

**U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE**

SPECIAL USE PERMIT

Authority: MINERAL LEASING ACT, AS AMENDED February 25, 1920

AXIA ENERGY, LLC, 1430 Larimer Street, Suite 400, Denver, CO 80202 (hereinafter "the holder") is authorized to use or occupy National Forest System lands in the Grand Mesa National Forest, subject to the terms and conditions of this special use permit (the permit).

This permit covers 5.8 acres in the Section 20, T. 9 S., R. 92 W., 6th P.M., ("the permit area"), as shown on the Hightower MDP Decision Map attached as Exhibit A. This permit issued for the purpose of:

Maintenance of the existing Hightower MDP 20-11 drilling location and access road. Previous APD has expired, and Axia Energy is formulating plans for drilling in the area after assuming some lease responsibilities on the Grand Mesa and White River National Forests from OXY USA INC. Issuing this permit will give Axia time to determine if and when drilling on the existing location is appropriate.

Conditions of Approval for this location, as outlined in the Hightower MDP DN/FONSI, are attached to and made a part of this permit (Exhibit B).

TERMS AND CONDITIONS

I. GENERAL TERMS

A. AUTHORITY. This permit is issued pursuant to Mineral Leasing Act of February 25, 1920, as amended, and 36 CFR Part 251, Subpart B, as amended, and is subject to their provisions.

B. AUTHORIZED OFFICER. The authorized officer is the Forest or Grassland Supervisor or a subordinate officer with delegated authority.

C. TERM. This permit shall expire at midnight on December 31, 2019, or upon BLM approval of a new application for permit to drill (APD), whichever occurs first.

D. RENEWAL. This permit is not renewable. Prior to expiration of this permit, the holder may apply for a new permit that would renew the use and occupancy authorized by this permit. Applications for a new permit must be submitted at least 6 months prior to expiration of this permit. Renewal of the use and occupancy authorized by this permit shall be at the sole discretion of the authorized officer. At a minimum, before renewing the use and occupancy authorized by this permit, the authorized officer shall require that (1) the use and occupancy to be authorized by the new permit is consistent with the standards and guidelines in the applicable land management plan; (2) the type of use and occupancy to be authorized by the new permit is the same as the type of use and occupancy authorized by this permit; and (3) the holder is in compliance with all the terms of this permit. The authorized officer may prescribe new terms and conditions when a new permit is issued.

E. AMENDMENT. This permit may be amended in whole or in part by the Forest Service when, at the discretion of the authorized officer, such action is deemed necessary or desirable to incorporate new terms that may be required by law, regulation, directive, the applicable forest land and resource management plan,

or projects and activities implementing a land management plan pursuant to 36 CFR Part 215.

F. COMPLIANCE WITH LAWS, REGULATIONS, AND OTHER LEGAL REQUIREMENTS. In exercising the rights and privileges granted by this permit, the holder shall comply with all present and future federal laws and regulations and all present and future state, county, and municipal laws, regulations, and other legal requirements that apply to the permit area, to the extent they do not conflict with federal law, regulation, or policy. The Forest Service assumes no responsibility for enforcing laws, regulations, and other legal requirements that fall under the jurisdiction of other governmental entities.

G. NON-EXCLUSIVE USE. The use or occupancy authorized by this permit is not exclusive. The Forest Service reserves the right of access to the permit area, including a continuing right of physical entry to the permit area for inspection, monitoring, or any other purpose consistent with any right or obligation of the United States under any law or regulation. The Forest Service reserves the right to allow others to use the permit area in any way that is not inconsistent with the holder's rights and privileges under this permit, after consultation with all parties involved. Except for any restrictions that the holder and the authorized officer agree are necessary to protect the installation and operation of authorized temporary improvements, the lands and waters covered by this permit shall remain open to the public for all lawful purposes.

H. ASSIGNABILITY. This permit is not assignable or transferable.

I. TRANSFER OF TITLE TO THE IMPROVEMENTS.

1. Notification of Transfer. The holder shall notify the authorized officer when a transfer of title to all or part of the authorized improvements is contemplated.
2. Transfer of Title. Any transfer of title to the improvements covered by this permit shall result in termination of the permit. The party who acquires title to the improvements must submit an application for a permit. The Forest Service is not obligated to issue a new permit to the party who acquires title to the improvements. The authorized officer shall determine that the applicant meets requirements under applicable federal regulations.

J. CHANGE IN CONTROL OF THE BUSINESS ENTITY.

1. Notification of Change in Control. The holder shall notify the authorized officer when a change in control of the business entity that holds this permit is contemplated.
 - a. In the case of a corporation, control is an interest, beneficial or otherwise, of sufficient outstanding voting securities or capital of the business so as to permit the exercise of managerial authority over the actions and operations of the corporation or election of a majority of the board of directors of the corporation.
 - b. In the case of a partnership, limited partnership, joint venture, or individual entrepreneurship, control is a beneficial ownership of or interest in the entity or its capital so as to permit the exercise of managerial authority over the actions and operations of the entity.
 - c. In other circumstances, control is any arrangement under which a third party has the ability to exercise management authority over the actions or operations of the business.
2. Effect of Change in Control. Any change in control of the business entity as defined in paragraph 1 of this clause shall result in termination of this permit. The party acquiring control must submit an application for a special use permit. The Forest Service is not obligated to issue a new permit to the party who acquires control. The authorized officer shall determine whether the applicant meets the requirements established by applicable federal regulations.

II. IMPROVEMENTS

A. LIMITATIONS ON USE. Nothing in this permit gives or implies permission to build or maintain any structure or facility or to conduct any activity, unless specifically authorized by this permit. Any use not specifically authorized by this permit must be proposed in accordance with 36 CFR 251.54. Approval of such a proposal through issuance of a new permit or permit amendment is at the sole discretion of the authorized officer.

B. PLANS. All plans for development, layout, construction, reconstruction, or alteration of improvements in the permit area, as well as revisions to those plans must be prepared by a professional engineer, architect, landscape architect, or other qualified professional based on federal employment standards acceptable to the authorized officer. These plans and plan revisions must have written approval from the authorized officer before they are implemented. The authorized officer may require the holder to furnish as-built plans, maps, or surveys upon completion of the work.

B. CONSTRUCTION. Any construction authorized by this permit shall commence by N/A and shall be completed by N/A.

III. OPERATIONS.

A. PERIOD OF USE. Use or occupancy of the permit area shall be exercised at least 1 day each year.

B. CONDITION OF OPERATIONS. The holder shall maintain the authorized improvements and permit area to standards of repair, orderliness, neatness, sanitation, and safety acceptable to the authorized officer and consistent with other provisions of this permit. Standards are subject to periodic change by the authorized officer when deemed necessary to meet statutory, regulatory, or policy requirements or to protect national forest resources. The holder shall comply with inspection requirements deemed appropriate by the authorized officer.

