

**SURFACE USE AGREEMENT  
WITH RIGHT OF WAY, PIPELINE EASEMENT AND SURFACE ACCESS**

STATE OF COLORADO   §  
  §  
  §  
COUNTY OF WELD       §

THIS AGREEMENT made and entered into this 23 day of March, 2012, by **Mark T. Cox IV**, hereinafter designated as ("Grantor") and whose address is 9 Glenbrooke Circle East, Henrico Virginia 23229 and **Covenant Energy, Inc.**, hereinafter referred to as ("Grantee") and whose address is P.O. Box 4256, Wichita Falls, Texas 76308.

WITNESSETH, that

WHEREAS, Grantee desires to use a portion of the Grantor's Land for conducting its oil and gas operations to develop the oil and gas under lease by Grantee from Grantor and/or to develop the oil and gas under lease by Grantee in other lands surrounding the Grantor's Land in which the Grantor does not own the land and/or minerals, in order to properly drill, complete rework or re-complete, equip, operate, maintain, produce and plug and abandon any wells.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants, agreements and obligations contained herein, Mark T. Cox IV, as Grantor and Covenant Energy, Inc., as Grantee do hereby AGREE as follows:

1. The Grantor owns the surface estate to the following described lands, hereinafter referred to as ("the Land") in Weld County, State of Colorado, to wit:

See Exhibit "A" attached hereto for a description of (the "Land").

2. Grantor does hereby **LEASE** to Grantee the surface of that portion of the Land designated as the drillsite and/or drillsites depicted on the attached approval plat labeled Exhibit "B" (hereafter referred to as the "Drillsite") for the sole purpose of exploring, drilling and producing oil and gas, laying pipelines and building roads and tanks thereon to explore for, produce, save, treat, process, store and transport oil and gas and other products manufactured from oil and gas produced from the Land and the area surrounding the Land. In order for Grantee to enter, drill, complete, explore, produce and operate oil and/or gas well(s) and production facilities from the Land and the area surrounding the Land, it is necessary that Grantee cross and use certain property of Grantor, and the parties do hereby agree as to the damages, the right of entry and surface use thereof. For and in consideration of the hereinafter specified amounts, Grantor hereby grants to Grantee the exclusive right for it, its agents, employees and contractors, and their agents and employees, to enter upon the surface of the Land for the purpose of conducting oil and gas exploration, drilling, production and marketing activities. Grantor agrees to Grantee's use of access roads, gathering pipelines and power lines across Lands for gathering of lease and non-lease materials. Drillsites, roads, tank batteries, pipelines and powerlines shall be identified on the attached approval plat labeled Exhibit "B". Any changes to the locations of the drillsites, roads, tank batteries, pipelines and powerlines to and from the drillsites depicted on Exhibit "B" shall be identified on a revised plat and provided to Grantor for Grantor's approval and shall be approved by mutual agreement of Grantor and Grantee taking into consideration the interests of both Grantor and Grantee. Grantor's approval of drillsites, roads, tank batteries, pipelines and powerlines shall not be unreasonably withheld.

3. Grantor does hereby **GRANT** to Grantee a road easement and/or easements for ingress and egress to access the Drillsite and/or Drillsites. Whenever possible, Grantee agrees to use existing roads for access to any new location or Drillsite utilized in connection with Grantee's drilling, production, or other activities allowed hereunder on the Land. Grantee has agreed to pay the sum of \_\_\_\_\_ per rod as consideration for the construction, maintenance and use of any new roads and rights-of-way necessary for access to any new location utilized in connection with Grantee's drilling, production, or other activities allowed hereunder on the Land. Any new roads shall be limited to twenty-two (22) feet in width for the actually traveled roadbed.

