

## SURFACE USE AGREEMENT

**THIS AGREEMENT** is made and entered into this 23<sup>rd</sup> day of February 2011, by and between **True Ranches LLC**, whose address is PO Drawer 2360, Casper, Wyoming 82601 (hereinafter "Owner"), and **Anadarko E & P Company LP**, whose address is P.O. Box 173779, Denver, Colorado 80217-3779 (hereinafter "Operator").

### Recitals:

- A. Owner is the owner of the surface estate of the following described lands located in Laramie County, Wyoming:

#### **Township 12N, Range 65W, Laramie County, Wyoming**

- Sec. 4:  $W\frac{1}{2}$  (Less  $N\frac{1}{2}NE\frac{1}{4}NW\frac{1}{4}$ )
- Sec. 5:  $E\frac{1}{2}$
- Sec. 9: All
- Sec. 10: All
- Sec. 11: All
- Sec. 14: All in Wyoming
- Sec. 15: All in Wyoming

And the following land in Weld County, Colorado:

#### **Township 11N, Range 65W, Weld County, Colorado**

- Sec. 1:  $NE\frac{1}{4}, W\frac{1}{2}$
- Sec. 2: All
- Sec. 12:  $NW\frac{1}{4}, NW\frac{1}{4}SW\frac{1}{4}, W\frac{1}{2}NE\frac{1}{4}, NE\frac{1}{4}NE\frac{1}{4}$

#### **Township 12N, Range 64W, Weld County, Colorado**

- Sec. 19:  $W\frac{1}{2}$
- Sec. 20:  $S\frac{1}{2}S\frac{1}{2}$
- Sec. 30: All

#### **Township 12N, Range 65W, Weld County, Colorado**

- Sec. 13: All in Colorado.
- Sec. 14: All in Colorado
- Sec. 15: All in Colorado
- Sec. 21: All
- Sec. 22: All
- Sec. 23: All
- Sec. 24: All (Less  $NE\frac{1}{4}SE\frac{1}{4}$ )
- Sec. 25: All

Sec. 26: E½

Sec. 27: All

Sec. 35: All

(collectively, the "Lands")

- B. Operator owns mineral interests and/or operates oil and gas leases covering all or a portion of the Lands (the "Leases");
- C. Owner currently utilizes the Lands for agricultural and other uses and such uses will continue during the term of this Agreement;
- D. There is a wind energy lease entitled "Wind Energy Lease Agreement" recorded against the Lands, at Reception No. 3552725 in Weld County, Colorado and Reception No. 499615 Laramie County, Wyoming.
- E. Operator desires to prospect, drill, produce and explore for oil and gas on the Lands pursuant to the terms of the Leases, and in association therewith, to exercise its right under applicable law to use and possess so much of the Lands as is reasonably required for the operation of the Leases;
- F. The purpose of this Agreement is to agree as to reasonable compensation to be paid by Operator to the Owner for certain uses of the surface of the Lands, and to assign certain responsibilities between Owner and Operator in regard to all activities associated with the capture, production and sale of oil or gas.

**NOW THEREFORE**, for and in consideration of the covenants and agreements herein contained, the parties agree as follows:

1. Surface Rights. Owner hereby acknowledges and grants the right of ingress and egress currently afforded by the Leases, and other applicable laws and regulations to the Operator, its agents, employees, representatives, contractors, and assigns, its right to enter upon and use the surface of the Lands as may be reasonably necessary for the purpose of exploring for (including, without limitation, conducting seismic activities, provided that surface damages for seismic activities shall be separately negotiated between Owner and third party seismic contractors), and producing oil and gas from the Lands, together with the right-of-way and easement across the surface of the Lands to drill for oil and gas, construct, reconstruct, operate, inspect, test, repair, alter, replace, relocate, change the size of (subject to such limitations as may be set forth herein), remove and/or otherwise and maintain access roads, wells, well sites, power lines and pipelines, and other such related facilities (collectively, "Facilities"), whether currently existing or hereafter established, as necessary for Operator's complete enjoyment of the rights granted in the Leases. The



parties agree that any and all surface uses not in conflict with the rights of Operator are reserved to Owner.

