

**SURFACE USE AGREEMENT**

**THIS SURFACE USE AGREEMENT** (“Agreement”) dated September 19, 2014 is between H&A Minerals Holdings, LLC, a Colorado limited liability company (referred to as “Mineral Owner”), Highland Equities LLC, a Colorado limited liability company, Weld Kil 270 Equities, L.L.C., a Colorado limited liability company, and TRS Equities, L.L.C., a Colorado limited liability company, all of which have a mailing address of 8301 E. Prentice Avenue, Suite 100, Greenwood Village, CO 80111, (collectively referred to as “Surface Owners”); and **VERDAD OIL & GAS CORPORATION** a Texas corporation, with an address of 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235 (“Operator”). Mineral Owner, Surface Owners and Operator may be referred to individually as a “Party” or collectively as the “Parties.”

**RECITALS**

A. Surface Owners own the surface estate in a parcel of land located in Weld County, Colorado (“Property”) more particularly described in Exhibit A.

B. In a separate lease, to which this Surface Use Agreement is attached as an Exhibit (the “Lease”), Mineral Owner has granted to Operator a leasehold in Mineral Owner’s undivided interest in the mineral estate in the portion of the Property identified on Exhibit B. This Surface Use Agreement is incorporated into the Lease as though fully set forth therein.

C. Surface Owners have invested in creating and obtaining approvals for a plan of surface development on the Property.

D. Operator has agreed to accommodate Surface Owners’ plan of development by restricting its oil and gas development and production activities to the areas and corridors shown on Exhibit C.

E. The Parties wish to enter this Agreement to provide for the orderly development of the surface estate and the oil and gas estate, and to delineate the process with which the Parties shall comply with respect to the use of the two estates.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein, \$100.00, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**1. OIL AND GAS OPERATIONS AREAS RESERVED.**

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\_\_\_\_\_  
\_\_\_\_\_  
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2. **FUTURE OIL AND GAS WELLS AND OPERATIONS.**

Operator agrees that any wells within the governmental designated spacing unit for lands leased by Operator within the W/2 of Section 29 and the W/2 of Section 32, Township 1 North, Range 65 West of the 6<sup>th</sup> P.M. shall be located, drilled and completed in the Operations Area. Operator shall not otherwise have the right to locate the surface facilities for future wells on the Property, except within the Operations Area.

3. (Reserved)

4. **ACCESS.**

a. Operator shall access the Operations Area from Weld County Road 4 using the access easement mutually agreed on by the Parties and shown on Exhibit C. The easement shall be Operator's sole means of access to and egress from the Operations Area; provided that Surface Owners may substitute, one-time only at Operator's expense, a different access and egress easement in its reasonable discretion upon giving written notice to the Operator to accommodate Surface Owner's future development of the Property. Thereafter, Surface Owners may designate a different access and egress easement in its reasonable discretion and at Surface Owners' expense, upon giving written notice to Operator. Without limiting the foregoing, Surface Owners may designate a route from Weld County Road 41 west along Surface Owners' northerly boundary to the Operations Area. Operator agrees to maintain access routes in a condition acceptable to Surface Owners while drilling, completion or stimulation operations are taking place on the Property.

b. Operator shall not use any part of the surface or subsurface of the Property for access or egress, or for flowlines, gathering lines or sales lines, except that which is shown as the Operations Area and agreed on access as shown in Exhibit C.

c. Access to the Operations Area may be changed by mutual agreement of Surface Owners and Operator provided, however, all costs and expenses of any relocation shall be borne by the Operator.

d. Should it be necessary, Surface Owners shall grant access to Operator to areas on the Property not otherwise allowed herein for the purpose of remediating existing wellbores pursuant to the Colorado Oil and Gas Conservation Commission ("COGCC") DJ Basin Horizontal Offset Policy.