4. Grantor does hereby **GRANT** to Grantee a pipeline easement and/or easements and powerline easement and/or easements for laying pipelines and/or powerlines to the Drillsites. Grantee agrees that, whenever possible, Grantee will construct any pipelines and/or powerlines within or alongside of the access road right-of-way, if one exists. If Grantee is

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unable to construct its pipelines and/or powerlines in the said access road right-of-way, Grantee agrees to pay the sum of \_\_\_\_\_ per rod as consideration for a right-of-way and perpetual easement to lay, install, maintain, operate, replace, protect, repair, relocate, change and remove one or more pipelines, powerlines, flow lines, and any appurtenances useful and incident to the operation and protection thereof, for the transportation of oil, gas, water, or any other like or unlike substances which may be moved by and through a pipeline(s), and/or flow line(s), and appurtenances thereto, on over and through the Land. Said Easement shall not exceed fifty feet (50') in width without the express written consent of Grantor, and Grantee agrees to bury all sales pipe lines to a minimum depth of thirty six inches (36") whenever reasonably practical to do so and to restore the surface over the same as nearly as possible to its condition prior to the laying of the line or lines. In order to provide public notice of the existence of a pipeline, upon the request of the Grantee, Grantor agrees to execute a formal "Pipeline Right of Way Grant" to be recorded in said county. Grantee shall back fill, compact, reseed, and re contour the area disturbed by Grantee's construction, installation, repair, or removal of any power line or pipeline. Upon termination of this Agreement, and upon request from Grantor, Grantee shall remove all above ground temporary pipeline and power line facilities. To the extent that it does not unreasonably interfere with Grantee's operations, Grantee shall allow Grantor to have reasonable access and use to any power lines installed upon Grantor's property upon agreement between Grantor and the power company for purchase of power provided it does not interfere with Grantee's operations. Upon cessation of operations by Grantee, Grantor may at its election keep said power lines in place. Pipelines will be limited to gathering lines that collect product from the Grantor, Gordon and Beverly Black, Cox Ranches LLC., Mark T. Cox, III Partnership, Mark T. Cox IV., Chalk Bluff Foundation, and any other neighboring wells.

5. Grantor does hereby **GRANT** to Grantee a subsurface easement covering the Land for the drilling of wellbores from the Drillsite under the Land to explore, develop and produce oil and gas from acreage surrounding the Land. The subsurface easement shall be limited to wellbores drilled from the Drillsite. Grantee's rights to the surface estate of that portion of the Land other than the Drillsite, road easement, pipeline easement and powerline easement shall be limited to the subsurface easement for the drilling of wells from the Drillsite conveyed herein.

6. This Surface Use Agreement shall become effective when it is fully executed and the rights conveyed herein shall remain in full force and effective for five (5) years from the date hereof and so long thereafter as Grantee continues to hold a right authorizing the activities which the Oil and Gas Operations on the Land are intended to benefit, and shall continue in effect thereafter until Grantee has plugged and abandoned all wells owned in all or in part by Grantee or Grantee's successors or assigns on the Land and complied with the requirements of any applicable oil and gas lease held by Grantee or Grantee's successors or assigns pertaining to removal of equipment, reclamation, cleanup and all other applicable provisions and existing laws and regulations with regard to the Land. When this Agreement terminates, the parties shall execute any and all releases necessary to evidence the fact that this Agreement has terminated.

7. Grantee agrees to pay Grantor the reasonable value of the actual damages resulting to the surface of the Land, fences, roads, tanks and other structures and improvements, livestock, trees, grass and crops caused by operations hereunder and agrees to restore the surface of the Land to as near its original condition as may be reasonably done after the termination of this Agreement. The reasonable value for the actual damages to Grantor's surface caused by Grantee's operations herein shall be the stated amounts:

(1) \_\_\_\_\_ for any Drillsite location consisting of five (5) acres located on the Land as consideration for all damages associated with the construction, maintenance and use of such location for drilling, completion and production activities. In the event that a well is completed as a well capable of producing oil and/or gas in commercial quantities, Grantee shall have the right to install tank batteries, compressor stations, oil and gas flow lines, pipelines, and any facilities necessary for the production, storage, disposal, transportation and marketing of gas, water and/or oil from said location. This shall include the right of Grantee to install a central production facility which may have off-lease gas, water and/or oil delivered to such location as a central point for transmitting the gas, water and/or oil to a downstream point.