2. Location of Facilities; Reasonable and Prudent Operator. Prior to the construction thereof, Operator shall consult with Owner as to the location of Facilities, and Owner shall have the right to approve, so long as such approval is not unreasonably withheld, the location of Facilities. Operator shall use the Lands consistent with its rights and obligations under the Leases and applicable law, and as may be deemed appropriate by a reasonable and prudent operator. Operator agrees that any tank batteries associated with production from the E1/2 of Section 9, T12N, R65W and/or Section 15 of T12N, R65W, both in Laramie County, Wyoming shall be located on the surface of the respective premises.

3. Term. This Agreement shall terminate upon the cessation of all production from the wells constructed pursuant to the Leases or the expiration of the Leases, whichever is the latter. 2099

4. Non-exclusive Rights. The rights of Operator to use the surface of the Lands are non-exclusive, and Owner reserves the right to use all access roads and all surface and subsurface uses of the Lands, and to grant successive easements on or across the Lands to third parties, including those developing wind energy and erecting the facilities therefor, on such terms and conditions as Owner deems necessary or advisable, provided they do not unreasonably interfere with the operations of Operator.

5. Compliance with Laws. Operator agrees to comply with and conform to all applicable laws, rules and regulations, including without limitation, the rules and regulations of the Bureau of Land Management, States of Wyoming and Colorado, the Wyoming Oil and Gas Commission, the Colorado Oil and Gas Conservation Commission, the Wyoming Department of Environmental Quality, the Colorado Department of Environmental Quality, or other such agencies having jurisdiction over the Lands.

6. Compensation for Use of Surface. Operator shall compensate the Owner for use of the surface of the Lands pursuant to the following:

- a. New Locations: Operator agrees to pay Owner a one time payment of [REDACTED] and shall be paid to Owner when the well site construction is commenced. It is anticipated that a well site will encompass up to five (5) acres in size, and will include at least one well. For each acre disturbed greater than the five (5) acres, Operator shall pay Owner an additional [REDACTED] per disturbed acre. For each additional well on the same well site, regardless of whether that well site is five or more acres, Operator shall pay owner [REDACTED] when each additional well drilling is commenced.

- i. Commencing each January after execution of this Agreement, Operator agrees to make an annual payment of [REDACTED] per well site such well site may include one or more wells. [REDACTED]
- B. Tank Batteries and Production Facility sites ("Production Sites"): Operator agrees to pay Owner a one time payment of [REDACTED] per disturbed acre for tank batteries and other production facilities that are not located within the five or more acres within the well site described in paragraph A. These Production Sites shall be no larger than necessary to conduct oil and gas operations.
- i. Commencing each January after execution of this Agreement, Operator agrees to make an annual payment of [REDACTED] per Production Site not located within a well site. [REDACTED]
- C. Roads: For all new roads constructed, Operator shall pay Owner a one time payment of [REDACTED] per linear rod for use of existing roads. Roads shall be constructed so that they are no more than thirty feet wide for primary roads, and sixteen feet wide for secondary access roads.
- i. Operator shall make annual payments of [REDACTED] per rod commencing each January after execution of this Agreement. [REDACTED]
- D. Pipelines: For all pipelines constructed, Operator agrees to pay Owner for right of way and damages a one time payment of [REDACTED] per linear rod thirty (30) feet wide for the first pipeline in a trench. There shall be no additional fee if more than one pipeline is installed in the same trench, but each time an additional line is installed, Operator shall pay additional damages of [REDACTED] per rod.
- E. Power Lines: Operator will consult with Owner and with an independent power company supplying power to Operator with respect to the location of overhead and underground power lines prior to construction. Power lines will be constructed so as to minimize interference with existing and future ranching operations and, to the extent predictable and possible, the development of wind energy. Operator shall pay Owner a one time payment of [REDACTED] per rod for overhead power lines and [REDACTED] per rod for underground power lines.
- F. Other: Any of Operator's buildings, structures or other facilities not specifically mentioned in this Agreement shall be negotiated under a separate agreement.



