.

#### **4. ACCESS.**

OWNER shall provide OPERATOR with continuous access to all of the Pads and the Petroleum Pipeline Easements. The access roads to be used by OPERATOR will either be those roads that currently are in place or those that are anticipated to be constructed by OWNER at its sole cost and expense as part of OWNER's development of the Property. Access up to and around the Pad or Production Equipment that shall be an all weather surface road constructed and maintained at the sole cost and expense of OPERATOR. Exhibit "A-1" attached hereto and made a part hereof details the specifics of the access road and Pad along with the design, construction, maintenance and cost bearing obligations of the OPERATOR and OWNER and the resultant outcome of the failure to comply therewith.

All such future access roads constructed shall be of sufficient scope to allow OPERATOR to conduct its oil and gas operations and shall be at least 30 feet in width, able to accommodate loads 60' in length with a minimum height clearance of 13' 6", and built to withstand a minimum of 104,000 pounds and 26,000 pounds per axle. OPERATOR agrees to access the Property according to the routes designated in writing by OWNER once the new access roads are constructed by OWNER, and OWNER provides OPERATOR notice of such, but OPERATOR may continue to use its present access routes until that time and until receipt of such notice from OWNER. Should OPERATOR wish to create a new access road, it shall obtain OWNER's written consent and shall construct and maintain such road at its sole cost and expense which consent shall not be unreasonably withheld. OPERATOR shall be responsible for obtaining all permits and other approvals required for such road construction, including, if applicable, permits to cross the Poudre Trail, and OPERATOR shall be responsible for any mitigation required by such permits and approvals.

#### **5. BATTERIES AND EQUIPMENT.**

OPERATOR shall have the right to locate, build, repair and maintain Production Equipment of the Wells or any Future Wells only within the Pads.

With respect to OPERATOR's equipment and facilities other than flowlines or pipelines:

- a. OPERATOR shall install and maintain, at its sole cost and expense, a six foot gated clear heart grade of cedar fencing around the Pads, once the initial drilling and completion operations for the first set of wells drilled from any Pad have been completed.
- b. OPERATOR shall install and maintain, at its sole cost and expense, all gates and locks necessary for the security of any wells or facilities in the Oil and Gas Operations Areas. Such gates and locks shall be the standard gates and locks used by OPERATOR.
- c. Other than the separator stacks and tank vent valve stacks, no permanently emplaced production equipment at a Pad shall exceed nine feet in height, except for pumping units as provided for below.
- d. Only electric motors shall be used for any powered production equipment to be emplaced on a Pad. Except for compressors with electric motors that are components of Vapor Recovery Units ("VRU"s), no compressors may be emplaced on any Pad without OWNER's approval, which approval shall not be unreasonably withheld if such a compressor is reasonably necessary to lower the separator inlet pressures for the separators located on the Pad, in order that wells may be able to lift produced fluids with plunger lifts using the wells' gas pressure.
- e. The parties agree that pumping units may be emplaced on wells located in the Pads under the following conditions. First, the use of a pumping unit, must be reasonably necessary from a technical and engineering standpoint, the well in question having too little gas pressure for other lifting methods such as plunger lifts to provide for full production from the well. Secondly, any pumping unit

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must have electric motors only, unless otherwise agreed to by OWNER in writing. OWNER agrees that, provided that no residential or commercial development has occurred within 500 feet of a given Pad at the time, OPERATOR may emplace a temporary pumping unit with a gas engine on a well or wells within the Pad for a period of up to 90 days for the purpose of testing the efficiency of a pumping unit in producing the well, or dewatering the well after a completion or recompletion. The temporary pumping unit shall be exempt from the 55 decibel at 150' noise standard set forth below, but not from the COGCC standard. Third, OWNER may require that OPERATOR give it 30 days notice, so that OPERATOR will emplace, at its own expense, a 8 foot privacy berm located in the Pad area not less than 100 feet from the production equipment or 150' from wellheads to the base of such berm, completely around any Pad, when installing a permanent pumping unit. OPERATOR shall be responsible for landscaping any such berm. Once all planned wells on a given Pad have been drilled, the 150' setback from wellheads to the base of the berm may be reduced to 100' and OPERATOR will retain the minimal surface reasonably required for ongoing operations, subject to minimum setbacks required by the COGCC.