D. INSPECTION BY THE FOREST SERVICE. The Forest Service shall monitor the holder's operations and reserves the right to inspect the permit area and transmission facilities at any time for compliance with the terms of this permit. The holder's obligations under this permit are not contingent upon any duty of the Forest Service to inspect the permit area or transmission facilities. A failure by the Forest Service or other governmental officials to inspect is not a justification for noncompliance with any of the terms and conditions of this permit.

IV. RIGHTS AND LIABILITIES

A. LEGAL EFFECT OF THE PERMIT. This permit, which is revocable and terminable, is not a contract or a lease, but rather a federal license. The benefits and requirements conferred by this authorization are reviewable solely under the procedures set forth in 36 CFR Part 251, Subpart C, and 5 U.S.C. 704. This permit does not constitute a contract for purposes of the Contract Disputes Act, 41 U.S.C. 601. The permit is not real property, does not convey any interest in real property, and may not be used as collateral for a loan.

B. VALID OUTSTANDING RIGHTS. This permit is subject to all valid outstanding rights. Valid outstanding rights include those derived under mining and mineral leasing laws of the United States. The United States is not liable to the holder for the exercise of any such right.

C. ABSENCE OF THIRD-PARTY BENEFICIARY RIGHTS. The parties to this permit do not intend to confer any rights on any third party as a beneficiary under this permit.

D. SERVICES NOT PROVIDED. This permit does not provide for the furnishing of road or trail maintenance, water, fire protection, search and rescue, or any other such service by a government agency, utility,

association, or individual.

E. RISK OF LOSS. The holder assumes all risk of loss associated with use or occupancy of the permit area, including but not limited to theft, vandalism, fire and any fire-fighting activities (including prescribed burns), avalanches, rising waters, winds, falling limbs or trees, and other forces of nature. If authorized temporary improvements in the permit area are destroyed or substantially damaged, the authorized officer shall conduct an analysis to determine whether the improvements can be safely occupied in the future and whether rebuilding should be allowed. If rebuilding is not allowed, the permit shall terminate.

F. DAMAGE TO UNITED STATES PROPERTY. The holder has an affirmative duty to protect from damage the land, property, and other interests of the United States. Damage includes but is not limited to fire suppression costs, damage to government-owned improvements covered by this permit, and all costs and damages associated with or resulting from the release or threatened release of a hazardous material occurring during or as a result of activities of the holder or the holder's heirs, assigns, agents, employees, contractors, or lessees on, or related to, the lands, property, and other interests covered by this permit. For purposes of clause IV.F and section V, "hazardous material" shall mean (a) any hazardous substance under section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. § 9601(14); (b) any pollutant or contaminant under section 101(33) of CERCLA, 42 U.S.C. § 9601(33); (c) any petroleum product or its derivative, including fuel oil, and waste oils; and (d) any hazardous substance, extremely hazardous substance, toxic substance, hazardous waste, ignitable, reactive or corrosive materials, pollutant, contaminant, element, compound, mixture, solution or substance that may pose a present or potential hazard to human health or the environment under any applicable environmental laws.

1. The holder shall avoid damaging or contaminating the environment, including but not limited to the soil, vegetation (such as trees, shrubs, and grass), surface water, and groundwater, during the holder's use or occupancy of the permit area. If the environment or any government property covered by this permit becomes damaged during the holder's use or occupancy of the permit area, the holder shall immediately repair the damage or replace the damaged items to the satisfaction of the authorized officer and at no expense to the United States.
2. The holder shall be liable for all injury, loss, or damage, including fire suppression, prevention and control of the spread of invasive species, or other costs in connection with rehabilitation or restoration of natural resources associated with the use or occupancy authorized by this permit. Compensation shall include but not be limited to the value of resources damaged or destroyed, the costs of restoration, cleanup, or other mitigation, fire suppression or other types of abatement costs, and all administrative, legal (including attorney's fees), and other costs. Such costs may be deducted from a performance bond required under clause IV.I.
3. The holder shall be liable for damage caused by use of the holder or the holder's heirs, assigns, agents, employees, contractors, or lessees to all roads and trails of the United States to the same extent as provided under clause IV.F.1, except that liability shall not include reasonable and ordinary wear and tear

G. HEALTH, SAFETY, AND ENVIRONMENTAL PROTECTION. The holder shall promptly abate as completely as possible and in compliance with all applicable laws and regulations any activity or condition arising out of or relating to the authorized use or occupancy that causes or threatens to cause a hazard to public health or the safety of the holder's employees or agents or harm to the environment (including areas of vegetation or timber, fish or other wildlife populations, their habitats, or any other natural resources). The holder shall prevent impacts to the environment and cultural resources by implementing actions identified in the operating plan to prevent establishment and spread of invasive species. The holder shall immediately notify the authorized officer of all serious accidents that occur in connection with such activities. The responsibility to protect the health and safety of all persons affected by the use or occupancy authorized by this permit is solely that of the holder. The Forest Service has no duty under the terms of this permit to inspect the permit area or operations and activities of the holder for hazardous conditions or compliance with health and safety standards.

H. INDEMNIFICATION OF THE UNITED STATES. The holder shall indemnify, defend, and hold harmless the United States for any costs, damages, claims, liabilities, and judgments arising from past, present, and future acts or omissions of the holder in connection with the use or occupancy authorized by this permit. This indemnification provision includes but is not limited to acts and omissions of the holder or the holder's heirs, assigns, agents, employees, contractors, or lessees in connection with the use or occupancy authorized by this permit which result in (1) violations of any laws and regulations which are now or which may in the future become applicable, and including but not limited to those environmental laws listed in clause V.A of this permit; (2) judgments, claims, demands, penalties, or fees assessed against the United States; (3) costs, expenses, and damages incurred by the United States; or (4) the release or threatened release of any solid waste, hazardous waste, hazardous materials, pollutant, contaminant, oil in any form, or petroleum product into the environment. The authorized officer may prescribe terms that allow the holder to replace, repair, restore, or otherwise undertake necessary curative actions to mitigate damages in addition to or as an alternative to monetary indemnification.

I. BONDING. The authorized officer may require the holder to furnish a surety bond or other security for any of the obligations imposed by the terms and conditions of this permit or any applicable law, regulation, or order.