G. Compensation for Extraordinary Loss or Damage to Property: In addition to the foregoing payments, which are acknowledged as sufficient and in full satisfaction for damages caused or created by the reasonable and customary entry, rights-of-way and use of the Lands for locations, Facilities, roads, pipelines and power lines, Operator shall also compensate Owner for all other actual and documented damages suffered by Owner, including without limitation (i) damages to livestock, buildings or improvements or injuries to persons, damage or impairment to Owner's water wells caused by Operator and its employees, agents and contractors, and (ii) damages caused by fires, spills, discharges, leaks, releases and pipeline breaks arising out of Operator's operations on the Lands.

H. Adjustment for CPI. The initial and annual payments, if still in effect, identified above shall increase each January 1 to reflect the increase in CPI. X

I. [REDACTED]

7. Payments, Default and Termination. All payments required hereunder may be made by Operator's company check. In the event of the failure by Operator to timely make any payment required hereunder or to otherwise comply with all material terms hereunder, Owner shall notify Operator in writing of said failure. Operator shall thereafter have fifteen (15) days to cure such default and/or make any required payment. The waiver of any default shall not be deemed to be a waiver of a subsequent default. In the event Operator does not cure the default within the time specified, the Operator's access to the Lands may be suspended by Owner, including the right of ingress and egress, until such default has been cured, and Owner shall not be liable for any loss or damage to Operator occasioned by Owner's enforcement of this provision. Operator shall pay accrued interest at the rate of one and one-half (1 ½ %) percent per month, beginning the day the payment was due, until paid, in instances where Operator has not cured the default within the cure period.

8. Limitation of Rights.

A. Well Locations. No well shall be drilled closer than [REDACTED] feet to any residence, corral, barn, windmill or water well, unless with the prior written consent of Owner.

- B. Roads, Gas Gathering Lines, Water Pipelines and Power Lines. Operator will use existing roads on the Lands for its operations whenever possible and reasonably appropriate for its operations, and will locate roads, pipelines, power lines and other facilities in a manner so as to minimize interference with Owner's operations on the Lands. New all weather roads will be constructed only when reasonably necessary, and shall be limited to thirty (30) feet in width for the actually traveled road bed, together with a reasonable width for fills, shoulders and crosses for primary roads. Secondary roads (which lead from primary roads directly to well sites) shall be constructed in a similar manner but shall be limited to sixteen feet in width. All roads shall be maintained at Operator's sole cost and expense for all weather travel and provided further that Operator shall have the right to require maintenance contributions from third parties authorized by Owner to use such roads but Owner shall have the unlimited use of all such roads at no expense to Owner. Operator shall maintain the entire road leading from Chalk Bluffs road to the True Ranches headquarters. At the written request of Owner, Operator shall provide Owner, at Operator's expense, with a survey plat showing the location of all new roads, pipelines, and power lines. All pipelines shall be buried to a depth of at least forty inches (40") between the top of the pipe and the present ground level on all lands when reasonably practicable. All underground power lines shall be buried to a depth of at least forty inches (40") between the top of the conduit and the present ground level on all lands when reasonably practicable.
- C. Minimize Impact. Operator shall at all times use reasonable efforts to minimize the impact of its operations on the Lands. Whenever possible and reasonably appropriate for its operations, Operator shall consolidate its facilities for as many wells as practical, locate in-coming power at a central point, construct underground power lines whenever possible, and place all roads, pipelines and power lines in the same corridor. To minimize the visual impact on the landscape of the Lands, Operator shall keep buildings and structures as small and few as possible, and paint such buildings and structures using earth tones on the exterior thereof. Operator shall at all times keep well locations, road rights-of-way and other areas used by Operator safe and in good order, free of litter, and debris and control the weeds.
- D. Erosion Prevention; Dust Suppression. Operator agrees to use reasonable means to prevent washes, erosion, run-off problems, ruts or other property damage. Operator shall monitor and promptly correct any erosion caused by Operator's activities. Operator shall install water bars as necessary. Operator shall supply dust suppression when it is reasonably necessary.



