



SURFACE ACCESS AGREEMENT

This Agreement dated effective _____, 20__ ("Effective Date"), is entered into by and between Padlock Ranch Company ("Owner") and Ramaco Wyoming Coal Co., LLC ("Operator").

Recitals

A. Owner is the owner of the surface estate of certain lands in Sheridan County, Wyoming, as more particularly described on the attached Exhibit "A," which is incorporated by this reference ("Padlock Surface Lands").

B. Operator is the owner of fee coal underlying portions of Padlock Surface Lands ("Ramaco Fee Coal") as described on Exhibit "B" attached hereto.

C. Operator desires to enter Padlock Surface Lands for purposes of mining Ramaco Fee Coal.

D. Owner and Operator desire to set forth each party's obligations consistent with the intent and recitals set forth above.

It is, therefore, agreed as follows:

1. **Surface Access Agreement over Ramaco Fee Coal.** This Agreement shall constitute a surface access agreement covering Padlock Surface Lands ("Agreement").

(a) **Grant of Leasehold.** Owner, for and in consideration of ten and more dollars (\$10.00+) and the payments set forth below, hereby grants and leases to Operator the right and privilege to enter and use all the Surface Lands as may be convenient and necessary for coal mining, together with all necessary and convenient rights and privileges with respect thereto, including, but not limited to, the right to divert water courses, the right to construct and maintain thereon all work buildings, plants, waterways, roads, haulways, telegraph, telephone and power lines, tipples, hoists, coal slurry pipelines, silt ponds, dams, sidetracks, switches, substations or other structures necessary to the full enjoyment thereof, and the right to make such use of the property as shall be convenient for the mining, transporting, storage, and processing of coal, coal refuse, and byproducts from the property and any other properties now or hereafter owned, leased, or controlled by Owner, all without any liability for damages to the surface or other mineral deposits and strata thereof. Owner shall retain the right to use Padlock Surface Lands for agricultural and recreational purposes during the term of this agreement, provided, however, Owner shall at no time interfere in any way with the mining operations of Operator. Operator and Owner shall meet at least annually and Operator will brief

Owner on the proposed development of Padlock Surface Lands for the next year. Operator shall each year on or before March 1, designate to Owner that part of the Padlock Surface Lands on which it intends to conduct its operations during the next year so Owner may avoid any potential conflicting agricultural or recreational uses. Owner agrees to execute waivers, consent forms, or any other instrument reasonably required for the permitting and mining of coal by Operator on the Padlock Surface Lands.

(b) **Surface Access Term.** Operator's rights to use, enter, and access Padlock Surface Lands shall be for a term of twenty (20) years from the Effective Date, which term shall be automatically extended from year to year thereafter until all mineable and merchantable Ramaco Fee Coal has been mined, removed, and exhausted by Operator or until Operator has ceased to use Padlock Surface Lands in conjunction with operations on adjacent or nearby lands, which ever occurs last, plus an additional period of time as may be required for post-mining surface reclamation. However, Operator may surrender and relinquish this Surface Access Agreement upon thirty (30) days written notice to Owner at any time provided however, that the Padlock Surface Lands have been fully reclaimed as required in this Agreement and by applicable state and federal law, and further provided that Operator is then current on all payments due to Operator under this Agreement.

(c) **Surface Access Payments.** As consideration for the surface access rights granted above, Operator shall pay a one-time \$100,000 payment to Owner that is recoupable from coal royalty described below. Additionally, Operator, for itself, its successors and assigns, agrees to pay Owner, its successors and assigns, the payments set forth below. The covenant to pay the sums provided in subparagraphs (i) and (ii), below, shall be a covenant running with the ownership of the Padlock Surface Lands and shall not be held or transferred separate therefrom, and any sums payable under this Surface Access Agreement shall be paid to the person, persons or entity owning the surface of the Padlock Surface Lands overlying Ramaco Fee Coal as of the date the coal is marketed. The obligation to pay such sums shall be binding on Operator, and also upon any successor in interest of Operator which shall have acquired Operator's rights under this Surface Access Agreement.