1. As a further guarantee of compliance with the terms and conditions of this permit, the holder shall deliver and maintain a surety bond or other acceptable security, such as cash deposited and maintained in a federal depository or negotiable securities of the United States, in the amount of bond amount for specify obligations covered. The authorized officer may periodically evaluate the adequacy of the bond or other security and increase or decrease the amount as appropriate. If the bond or other security becomes unsatisfactory to the authorized officer, the holder shall within 30 days of demand furnish a new bond or other security issued by a surety that is solvent and satisfactory to the authorized officer. If the holder fails to meet any of the requirements secured under this clause, money deposited pursuant to this clause shall be retained by the United States to the extent necessary to satisfy the obligations secured under this clause, without prejudice to any other rights and remedies of the United States.
2. The bond shall be released or other security returned 30 days after (a) the authorized officer certifies that the obligations covered by the bond or other security are met and (b) the holder establishes to the satisfaction of the authorized officer that all claims for labor and material for the secured obligations have been paid or released.
3. Prior to undertaking additional construction or alteration not covered by the bond or other security, or when the authorized improvements are to be removed and the permit area restored the holder may be required to obtain additional bonding or security.

V. RESOURCE PROTECTION

A. COMPLIANCE WITH ENVIRONMENTAL LAWS. The holder shall in connection with the use or occupancy authorized by this permit comply with all applicable federal, state, and local environmental laws and regulations, including but not limited to those established pursuant to the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq., the Oil Pollution Act, as amended, 33 U.S.C. 2701 et seq., the Clean Air Act, as amended, 42 U.S.C. 7401 et seq., CERCLA, as amended, 42 U.S.C. 9601 et seq., the Toxic Substances Control Act, as amended, 15 U.S.C. 2601 et seq., the Federal Insecticide, Fungicide, and Rodenticide Act, as amended, 7 U.S.C. 136 et seq., and the Safe Drinking Water Act, as amended, 42 U.S.C. 300f et seq.

B. VANDALISM. The holder shall take reasonable measures to prevent and discourage vandalism and disorderly conduct and when necessary shall contact the appropriate law enforcement officer.

C. PESTICIDE USE. Pesticides may not be used outside of buildings to control undesirable woody and

herbaceous vegetation (including aquatic plants), insects, rodents, fish, and other pests and weeds without prior written approval from the authorized officer. A request for approval of planned uses of pesticides shall be submitted annually by the holder on the due date established by the authorized officer. The report shall cover a 12-month period of planned use beginning 3 months after the reporting date. Information essential for review shall be provided in the form specified. Exceptions to this schedule may be allowed, subject to emergency request and approval, only when unexpected outbreaks of pests or weeds require control measures that were not anticipated at the time an annual report was submitted. Only those materials registered by the U.S. Environmental Protection Agency for the specific purpose planned shall be considered for use on National Forest System lands. Label instructions and all applicable laws and regulations shall be strictly followed in the application of pesticides and disposal of excess materials and containers.

D. ARCHAEOLOGICAL-PALEONTOLOGICAL DISCOVERIES. The holder shall immediately notify the authorized officer of all antiquities or other objects of historic or scientific interest, including but not limited to historic or prehistoric ruins, fossils, or artifacts discovered in connection with the use and occupancy authorized by this permit. The holder shall leave these discoveries intact and in place until directed otherwise by the authorized officer. Protective and mitigative measures specified by the authorized officer shall be the responsibility of the holder.

E. NATIVE AMERICAN GRAVES PROTECTION AND REPATRIATION. In accordance with 25 U.S.C. 3002(d) and 43 CFR 10.4, if the holder inadvertently discovers human remains, funerary objects, sacred objects, or objects of cultural patrimony on National Forest System lands, the holder shall immediately cease work in the area of the discovery and shall make a reasonable effort to protect and secure the items. The holder shall immediately notify the authorized officer by telephone of the discovery and shall follow up with written confirmation of the discovery. The activity that resulted in the inadvertent discovery may not resume until 30 days after the authorized officer certifies receipt of the written confirmation, if resumption of the activity is otherwise lawful, or at any time if a binding written agreement has been executed between the Forest Service and the affiliated Indian tribes that adopts a recovery plan for the human remains and objects.

F. PROTECTION OF HABITAT OF THREATENED, ENDANGERED, AND SENSITIVE SPECIES. The location of sites within the permit area needing special measures for protection of plants or animals listed as threatened or endangered under the Endangered Species Act (ESA) of 1973, 16 U.S.C. 1531 et seq., as amended, or identified as sensitive or otherwise requiring special protection by the Regional Forester under Forest Service Manual (FSM) 2670, pursuant to consultation conducted under section 7 of the ESA, may be shown on the ground or on a separate map. The map shall be attached to this permit as an appendix. The holder shall take any protective and mitigative measures specified by the authorized officer. If protective and mitigative measures prove inadequate, if other sites within the permit area containing threatened, endangered, or sensitive species or species otherwise requiring special protection are discovered, or if new species are listed as threatened or endangered under the ESA or identified as sensitive or otherwise requiring special protection by the Regional Forester under the FSM, the authorized officer may specify additional protective and mitigative measures. Discovery of these sites by the holder or the Forest Service shall be promptly reported to the other party.

G. CONSENT TO STORE HAZARDOUS MATERIALS. The holder shall not store any hazardous materials at the site without prior written approval from the authorized officer. This approval shall not be unreasonably withheld. If the authorized officer provides approval, this permit shall include, or in the case of approval provided after this permit is issued, shall be amended to include specific terms addressing the storage of hazardous materials, including the specific type of materials to be stored, the volume, the type of storage, and a spill plan. Such terms shall be proposed by the holder and are subject to approval by the authorized officer.

H. CLEANUP AND REMEDIATION

1. The holder shall immediately notify all appropriate response authorities, including the National Response Center and the authorized officer or the authorized officer's designated representative, of any oil discharge or of the release of a hazardous material in the permit area in an amount greater than or equal to its reportable quantity, in accordance with 33 CFR Part 153, Subpart B, and 40 CFR

Part 302. For the purposes of this requirement, "oil" is as defined by section 311(a)(1) of the Clean Water Act, 33 U.S.C. 1321(a)(1). The holder shall immediately notify the authorized officer or the authorized officer's designated representative of any release or threatened release of any hazardous material in or near the permit area which may be harmful to public health or welfare or which may adversely affect natural resources on federal lands.

2. Except with respect to any federally permitted release as that term is defined under Section 101(10) of CERCLA, 42 U.S.C. 9601(10), the holder shall clean up or otherwise remediate any release, threat of release, or discharge of hazardous materials that occurs either in the permit area or in connection with the holder's activities in the permit area, regardless of whether those activities are authorized under this permit. The holder shall perform cleanup or remediation immediately upon discovery of the release, threat of release, or discharge of hazardous materials. The holder shall perform the cleanup or remediation to the satisfaction of the authorized officer and at no expense to the United States. Upon revocation or termination of this permit, the holder shall deliver the site to the Forest Service free and clear of contamination.