- E. No Stacking of Rigs and Equipment. Neither Operator, nor its agents or contractors, shall have the right to stack or store rigs or other equipment, supplies or parts on the Lands, except during drilling, reworking or construction operations, and then only at mutually agreed locations for a mutually agreed compensation.
- F. No Offices or Living Quarters. Operator shall not cause to be constructed any living quarters on the well site or on any of the Lands with the exception of necessary personnel, namely geologists, drilling and chemical experts, during actual drilling operations.
- G. No Drilling Water. Operator shall have no right to use water from ponds, creeks, springs or water wells located on the Owner's lands without the prior written consent of, and compensation to, Owner.

9. Reclamation. As soon as reasonably practicable, and in any event within twelve (12) months (weather permitting) following the plugging and abandonment of a well, or the termination of any other operation or use of the Lands which resulted in the disturbance of the surface of the Lands, Operator shall re-contour, re-vegetate using grass seed approved by Owner, and restore, as near as reasonably possible, all areas so disturbed to the condition which they were prior to the execution of this agreement, and remove all above ground facilities and render all pipelines and power lines environmentally safe and fit for abandonment in place and provide Owner with evidence thereof; provided however, that Owner, in its sole discretion, may choose to either allow access roads to remain or may require the Operator to reclaim them. All dry hole markers shall be set in accordance with all applicable regulations. Obstructions to reclamation uncovered or exposed during Operator's operations shall be buried or removed by Operator. Upon reclamation, Operator shall revegetate all disturbed areas using grass seed approved by Owner. To the extent possible, drill sites shall be reclaimed to a smaller sized production site within a reasonable time frame and shall be no larger than necessary for Operator to conduct its operations. ✕

10. Water Protection. Operator's Baseline Water Quality Program provides for sampling of all domestic, municipal and stock-use water wells within one (mile) of each well surface location and total depth of each oil and gas well. After execution of this Agreement, Operator agrees to test the seventeen (17) water wells on the lands prior to conducting drilling operations. Otherwise, unless the wells and location subject to this Agreement are within other sampling radius, no additional baseline water analysis will be conducted unless specific instances warrant additional testing in which case Owner shall request such testing in writing and Operator will review such request on a case by case basis. Copies of all laboratory reports will be provided (along with a summary of the data) to Owner.

- 11. Control of Noxious Weeds. Operator shall undertake all reasonable



efforts necessary to control the germination and growth of noxious weeds (as designated by the Wyoming Weed & Pest Control Act and the Wyoming Seed Law Designated & Prohibited List), on the Lands. Owner and Operator shall discuss applicable methods of control and times for application.

12. Fences and Gates. Operator may make fence openings upon the Lands to provide reasonable, uninterrupted entry and departure as may be necessary for operations; and, Operator shall install cattle guards or gates of customary size and quality for the type of traffic used in such operations. All gates used by Operator shall be kept shut and locked during the big game hunting seasons, and during such other times as reasonably requested by Owner. Operator shall reasonably repair and/or replace any and all damage done to any fences or gates, or any other improvements of Owner which result from Operator's operations. All fences shall be repaired in a manner consistent with surrounding fences and reasonable and customary ranching practices. Owner may interlock owner's own locks within Operator's locks on any locked gates.

13. Alcohol, Guns, Dogs and Hunting Prohibited. Operator shall not permit its agents or employees to possess or be under the influence of alcohol or controlled substances, or to possess firearms, crossbows, or other weapons, or to hunt while on the Lands. No recreational use, including but not limited, camping, hunting, fishing, foot traffic, or similar activities are allowed at any time by Operator or Operator's representatives while on the Lands. No dogs, or other animals, shall be allowed on the Lands, including any animal confined to a vehicle in any manner. The failure of any representative of Operator to comply with the foregoing shall entitle Owner to treat the person as a trespasser.

14. Recording. This Agreement may not be recorded. Owner hereby authorizes Operator to file a memorandum of this Agreement in the records of Laramie County, Wyoming and Weld County, Colorado. Operator will provide Owner a copy of the recorded memorandum when available.

