

PAYMENT AGREEMENT

State: COLORADO
County: FREMONT
Grantor: MICHAEL J. & COLEEN M. CLUEY

Grantee: AUSCO PETROLEUM, INC.
113 N SANTA FE AVE, FLORENCE, CO 81226

Effective Date: June 13, 2017

On the Effective Date listed above, the Grantor and Grantee listed above entered into this Payment Agreement ("Payment Agreement") for the Surface Location ("SUA") dated June 13th, 2017 by and between Grantor and Grantee for an Easement(s) located within the lands listed below (the "Lands"):

County: Fremont

LOT 68 LOCKE MOUNTAIN RANCH #5

SW 14

SEC. 18, T20S, R69W, 6TH P.M.

Notwithstanding anything in this Payment Agreement to the contrary, in the event that there shall be any conflict between the contents of this Payment Agreement and Grantee hereby agree that the provisions of the SUA shall be controlling and are in no way modified by this Payment Agreement. All defined terms in this Payment Agreement not expressly defined herein shall have the meaning given to them under the SUA.

In accordance with the terms and conditions of the SUA, Grantee hereby agrees to pay Grantor, in addition to other considerations referenced in the SUA, the cash considerations set forth below, all together the sufficiency of which is hereby acknowledged by Grantor.

1. Initial Payment. A one-time payment of [REDACTED]. This one-time payment represents a [REDACTED] well pad Damages payment. This one-time payment will be paid prior to any surface operations. For any future wells a one-time payment of [REDACTED] will be paid to the Grantor fifteen (15) days prior to the commencement of drilling each additional well.
2. Annual Payment. An annual payment will be paid to the Grantor for well pad Damages. This annual payment represents a [REDACTED] well pad Damages payment per well on production.

This Payment Agreement shall not be recorded, under any circumstances, except by order of a court of law with competent jurisdiction herein. All terms and conditions shall remain confidential between Grantor and Grantee, except they may be disclosed to Grantor's and Grantee's respective heirs, successors, and assigns.

This Payment Agreement shall be binding upon and shall inure to the benefit of the Grantor and Grantee and their respective heirs, successors, and assigns.

This Payment Agreement may be executed as one document, or in several partially-executed counterparts, and the original and counterparts shall be construed together and shall constitute one instrument.

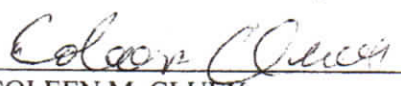
This Payment Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

All payments made by the Grantee to the Grantor, pursuant to the terms of this Payment Agreement, shall be made by delivering by hand or sending, via United States certified mail, postage prepaid, a check payable to Grantor to the address for Grantor listed below.

Effective as of the Effective Date first listed above.

GRANTOR:


MICHAEL J. CLUEY


COLEEN M. CLUEY

Address:

1538 Apple Ct.
Canon City, Colorado 81212

GRANTEE:

AUSCO PETROLEUM INC.

By:


Name: Aaron J. Goss

Title: EXECUTIVE VICE PRESIDENT

SURFACE USE AGREEMENT

This Surface Use and Damage Agreement (the "Agreement") is made and entered into this 13th day of June, 2017 by and between Michael J and Coleen M Cluey, whose address is 1538 Apple Court, Canon City, Colorado 81212 ("Surface Owner"), and AusCo Petroleum, Inc., whose address is 113 N Santa Fe Ave, Florence, Colorado 81226 ("Operator").

RECITALS:

A. Operator owns leasehold interests in an oil and gas lease(s) (the "Lease") covering the following described lands located in Fremont County, Colorado (the "Lands"):

**LOT 68 LOCKE MOUNTAIN RANCH #5
SW 14
SEC. 18, T20S, R69W, 6TH P.M.**

B. Surface Owner owns the surface estate in the Lands.

C. By virtue of the Lease, Operator has the right to enter upon and use the Lands for the purpose of exploring for, developing, producing and marketing hydrocarbons. This right includes, but is not limited to, the ability to (i) locate, drill, complete, operate, and maintain wells on the Lands, (ii) to construct and operate access roads, construct and operate hydrocarbon pipelines and water pipelines, and construct and operate power lines, and (iii) to construct and operate equipment such as compressors, blowers and metering equipment related to the operation of the wells.

D. Prior to Operator commencing operations on the Lands, Operator and Surface Owner wish to address certain issues with respect to damages and usage.

AGREEMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Surface Owner and Operator agree as follows:

1. **Notification of Entry.** Prior to entry on the Lands for staking, surveying, and the commencement of drilling operations, Operator (or its agents or contractors) will notify Surface Owner of the upcoming entry. This prior notification need not be given by Operator (or its agents or contractors) in connection with entries related to continuing drilling or other operations or routine monitoring or production operations or maintenance work related to the wells and all related equipment and facilities.