5. **PRODUCTION FACILITIES.**

a. Operator shall have the right to install, construct, locate, build, repair and maintain, any and all "Production Facilities" necessary for the development of oil, gas and minerals

from and on the Property; such Production Facilities to include, without limitation, tanks, separators, dehydrators, compressors and other equipment reasonably appropriate for the operation and production of any Wells located within the Operations Area. No facilities may be installed or located in the Operations Area except those that support Wells that produce from the Property.

b. All production equipment on the Operations Area (other than vehicles) shall be powered by electricity to minimize noise.

c. Operator shall ensure that noise levels are measured and limited pursuant to COGCC Rule 802. Should the COGCC adopt a more stringent noise standard, that standard shall become the applicable standard of this Agreement.

## 6. FLOWLINES AND PIPELINES.

a. Flowline and Pipeline easements for each well shall be at the locations identified on Exhibit C.

b. Operator shall not use any part of the surface or subsurface of the Property for access or egress, or for flowlines, gathering lines or sales lines, except that which is shown in Exhibit C unless otherwise designated by Surface Owners.

c. Pipeline easements shall be fifty (50) feet in width during construction activities and thirty (30) feet in width for all operations, maintenance and transportation activities. Owner shall grant the pipeline easements shown in Exhibit C (for production from the Property and not from any other lands) to Operator upon request and at no cost to them.

d. Locations of pipeline easements may be changed by mutual agreement of the applicable Parties; provided, however, all costs and expenses of any relocations shall be borne by the party which requests the relocation.

## 7. NOTICE OF OPERATIONS.

Surface Owner agrees to grant all waivers under COGCC rules 305 & 306. Operator shall provide at least seven days' prior written notice to Surface Owners of any operations in connection with the reworking, fracturing, deepening or other material operation on any Wells; provided, however, that Operator shall provide at least 30 days' prior written notice to Surface Owners of the initial drilling of any future wells. Regardless of the foregoing notice requirements, Operator shall have immediate access to the Operations Areas in the event of an emergency.

The Notification shall describe (i) the proposed starting date of the proposed activity; (ii) The proposed operations to be performed at the site; and (iii) the approximate duration of the proposed activities.

Not less than five working days prior to Operator's mobilization on the applicable Operations Areas, either Operator or Surface Owners may request an on-site meeting. The

purpose of the meeting shall be to inform Surface Owners of the expected activity and to coordinate site access, hazards, barricades, or any other issues.

**8. NOTICE TO OWNER'S SUCCESSORS AND ASSIGNS.**

Surface Owner shall furnish all buyers of the Property with a plat or map showing the access roads, the Operations Area, production facilities and other related facilities. In addition, the Surface Owners shall provide prior written notice to all builders, homeowners and other buyers of any portion of the Property from Surface Owners that:

a. Any rights they may be receiving in the Property are subject to the rights of Operator, and their successors and assigns, and are specifically subject to the terms of this Agreement;

b. There may be ongoing oil and gas operations and production in the Operations Area on the surface of the Property;

c. There may be additional Wells drilled on the Operations Area; and

d. Purchasers of all or any portion of the Surface Owner's Property, as successors in interest to the Owner, will be acquiring all of the Owner's rights under this Agreement and assuming these obligations undertaken by the Surface Owners pursuant to this Agreement, including, but not limited to, the waiver provisions provided in Section 9 and 10 below.