i. **Production Royalty.** Operator shall pay to Owner a production royalty of twelve and one-half cents per short ton (12.5¢/2000 pounds) of Ramaco Fee Coal mined, as measured at the mine.

ii. **Minimum Payment.** Regardless of whether coal mining occurs, Operator shall pay Owner \$28,000 per year as a minimum payment for surface access. The minimum payments paid under this paragraph shall be entirely recoupable from any production payments paid by Operator to Owner upon mining and sale of coal as set forth above. The minimum payment shall be credited to and applied against Operator's obligation to pay production payments as set forth in Paragraph 2(c)(i), above, for the life of the

Surface Access Agreement. By way of example, if no coal mining occurs in the first five years of the agreement, Operator will pay \$28,000/year for a total of \$140,000 in minimum payments. If coal mining then commences during the fifth year, Operator would have a \$240,000 credit against production payments owed to Owner for any coal mined and sold, but would continue to pay Owner the greater of the minimum payment or the production payment every year during the term of this Agreement.

(d) **Time for Payments.** Unless otherwise agreed, Operator shall make all production royalty payments due under the Surface Access Agreement on or before the twentieth (20th) day of the calendar month succeeding production of Ramaco Fee Coal mined. Additionally, Operator shall make all annual minimum payments on or before each anniversary of the Effective Date.

(e) **Records and Audit Rights.** Operator shall keep a true and correct record of all Ramaco Fee Coal mined, and stockpiled or removed and shall permit Owner or Owner's agent at all reasonable times to examine and copy such records as are reasonably necessary to verify Operator's compliance with this Agreement. Owner agrees to maintain the confidentiality of the information derived from such audits by not disclosing such information to third parties not affiliated with Operator.

2. **Memorandum.** This Agreement may not be recorded without the written consent of both parties. Owner and Operator agree, however, to complete and record a Memorandum of Agreement substantially similar to Exhibit "C," attached hereto describing the basic terms and conditions of the Agreement, in the real property records of Sheridan County, Wyoming.

GENERAL PROVISIONS

1. **Permits and Bonds.** Operator shall be solely responsible for posting all necessary bonds and obtaining and maintaining all necessary federal, state, and local filings, permits and other authorizations necessary to conduct operations under any part this Agreement. Before undertaking any activities under this Agreement, Operator shall furnish to Owner, at Operator's sole expense, proof of bonds, copies of all permits or other authorizations, and any other documents required by law or regulation to be submitted to any governmental entity in connection with its operations.

2. **Taxes.** Operator shall pay all taxes imposed on Operator's equipment and property it places on the Padlock Surface Lands. Owner shall pay agricultural real estate taxes imposed on the Padlock Surface Lands.

3. General Use Restrictions.

(a) Neither Operator nor any of its employees, contractors, or agents shall be allowed to establish any type of living quarters on Padlock Surface Lands.

(b) No dogs or other animals, alcohol, illegal drugs, firearms, explosive devices, recreational vehicles, fishing or hunting shall be allowed on Padlock Surface Lands by the Operator or its employees, contractors or agents. Any individual or contractor of Operator who violates this provision may in Owner's discretion, be forever barred from entering on the Padlock Surface Lands.

(c) Operator and its employees, agents, representatives, contractors, contractor's employees, or subcontractors shall not take, harm, or remove any fossils, historical artifacts, antiquities, or other cultural, historical, paleontological, or archaeological resources from Padlock Surface Lands in any manner inconsistent with applicable federal, state and local laws.

(d) In order to minimize impact to Owner's Lands and Owner's livestock and agricultural operations, Operator shall, to extent possible, restrict all travel to existing roads where possible, no off road travel causing widening or degradation of original roads shall be permitted. Operator shall keep the roads in good order and free of litter and debris associated with Operator's activities and operations, and shall drive slowly to minimize fugitive dust from the roads. No new roads will be constructed on Padlock Surface Lands without Owner's prior written approval, which consent shall not be unreasonably withheld.