15. Indemnity. OPERATOR SHALL INDEMNIFY, RELEASE AND HOLD HARMLESS THE OWNER FROM AND AGAINST ANY AND ALL LIABILITY, LOSS, DAMAGE, CLAIMS, DEMANDS, COSTS AND EXPENSES OF WHATSOEVER NATURE, INCLUDING COURT COSTS AND ATTORNEY'S FEES, WHICH MAY RESULT FROM INJURY TO OR DEATH OF PERSONS WHOMSOEVER, OR DAMAGE TO OR LOSS OR DESTRUCTION OF PROPERTY HOWEVER CAUSED, WHICH IN ANY WAY WHATEVER IS DUE TO OR ARISES BECAUSE OF OPERATOR'S AND AGENTS THEREOF PRESENCE ON, OCCUPATION OF OR USE OF THE LANDS, EXCEPT TO THE EXTENT THAT SUCH LIABILITY, LOSS, DAMAGE, CLAIM, DEMAND, COST AND EXPENSE ARISES AS A RESULT OF OWNER'S NEGLIGENCE OR WILLFUL MISCONDUCT, OR OF THE NEGLIGENCE OR WILLFUL MISCONDUCT OF A THIRD PARTY, UNRELATED TO OPERATOR. ..



16. Representations of Operator. As a material inducement and as part of the consideration for Owner entering into this Agreement, it is relying on the following representations of Operator: that Operator is a Delaware corporation; that it is in good standing; that it is authorized to do business in the States of Wyoming and Colorado; that it is at the time of execution of this Agreement solvent; that there are no judgments against Operator which if satisfied would render Operator insolvent; that Operator has sufficient unencumbered assets to satisfy all of its obligations hereunder, including all obligations relating to the plugging and abandonment of its wells and the reclamation of the Lands; and that bonds in the required amounts are in place with the States of Wyoming and Colorado and Bureau of Land Management to comply with all applicable laws, rules and regulations.

17. Assignment. This Agreement may be assigned by Operator with the prior written consent of Owner, such consent not to be unreasonably withheld. X

18. Enforcement Costs. In the event of a dispute hereunder, and either party is required to employ the services of an attorney to enforce its rights hereunder, the substantially prevailing party shall be entitled to reasonable attorney's fees and costs.

19. Construction; Venue. For any dispute concerning portions of the Lands situated in Wyoming, this Agreement shall be construed in accordance with the laws of the State of Wyoming. For any dispute concerning portions of the Lands situated in Colorado, this Agreement shall be construed in accordance with the laws of the State of Colorado. In the event of a dispute hereunder, the parties stipulate and agree that sole venue will lie in the federal or state courts in Wyoming if the dispute arises primarily concerning the Wyoming lands, or Colorado if the dispute arises primarily concerning the Colorado lands.

20. Notices. Any notice or communication permitted or required hereunder shall be given promptly, orally if possible, and then in writing via certified mail/return receipt requested. Notices shall be deemed given three days after mailing, or on the same day if delivered personally or by facsimile transmission, when addressed as follows:

Owner:  
True Ranches LLC  
PO Drawer 2360  
Casper, Wyoming 82602

Phone: 307-237-9301  
Fax: 307-266-0373

Operator:  
Anadarko E & P Company LP  
Attn. David Bell  
P.O. Box 173779  
Denver, CO 80217-3779  
Phone: 303-655-4350  
Fax: 720-264-0424

Any party may amend the foregoing addresses and information by written notice

to the other party.

21. Damage by Livestock. Owner shall not be liable for any damage caused by livestock to any of Operator's facilities. Operator shall take reasonable measures to prevent Owner's livestock from entering its Facilities and/or being exposed to hazards.

22. No Warranty. Owner makes no warranty of title or otherwise in entering into this Agreement.

23. Time. Time is of the essence in this Agreement.


24. Covenants Running with the Lands. The terms and provisions hereof shall constitute covenants and conditions running with the Lands and shall inure to the benefit of and be binding upon Owner and Operator and their respective heirs, executors, administrators, legal representatives, and permitted successors and assigns.


25. Entire Agreement. This is the entire Agreement between the parties with respect to the transactions contemplated herein and shall supersede all previous oral and written negotiations, commitments, and understandings between the parties and/or their predecessors hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

OPERATOR:  
**Anadarko E & P Company LP**

OWNER:  
**True Ranches LLC**

  
By: DAVID BELL *LLW*  
ATTORNEY-IN-FACT

  
By: David L True Trust, Trustee  
David L True, Member *DS*  
*WJA*