**9. DRILLING AND COMPLETION OPERATIONS.**

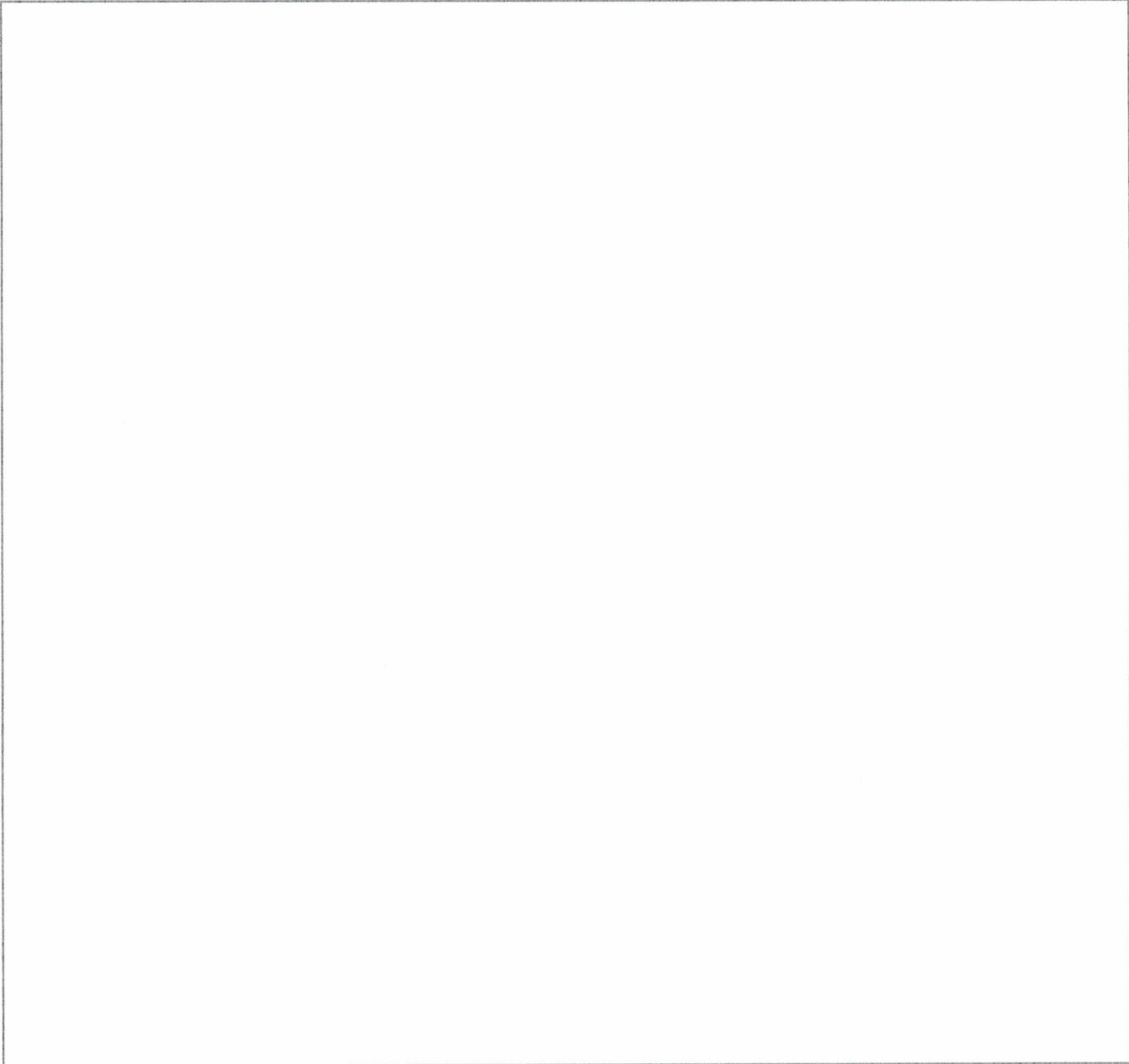
Operator shall endeavor to minimize the total time period for actual drilling operations and to avoid rig relocations or startup during the course of drilling. Surface Owners waive any objections to continuous (i.e., 24-hour) drilling operations and completion. Operator shall conduct its operations in compliance with the provisions of the applicable rules and regulations of the COGCC set forth in Rule 603, subject to the setback waivers provided in Section 10 below.