(e) Operator shall close and, if locked, lock any gate opened for access immediately following such access and shall not leave any gate open and unattended. Operator shall be liable for any and all costs, losses and damages resulting from a gate being left open by Operator or its employees, agents, or contractors in an amount of not less than five hundred dollars (\$500.00) per day per occurrence. Livestock that are deceased due to negligence of the Operator will be reimbursed at market value of said livestock.

(f) Operator shall take reasonable steps to prevent fire and to promptly extinguish any fire on Padlock Surface Lands. Operator may not construct any fires on the property. Damage from any fire caused by Operator's employees, agents, contractors, subcontractors, or assigns shall be paid for by paying the costs of replacement pasture, the costs of vegetation destroyed, costs of reclaiming the damaged Padlock Surface Lands, the costs of trailering or trucking livestock to replacement pasture, replacement costs of any livestock killed or injured, and replacement and/or repair costs for personal property, buildings and improvements destroyed or damaged.

(g) No fences, cattle guards, or other improvements shall be cut or damaged by Operator without prior consultation with and consent of Owner and the payment of additional damages or institution of other safeguards to protect the Owner's rights.

(h) Operator shall not release, discharge, or dispose of any petroleum products, toxic chemicals, hazardous substances or any waste material on Owner's Lands or so as to cause pollution or contaminate to any stream or other body of water.

(i) All vehicles used on Padlock Surface Lands, including ATV's, shall be washed and free of any and all debris prior to entry on Padlock Surface Lands for weed prevention and control purposes.

(j) Operator shall, while on the property and during the reclamation period monitor, and inspect all areas of use for noxious weeds and take all reasonable steps to eradicate any noxious weed in or on Padlock Surface Lands if caused by Operator's operations or activities. Operator recognizes that this shall be a continuing obligation and Operator shall reseed grass cover and/or control noxious weeds until areas disturbed by Operator are returned to the same livestock productive value as existed prior to disturbance. If Owner so requests, Operator shall construct and remove fences for the purpose of temporarily excluding livestock from newly seeded areas. If Operator fails to control or eradicate any noxious weeds caused or introduced by Operator within thirty (30) days after notice from Owner, Owner may take such control measures as it deems necessary and appropriate and Operator shall reimburse all reasonable and necessary material, equipment, and costs incurred by Owner for such control or eradication efforts.

(k) Operator shall keep Padlock Surface Lands in good order and free of litter and debris.

(l) Operator shall maintain existing and newly constructed roads used by Operator on the Padlock Surface Lands, which maintenance shall include ditching, graveling, blading, mowing grass to avoid fire danger, installing and cleaning cattle guards, and spraying for noxious weeds. This work shall be done as needed in Operator's discretion or as reasonably directed by Owner. Operator shall periodically spray for noxious weeds on the Padlock Surface Lands and as reasonably requested by Owner. Weed spraying shall be accomplished by a licensed commercial applicator.

(m) All cattle guards and fences installed or used by Operator shall be kept clean and in good condition. Upon conclusion of Operator's activities on the Padlock Surface Lands, culverts and cattle guards installed by Operator shall remain in place and shall become the property of Owner, or shall be removed, at Owners discretion.

(n) Operator shall conduct operations and activities on the Padlock Surface Lands in accordance with all existing local, state and federal laws, rules and regulations.

(o) Operator shall conduct dust suppression in such areas and at such times as reasonably needed or as Owner shall reasonably request.

(p) Operator will be responsible for construction and maintenance of any fencing required to prohibit livestock from entering mine operation areas. Fences should be erected only with written permission from owner, which consent shall not be unreasonably withheld.

(q) Operator shall be responsible for advising all of its employees, contractors, and subcontractors of the material terms of this Agreement.

4. **Waiver of Subjacent and Lateral Support.** Owner hereby waives its right to subjacent and lateral support of the surface and subsurface of the lands subject to this Agreement as an inducement to Operator to execute this Agreement.