I. CERTIFICATION UPON REVOCATION OR TERMINATION. If the holder uses or stores hazardous materials at the site, upon revocation or termination of this permit the holder shall provide the Forest Service with a report certified by a professional or professionals acceptable to the Forest Service that the permit area is uncontaminated by the presence of hazardous materials and that there has not been a release or discharge of hazardous materials upon the permit area, into surface water at or near the permit area, or into groundwater below the permit area during the term of the permit. This certification requirement may be waived by the authorized officer when the Forest Service determines that the risks posed by the hazardous material are minimal. If a release or discharge has occurred, the professional or professionals shall document and certify that the release or discharge has been fully remediated and that the permit area is in compliance with all federal, state, and local laws and regulations.

VI. LAND USE FEE AND ACCOUNTING ISSUES

A. LAND USE FEES. The holder shall pay an initial annual land use fee of \$9,839.76 for the period from January 1, 2014, to December 31, 2014, and thereafter on January 1, shall pay an annual land use fee of \$9,839.76. The annual land use fee shall be adjusted annually using the Implicit Price Deflator (IPD).

B. MODIFICATION OF THE LAND USE FEE. The land use fee may be revised whenever necessary to reflect the market value of the authorized use or occupancy or when the fee system used to calculate the land use fee is modified or replaced.

C. FEE PAYMENT ISSUES.

1. Crediting of Payments. Payments shall be credited on the date received by the deposit facility, except that if a payment is received on a non-workday, the payment shall not be credited until the next workday.
2. Disputed Fees. Fees are due and payable by the due date. Disputed fees must be paid in full. Adjustments will be made if dictated by an administrative appeal decision, a court decision, or settlement terms.
3. Late Payments

(a) Interest. Pursuant to 31 U.S.C. 3717 et seq., interest shall be charged on any fee amount not paid within 30 days from the date it became due. The rate of interest assessed shall be the higher of the Prompt Payment Act rate or the rate of the current value of funds to the Treasury (i.e., the Treasury tax and loan account rate), as prescribed and published annually or quarterly by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins. Interest on the principal shall accrue from the date the fee amount is due.

(b) Administrative Costs. If the account becomes delinquent, administrative costs to cover processing and handling the delinquency shall be assessed.

(c) Penalties. A penalty of 6% per annum shall be assessed on the total amount that is more than 90 days delinquent and shall accrue from the same date on which interest charges begin to accrue.

(d) Termination for Nonpayment. This permit shall terminate without the necessity of prior notice and opportunity to comply when any permit fee payment is 90 calendar days from the due date in arrears. The holder shall remain responsible for the delinquent fees.

4. Administrative Offset and Credit Reporting. Delinquent fees and other charges associated with the permit shall be subject to all rights and remedies afforded the United States pursuant to 31 U.S.C. 3711 et seq. and common law. Delinquencies are subject to any or all of the following:

(a) Administrative offset of payments due the holder from the Forest Service.

(b) If in excess of 60 days, referral to the Department of the Treasury for appropriate collection action as provided by 31 U.S.C. 3711(g)(1).

(c) Offset by the Secretary of the Treasury of any amount due the holder, as provided by 31 U.S.C. 3720 et seq.

(d) Disclosure to consumer or commercial credit reporting agencies.

VII. REVOCATION, SUSPENSION, AND TERMINATION

A. REVOCATION AND SUSPENSION. The authorized officer may revoke or suspend this permit in whole or in part:

1. For noncompliance with federal, state, or local law.
2. For noncompliance with the terms of this permit.
3. For abandonment or other failure of the holder to exercise the privileges granted.
4. With the consent of the holder.
5. For specific and compelling reasons in the public interest.

Prior to revocation or suspension, other than immediate suspension under clause VI.B, the authorized officer shall give the holder written notice of the grounds for revocation or suspension. In the case of revocation or suspension based on clause VII.A. 1, 2, or 3, the authorized officer shall give the holder a reasonable time, typically not to exceed 90 days, to cure any noncompliance.

B. IMMEDIATE SUSPENSION. The authorized officer may immediately suspend this permit in whole or in part when necessary to protect public health or safety or the environment. The suspension decision shall be in writing. The holder may request an on-site review with the authorized officer's supervisor of the adverse conditions prompting the suspension. The authorized officer's supervisor shall grant this request within 48 hours. Following the on-site review, the authorized officer's supervisor shall promptly affirm, modify, or cancel the suspension.

C. APPEALS AND REMEDIES. Written decisions by the authorized officer relating to administration of this permit are subject to administrative appeal pursuant to 36 CFR Part 251, Subpart C, as amended. Revocation or suspension of this permit shall not give rise to any claim for damages by the holder against the Forest Service.

D. TERMINATION. This permit shall terminate when by its terms a fixed or agreed upon condition, event, or time occurs without any action by the authorized officer. Examples include but are not limited to expiration of the permit by its terms on a specified date and termination upon change of control of the business entity. Termination of this permit shall not require notice, a decision document, or any environmental analysis or other documentation. Termination of this permit is not subject to administrative appeal and shall not give rise to any claim for damages by the holder against the Forest Service.

E. RIGHTS AND RESPONSIBILITIES UPON REVOCATION OR TERMINATION WITHOUT RENEWAL. Upon revocation or termination of this permit without renewal of the authorized use, the holder shall remove all structures and improvements, except those owned by the United States, within a reasonable period prescribed by the authorized officer and shall restore the site to the satisfaction of the authorized officer. If the holder fails to remove all structures and improvements within the prescribed period, they shall become the property of the United States and may be sold, destroyed, or otherwise disposed of without any liability to the United States. However, the holder shall remain liable for all costs associated with their removal, including costs of sale and impoundment, cleanup, and restoration of the site.

VIII. MISCELLANEOUS PROVISIONS

A. MEMBERS OF CONGRESS. No member of or delegate to Congress or resident commissioner shall benefit from this permit either directly or indirectly, except to the extent the authorized use provides a general benefit to a corporation.

B. CURRENT ADDRESSES. The holder and the Forest Service shall keep each other informed of current mailing addresses, including those necessary for billing and payment of land use fees.

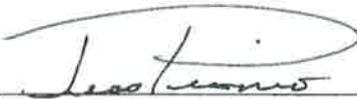
C. SUPERIOR CLAUSES. If there is a conflict between any of the preceding printed clauses and any of the following clauses, the preceding printed clauses shall control.