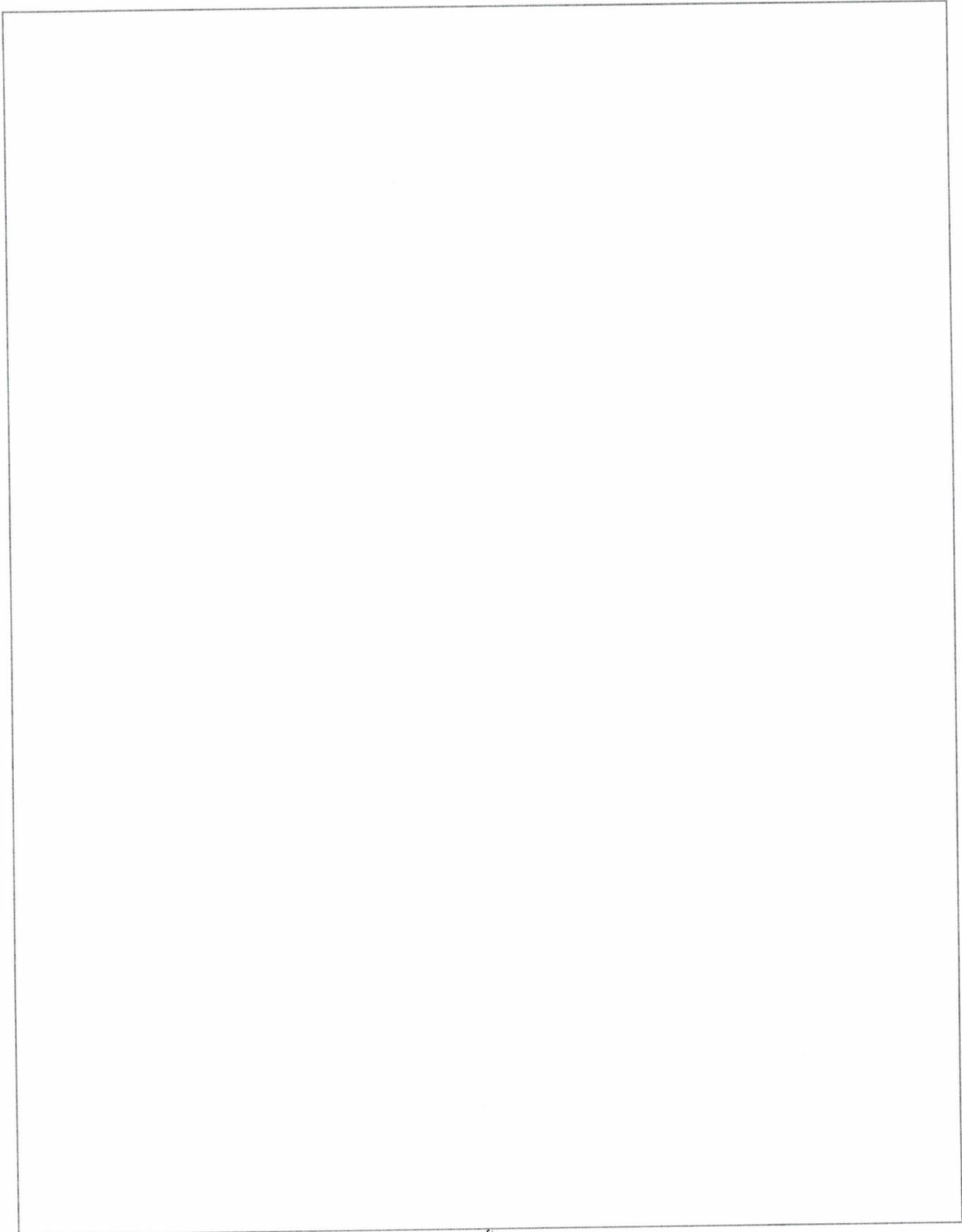
During drilling and completion operations, Operator shall employ sound mitigation measures for the site that are consistent with good drilling practices, including for example, canvas or straw bale walls, and shall ensure that noise levels during drilling and completion operations comply with the limitations set forth in paragraph 5(c) above.

At such time as the Operator establishes production from a well or wells in the Operations Area, should it be reasonably prudent to efficiently produce the well or wells Operator shall install electrically powered submersible pumping units to minimize noise and visual impacts.

10. **SETBACK REQUIREMENTS.**

Surface Owners will not locate inhabited buildings within 150 feet of the outside boundary of the Operations Area. Surface Owners will not plat or build inhabited structures in such a manner as would trigger the high density setback requirements of COGCC Rule 603 & 604 before Operator drills a well or wells on the Operations Area. Surface Owners shall grant such waivers to Operator as are necessary to allow Operator to drill and complete wells and locate equipment on the Operations Area.







c. **Notices.** All notices required by the terms of this Agreement shall be deemed to have been properly served and given when received by the following methods: first class mail, postage paid, facsimile transmission, overnight courier, personal delivery. The addresses for such notices are as follows:

**If to Operator:**  
Verdad Oil & Gas Corporation  
5950 Cedar Springs Road  
Suite 200  
Dallas, Texas 75235

**If to Surface Owners:**  
Highland Equities, L.L.C.  
8301 East Prentice Avenue, Suite 100  
Greenwood Village, CO 80111  
Attn: John M. Spillane, Manager

Weld Kil 270 Equities, L.L.C.  
8301 East Prentice Avenue, Suite 100  
Greenwood Village, CO 80111  
Attn: Robert A. Lembke, Manager

TRS Equities, L.L.C.  
8301 East Prentice Avenue, Suite 100  
Greenwood Village, CO 80111  
Attn: Theodore R. Shipman, Manager

**If to Mineral Owner:**

H&A Minerals Holdings, LLC  
8301 East Prentice Avenue, Suite 100  
Greenwood Village, CO 80111  
Attn: Theodore R. Shipman, Manager

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

d. **Recording.** This Agreement, any amendment hereto, as well as any documents provided for herein, shall be recorded by Operator, which shall provide the other Parties with a copy showing the recording information as soon as practicable thereafter.

e. **Dispute Resolution.** The Parties agree to resolve all Disputes concerning this Agreement pursuant to the provisions of this section, such disputes to include without limitation (i) the existence and scope of any breach of this Agreement, or (ii) disputes concerning a Claim or amount to be paid by an Indemnifying Party. The Parties agree to attempt to resolve the disputed issues through good faith negotiation between representatives of the Parties having authority to enter into a binding settlement agreement. Such representatives will meet within two weeks of receiving notice of a Dispute, and shall either resolve such Dispute to the Parties' mutual satisfaction or determine that such resolution is not achievable. In the event no resolution is achievable by the Parties' representatives, the Parties may pursue legal or equitable relief in Colorado District Court for Arapaho County. The prevailing Party shall be entitled to recover its costs and expenses of litigation from the other Party.

f. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

g. **Entire Agreement.** This Agreement sets forth the entire understanding among the Parties hereto regarding the matters addressed herein, and when attached to the Lease referred to in Recital "B" above shall supersede any previous communications, representations or agreements concerning the subject matter herein, whether oral or written,

that is not set forth in that Lease or its Exhibits. This Agreement, and the Lease of which it is a part, shall not be amended, except in written form signed by all Parties.

h. **Severability.** Invalidation of any one of the terms, conditions or provisions of this Agreement, by judgment or court order, shall in no way affect any other provisions which shall remain in full force and effect.

i. **Gender.** The singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

j. **Captions.** The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

k. **Counterparts/Facsimile Signatures.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which, when taken together, shall constitute one and the same instrument, with the same effect as if all of the Parties to this Agreement had executed the same counterpart. Facsimile signatures shall be considered binding.

l. **Amendment.** This Agreement cannot be changed orally, and no agreement shall be effective to waive, change, modify or discharge it in whole or in part unless such agreement is in writing and is signed by Surface Owners, Mineral Owner and Operator.

m. **Exhibits.** All Exhibits attached to this Agreement are incorporated into, and made a part of, this Agreement.

**WHEREFORE,** The Parties have executed this Agreement on the day and year first above written.

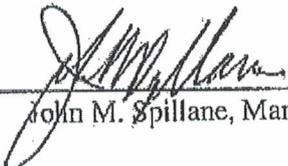
SIGNATURE PAGES ATTACHED

**List of Exhibits**

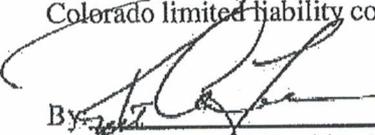
Exhibit A	Surface Owners' Property
Exhibit B	Mineral Owner's Property
Exhibit C	Operations Areas, Road Access, Flowline and Pipeline Easements

**Surface Owners:**

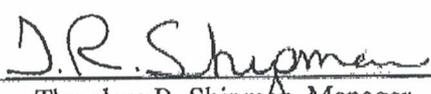
HIGHLAND EQUITIES, L.L.C., a Colorado limited liability company

By:   
John M. Spillane, Manager

WELD KIL 270 EQUITIES, L.L.C., a Colorado limited liability company

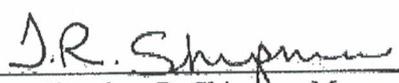
By:   
Robert A. Lembke, Manager

TRS EQUITIES, L.L.C., a Colorado limited liability company

By:   
Theodore R. Shipman, Manager

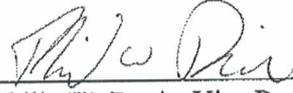
**Mineral Owner:**

H&A Mineral Holdings LLC, a Colorado limited liability company

By:   
Theodore R. Shipman, Manager

**Operator:**

VERDAD OIL & GAS CORPORATION.