(2) \_\_\_\_\_ In the event a Drillsite location is smaller or larger than five (5) acres in size, the damages will be \_\_\_\_\_ per acre, payable in advance prior to commencement of drilling operations. The amounts stated above shall not be considered as complete payment for damages that are in excess of the type normally associated with the stated activity. If, by reason of Grantee's operations on the Land, there is damage in excess of



the damage caused by the normal, reasonable use of the of the surface of the Land by Grantee for its oil and gas operations, Grantee shall be liable to Grantor and Grantor's successors and assigns, as the case may be, for such damage, provided, however, Grantee shall not be liable for any such damage caused by the negligence or willful misconduct of Grantor and Grantor's successors and assigns.

8. After the completion of a well, Grantee shall fence all tank batteries, separators and other surface equipment with a substantial fence and shall keep all gates locked. Grantee shall keep all surface equipment in a good state of repair and painted a color approved by Grantor as often as is necessary to maintain a good appearance. Grantee shall install fences around any dangerous area, including, any pits, where Grantee drills any new wells. Except for new roads built by Grantee, Grantee shall reclaim and restore all areas disturbed by Grantee's operations as near as practical to their original condition within twelve (12) months after termination of activities at the site or right of way. Grantee agrees to notify and consult with Grantor prior to cutting or damaging any fences, cattle guards, or other improvements of Grantor. All areas disturbed by Grantee's activities will be reseeded with certified weed free seed mix unless otherwise agreed to by Grantor. Grantee agrees to provide weed control in areas disturbed by Grantee's operations. The Grantee shall construct cattle guards at all places where Grantee requires access through Grantor's fences. Livestock gates shall be constructed at Grantor's request if the movement of livestock will be interfered with. Grantee, if requested by Grantor, shall construct a dirt or earthen berm around the tank batteries.

9. In addition to the permanent road and pipeline easements described above Grantor does hereby **GRANT** to Grantee an additional 40 foot wide temporary construction easement adjacent to the permanent easements to be used during the initial construction of the road and pipeline. The temporary construction easement shall expire on the completion of the initial construction of the road and pipeline.

10. Grantee agrees to keep the roads, locations, and other areas utilized for its purposes clean from Grantee's trash and debris, to keep equipment painted, to maintain fences around all equipment used in connection with its operations, to repair all fences damaged by Grantee and to restore the premises to its original condition insofar as it is reasonably possible upon termination of this Agreement. Grantee agrees to maintain such areas in such a manner as to minimize interference with the Grantor's normal use of contiguous lands.

11. Water from Grantor's creeks, tanks, or wells may not be used by Grantee. Grantee shall have the right to drill a water well on the Drillsite or any other mutually agreed to locations to produce water for Grantee's operations. Grantee shall also acquire permission from any governmental authority if required, prior to drilling a water well. Upon the termination of this Surface Use Agreement, Grantee shall, at the option of Grantor, either (1) plug and abandon the water well according to all governmental rules and regulations or (2) deliver and convey the water well and all associated equipment, SAVE and EXCEPT portable pumps and/or rental equipment, to Grantor after which Grantor shall own the water well and shall assume all obligations and responsibilities relating to the water well and equipment.

12. Grantor and Grantee agree that Grantee may record an original of this Agreement or a Memorandum thereof in the real property records of Weld County, Colorado. Grantee also agrees to comply with provisions of Rule 318a of the Colorado Oil and Gas Conservation Commission (COGCC) and with customary standards of the oil and gas industry in Weld County, Colorado.

13. This Agreement and the rights and obligations of Grantor and Grantee herein are assignable and are binding upon and inure to the benefit of the parties hereto and their heirs, successors and assigns. Any sale by Grantor of any or all interest in the Land shall be made subject to the terms and conditions of this Agreement.