D. IMPROVEMENT RELOCATION (X33). This authorization is granted with the express understanding that should future location of United States Government-owned improvements or road rights-of-way require the relocation of the holder's improvements, such relocation will be done by, and at the expense of, the holder within a reasonable time as specified by the authorized officer.

This permit is accepted subject to the conditions set out above.

HOLDER: AXIA ENERGY, LLC.

**U.S. DEPARTMENT OF AGRICULTURE
Forest Service**

By: 
(Holder Signature)

By: 
(Authorized Officer Signature)

Title: JESS A. PEONIO
REGULATORY MANAGER
(Name and Title)

Title: William A. Edwards, District Ranger
(Name and Title)

Date: APRIL 21, 2014

Date: 5/30/2014

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond, to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0596-0082. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

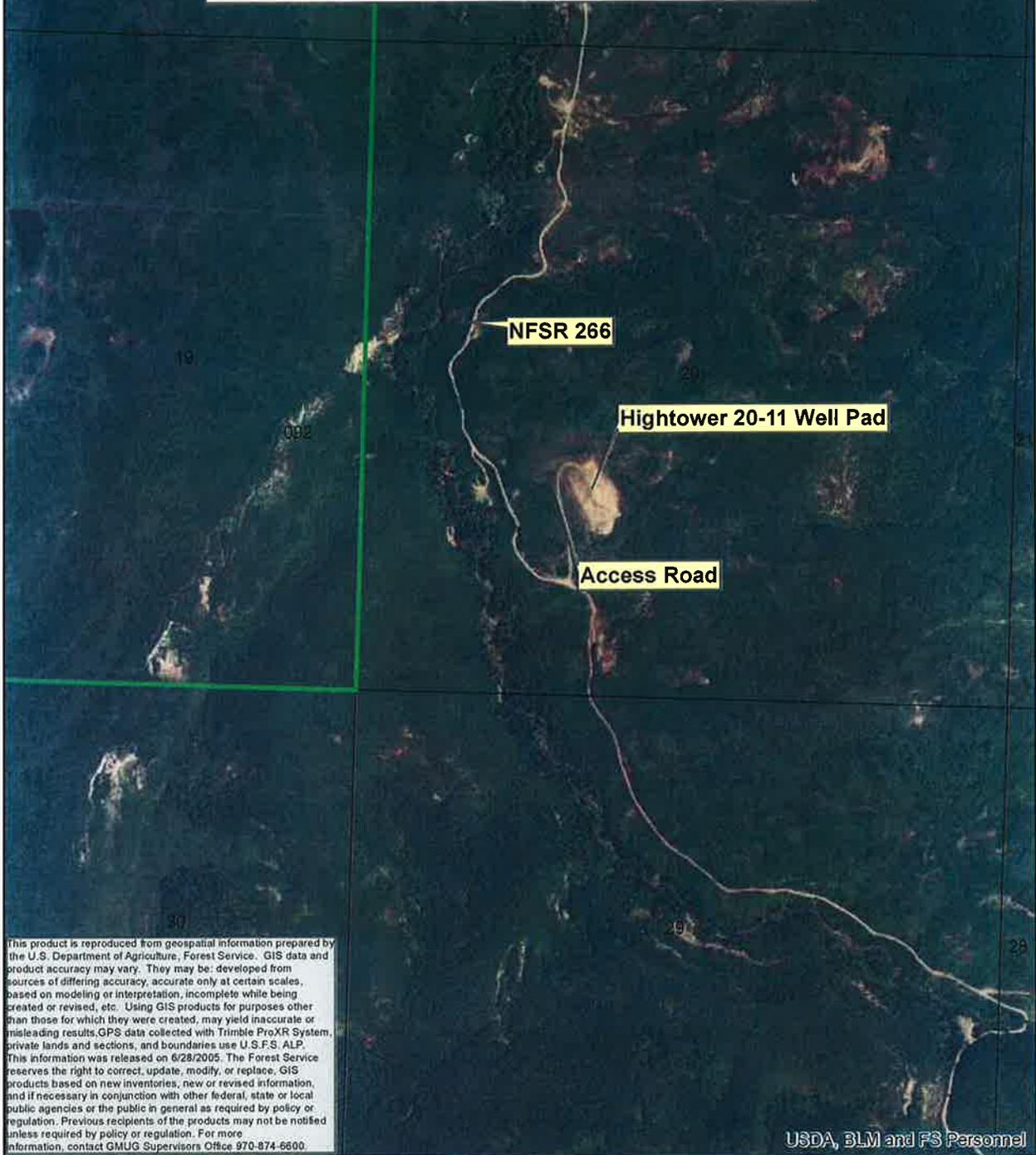
The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and, where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call toll free (866) 632-9992 (voice). TDD users can contact USDA through local relay or the Federal relay at (800) 877-8339 (TDD) or (866) 377-8642 (relay voice). USDA is an equal opportunity provider and employer.

The Privacy Act of 1974 (5 U.S.C. 552a) and the Freedom of Information Act (5 U.S.C. 552) govern the confidentiality to be provided for information received by the Forest Service.

EXHIBIT A
 to
Axia Energy, LLC, Special Use Permit
Hightower 20-11 Well Pad

Section 20, T. 9 S., R. 92 W., 6th P.M.
Hightower Mountain, Mesa County, Colorado, Quad
All coordinates are NAD 83



Prepared by Linda Bledsoe
 03/27/2014



**EXHIBIT B
USDA-FOREST SERVICE
CONDITIONS OF APPROVAL
HIGHTOWER 32 WELL MDP
Lease COC-68792
Mesa County, Colorado**

The operator will follow these Conditions of Approval during construction, exploration, development, production and reclamation activities. Where appropriate the Conditions of Approval will also be attached to Forest Service Road Use Permits for use of specified roads, to Special Use Permits and Timber Sale Contracts. Failure to comply with any or all of the Conditions of Approval may result in project shutdown.