A handwritten signature in cursive script, appearing to read "Philip W. Davis", written over a horizontal line.

Philip W. Davis, Vice President-Land

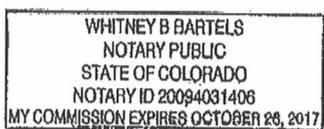
ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss.  
COUNTY OF ARAPAHOE )

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of ~~August~~ September, 2014, by John M. Spillane as Manager of Highland Equities, L.L.C., a Colorado limited liability company.

Witness my hand and official seal.

(SEAL)



*Whitney Bartels*  
Notary Public

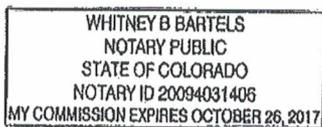
My commission expires: 10/26/17

STATE OF COLORADO )  
 ) ss.  
COUNTY OF ARAPAHOE )

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of September, 2014, by Robert A. Lembke as Manager of Weld Kil 270 Equities, L.L.C., a Colorado limited liability company.

Witness my hand and official seal.

(SEAL)



*Whitney Bartels*  
Notary Public

My commission expires: 10/26/17

STATE OF COLORADO )  
 ) ss.  
COUNTY OF ARAPAHOE )

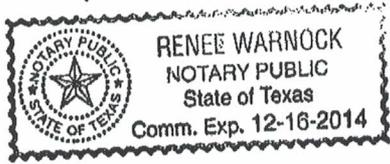


STATE OF TEXAS            )  
  ) ss.  
COUNTY OF DALLAS        )

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of September, 2014, by Philip W. Davis, as Vice President - Land of Verdad Oil & Gas Corporation, a Texas corporation, on behalf of that company.

Witness my hand and official seal.

(SEAL)