14. Grantee shall keep Grantor's interest in the Land free and clear of all liens, claims and encumbrances, including but not limited to mechanic's liens, arising from Grantee's oil and gas operations and other activities on the Land. Grantor warrants that Grantor has not conveyed or encumbered its interest in the Drillsite, road, pipeline and powerline easement that would prevent Grantee from exercising the rights conveyed herein.

15. This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

16. All notices will be deemed given and reports will be deemed delivered if sent by certified letter, properly addressed and deposited in the United States mail, postage prepaid, to



Grantor and Grantee at the addresses shown above or upon receipt if sent by courier or by Federal Express, next business day delivery.

17. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado, excluding any conflict of laws, rules or principle that might refer the governance or the construction hereof to another jurisdiction. In the event that either party shall be required to employ legal counsel for the enforcement of any provision of this Agreement and prevails, the prevailing party will be entitled to recover from the non-prevailing party reasonable attorney's fees and expenses incurred.

18. GRANTEE AGREES TO INDEMNIFY AND HOLD HARMLESS GRANTOR, AND THEIR REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE INCLUDING THOSE FOR INJURY TO OR DEATH OF PERSONS, LOSS OR DAMAGE TO PROPERTY, TRESPASS OR NUISANCE, AND INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, OR RESULTING FROM GRANTEE'S OPERATIONS ON THE LAND, OR ANY VIOLATION OF ANY LAW, RULE, REGULATION OR ENVIRONMENTAL REQUIREMENTS BY GRANTEE. AS USED IN THIS PARAGRAPH, THE TERM "GRANTEE" INCLUDES ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

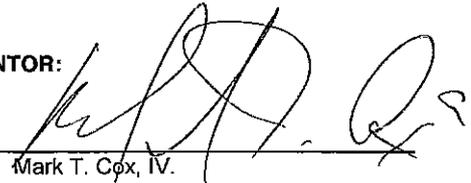
19. In the event this Agreement expires for any reason as to all or any part of the Land, Grantee shall promptly furnish Grantor with a written, recordable release covering all of the Land/or that portion of the Land to be released.

20. Grantee agrees that prior to drilling any well(s) or constructing any production and/or marketing facility on the Land, it will first consult with Grantor in order to minimize interference with Grantor's normal use of the Land. Grantee will give Grantor prior notice in writing before conducting actual drilling operations on the Land.

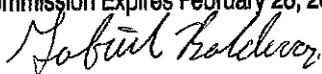
21. Grantor and Grantee agree that if there are multiple surface owners of the lands described in of this Agreement, any payments to surface owner(s) will be proportionately reduced based on percentage of ownership.

22. Grantee agrees that no dogs, firearms or hunting will be allowed on the property covered by this Agreement without the express written consent of the Grantor and that Grantee will notify all of its contractors, agents and employees of this restriction.

Executed on this 23 day of March, 2012.

GRANTOR:   
BY: Mark T. Cox, IV.

GRANTEE:  
Covenant Energy, Inc.  
  
BY: Bill Davis, Vice President

Gabriel Balderas  
Notary Public 7141605  
Commonwealth of Virginia  
My Commission Expires February 28, 2015  


STATE OF Virginia )  
                                  ) ss.  
COUNTY OF Henrico )

This instrument was acknowledged before me on this 23 day of March, 2012, by Mark T. Cox, IV.





## Exhibit "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN SURFACE USE AGREEMENT  
DATED \_\_\_\_\_ 2011 BY AND BETWEEN Mark T. Cox IV AS GRANTOR.  
AND Covenant Energy, Inc. AS GRANTEE.

### LEGAL DESCRIPTION OF PROPERTY:

All of that certain tract, lot or parcel of land described below:

Township 12 North, Range 64 West

NW/4 Section 22, T12N R64W

Situated in Weld County, Colorado.