ROADS/TRANSPORTATION	
1	Proponent and the FS will conduct a pre-use road condition assessment for affected FS roads.
2	Roads will be designed/upgraded using a structural design standard sufficient to support project traffic (i.e., AASHTO Guidelines for Geometric Design of Very Low-Volume Local Roads) or equivalent design standards as approved by FS. Engineering analysis will be conducted for all routes requiring horizontal and vertical alignment with respect to critical vehicle and design vehicle. Design vehicle shall be defined. Roadway structural design sections will be per AASHTO 1993 Pavement Design Guide. All design elements shall be approved and stamped by a Colorado Registered PE having pavement structural design expertise.
3	Operator will have a FS Road Use Permit for all phases of operations. Proponent will follow all conditions of road use permit with regard to traffic control, road maintenance and winter operations to protect forest visitors and forest resources. Road closures resulting from construction activities will be planned ahead and the FS shall be notified at least 48 hours in advance.
4	Identify specific locations of drainage features and BMPs on road construction plans, and submit for FS approval prior to construction
5	Outslope/cross-slope access roads to promote removal of water from the road surface. Install relief ditches at regular intervals to direct drainage off of the road grade and into vegetated areas.
6	Use gravel or crushed rock on the running surface of the road to reduce ongoing erosion of the road by vehicle traffic. Material must meet specifications of FP-03.
7	Rutting that compromises the structural integrity of the roads is not permitted. Such rutting could result in use of that road ceasing immediately and remaining shut down until repairs and improvements are made to prevent additional rutting. Standards for rutting will be described in the Road Use Permit.
8	Access roads will be gated and closed to the general public. Monitor personnel to ensure access is not abused; i.e., no access during non-working hours for purposes unrelated to the project such as hunting or off-roading.
9	Perform dust abatement on roads during construction and development activities using water. Proponent will coordinate with the FS and Mesa County Road and Bridge Dept in regard to any chemical dust suppressant treatment along NFSR 265, 266 and 270.

10	A designated snowmobile parking area to allow access to the S-P trail will be maintained and plowed by the proponent along NSFR 266.
11	When feasible, project workers will car pool to and from surrounding cities and towns to minimize vehicle-related emissions and fugitive dust.
12	Power-wash all construction equipment (including the trailers hauling construction equipment) and vehicles prior to the start of construction. If vehicle has been taken away from project area and used off-pavement, washing is required prior to re-entering the forest.
13	Proponent will abide by the Grand Mesa Travel Management decision, December 1994 which states: Motorized travel on the Grand Mesa National Forest is restricted to designated roads and trails.
14	To reduce conflicts with recreationists, mobilization and demobilization of drilling equipment, completion equipment and fracing units will not occur during Friday, Saturday and Sunday of the opening weekends of the combined muzzleloader and archery season (when the two seasons overlap), the first rifle season, and the second rifle season-for a total of three weekends. In addition, to the extent possible, mobilization and demobilization will be scheduled during weekdays and will avoid weekends and holidays.
PIPELINE CONSTRUCTION	
15	For pipeline crossing wetlands: Wetlands will be located and field marked prior to pipeline construction activity. All construction equipment will be placed on mats and the mats will be removed upon completion. Sediment barriers will be installed on the down slope side of the work area to prevent flow of sediment into adjacent wetlands. The barriers will be maintained until final stabilization is complete. After backfilling the trench, the wetland area will be restored to its original contours.
16	For pipeline construction adjacent to roads, trench shall be a minimum of 5 feet deep where located under bar ditches to allow for maintenance of the ditches without compromising the pipeline, and minimum of 3 feet depth elsewhere.
17	For pipeline construction across NFSRs 265 and 266 using open cut technique: trench shall minimum of 5 feet deep. Backfill materials shall meet FP-03 specifications and shall be applied and compacted in 6 inch lifts with optimum moisture and compaction techniques. Road shall be resurfaced to at least the original condition by smoothing and blading to match the crown and shoulder slopes of the adjacent road prism.
18	Stream and wetland crossings will be identified and appropriate construction techniques (open cut or boring) will be described in the Stormwater Management Plan. A map depicting the location of inventoried wetlands, intermittent and perennial stream crossings will be included in the SWMP. The SWMP will include a set of BMP's and each crossing will reference the proper BMPs to employ.
19	For pipeline crossing Hightower Creek (intermittent stream): If open trench technique is used, spoils and topsoil shall be segregated and stored at least 30 feet away from high water mark. Work will be done in as short a time as possible and during times when stream flow is minimal or non-existent. If saturated or unstable soils are present, all work within the stream will be conducted from wooden mats. Erosion control measures and other BMPs outlined in the Stormwater Management Plan will be implemented. Upon completion, the stream bed will be replaced matching the pre-disturbance stream contours. Native stream bed material will be used to stabilize the stream bed. Additional stabilization measure may be used to stabilize the stream banks (i.e. erosion matting, rip-rap, trench plugs)
20	Pipeline corridors will be signed and closed or physically blocked to prevent illegal travel.
21	If hydrostatic testing is planned for checking pipeline integrity, a hydrostatic test plan shall be prepared by the proponent and submitted for approval by the Authorized Officer. The plan shall be designed to minimize soil erosion, protect water quality, protect aquatic species and minimize disturbance to streambanks and streambeds.

GEOHAZARDS	
22	Stabilize steep cut slopes that will remain unreclaimed over a winter or longer, by placing native boulders or concrete "eco"-blocks. Conduct a geotechnical evaluation prior to activity at the 20-6 wellpad and the access road to the 20-11 pad, to assure proper placement of extra weight to avoid accentuation of slope movement
23	Conduct slope stability monitoring before and after construction on sites 20-6 and access road to 20-11.
24	Avoid all high geologic hazard areas.
WATERSHED AND SOILS	
25	Follow BLM and State well casing requirements to protect shallow ground water.
26	Conduct drilling, completion and other well operations in accordance with BLM and COGCC rules to prevent communication between surface aquifers and producing formations.
27	Impervious secondary containment structures shall be constructed and maintained around any petroleum product and produced water storage tanks, or other toxic liquids subject to 40 CFR 112 and be capable of holding 1-1/2 times the volume of the largest tank. Load valves shall be located within the diked area.
28	A minimum of two feet of freeboard will be maintained between the maximum fluid level and the top of the berm. The pits will be designed to exclude all surface runoff. Pits will be constructed in cut portion of well site
29	Drill pads, staging and storage areas, roads and pipelines will not be located in wetlands, floodplains or riparian areas unless specifically approved by authorizing officer.
30	Roads will cross streams at right angles, and access across wetlands, floodplains, and riparian areas will be minimized.
31	Adhere to permit conditions identified by the Army Corps of Engineers (ACE) in any/all 404 permits issued for the proposed dredge and fill operations in jurisdictional drainages/wetlands.
32	Within water influence zones, an adequate vegetative buffer or filter strip will be maintained to filter runoff from the road before it reaches the creek, wherever possible.
33	Maintain channel stability, stream profile and vegetative cover in at least their current condition. Avoid altering vegetation cover which causes stream instability, loss of channel cross-sectional area and the loss of water quality.
34	Prevent debris from management activity accumulating within stream channels, and protect naturally accumulated large organic debris.
35	Protect all disturbed areas within 100 feet of a watershed influence zone (WIZ) with silt fence or other sediment trapping materials specified by the Forest Service.
36	Restrict use of heavy construction equipment to periods when the soil is least susceptible to compaction or rutting, in order to prevent permanent damage to soil and to avoid compaction and disturbance in riparian ecosystems.

