

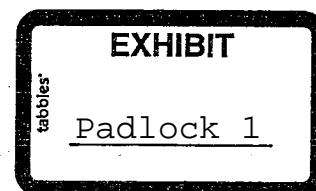
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**From:** RANDALL W. ATKINS [<mailto:rwa.ramaco@gmail.com>]  
**Sent:** Wednesday, November 28, 2012 12:09 PM  
**To:** Wayne Fahsholtz  
**Cc:** Hal Corbett; S. Thomas Throne; Nicholas Haderlie; Niles Veal  
**Subject:** Re: Padlock Agreement

Wayne,

I just received the attached draft of an Exploration and Surface Access Agreement for Padlock, which I have not reviewed but am providing it to you and your counsel for same. Again, this is basically the same as the Taylor Agreement.

All the best-  
Randy



## EXPLORATION AGREEMENT AND SURFACE ACCESS AGREEMENT

This **Agreement** dated effective December \_\_, 2012 ("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").

C. Operator desires to enter Padlock Surface Lands for purposes of mineral exploration, including conducting pilot hole and core drilling, and also 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. **Exploration Agreement.**

(a) **Grant of Exploration Rights.** Owner hereby grants to Operator a license to enter upon, over and across Padlock Surface Lands for purposes of conducting pilot hole and core drilling, and all other related mineral exploratory and coal prospecting activities in and on Ramaco Fee Coal ("Exploration Agreement"). The number and approximate locations of proposed exploratory drill sites will be supplied by Operator in a plan of operations, which sites may be moved up to 200 feet for topographic, surface, or safety requirements at the discretion of the Operator, but otherwise only with the consent of the Owner. Owner shall not unreasonably withhold approval of the plan of operations or any subsequently proposed amendments.

(b) **Exploration Term.** Operator's rights to conduct its exploratory operations shall be for a period of two (2) years from the Effective Date, and Operator shall complete its operations by that date ("Exploration Term"); provided, however, if necessary to restore and reclaim the property damaged by Operator's operations, Operator may reenter the property for as long as is reasonably necessary to conduct reclamation operations.

(c) **Exploration Payments.** At least three (3) days prior to entering Padlock Surface Lands under this Exploration Agreement, Operator shall pay Owner three hundred and fifty dollars (\$350.00) per exploratory drill hole. Additionally, Operator agrees to pay for any extraordinary damages caused by its exploratory activities beyond reasonable and ordinary use associated with such activities as follows:

(i) Owner will provide proof and give notice of any such alleged damages to Operator. Owner agrees that Operator or its representative will be provided an opportunity to review and inspect alleged damages. If Operator agrees it is obligated to pay for the alleged damages, then Operator shall pay for such damage within thirty (30) days of delivery of notice. If Operator disagrees that it is obligated to pay for the alleged damages, then Operator shall provide a written response to Owner regarding its disagreement within thirty (30) days of receiving any notice pursuant to this paragraph. Operator and Owner shall attempt to reasonably resolve any disagreement regarding damages. In the event the parties cannot resolve any disagreement, then the parties agree to arbitrate the matter pursuant to Paragraph 15 of the General Provisions below.

(d) **Conduct of Exploratory Operations.**

(i) Operator shall give Owner a minimum of three (3) days advance notice prior to the date when Operator's employees, agents, contractors and subcontractors will enter Padlock Surface Lands for exploratory purposes.

(ii) Operator shall conduct all exploratory operations on Padlock Surface Lands in accordance with sound engineering and environmental practice and in compliance with all present and future applicable laws, rules, regulations, ordinances and permit conditions, including but not limited to all applicable federal, state or local laws and regulations relating to public and employee health and safety, and pollution and protection of the environment.

(iii) Operator shall conduct its exploratory operations so as to minimize environmental impacts to Padlock Surface Lands and to minimize impacts to Owner's operations on Padlock Surface Lands.

(iv) Absent separate agreement, Operator, its employees, and authorized agents shall not disturb, use, cross, enter, or travel upon any of the Owner's land not subject to this Exploration Agreement.

(v) Absent separate agreement, Operator, its employees, and authorized agents shall not use, cross, enter, or travel upon Padlock Surface

Lands in connection with any operations on other land that is not expressly described in this Exploration Agreement.

(vi) Operator shall not conduct any operations or enter Padlock Surface Lands during periods when the soil is too wet to adequately support the vehicles and equipment used by Operator. If any equipment or vehicles create ruts in excess for two (2) inches in depth, the soil shall be deemed too wet to adequately support such vehicles. Any ruts or other similar scars created by Operator shall be smoothed or filled with topsoil and reclaimed within thirty (30) days of their creation.

