

Surface Use Agreement

This Surface Use Agreement ("Agreement") is made effective this 22nd day of February, 2016, by and between **James Joseph Brnak**, whose address is P.O. Box 305, Keenesburg, CO 80643, hereinafter jointly and severally referred to sometimes herein as "Owner"; and **Verdad Oil and Gas Corporation, a Texas Corporation**, with offices at 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235, hereinafter sometimes referred to as "Operator"; each of the foregoing sometimes referred to individually as a "Party," or collectively as the "Parties."

For and in consideration of the covenants and agreements contained herein, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by the Owner, the Parties agree as follows:

1. OWNERSHIP

Owner is the surface owner of certain lands, such lands and improvements thereon hereinafter sometimes referred to as the "Lands", located in Weld County, Colorado more specifically described as follows:

TOWNSHIP 1 NORTH, RANGE 64 WEST, 6TH P.M.

Section 10: NW/4

Section 10: NE/4, LESS AND EXCEPT that part of Lot A of Recorded Exemption No. 1475-11-2-RE 3031 recorded May 6, 2002 at Reception No. 2949139, County of Weld, State of Colorado.

Operator, or its affiliates, owns that certain Oil and Gas Lease (the "Lease") covering the Lands more described as follows:

LESSOR:	James J. Brnak
LESSEE:	Blue & Gray Resources, Inc.
DATE:	10/1/2003
RECORDING DATE:	10/29/2003
RECEPTION NO:	3121564
LANDS:	TOWNSHIP 1 NORTH, RANGE 64 WEST, 6TH P.M. All lands in Section 10, 1N, 64W Weld County, Colorado per "Attachment A"

2. OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS

Operator intends to drill or cause to be drilled oil and/or gas well(s) on the Lands, as depicted approximately on Exhibit "A" attached hereto. In order for Operator to drill, construct, complete, produce, maintain, and operate the well(s) and all facilities associated therewith, including, but not limited to, access roads, pipelines, gathering lines, flow lines, separators, tank batteries, electric lines and any other facilities, or property necessary for Operator to conduct operations on the well(s) (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands.

The Parties enter into this Agreement to evidence their agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. Location

The approximate location of the well(s), well site and certain other facilities to be constructed on the Lands are depicted on Exhibit A, attached and incorporated into this instrument by this reference. Any material changes to the locations of the well sites, access roads, and facilities may be made by Operator with the consent of Owner, which shall not be unreasonably withheld.

4. **Conduct of Operations**

Operator's operations on the Lands shall be conducted pursuant to the terms of the Lease, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes and case law.

5. **Compensation**

6. **Additional Surface Use Provisions:**

With respect to its operations on the Lands, Operator shall comply with the following provisions:

a. **Surface Reclamation:**

Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator shall be restored by Operator to their original contour as nearly as is reasonably practicable.

b. **Access Roads/Facility**

Owner hereby grants, bargains, assigns and conveys to Operator and its successors and assigns an easement and right-of-way for the purpose of constructing, using and maintaining access roads (not to exceed 20 feet in width), and operations area for facility equipment

c. **Facility:**

Owner hereby grants, bargains, assigns and conveys to Operator and its successors and assigns an easement and right-of-way for the purpose of constructing, using and maintaining access roads (not to exceed 20 feet in width), and operations area for facility equipment subsurface gathering lines,

flowlines, pipelines, and pipeline interconnections for each well drilled upon Owner's land for one year and for so long thereafter as oil or gas is produced or capable of being produced from any well(s) drilled on Owner's land.

d. Other:

- i. If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the well(s), there is damage to personal property of the Owner, including, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 5, and upon Owner's notification to Operator, Operator shall repair or replace such items after consultation with and to the reasonable satisfaction of the Owner, which repair or replacement shall be accomplished by Operator within thirty (30) days after final consultation with Owner.
- ii. Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells shall be removed and disposed away from the Lands by Operator no later than 30 days after the plugging of the wells. No such items shall be burned or buried on the Lands by Operator.
- iii. Operator shall keep the well pad free and clear of noxious weeds and trash.
- iv. Operator agrees to fence off the perimeter of the well sites with temporary fencing if reasonably requested by Owner. Operator will install cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.

7. Default and Right to Cure

In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner shall notify Operator of such alleged default in full and complete detail, in a writing delivered to Operator by certified mail, return receipt requested. Operator shall have thirty (30) days from its actual receipt of the written notification in which to pay, in the event of alleged non-payment, or to commence and diligently pursue a cure of any other alleged default, and upon such lapse of time, should such alleged default still remain in effect, then and only then shall Owner have the right and option to declare a default under this Agreement.

8. Waivers

Except as otherwise agreed in a subsequent writing subscribed to by both parties, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder shall be deemed to be a waiver of any subsequent or continuing breach of the same, nor shall any forbearance by Owner to seek a remedy for any particular alleged or actionable breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to any other alleged or actionable breach; however in no event shall Operator be liable for consequential damages.

9. **COGCC Waivers**

Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other and/or future notice or consultation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC Rules 305 and 306.

Additionally, Owner hereby waives the Greater Wattenberg Area ("GWA") special well location, spacing and unit designation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC rules 318A.a, 318A.c and 603.a.(2). These GWA waivers are solely intended to minimize surface disturbance on Owner's lands while fully complying with the terms of this Surface Use Agreement.