37	Minimize sediment yields to the riparian area caused by construction activities, by completing or treating active construction projects prior to expected significant runoff periods.												
	EROSION CONTROL												
38	Special mitigation techniques will be required on slopes between 40 & 60% including erosion control devices and water control.												
39	Place geotextile material on soils beneath gravel surfacing at well pads and facilities site where geotechnical evaluation determines it is necessary.												
40	Armour fill slopes (drilling locations, compressor facility, roads) with excavated rock and/or slash vegetation (brush, branches, and other slash vegetation) to reduce the velocity of rain drops and subsequent erosion. Install brush barrier or other natural sediment control devices along the toe of the drilling location fill slopes.												
41	Roadside ditches will be allowed to vegetate or include large rocks or stones to slow the velocity of drainage and allow sediment to settle out.												
42	Install water bars or hay bale dikes perpendicular to the flow direction of the ditch (when drainage ditches are installed to direct runoff away from the road) to reduce runoff velocity and to settle out sediment.												
43	Install sediment traps in problem locations where insufficient vegetative buffering is available to filter runoff prior to entering any tributaries.												
44	Design and implement storm water management plan in accordance with standards set forth by the CDPHE.												
45	Design and engineer any planned construction on steep slopes according to Forest Service standards and design criteria, including an erosion control and maintenance plan. The authorized FS officer will approve water bar placement and design.												
46	Chip or shred aspen and other slash, and use it as mulch during reclamation or on slopes to reduce erosion.												
	RECLAMATION												
47	Proponent will prepare an interim and a final reclamation plan as part of the SUPO, subject to FS approval.												
48	<p>Stabilize disturbed areas during and after construction activity to control erosion and sedimentation, so as not to encroach off site areas. Re-vegetate with certified weed-free seed mixes of native plant species indigenous to the project area, as determined by the FS. Successful re-vegetation is defined as 80% cover of adjacent undisturbed ground within a 5 year period. Successful re-vegetation may require re-seeding, applying fertilizer and periodic watering.</p> <p>Seedmix:</p> <table border="0"> <tr> <td>Slender wheatgrass</td> <td>3 lbs PLS per acre</td> </tr> <tr> <td>Mountain brome</td> <td>6 lbs PLS per acre</td> </tr> <tr> <td>Canby bluegrass</td> <td>3 lbs PLS per acre</td> </tr> <tr> <td>Blue wildrye (<i>Elymus glaucus</i>)</td> <td>5 lbs PLS per acre</td> </tr> <tr> <td>Cicer Milkvetch (<i>Astragalus cicer</i>)</td> <td>1 lb PLS per acre</td> </tr> <tr> <td>Rocky Mountain penstemon</td> <td>1 lb PLS per acre</td> </tr> </table>	Slender wheatgrass	3 lbs PLS per acre	Mountain brome	6 lbs PLS per acre	Canby bluegrass	3 lbs PLS per acre	Blue wildrye (<i>Elymus glaucus</i>)	5 lbs PLS per acre	Cicer Milkvetch (<i>Astragalus cicer</i>)	1 lb PLS per acre	Rocky Mountain penstemon	1 lb PLS per acre
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	Western wheatgrass Total	1 lb PLS per acre 20 lb per acre, broadcast rate (reduce to 15 lb per acre if drilled)
49	Handle topsoil carefully during stripping, stockpiling, and backfilling operations so that soil horizons are not blended and the fertility of the topsoil layer is not compromised. Segregate and store topsoil separately, minimize the stockpile depth to maintain soil fertility, not to exceed six feet depth. Immediately apply seed and mulch, and maintain it in a vegetated condition until needed for reclamation.	
50	Reclaim all areas not necessary for the continued operation of the wells following well completion. Areas where soil has been disturbed should be re-seeded within 30 days, subject to weather conditions.	
51	Re-seed cutbanks as soon as possible (hydro-mulch seeded and fertilized, if necessary) in order to stabilize these disturbed sites.	
52	Use ripping or another roughening method as prescribed by FS to reduce compaction prior to replacement of the topsoil and seeding.	
53	Inoculate topsoil that has been stored for more than 3 years with mycorrhizae fungi before spreading to improve soil fertility.	
54	Weed control will be conducted on all areas disturbed by project activities through an Approved Pesticide Use and Weed Control Plan approved by the Authorized Officer.	
55	Perform weed monitoring on all areas disturbed by project activities, and continue reclamation measures annually (or as frequently as the Authorized Officer determines) throughout the 20 to 30 plus year life of the wells.	
56	Minimize vegetation removal as much as possible during project design, to reduce vegetation effects.	
57	Revegetate all areas capable of supporting vegetation disturbed during road construction and/or reconstruction to stabilize the area and reduce soil erosion.	
58	Strive to return disturbed areas to the approximate mix of grasses, shrubs, and trees present before the disturbance.	
59	Final abandonment: Equipment will be removed from pads. Access roads and pads will be re-contoured and revegetated per FS specifications. After seeding, lop and scatter stockpiled trees and slash over the disturbed area.	
60	When constructing reserve pits, remove large rocks and sharp objects. Line pit with an impermeable synthetic liner with heat treated seams and a minimum of 125 lbs/sq inch burst strength to contain all drilling mud and fluids. During reclamation when the pit is dry, the liner will be cut at mud level. The above mud level portion will be disposed of at an approved landfill, and the below mud level portion will be folded to contain cuttings, buried in the pit, and covered with a minimum of three feet of cover.	
61	Due to slope stability concerns with 20-6 pad the cuttings pit, in addition to the reserve pit, will be lined with an impermeable synthetic liner with heat treated seams and a minimum of 125 lbs/sq inch burst strength to contain all cuttings. It is felt that water accumulation in the cuttings may destabilize this portion of the slope after reclamation activities. When the pit is dry, the liner will be cut at cuttings level. The cut portion will be disposed of at an approved landfill, and the lower portion will be folded to	