f. All Production Equipment, including pumping units, emplaced on any Pad must meet a noise standard of 55 decibels at 150 feet from the equipment or the currently existing COGCC noise standards, whichever is lesser. If needed, OPERATOR shall emplace a 8 foot privacy berm as contemplated in (e.) above, to enable OPERATOR's equipment to meet this standard. The only exception shall be for workovers and recompletion operations, which shall meet COGCC (light industrial) standards.

g. OPERATOR shall paint and maintain the paint of any production facilities for any wells, including wellhead guards, with paint that is approved by the COGCC.

h. OWNER shall not inhibit OPERATOR's access to the Oil and Gas Operations Areas or inhibit OPERATOR's operations within the Oil and Gas Operations Areas by landscaping or other improvements, unless otherwise agreed upon in writing by OPERATOR, which will not be unreasonably withheld.

i. The Parties hereto agree to cooperate in efforts to allow OWNER to utilize waste gas produced from the wells drilled pursuant to the terms hereof from vapor recovery units ("VRU") on the Drilling Locations that would otherwise be burned off at a burn stack or to extract the heat thereof for OWNER's own purposes, subject to OWNER indemnifying OPERATOR for all costs, liabilities and risks of such operations. OWNER's use of said waste gas shall be at its own cost, risk and expense and shall impose no more than 30 psi of back pressure on the gas outlet of the VRU or cause additional costs or burdens upon OPERATOR. The terms under which OWNER may use such outlet gas shall be set forth in a separate mutually acceptable agreement by and between the Parties hereto which agreement shall include full indemnification by OWNER of OPERATOR, release of OPERATOR from and assumption by OWNER of all liabilities associated



therewith and evidence by OWNER of acceptable insurance coverage for all operations so conducted by OWNER with OPERATOR to be named as an additional insured party. Such operations by OWNER shall have no adverse effect on OPERATOR's ability to obtain and maintain insurance coverage at reasonable cost as to OPERATOR's operations as provided for in this Agreement.

j. OPERATOR shall install and maintain, at its sole cost and expense once the initial drilling and completion operations for the first set of wells drilled from any Pad has been completed an all weather surface around all of the Production Equipment in the oil and gas operations area. Such facility shall include an adequate storm drainage plan for the production site as provided for in the rules and regulations of the COGCC, subject to the prior review and approval by OWNER which approval shall not be unreasonably withheld.

#### **6. SURFACE USE AND DAMAGE PAYMENTS.**

At least 7 days prior to commencing dirtwork for any drillsite(s) within any Pad; OPERATOR shall pay to OWNER the sum of [REDACTED] per well to be drilled from any Pad.

OPERATOR 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 losses or physical damages caused by OPERATOR. OPERATOR agrees to promptly compensate OWNER for such losses and physical damages within fourteen (14) days of receipt of written notification of said loss or physical damage. 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.

#### **7. NOTICE OF FUTURE OPERATIONS.**

OPERATOR shall provide at least thirty (30) days prior written notice to OWNER of any operations in connection with the reworking, fracturing, deepening or recompletion operation of any well within a Pad. In addition OPERATOR shall provide at least thirty (30) days prior written notice to OWNER and/or any homeowner's association located on the Property prior to the drilling of any wells. Regardless of the foregoing notice requirements, OPERATOR shall have immediate access to any of its facilities in the event of an emergency.

After receipt of the above notice, but not less than five (5) working days prior to OPERATOR's mobilization on the applicable Pad, either OPERATOR or OWNER may request an on-site meeting. The purpose of the meeting shall be to inform OWNER of the expected activity and to coordinate site access, hazards, barricades, restoration or any other issues that affect the use and safety of OWNER's development.

#### **8. NOTICES TO HOMEOWNERS AND BUILDERS.**

~~OWNER shall furnish all buyers of the Property from OWNER with a plat or map showing the Pads and the Petroleum Pipeline Easements. In addition, OWNER shall provide notice to all builders, homeowners, homeowner associations and other buyers of the Property~~

~~from OWNER that this Agreement exists and a copy of this Agreement shall be recorded in the property records of Weld County, Colorado.~~

**9. DRILLING AND COMPLETION OPERATIONS.**

OPERATOR shall endeavor to diligently pursue any future drilling operations to minimize the total time period and to avoid rig relocations or startup during the course of drilling. OWNER waives any objections to continuous (i.e., 24-hour) drilling operations.