5. **Right to Work Adjoining, Adjacent, or Nearby Lands.** Operator shall have the right during the life of this Agreement to remove coal from adjoining, adjacent or nearby lands owned by third parties in conjunction or connection with coal operations on the Lands and to haul and transport said coal and any other materials over, under, upon and through or across any part of the Surface Lands in conjunction or connection with operations carried on or conducted by Operator.

6. **Restoration and Reclamation.** Prior to termination of Operator's right to conduct exploratory or mining operations under this Agreement, Operator shall restore and reclaim Padlock Surface Lands disturbed by Operator's operations on Padlock Surface Lands to the lands' original condition, or as near as possible, but in no event to a lesser condition than required by applicable federal, state and local laws, regulation and permit conditions and this Agreement. Operator shall undertake restoration and reclamation activities on any disturbed areas immediately following the disturbance or as soon thereafter as reasonably practical. This Agreement shall extend beyond any term set forth in this agreement for as long as is reasonably necessary to restore and reclaim the Lands to applicable standards.

(a) *Core Hole Completion and Reclamation.* At no time shall Operator leave any core hole open and unattended. In the event that plugging, sealing, capping, and reclamation of a core hole cannot be completed immediately following the core hole having been drilled, Operator shall sufficiently mark and cover the core hole to ensure the safety of livestock, wildlife, and persons in the area. Unless prohibited by inclement weather conditions, all core holes shall be plugged within five (5) days following the core having been drilled.

(b) *Surface.* As part of the Operator's obligation to restore and reclaim disturbed areas to their original condition, Operator shall re-contour the disturbed area and assure that there are no permanent mounds, ridges, sinks, or trenches. Operator shall take all reasonable precautions to prevent erosion on Padlock Surface Lands. If settling occurs in any excavation associated with Operator's operations, Operator will promptly fill and compact the area to eliminate additional settling.

(c) *Topsoil Loss.* If insufficient topsoil is present due to loss, degradation, erosion, contamination, or in any order to ensure appropriate vegetation of the disturbed areas, Operator shall supply appropriate topsoil at Operator's costs.

(d) *Re-vegetation.* The disturbed areas will be re-vegetated by Operator. The soils will be tilled, fertilized or otherwise treated to adequately establish a proper seedbed. All reseeding shall be done with a certified and weed-free mix approved by Owner. Operator shall conduct the reseeding during an appropriate planting season. Operator shall ensure that the seeding takes and the land is re-vegetated. If the Lands are not re-vegetated to their original condition or better, Operator shall undertake necessary measures to reestablish the vegetation to the lands' original condition or better.

7. Environmental Quality Monitoring. Operator shall have the right to access and conduct environmental quality monitoring activities on Padlock Surface Lands, including, but not limited to, the right to monitor air quality, water quality, and/or soil quality, using any method(s) deemed appropriate by Operator for the duration of this Agreement.

8. Contractors. Prior to any employee's, agent's, representative's, invitee's, licensee's, contractor's, or subcontractor's entry upon the Lands, Operator shall provide Owner with the name, company, contact information, and the purpose for which the person or entity will be entering onto Padlock Surface Lands. Operator shall ensure that its employees, agents, representatives, invitees, licensees, contractors and subcontractors who enter onto the Lands shall comply with Operator's obligations under the terms of this Agreement.

9. Indemnification. Operator shall indemnify, defend and hold harmless Owner from all losses, costs, liabilities, penalties, claims, damages and judgments ("Claims"), including without limitation Claims for injury to or death of persons or damage to property, arising out of, related to or resulting from the activities or operations of Operator or its employees, contractors or agents, on the Lands, except to the extent that such Claims are caused by the willful misconduct or intentional act of Owner, in which event Operator shall be responsible only for its proportional share of liability for such Claims. Operator shall pay in full for all labor performed upon or material furnished to the Lands, ordered or requested by Operator and shall keep the Lands free and clear of any and all liens arising from its operations; and shall hold Owner harmless from and indemnify Owner against any such liens or claims which result in such liens.

