

**LETTER OF INTENT  
BY AND BETWEEN LA PLATA COUNTY COLORADO AND  
OAKRIDGE ENERGY, INC.**

January 25, 2010

This letter contains the proposed terms and conditions of an agreement between the Board of County Commissioners of La Plata County, Colorado and Oakridge Energy, Inc., a Utah corporation ("Oakridge") and the title owner of approximately 1,866 acres of land located on the Ewing Mesa adjacent to the City of Durango, Colorado ("Oakridge Property"). This letter is intended as an expression of the mutual intent of the parties as to certain aspects of the proposed transaction. The parties, however, agree that there are material terms as to which agreement has not been reached. The parties also agree that this letter is not intended to be, and is not construed by either party to be, a definitive contract and that this transaction is subject to the delivery and execution of a final single or series of written agreement(s) satisfactory to the parties and their respective attorneys.

1. **County Road Plans.** The County is the owner and responsible for maintenance of La Plata County Road System. The County desires to obtain rights of way for future development of County roads from Grandview and the Dominguez Drive/US Highway 160 intersection.

2. **General Agreement by County.**

a. The County acknowledges the existence of the Oakridge current plat of 35 acre parcels and the desire of Oakridge to maintain flexibility for future development of the Oakridge Property.

b. The County agrees that Oakridge and the Oakridge Property would have direct and convenient access (subject to County code safety standards) to any county roads dedicated and developed on the Oakridge Property.

c. The County agrees that Oakridge and utility providers would be given the opportunity, subject to then existing County permitting requirements, to locate utilities within any dedicated right of way for the proposed county roads.

d. The County agrees to solicit cooperation from the Colorado Department of Transportation, the City of Durango and third party property owners to develop the roads as described below and the County agrees to accept for maintenance those portions that are county roads until such time as the responsibility for maintenance is assumed by another government entity.

3. **General Agreement by Oakridge.**

a. The dedications of rights of way for county roads shall be in the form of permanent easements (rather than transfer of fee ownership).

b. The dedications of rights of way shall occur in Phases and shall be tied to improvements and acceptance provisions below.

c. The dimensions of the dedications of rights of way will be based upon the County code requirements for the type of road (in terms of anticipated average daily trips); however, in some instances, Oakridge and the County may agree to right of way dimensions of up to 100 feet to accommodate multi-modal use of the right of way.

4. **Phases of Dedications, Locations and Improvements.** It is anticipated that there shall be approximate locations for two (2) separate dedications of rights of way (collectively referred to herein as the “Connector Options”) as follows:

a. Grandview Connector – Dedication of right of way from the approximate location of the Highway 3 Connector over Oakridge Property to an existing county road or City of Durango street in the Grandview/Three Springs area allowing public road connection to US Highway 160, in the approximate location shown on Exhibit A as the “Grandview Connector”. Improvements related to the Grandview Connector shall include construction of the county road along the alignment shown on the Ewing Mesa Area Plan as approved by the City of Durango as well as construction of the county road over Bureau of Land Management property and private property to connect to an existing county road or City of Durango street allowing direct connection to US Highway 160 in the approximate location shown on Exhibit A as the Grandview Connector.

b. Highway 160 Connector – Dedication of right of way from the approximate location of the Grandview Connector over the Oakridge Property in the approximate location shown on Exhibit A as the “Highway 160 Connector”. Improvements related to the Highway 160 Connector shall include the construction of the road from the intersection with the Grandview Connector to the intersection of Dominguez Drive and US Highway 160, including any right of way acquisition and intersection improvements required by CDOT. Oakridge acknowledges that the development of the Highway 160 Connector is dependent upon the cooperation of CDOT.