2. **Payments.** Operator shall pay to Surface Owner as liquidated damages and in full settlement and satisfaction of the damages resulting from the following:

a. **Stratigraphic Test.** \$1.00 per stratigraphic test (a well which is not completed for production but drilled only to obtain geologic information) on the Lands. This amount shall be paid by Operator to Surface Owner before entering upon the Lands.

b. **Well Locations.** An initial payment of \$1.00 for the initial well drilled on a pad and an initial payment of \$1.00 for each subsequent well drilled on a pad. This amount shall be paid by Operator to Surface Owner before entering upon the Lands to drill each well.

c. Roads. Operator shall pay Surface Owner a one-time payment of \$5.00 per rod for the use of existing roads on the Lands and \$5.00 per rod for new roads constructed by Operator on the Lands. (Rod Conversion: 1 Rod is equal to 16.5 feet)

d. Pipelines.

(i) For each hydrocarbon and water pipeline up to, and including 8" in diameter, installed by Operator, Operator shall pay to Surface Owner the sum of \$3.00 per rod unless pipelines are located in the same ditch at the same time, in which case a single payment shall be made. For pipelines greater than 8" in diameter installed by Operator, Operator shall pay to Surface Owner the sum of \$3.00 per rod for each such pipeline unless pipelines are located in the same ditch at the same time, in which case a single payment shall be made. If multiple pipelines are placed in a single ditch, payment shall be based on the pipeline with the largest diameter.

(ii) All pipelines (hydrocarbon or water) located by Operator on the Lands shall be buried to the depth of at least [48] inches below the surface. Upon Operator's termination of the use of the Lands, Operator shall undertake all such clean up and mitigation operations required by then applicable federal, state and local laws and regulations.

e. Power Lines. For each power line (not owned by a public utility) not constructed within 50 feet of a pipeline or road, Operator shall pay Surface Owner \$3.00 per rod. All such power lines (not owned by a public utility) shall be buried to a depth of at least 24 inches by Operator.

f. Gathering, Metering and Compression Sites. The payments described in paragraph 7.b. shall include installation of meters, compression and other production equipment, and facilities.

g. Corridors. If Operator installs a road, power line and pipeline within the same corridor at the same time, Operator shall pay an initial payment of \$5.00 per rod rather than the payment called for in paragraphs 7.c., 7.d., and 7.e. above. Where a road, pipeline or power line diverges from the common corridor, Operator shall make the payments as otherwise provided in this paragraph 2.

3. Operations Outside the Lands. The parties acknowledge that Operator now owns, or may in the future acquire, oil and gas leases covering parcels other than the Lands (the "Outside Lands"). The parties further acknowledge that, from an operations standpoint, it may be prudent for Operator to use roads, pipelines (gas, oil and water) and power lines that extend across both the Lands and the Outside Lands or install compressors, blowers and other production equipment and facilities that serve wells on both the Lands and the Outside Lands. Operator may use the Lands in connection with such operations and activities on Outside Lands. Operator shall compensate Surface Owner for any such use on the same terms and conditions set forth in this Agreement. Upon the request of Operator, Surface Owner shall execute and deliver recordable surface leases, right-of-way agreements or easements for power lines, pipelines (gas, oil or water) and roads which are used in connection with both the Lands and any Outside Lands.

4. Locations. All well site locations shall be limited to approximately 3 acres of land while drilling and no more than 2 acres for permanent facilities. Wells shall be located in accordance with all applicable setback requirements of the Colorado Oil and Gas Conservation Commission ("COGCC") unless the prior written consent of Surface Owner to an alternate location is obtained.

5. Operations. Operator shall maintain roads used by Operator on the Lands in good and passable condition.

6. **Consolidation of Facilities.** Whenever in Operator's judgment it is feasible, Operator will consolidate its facilities for as many wells as practical. Incoming power will be located at centralized points to minimize, to the extent feasible, the construction of above ground power lines. Any consolidated facilities may be used in connection with operations on Outside Lands.

7. **Signage.** Operator agrees to place appropriate signs on any road constructed or used by Operator or other right-of-way designating the road as a "private road."

8. **Fences.** Operator shall construct stock-tight fences around any dangerous area. No fences or cattle guards on the Lands shall be cut or damaged by Operator without the construction of safeguards to protect the property of the Surface Owner. Unless otherwise agreed by Surface Owner, all cattle guards installed by Operator shall be removed and fences restored as near as practical to the original condition unless otherwise agreed by Surface Owner.