**10. GOVERNMENTAL PROCEEDINGS.**

OWNER shall not oppose OPERATOR in any agency or governmental proceedings, including but not limited to the COGCC, the Town of Windsor, County of Weld, or other governing body proceedings, related to OPERATOR's operations on the Property, including but not limited to drilling, workovers, well deepenings and recompletions, provided that OPERATOR's position in such proceedings is consistent with this Agreement.

**11. LIMITATION OF LIABILITY, RELEASE AND INDEMNITY.**

a. Neither party shall be liable for, or be required to pay for, special, punitive, exemplary, incidental, consequential or indirect damages to any other party for activities undertaken within the scope of this agreement;

b. Except as to claims arising out of pollution or environmental damage (which claims are governed by Section 12 below) or out of other provisions of this Agreement (which claims shall be governed by the terms of this Agreement), each party shall be and remain responsible for its own liability for all losses, claims, damages, demands, suits, causes of action, fines, penalties, expenses and liabilities, including without limitation attorneys' fees and other costs associated therewith (all of the aforesaid herein referred to collectively as "Claims"), arising out of or connected with each such party's ownership or operations on the Property, no matter when asserted, subject to applicable statutes of limitations. Each such party shall release, defend, indemnify and hold the other parties, their officers, directors, employees, successors and assigns, harmless against all such Claims. This provision does not, and shall not be construed to, create any rights in persons or entities not a party to this Agreement, nor does it create any separate rights in parties to this Agreement other than the right to be indemnified for Claims as provided herein;

c. Upon the assignment or conveyance of a party's entire interest in the Property, that party shall be released from its indemnification in Section 11.b. above, for all actions or occurrences happening after such assignment or conveyance.

**12. ENVIRONMENTAL INDEMNITY.**

The provisions of Section 11 above, except for Section 11.a., shall not apply to any environmental matters, which shall be governed exclusively by the following, subject to the limitations of Section 11.a. above:

a. "Environmental Claims" shall mean all Claims asserted by governmental bodies or other third parties for pollution or environmental damage of any kind, arising from operations on or ownership of the Property or ownership of the oil and gas





leasehold interest, whichever is applicable, and all cleanup and remediation costs, fines and penalties associated therewith, including but not limited to any Claims arising from Environmental Laws or relating to asbestos or to naturally occurring radioactive material. Environmental Claims shall not include the costs of any remediation undertaken voluntarily by any party, unless such remediation is performed under the imminent threat of a Claim by a governmental body or other third party;

b. "Environmental Laws" shall mean any laws, regulations, rules, ordinances, or order of any governmental authority(ies), which relate to or otherwise impose liability, obligation, or standards with respect to pollution or the protection of the environment, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §§ 6901 et seq.), the Clean Water Act (33 U.S.C. §§ 466 et seq.), the Safe Drinking Water Act (14 U.S.C. §§ 1401-1450), the Hazardous Material Transportation Act (49 U.S.C. §§ 1801 et seq.), the Clean Air Act, and the Toxic Substances Control Act (15 U.S.C. §§ 2601-2629); and

c. Environmental Indemnification. OPERATOR shall protect, indemnify, and hold harmless OWNER, homeowners associations and any lot owner who purchases a lot from OWNER from any Environmental Claims relating to the Property or oil and gas leasehold thereunder that arise out of OPERATOR's ownership and operation of the Oil and Gas Operations Areas and its ownership and operation of its pipeline easement or rights-of-way on the Property. OWNER shall fully protect, defend, indemnify and hold harmless OPERATOR from any and all Environmental Claims relating to the Property that arise out of OWNER's development of the Property or OWNER's ownership in Existing Wells located on the Property.

### **13. EXCLUSION FROM INDEMNITIES.**

The indemnities of the parties herein shall not cover or include any amounts, which the indemnified party is actually reimbursed by any third party. The indemnities in this Agreement shall not relieve any party from any obligations to third parties.

### **14. NOTICE OF CLAIM FOR INDEMNIFICATION.**

If a Claim is asserted against a party for which the other party would be liable under the provisions of Section 11 or 12 above, it is a condition precedent to the indemnifying party's obligations hereunder that the indemnified party give the indemnifying party written notice of such Claim setting forth all particulars of the Claim, as known by the indemnified party, including a copy of the Claim (if it is a written Claim). The indemnified party shall make a good faith effort to notify the indemnifying party within five days of receipt of a Claim and shall affect such notice in all events within such time as will allow the indemnifying party to defend against such Claim.