5. **Dedication Process; Construction of Improvements; Surety.**

The anticipated process for dedications of the rights of way and improvements described above shall be as follows:

a. County gives written notice of intention to trigger dedication and intent to construct improvements within a reasonable period of time. Subject to paragraph 7 herein, the timing and sequence of development of the Connector Options shall be subject to the County’s discretion based upon available funding options and the cooperation of various third parties.

b. County obtains title commitment showing that right of way property is free and clear of liens.

c. County obtains a survey of the right of way particularly describing the right of way to be dedicated. The County may, at its discretion, also obtain an appraisal of the dedicated right of way.

d. County demonstrates that it or another public entity such as the City of Durango has all necessary rights of way other than such to be dedicated by Oakridge and permits to complete that particular phase of improvements.

e. Oakridge dedicates the right of way and the County and other governmental entity accepts the right of way.

f. County shall comply with the provisions of C.R.S. §§ 38-26-105 and 38-26-107 pertaining to contractor's bonds and the withholding of funds to ensure that the improvements will be completed, at a minimum, to county road standards within a defined period of time and provision for payment is secured.

g. County constructs improvements and maintains the new county road until such time as maintenance responsibilities are assumed by another government entity.

6. **Potential Relocation of Grandview Connector and Improvements.** It is possible that the location of the Grandview Connector shown on Exhibit A may be located in a location other than the approximate location shown on Exhibit A either through the request of the County or the possible approval of a development plan for the Oakridge Property. If either party wishes to locate the Grandview Connector to a location other than that reflected on Exhibit A, such party shall have the ability to do so provided notice is provided to the other party prior to Oakridge's dedication of the right of way and the County's acceptance of the same. Notwithstanding the foregoing, a relocation of the Grandview Connector by the County shall not allow relocation on the Oakridge Property without the written consent of Oakridge.

7. **Deadlines for Dedication Process and Construction.** The dedication process and construction described in Section 5 above must occur within the following time frames or the County rights to future dedications shall terminate:

a. Phase I of the Connector Options: The County agrees to construct the Grandview Connector as Phase I of the process. The time frame for doing so shall be:

1. Notice of intent to trigger dedication and construct improvements: no later than five (5) years from date of formal agreement.

2. Completion of construction: no later than seven (7) years from date of formal agreement.

b. Phase II of the Connector Options/The Highway 160 Dominguez Intersection Connection:

1. Notice of intent to trigger dedication and construct improvements: no later than seven (7) years from date of formal agreement.
2. Completion of construction: no later than 9 years from date of formal agreement.

Notwithstanding the time frames set forth in this section, the County acknowledges Oakridge's desire to have all Connector Options completed as expeditiously as possible. However, the County's ability to do so depends, in large part, upon the cooperation and participation of various third parties, including but not limited to the City of Durango and the Colorado Department of Transportation. Oakridge consents to La Plata County soliciting such third party cooperation upon the execution of this Letter of Intent and thereafter to completion of the Connector Options. In the event cooperation, both practical and financial, is achieved in a manner that would allow for completion of one or more of the Connector Options prior to the time frames set forth in this section, La Plata County shall diligently pursue such earlier completion.

Notwithstanding the requirements for completion of construction set forth in Sections 7(a)(2) and (b)(2), if the County has failed to complete the required construction by the defined date(s) provided, the County shall have the right to an extension of up to six (6) months upon written request delivered to Oakridge prior to the respective defined date(s), so long as the Contractor's bond and withholding of funds per Section 5(f) above remain in effect.

It is understood that because the County's obligations under the final agreement will involve the expenditure of public funds, the final agreement will be contingent upon the continued availability of county funds for payment. The County's financial obligations under the final agreement shall not constitute a general obligation, indebtedness or multiple year direct or indirect debt or other financial obligation whatsoever within the meaning of the constitution or the laws of the State of Colorado.

Upon execution of this Letter of Intent, legal counsel for the respective parties shall work together to develop a draft of a comprehensive contract regarding this proposed transaction. This letter is not intended to be a binding contract, and until a contract is executed, no party will be bound.

**OAKRIDGE ENERGY, INC.**

By: *Andria Pavitsky*  
Its: *President*

**BOARD OF COUNTY COMMISSIONERS  
LA PLATA COUNTY, COLORADO**

By: \_\_\_\_\_

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Chair