10. **Indemnity/Release**

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator. Owner hereby releases and agrees to hold harmless Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement.

11. **Notices**

Notice by either Party shall be timely given in writing, and orally if possible (with the exception of notices described in this Agreement requiring written notice), with additional and immediate subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time to time designate by written notice delivered in the way described in this paragraph to the other:

12. **Binding Effect**

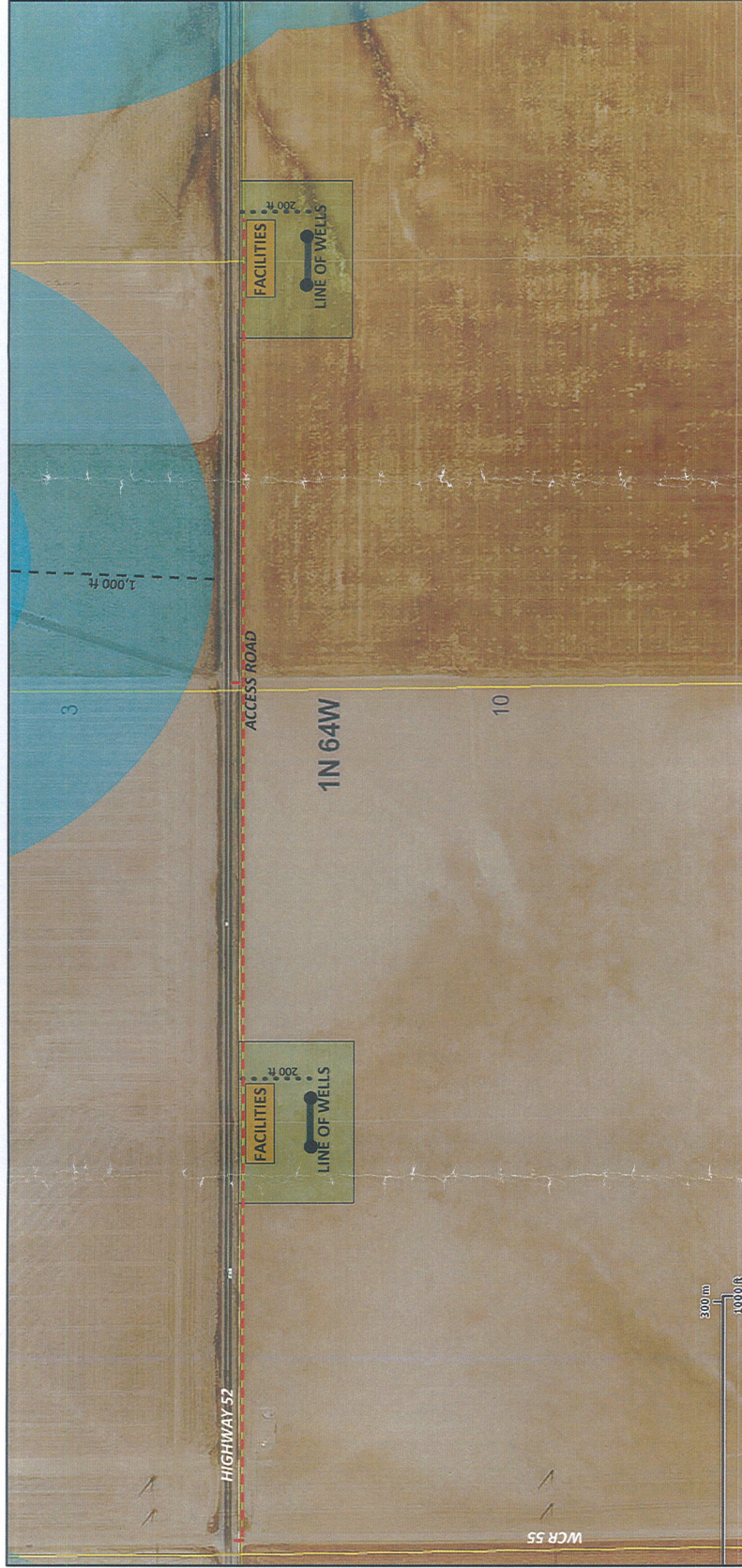
The covenants and conditions herein contained and all of the provisions of this Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives, successors and assigns. Owner agrees to notify any and all tenants of Lands and any other third parties utilizing the surface of the Lands who may be affected by Operator's activities on the Lands. It shall be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement; and payment of consideration, if any, which may be due any such third party from Owner as a result of Operator's actions on the Land under this Agreement shall be the sole obligation of Owner, and Owner shall protect, defend and indemnify Operator from any and all claims and demands from such third parties as a result of Operator's actions under this agreement.

13. **Confidentiality**

In addition to any other confidentiality requirements provided for herein, Owner agrees to keep the terms and conditions of this agreement confidential and shall not disclose such matters to any third party, unless owner

EXHIBIT "A"

Section 10 - Township 1 North, Range 64 West, 6th P.M.



LEGAL DESCRIPTION:

TOWNSHIP 1 NORTH, RANGE 64 WEST, 6TH P.M.

Section 10: NW/4

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