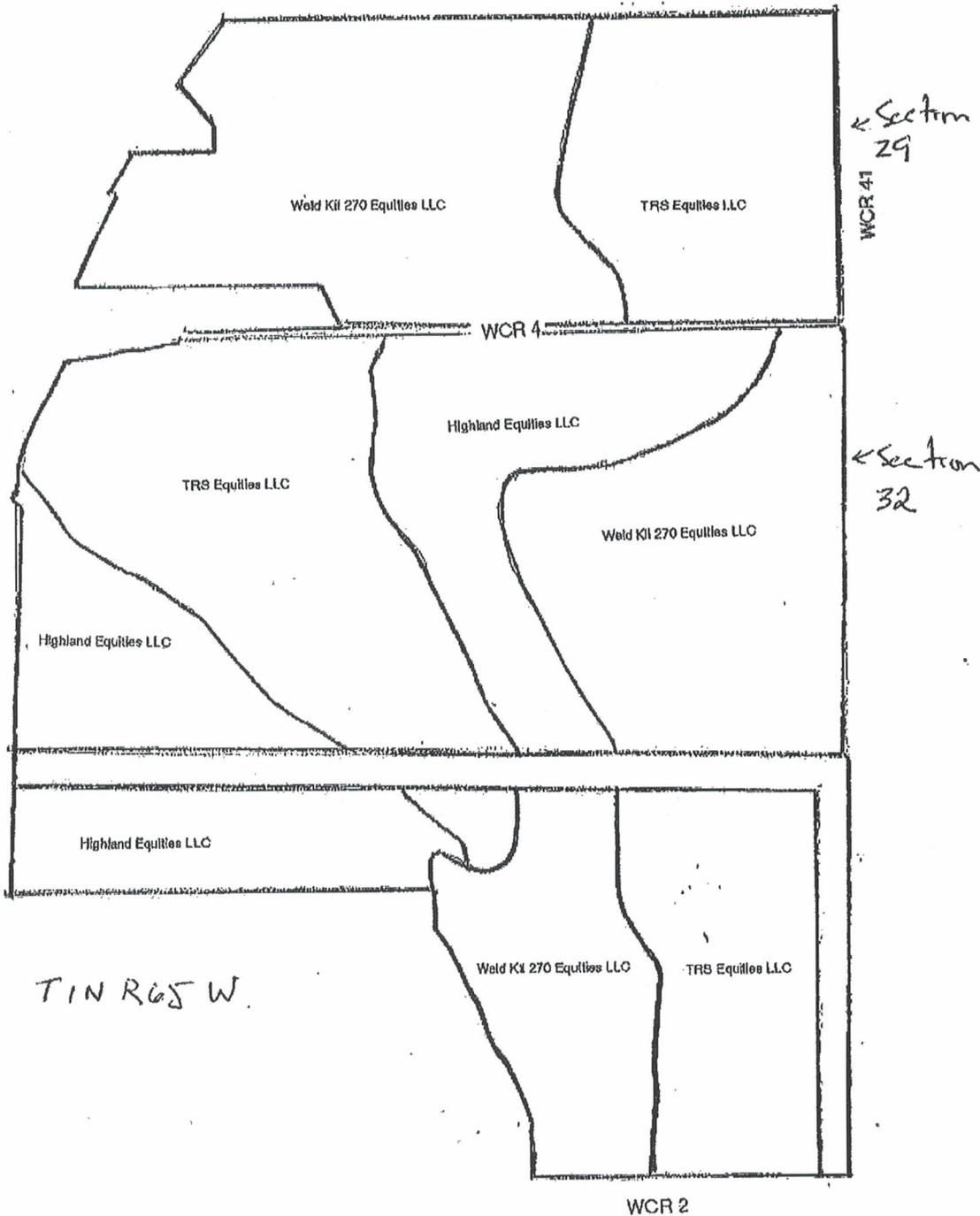
*Renee Warnock*  
Notary Public

My commission expires:

**EXHIBIT A**  
**Surface Owners' Property**

All Surface Owners' interest in the S/2 of Section 29, and Section 32, Township 1 North, Range 65 West of the 6th P.M. as their interests may appear, as generally depicted on the attached illustrative drawing, County of Weld, State of Colorado.

EXHIBIT A



**EXHIBIT B**  
**Mineral Owner's Property**

Township 1 North, Range 65 West, 6<sup>th</sup> P.M.

**Tract 1:**

**Section 29:** All that part of S2 described as beginning at a point 910' N of the SE corner of Sec. 29 on the East line of Section; Thence North on Section line 1119'; Thence in a Westerly direction 3953.2' to the point of intersection with the right-of-way of CB&Q Railroad and at a pt. 3418.7' in a Northeasterly direction from the intersection of said right-of-way & the extension of the South line of Sec. 29; Thence in a Southwesterly direction along said right-of-way 1344.4'; thence in an Easterly direction 4709' to the point of beginning. Excepting a 2.82 acre tract of land known as Lot B of the Amended Recorded Exemption No. 1743-29-4 RE412 recorded at Reception No. 3023607 in the Weld County records. Containing 104.38 acres, more or less

**Tract 2:**

**Section 32:** A parcel of ground located in the SW4, being the same tract conveyed in the Warranty Deed recorded at Reception No. 3255480 between Kent A. Powell and Sherran K. Powell, as Grantors, and Highland Equities LLC, as Grantee, more particularly described as follows: Beginning at a point on the West Line of Section 32, whence the West Quarter of Section 32 bears North 00°25'31" West a distance of 830.47 feet; thence North 00°25'31" West along the West line of Section 32 a distance of 62.04 feet, thence South 89°46'26" East along the Southlery line of a Public Service Company right of way a distance of 2648.12 feet; thence South 00°18'53" East along the center of Section 32 a distance of 620.06 feet; thence North 89°46'24" West a distance of 2646.92 feet to the point of beginning. Containing 37.68 acres, more or less

**EXHIBIT C**  
**Operations Area, Access Easement, Flowlines and Pipelines Easement**