### **15. REPRESENTATIONS.**

Each party represents that it has the full right and authority to enter into this Agreement. OPERATOR does not represent that it has rights to settle matters for all of the mineral owners or

any other lessees in the Property and this Agreement shall only apply to and bind the OPERATOR mineral and leasehold interest in the Property.

**16. SUCCESSORS.**

The terms, covenants, and conditions hereof shall be binding upon and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, successors and assigns.

**17. TERM, ABANDONMENT AND RECLAMATION.**

This Agreement shall become effective when it is fully executed and shall remain in full force and effect until OPERATOR, at OPERATOR's expense, has plugged and abandoned all wells owned all or in part by OPERATOR and complied with the requirements of all applicable oil and gas leases pertaining to removal of equipment, reclamation, cleanup and all other applicable provisions of the leases and existing laws and regulations, including returning Pads, Oil and gas Operations Areas, roads, Drilling Locations, pipelines, flowlines and easements as near as practicable to the original condition as of the date of the Agreement.

**18. NOTICES.**

Any notice or other communication required or permitted under this Agreement shall be sufficient if deposited in U.S. Mail, postage prepaid, addressed to each of the following:

**If to OPERATOR:**

Tekton Windsor, LLC  
640 Plaza Drive, Suite 290  
Highlands Ranch, CO 80129  
Attn: Jerry K. Sommer

**If to OWNER:**

Broe Land Acquisitions II, LLC  
252 Clayton Street, 4<sup>th</sup> floor  
Denver, CO 80206  
Attn: Land Manager at Great Western Oil and Gas Company, LLC

Any party may, by written notice so delivered to the other parties, change the address or individual to which delivery shall thereafter be made.

**19. RECORDING.**

This Agreement, any and amendment hereto shall not be recorded, OPERATOR may record a Memorandum of Surface Use Agreement, setting forth the identity of the parties to the Agreement, the effective date, and the lands covered by the Agreement, for the purpose of notice to third parties. OPERATOR shall provide OWNER with a recorded copy as soon as practicable thereafter.

## 20. SURFACE DAMAGES.

OWNER hereby waives all surface damage payments pursuant to any COGCC or local regulation, state statute, common law or prior agreement, for each and every well that is drilled, the Production Equipment and emissions control device located on the Property within the Oil and Gas Operations Areas and also including but not limited to any access road, flowline, or pipeline constructed within the Petroleum Pipeline Easements. OPERATOR may provide a copy of this Agreement to the COGCC as evidence of this waiver. Surface Damages as defined in this article have no effect to the Surface Use and Damage Payments as defined in Article 6 and any damages occurring during the life of this agreement.

## 21. INSURANCE REQUIREMENTS

Except as otherwise provided, OPERATOR shall maintain the following minimum levels of insurance to cover the risk of accidents and/or damage to persons and/or property which may occur in the course of operations conducted under this Agreement during the first five (5) years of the term of this Agreement:

- a. Statutory Workers' Compensation and Employers Liability coverage with limits of \$1,000,000 each accident, \$1,000,000 each employee/disease, and \$1,000,000 policy limit;
- b. Commercial General Liability Insurance with \$1,000,000 per occurrence and \$2,000,000 aggregate limit to cover for damages to third parties because of bodily injury, personal injury or property damage caused by an occurrence;
- c. Commercial Automobile Liability Insurance with \$1,000,000 per accident combined single limit for bodily injury or property damage to third parties covering owned, leased, hired or non-owned automobiles;
- d. Excess Liability Insurance in an amount equal to \$5,000,000 per occurrence/aggregate in excess of Employers Liability, Commercial General Liability, and Commercial Automobile Liability limits as shown above;
- e. Control of Well Insurance, including \$3,000,000 combined single limit to include the following coverages: Cost of Control of blowouts and well fires; removal of wreckage and debris; unlimited and extended redrill/recompletion; seepage, pollution and contamination; and \$1,000,000 Care, Custody and Control with deductibles not to exceed \$100,000 Any One Occurrence. Coverage should include the following additional clauses: Contingent Joint Venturers, Priority of Payments and Unintentional Errors and Omissions.

At least thirty (30) days prior to the first day of the fifth year of the term of this Agreement (and prior to each fifth year thereafter), OWNER shall provide OPERATOR with its required levels of insurance, which shall be reasonable and customary for similar uses and operations, and OPERATOR shall thereafter increase the insurance coverages accordingly.