10. **Insurance.** Operator or its contractors shall maintain in full force and effect, during the entire term of this Agreement, with financially sound and reputable insurance companies or associations the following types and amounts on insurance:

(a) Workers' Compensation coverage, in accordance with the laws of the State of Wyoming;

(b) Comprehensive General Liability Insurance, insuring the indemnity agreement set forth in this Agreement and products-completed operations coverage with limits of not less than one million dollars (\$1,000,000.00) applicable to bodily injury, sickness or death in any one occurrence; and one million dollars (\$1,000,000.00) for loss of or damage to property in any one occurrence;

(c) Automobile Liability Insurance covering owned, unowned and hired vehicles used by a party with limits of not less than one million dollars (\$1,000,000.00) for bodily injury and property damage claims; and

(d) Excess or Umbrella Liability, inclusive of above limits, with limits of not less than one million dollars (\$1,000,000.00) Combined Single Limit.

(e) Prior to Operator or its contractor(s) entering the Lands, Operator shall furnish Certificates of Insurance evidencing the insurance required hereunder. Owner shall be named as an additional insured on Operator's liability insurance policies.

11. **Covenant of Quiet Enjoyment.** Owners covenant that Operator shall have quiet and peaceful possession and enjoyment of any lands subject to this Agreement and all of the exploratory or mining rights granted in this Agreement.

12. **Assignability.** This Agreement is assignable in whole or in part by either party upon reasonable notice of such assignment to the other party. In the event of assignment, all the terms, provisions, and conditions of this Agreement shall be binding upon and shall insure to the benefit of successors and assigns.

13. **Addresses for Notice and Payments.** Any notice contemplated by this Agreement shall be in writing and shall either be served upon a party personally, or served by registered or certified mail, return receipt requested, directed to the party to be served at the address of the party below. Notice served by mail shall be deemed complete when deposited in the United States mail, postage prepaid, in the manner indicated above. Furthermore, any payments owed to Owner under this Agreement shall be made to the address of Owner below. A party wishing to change his designated address shall do so by notice in writing to the other party. All notices under this Agreement shall be addressed respective as follows:

If to Owner: Padlock Ranch Company
8420 U.S. Hwy 14
Ranchester, WY 82839

If to Operator: Ramaco Wyoming Coal Co., LLC
250 West Main Street, Suite 210
Lexington, KY 40507

14. Miscellaneous.

(a) Titles of paragraphs are for reference only and shall not be used to construe the language of this Agreement.

(b) This Agreement shall be construed in accordance with and governed by the laws of the State of Wyoming. Exclusive jurisdiction for any litigation involving this Agreement is vested in the Fourth Judicial District Court, Sheridan County, Wyoming.

(c) In the event of any litigation concerning the enforcement or interpretation of this Agreement, the prevailing party in such litigation shall be entitled to recover its costs and attorney fees from the other party.

(d) Time is of the essence in all provisions of this Agreement.

(e) Except as otherwise provided in this Agreement, the parties shall be entitled to any and all remedies provided by law.

(f) This Agreement may be modified only by a document in writing executed by all the parties hereto.

(g) This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understanding, whether written or oral, relating to the subject matter hereof. The rights, obligations, and liabilities set forth in or arise under this Agreement shall extend to, be binding upon, and inure to the benefit of the successors and permitted assigns of the respective parties.

(h) A facsimile or electronic copy of this Agreement containing the signature of either party shall be accepted as the original. This Agreement may be executed in counterparts.

ACCEPTED AND AGREED EFFECTIVE THE DATE FIRST SET FORTH ABOVE:

OWNER:

Padlock Ranch Company

Trey Patterson
President and CEO

Date

OPERATOR:

Ramaco Wyoming Coal Co., LLC

Randall W. Atkins
Chief Executive Officer

Date

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