9. **Restoration.** Unless Surface Owner otherwise agrees in writing, upon termination of any of Operator's operations on the Lands, Operator shall fully reclaim and re-seed areas in accordance with the then applicable rules and regulations of the COGCC. All reseeded shall be done on a timely basis by Operator, taking into account the seasons and weather conditions with a seed mix that is appropriate for the Lands.

10. **Surface Owner's Water.** Operator shall not use any water from existing wells, reservoirs and springs on the Lands. Operator shall not disturb, interfere with, fill, or block any creek, reservoir, spring, or other source of water on Surface Owner's land with Surface Owner's prior written consent.

11. **Term.** This Agreement shall become effective when it is fully executed and, except as provided to the contrary herein, shall remain in full force and effect for the life of the Lease (and extension or renewal of the Lease) or any other oil and gas lease held by Operator covering all or any portion of the Lands, or until Operator has plugged and abandoned all Wells in which Operator owns a working interest and complied with the requirements of all applicable regulations, relevant oil and gas leases and this Agreement pertaining to removal of equipment, reclamation, cleanup and surface restoration, whichever is later in time. In the event of a partial termination of the Lease, this Agreement shall terminate as to any part of the Lands no longer subject to the Lease, *but only insofar* as such part of the Lands is not, at the time of partial Lease termination, being used by Operator for any well pad, facility pad, roads, or pipelines in, on through, or under any part of the Lands which remains subject to the Lease or a lease covering Outside Lands as provided in Paragraph 3. When this Agreement terminates, wholly or in part, the Parties shall execute any further releases reasonably necessary to evidence the fact that this Agreement shall no longer apply to the Lands or any portion thereof.

12. **Compliance with Laws and Non-Opposition.**

a. Operator shall conduct its operations in a manner which complies with applicable laws, rules, regulations and Lease terms.

b. In addition to the terms and conditions of this Agreement, and unless otherwise expressly stated herein, Operator shall also comply with all applicable COGCC Rules, including, without limitation, applicable provisions of COGCC's Series 1000 Rules. Except as expressly stated herein, no part of this Agreement shall be construed to relieve Operator from any or all of the applicable COGCC Rules. If there is a conflict between this Agreement and any applicable COGCC Rule, then whichever of this Agreement or the COGCC Rule which requires stricter protection of the environment, public health, safety or welfare shall prevail and govern as to the point in conflict, unless specifically waived in writing by Surface Owner and as may be allowed by the applicable COGCC Rule. This Agreement does not

constitute a waiver of any COGCC Rule unless specifically provided for herein. To the extent this Agreement deals with a subject covered by any COGCC Rule, but the Agreement does not provide a standard for performance, then the standard shall be provided by the relevant COGCC Rule.

c. Surface Owner shall not, directly or indirectly, oppose or encourage opposition to Operator in any agency, administrative or other governmental proceedings, including but not limited to the COGCC, Fremont County or other governing body proceedings, related to Operator's operations on the Lands, provided that Operator's position in such proceedings, or Operator's requested actions, are authorized by this Agreement.

13. Notices. All notices and communications required or permitted under this Agreement shall be in writing and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been duly made when received by the receiving Party. All notices shall be addressed as follows:

If to Operator:

AusCo Petroleum, Inc.
113 N Santa Fe Ave.
Florence, Colorado, 81226
Attention: Aaron J. Goss
Telephone: 303-495-0327
Email: agoss@austinexploration.com

If to Surface Owner:

Michael J. & Coleen M. Cluey
1538 Apple Court
Canon City, Colorado 81212
Attention: Michael J. Cluey
Telephone: _____
Email: nocluez4@msn.com

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

14. Conflicts with the Lease. Except as expressly provided for in this Agreement, nothing herein shall in any manner diminish or alter Operator's rights or obligations under the Lease.


15. Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Colorado without regard to principles of conflicts of law.

16. Personal Authority. Each of the undersigned represents he or she is authorized to execute this Agreement on behalf of the Operator or Surface Owner, as indicated below and, therefore, bind the party on whose behalf he or she has executed this Agreement.

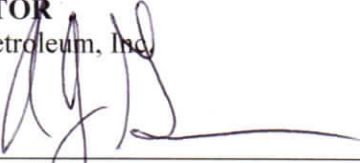
17. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective heirs, successors and assigns and shall run with the Lands.

IN WITNESS WHEREOF, this Agreement is executed as of the 13th day of June, 2017.

SURFACE OWNER
Michael J. & Coleen M. Cluey

By: _____

OPERATOR
AusCo Petroleum, Inc.


By: Aaron J. Goss
Title: Executive Vice President