OPERATOR shall never be held responsible for the financial solvency of any insurance carrier. Insurance provided by OPERATOR shall be primary and not as insurance in excess of or as insurance contributing with any other insurance covering in any manner or to any extent loss covered under OWNER's insurance policies, and, except for Workers' Compensation, shall name OWNER as an additional insured. All such insurance shall be carried with an acceptable insurance company(s) licensed in the State of Colorado and shall be maintained in full force and effect during the term of this Agreement. All insurance shall be obtained from financially sound A.M. Best rated B+/Class VI or above reliable insurance companies.

OPERATOR shall require any contractors and subcontractors performing work for the OPERATOR while on the Property to carry the same limits of insurance in relation to the work to be performed by said contractors or subcontractors, but in no event less than those coverages and limits described herein. The Commercial General Liability policies should contain coverage for Products & Completed Operations. When requested, OPERATOR shall require that contractors/subcontractors name OWNER as an additional insured, waive rights of subrogation and have contractual liability coverage to meet any indemnity provisions under contracts for work performed for the benefit of OPERATOR. OPERATOR shall maintain current certificates of insurance from all contractors/subcontractors evidencing the required coverages and conditions, and shall provide copies of same to OWNER upon request.

All losses not covered by the above-specified coverages, including any deductible amounts, shall be borne by OPERATOR.

## **22. CHOICE OF LAW, VENUE AND ARBITRATION**

THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO. In the event that there exists any dispute arising out of or relative to this agreement or any Party requires that any provision of the Surface Use Agreement be interpreted or construed; or wishes to determine the rights, obligations or duties of any Party hereunder (a "Disputed Claim"), the Parties hereto agree that no Party shall commence or cause to be commenced a judicial action or proceeding before any court or other tribunal. The Party with such Disputed Claim shall immediately upon discovery of such claim give notice to the other Party, or Parties, and attempt to resolve the Disputed Claim by negotiation. If a Disputed Claim is not resolved by negotiation, or is not resolved to the satisfaction of all Parties by agreement of the Parties:

- a. Any Party may make demand for arbitration by filing a demand in writing by certified mail with the other Party or Parties setting forth the facts and circumstances for the Disputed Claim. If the Party(ies) receiving such notice does not agree with the nature of the asserted Disputed Claim(s), or has additional related Disputed Claim(s), such Party(ies) may also submit in writing its own statement of the Disputed Claim(s).
- b. Within Twenty (20) Days after the initial demand for arbitration is received, the Party making a demand for arbitration shall provide a list of five (5) Arbitrators who have oil and gas experience and commercial transaction experience to the

other Party. Within Fifteen (15) Days of receipt of the list of Arbitrators, the other Party shall select One (1) of the Arbitrators to arbitrate the Disputed Claim(s).

- c. The Arbitrator may, upon the motion of any Party, order the Parties to Mediation to attempt to settle the Disputed Claim(s). If the Disputed Claim(s) is not resolved in Mediation the Arbitrator shall settle all Disputed Claim(s) in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association ("AAA") to the extent such Rules do not conflict with the terms of this Agreement. Any arbitration hearing shall be held in Denver, Colorado, unless another place is determined to be mutually acceptable to the Arbitrator and all affected Parties.
- d. The Arbitrator shall promptly hear and determine (after giving the Parties due notice of hearing and reasonable opportunity to be heard) the questions submitted and shall render a decision within thirty (30) days after notifying the Parties that the arbitration hearings have been closed or, if oral hearings have been waived, from the date of the AAA's transmittal of the Parties' final statements and proofs to the Arbitrator. If the Arbitrator fails to (i) commence the arbitration within Thirty (30) Days after his, her or its selection or (ii) render a decision within the Thirty (30) Day period described in the proceeding sentence, then either Party may, by notice to the other Party and to the Rules, demand that the Arbitrator be dismissed. Upon receiving that demand, the AAA shall dismiss the Arbitrator and a new Arbitrator shall be appointed and selected and shall conduct the arbitration pursuant to the provisions of this Agreement.
- e. The Arbitrator shall not have jurisdiction or authority to add to, detract from or alter in any way the provisions of the Agreement. Pending the final decision of the Arbitrator of any dispute, both Parties will proceed diligently with performance of all contract obligations, including the payment of all sums not in dispute, required by the Agreement. Notwithstanding the foregoing, the Parties reserve the right to apply to any court of competent jurisdiction for the purpose of obtaining security or other provisional relief to satisfy or effectuate an eventual arbitration award, including without limitation, attachment and injunctive relief. The commencement of any action for such relief in aid of arbitration shall not constitute a waiver of the right to arbitration nor shall it prejudice in any way the right to proceed to arbitration.
- f. If an Arbitrator dies, resigns or is otherwise unable to perform his duties as an arbitrator, another Arbitrator shall be selected in accordance with the procedures set forth under this Section, paragraph b.
- g. The written decision or award of the Arbitrator shall be final and binding upon the Parties and the Parties shall abide by and comply with such decision and a judgment may be rendered upon such decision or award in a court of competent jurisdiction. The Parties shall equally bear the cost of the services and expenses