	contain cuttings, buried in the pit, and covered with a minimum of three feet of cover.
62	Complete pit and interim site reclamation within 60 days after well completion or as soon thereafter within the appropriate spring or fall planting season.
	NOISE
63	Install mufflers on all internal combustion engines and certain compressor components.
64	House the compressor unit in a noise reducing building to minimize effects to big game winter range and breeding birds in spring/summer.
65	Ensure facilities meet Colorado sound requirements.
	VISUALS
66	Paint surface facilities a standard environmental color selected by the Forest Service to better blend the facilities with their surroundings and thereby reduce visual effects.
67	Where possible, surface facilities will be screened from view to minimize visibility. Use a combination of low profile equipment, vegetative screening or berming.
68	Minimize access routes into the project area. Follow land contours to minimize clearings, cuts and fills.
69	Design and locate vegetative manipulations for clearings and structures in the landscape to retain the form, line, color and texture of the landscape.
70	Remove equipment and structures not needed to operate and maintain facilities.
71	Promptly remove survey stakes, flagging and other construction related debris.
72	When possible, feather the edges of cleared pipeline corridor to blend into the surrounding landscape.
73	Cut all stumps to 12 inches or less in height.
74	Log landings along NFSR 265 are prohibited
75	If cull log decks can be seen from NFSR 265, these decks will be chipped or used for reclamation purposes.
76	If outdoor lighting is required, direct the light to where it is needed and where possible, use low pressure sodium light sources. Keep lighting to the minimum needed for safe operations.
	WILDLIFE
77	Prior to any construction between March 1 and July 31, survey areas within 0.25 miles of the proposed disturbance for the presence of active raptor nests. If active raptor nests are documented, consult with the district Wildlife Biologist before proceeding.
78	Survey for Boreal Toads in ponded wetlands within 0.5 miles of drilling locations, roads and pipelines prior to surface disturbance. Surveys should be conducted in late May or early June for egg masses and/or toadlets.

79	Prior to ground-disturbing activities, conduct surveys for endangered or threatened species.
80	In big game winter range, no exploration, drilling or development is allowed from December 1-April 30 (unless specifically approved by authorized officer)
81	Limit road use to periods when animals are not present on winter range.
82	Install netting on unreclaimed reserve pits to deter birds from landing on water from May through October.
83	Install screens or other devices on production equipment to prevent entry by birds.
84	Fence the reserve pit with 8 foot tall fence to prevent wildlife and livestock entry.
85	Place escape ramps/ladders in reserve pits while open, to prevent small mammal entrapment. Escape ramps will be placed every 50' along the reserve pit slope and at each corner of the pit. Escape ramps shall be at least 24" wide, well anchored, and extend from the bottom to the top of the pit.
86	Manage the site to minimize garbage accumulation. No overnight food storage or storage in open containers will be allowed. Use bear-proof trash receptacles and empty them often.
87	Project employees are prohibited from carrying archery equipment or firearms or bringing dogs to the project area.
	LIVESTOCK
88	To reduce conflicts with grazing on/off dates, the company will call, notify and coordinate activities with designated permittees on the Buzzard and Porter allotments <u>as well as</u> contact the FS Range Conservationist for any mob or de-mob activities planned during or near on/off dates (6/16 and 10/10 for Buzzard allotment, and 7/1 and 9/30 for Porter allotment). Dates for livestock movement may vary from year to year, so coordination each year is essential to reduce conflicts.
	TIMBER
89	Lop and scatter slash to a maximum depth of 24 inches in the aspen clearcut units.
90	Scatter up to a maximum of 10-20 tons/acre of large cull logs in the aspen clearcut units. No more than 50% of the ground surface should be covered in large cull logs; deck excessive amounts of large cull logs at landing sites. For pipelines, road and drilling location construction, lop and stockpile slash for erosion control and for interim and final reclamation.
	CULTURAL
91	Prior to the construction process, complete a Class III cultural resources survey on all areas proposed for surface disturbance. Should any significant cultural resources be located, the Forest Service archeologist will make recommendations for avoidance or mitigation. Proponent will then coordinate with the Forest Service on appropriate measures to be implemented.
	HAZARDOUS MATERIALS
92	Operators of onshore Federal oil and gas leases shall report all spills, discharges, or other undesirable events.
93	If spills occur, remove contaminated soil from NFS lands and properly dispose of it prior to backfilling

	and reclamation.
94	Refueling and lubricating are not allowed within 100 feet of wetlands, water bodies and drainages. Do not store hazardous materials, chemicals, fuels, etc. within 100 feet of wetland or surface waters unless it is within the confines of the constructed well pad.
95	Include control and containment mitigation in the Spill Prevention Controls and Countermeasures (SPCC) Plan, Emergency Response Plan, and Safety Plan in the event of a release of hazardous substances or materials. Copies of plans will be provided to USFS prior to construction onsite visit, so review could be completed prior to any disturbance operations.
96	Concentration of non-exempt hazardous substances in pit at time of reclamation will not exceed the standards of CERCLA as amended by SARA. All oil and gas drilling-related CERCLA hazardous substances that are removed from a location must be disposed of in accordance with applicable Federal and State regulations.
	MISCELLANEOUS
97	Drill rigs will be powered by Tier 2 engines or better.
98	Implement technology to reduce greenhouse gas emissions following EPA Natural Gas Star BMPs.
99	Wells will be directionally drilled from multi-well pads.
100	Hydraulic fracturing fluids will be recovered to a tank.
101	Install remote telemetry monitoring equipment.
102	All equipment with an internal or external combustion engine shall have a spark arresting device properly installed, maintained and in effective working order meeting either USDA Forest Service Standard 5100-a (as amended) or Society of Automotive Engineers (SAE) recommended practice J335(b) and J350(a). All equipment, including welding trucks, will be equipped with fire extinguishers and other fire fighting equipment as required by the Forest Service and outlined in the Surface Use Plan of Operations (SUPO).
103	Proponent shall abide by all FS wildfire restrictions or seek exemption from the authorized officer for certain activities. Depending upon the Stage of Restriction, prohibited activities may include smoking, using explosive material, welding or using an acetylene or similar torch with open flame, operating a chainsaw
104	Backfill all pits (exceptions flare pit, and also, see reserve pit under water quality section), cellars, rat holes or other holes unnecessary for further operations immediately after the drill rig is released.
105	As part of the SUPO, the proponent will submit a Spill Prevention Controls and Countermeasures (SPCC) Plan, a Stormwater Management (SWPP) Plan, and a Fire/Emergency/Health and Safety Plan to the FS for review/approval.
106	The GMUG monitors some project activities under the established Environmental Management System (EMS). Certain parts of the Hightower MDP fall under this purview, and the FS will conduct specific inspections for consistency with the EMS.
	MONITORING

107	To further understanding of levels of emissions from drill rigs in the Piceance Basin, the operator will be required to provide the FS with daily fuel consumption logs for the drill rigs throughout the entire drilling program.
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