2. **Surface Access Agreement over Ramaco Fee Coal.** The terms and conditions of this paragraph shall constitute a surface access agreement covering Padlock Surface Lands, and this paragraph contains the entire surface access agreement and no additional or separate instrument need be executed ("Surface Access 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 use sand, water, and gravel, the right to use water and 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, including the dumping of refuse from any coal mined by the Operator from the property or other properties now or hereafter owned, leased, or controlled by the Operator, 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 farming and agricultural 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 shall each year before March 1 designate to Owner the part of the Surface Lands on which it intends to conduct its operations so Owner may avoid any potential conflicting farming or agricultural uses.

(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 in perpetuity 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.

(c) **Surface Access Payments.** As consideration for the surface access rights granted above, Operator shall pay a one-time non-recoupable \$25,000 payment to Owner. 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 Payment.** Operator shall pay Owner twelve and one-half cents per 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 \$5,000 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 \$5,000/year for a total of \$25,000 in minimum payments. If coal mining then commences during the fifth year, Operator would have a \$25,000 credit against production payments owed to Owner for any coal mined and sold.

(d) **Time for Payments.** Unless otherwise agreed, Operator shall make all production 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.

3. **Separate Agreements.** The Exploration Agreement, Surface Access Agreement, and Coal Mining Lease set forth above constitute separate and distinct agreements and shall be construed as such. The Exploration Agreement shall terminate at the end of the Exploration Term. Any obligations set forth in the Exploration Agreement do not apply to the Surface Access Agreement or Coal Mining Lease. Notwithstanding this provision, the "General Provisions" set forth below shall apply to and be included in the

Exploration Agreement, the Surface Access Agreement, and the Coal Mining Lease to the extent that such General Provisions do not conflict with the any of the terms of the separate agreements set forth above.

4. **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 "B," 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. **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 animals, alcohol, illegal drugs, firearms, explosive devices, recreational vehicles, or hunting shall be allowed on Padlock Surface Lands by the Operator or its employees, contractors or agents.

(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.

(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. 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) The terms of the Surface Access Agreement and/or Coal Mining Lease granted above shall control in the event of a conflict with any provisions contained in these general provisions.

3. **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.

4. **Force Majeure.** No payments shall be made nor any obligation imposed on Operator under the terms of this Agreement when the work of exploration, and/or mining and removing coal under any of the terms of this Agreement is prevented by general strikes, unavoidable accident, natural disaster, act of god, period of insurrection, or any other cause or causes beyond the control of Operator.

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 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 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 the Exploration Agreement, Surface Access Agreement, and/or Coal Mining Lease set forth above.

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 gross negligence or willful misconduct 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.

**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. Confidentiality.** As long as this Agreement is in effect, the financial terms of this Agreement and all other information obtained in connection with this Agreement shall be held confidential by Owner for a period of five (5) years, and shall not be disclosed to third parties by Owner without the prior written consent of Operator.

**14. 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

15. **Arbitration.** In the event of any dispute between Owner or Operator arising out of or related to the performance under the terms of this Agreement, the parties agree in good faith to negotiate for a resolution to such dispute(s), and failing an amicable resolution, such disputes shall be submitted to three (3) arbitrators for settlement as follows: one selected by each party and the third arbitrator selected by the two arbitrators selected by the parties. At least one of the arbitrators shall be an attorney-at-law. The arbitrators shall meet in Sheridan, Wyoming or such other reasonable location in the State of Wyoming chosen by the parties, and said arbitration shall be conducted and settled in accordance with the provisions of the Uniform Arbitration Act of Wyoming, Wyoming Statutes § 1-36-101 through -119.

16. **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.

(c) This Agreement is the result of good faith negotiations between the parties neither of whom has acted under duress or compulsion, whether legal, economic, or otherwise. Accordingly, the terms and provisions of this Agreement shall be construed in accordance with their usual and customary meanings. The parties hereby waive the application of any rule of law which otherwise might be applicable to the construction of this Agreement that ambiguous or conflicting terms or provisions should be construed against the party who (or whose attorney) prepared the executed Agreement or any earlier draft of the same.

(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**

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Wayne Fahsholtz    Date  
President

**OPERATOR:**

**Ramaco Wyoming Coal Co., LLC**

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Randall W. Atkins                                         Date  
Chief Executive Officer