of the Arbitrator and all other costs of the arbitration proceedings, except that the Arbitrator shall have the discretion and authority to charge any Party with a disproportionate percentage of such costs, or all of such costs, if the Arbitrator find that such Party has utilized the arbitration or other dispute resolution process merely for harassment or delay, or to hear an obvious or frivolous matter, or merely to avoid or postpone the performance by such Party of its duties pursuant to the Agreement.

- h. The Arbitrator shall have the authority to determine whether the Arbitrator is authorized by this Agreement to consider a matter submitted for arbitration, and the determination as to authority to consider such matter shall be final and binding upon the Parties.
- i. The Parties agree that in any action, claim or controversy resulting from a claimed breach of this Agreement, that the prevailing party of the claim shall have their portion of attorney's fees that were billed to this claim be paid by the losing party. This provision does not apply to any actions other than breach, or a claim thereof, including without limitation indemnification provisions.

### 23. ENTIRE AGREEMENT.

This Agreement sets forth the entire understanding among the parties hereto regarding the matters addressed herein, and supersedes any previous communications, representations or agreement, whether oral or written. This Agreement shall not be amended, except by written document signed by all parties.

### 24. EXECUTION AND BINDING EFFECT

This Agreement may be executed in any number of counterparts each of which shall be deemed an original instrument but all of which together shall constitute one and the same instrument, and shall be binding upon and inure to the benefit of the parties, and each of their respective heirs, executors, administrators, successors and assigns and is executed by the parties as of the Effective Date set forth above.

The parties have executed this Agreement effective as of the day and year first above written.

OPERATOR:

  
By: Jerry K. Sommer  
Title: President and CEO

OWNER:

  
By: Tom Mandula  
Title: Manager



## ACKNOWLEDGMENTS

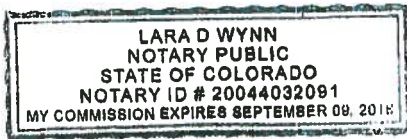
STATE OF COLORADO     )  
  ) ss.  
COUNTY OF WELD        )

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day of December, 2012, by Jerry K. Sommer, as President and CEO of Tekton Windsor, LLC, on behalf of such company.

Witness my hand and official seal.

My Commission Expires: 9/19/2016

  
Notary Public



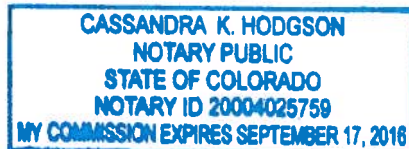
STATE OF COLORADO     )  
  ) ss.  
COUNTY OF WELD        )

The foregoing instrument was acknowledged before me this 21 day of December, 2012, by Tom Mandula, as Manager of Broe Land Acquisitions II, LLC, on behalf of such company.

Witness my hand and official seal.

My Commission Expires: 9.17.16

  
Notary Public



## **EXHIBIT "A"**

Attached hereto and made a part of that certain Surface Use Agreement between Broe Land Acquisitions II, LLC ("OWNER") and Tekton Windsor, LLC ("OPERATOR"), dated the 20<sup>th</sup> day of December, 2012.

## **PROPERTY**

Township 6 North, Range 67 West, 6<sup>th</sup> P.M., Weld County, Colorado  
Section 27: Portion of NW/4 as depicted on Exhibit A-1 attached hereto

\* By initialing this page the parties agree that the Exhibit represents the intent of both parties.

  
Owner

  
Operator



Attached hereto and made a part of that certain Surface Use Agreement between Broe Land Acquisitions II, LLC ("OWNER") and Tekton Windsor, LLC ("OPERATOR"), dated the 20<sup>th</sup> day of December, 2012.

[illegible]

  
Owner

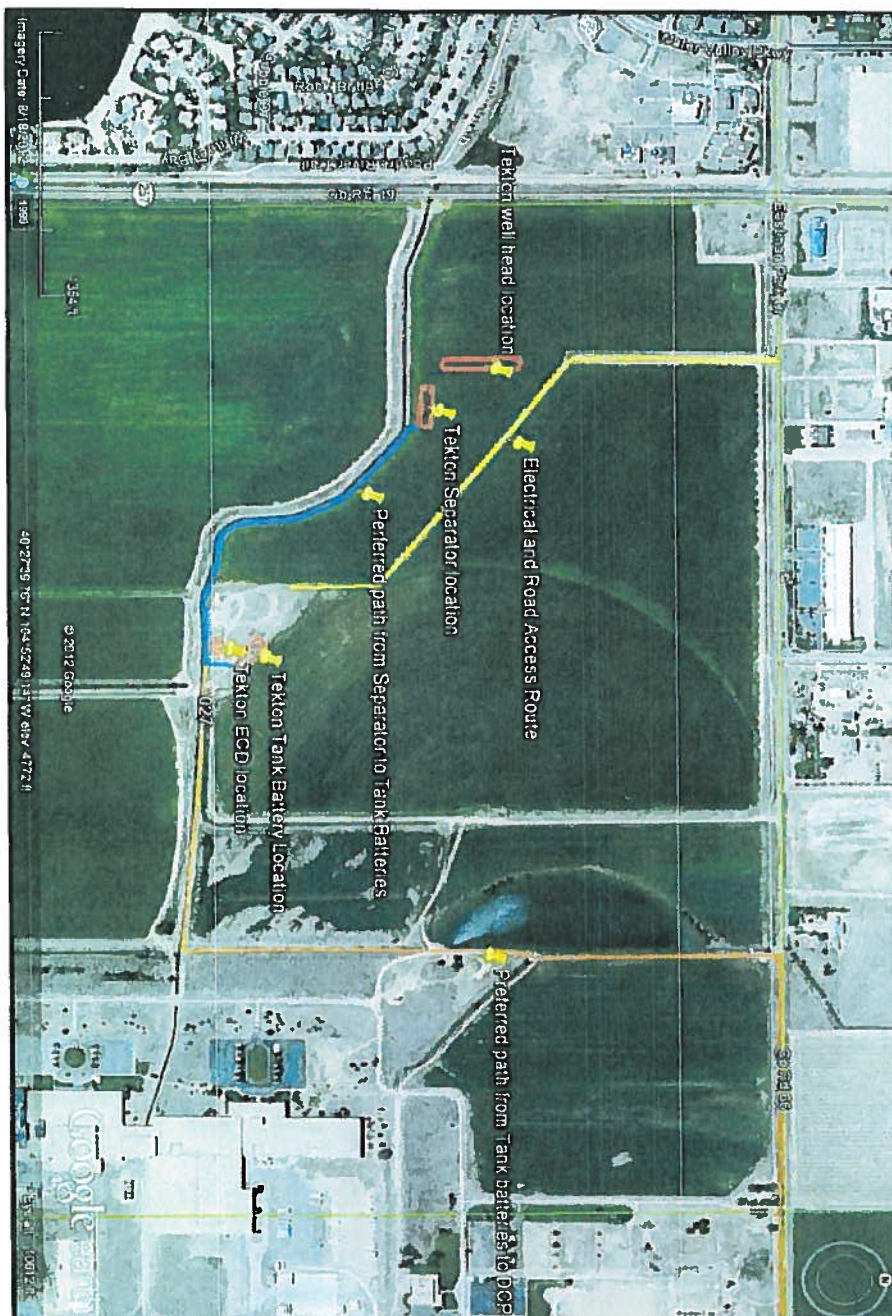
gib  
Operator

wp

**EXHIBIT "A-1 Page 2"**

Attached hereto and made a part of that certain Surface Use Agreement between Broe Land Acquisitions II, LLC ("OWNER") and Tekton Windsor, LLC ("OPERATOR"), dated the 20<sup>th</sup> day of December, 2012.

**KODAK PAD EASEMENTS AND RIGHTS OF WAY**



\* By initialing this page the parties agree that the Exhibit represents the intent of both parties.

Owner

*wp*

*gus*  
Operator