

## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 1<sup>st</sup> day of August 2012, by and between **Scot A. Reynolds** (hereinafter called the "Owner" whether one or more), whose address is 29436 County Road #388, Kersey, Colorado 80644, and **Noble Energy Inc.**, whose address is 1625 Broadway, Suite 2200, Denver, CO 80202, hereinafter called Operator sometimes referred to each as a "Party" or collectively as the "Parties".

### WITNESSETH

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

**1. OWNERSHIP.** Owner is the surface owner of certain lands located in **Weld County, Colorado** generally described as follows ("Lands"):

**Township 5 North, Range 64 West, 6<sup>th</sup> P.M.**  
Section 13: W/2SW/4

**2. OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled three oil and/or gas wells ("Wells"), identified as the NAKAGAWA B13-65-1HN, NAKAGAWA B13-64-1HN and NAKAGAWA B13-62-1HN, the surface pad drilling sites which will be on the Lands located above. In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including but not limited to, permanent access roads ("Access Roads"), pipelines, flow lines, separators, tank batteries, electric lines and any other facilities or property necessary for Operator to conduct operations on the Wells (each a "facility", collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands of Owner.

Owner grants permanent subsurface easements for passage of any portion of the wellbore, whether producing or nonproducing, including the right to occupy and use the subsurface and the subsurface pore space displaced by the wellbore and the structures appurtenant thereto as permitted by this Agreement.

The Parties enter into this Agreement to evidence their entire 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 Wells and Access Roads to the wellsites, and the location of flow lines, separators, tank batteries and other facilities will need to be constructed upon the Lands. Operator agrees not to use more than nine (9) acres of the surface of the Lands during any drilling, completion, recompletion or workover operations; provided, however, that each wellsite, separator and tank battery will not permanently exceed two (2) acres in area, absent written consent from the Owner.

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The location of the Wells, drill sites, Access Roads, flow lines and tank batteries and other Facilities to be constructed on the Lands are depicted on Exhibit "A".

Any changes to the Wells, drill sites, Access Roads, flow lines, tank batteries or other Facilities locations may be made by Operator only with written consent of Owner.

Owner grants consent to locate the Horizontal Wells greater than 50 feet from an existing well pursuant to COGCC Rule 318A(c.). Owner grants consent to locate the proposed Horizontal Wells outside of the GWA windows as defined in COGCC Rule 318A(a). Owner shall grant any necessary property line waivers required under COGCC Rule 603 and to grant waivers as to any other state or local setback requirements or other requirements or regulations that are or become inconsistent with this Agreement. Additionally, Owner shall grant waivers or consents to any requirement or regulation that may prohibit or interfere with obtaining any necessary permits to drill the Horizontal Wells. Owner understands that Noble may provide a copy of this Agreement in order to obtain an exception location or variance from the under COGCC rules or from a local jurisdiction. Owner also agrees that it will not object in any forum to the use by Noble of the surface of the Property consistent with this Agreement and that it will also provide Noble with whatever written support they may reasonably require to obtain permits from the COGCC or any local jurisdiction.

**4. CONDUCT OF OPERATIONS.** Operator's operations on the Lands will be conducted pursuant to the terms of the Leases, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes and case law.

**5. COMPENSATION AMOUNT.** Operator will pay Owner the sum of \$\_\_\_\_\_ shall be paid not less than 30 days after execution of this Agreement and the balance remaining due for any other well or wells shall be paid not less than 30 days prior to the commencement of drilling operations for any Well. Said sum shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the Wells and Facilities. Such damages will include, without limitation, damage to growing crops and crop land; the re-seeding construction and use of access roads; and the preparation and use of the wellsite areas. Any subsequent major operations for said Wells (refract, deepening, redrilling, etc.), except in case of emergency, shall require ten (10) days prior notice to Owner. Operator shall pay Owner all actual damages caused by subsequent operations including but not limited to (a) violations of this Agreement, (b) violations of regulations of the COGCC, (c) negligence, and (d) violations of 6C(ii) below.

If, for any reason, more acreage is necessary than the limits previously stated in Paragraph 3, the Owner will be compensated in the amount of \$\_\_\_\_\_ per acre.

**6. ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROAD, FENCES AND FACILITIES.** With respect to its operations on the Lands, Operator will comply with the following provisions:

**A. Access Road:**

- (i) Access Road will not exceed 30 feet in width absent written consent from the Owner.
- (ii) During Drilling operations, Operator will insure that all vehicles accessing the Lands on its behalf remain on the Access Road. Operator shall have the right to place a single strand fence on both sides of Access Road during drilling operations.
- (iii) Operator agrees to back-slope all Access Road.
- (iv) Operator will provide Owner with a minimum of 10 days prior written notice before restoring the surface of all Access Road to be permanently abandoned by Operator. No later than 10 days following receipt of such notice, Owner may elect, in writing, not to have such Access Road abandoned by Operator. In such event, Operator will have no liability under this Agreement, the Lease, or otherwise, to restore the surface of the Lands utilized as Access Road. Failure to timely respond will be deemed as Owner's election that Operator proceed with the abandonment of the Access Road and the restoration of the surface thereof.
- (v) Operator will stockpile and save any topsoil removed while constructing Access Road for rehabilitation or re-seeding as reasonably directed by Owner.
- (vi) Operator will maintain all Access Road in good repair and condition, and Operator shall not haul rocks on roads and the wellsites in a form larger than 3/4" gravel.

**B. Surface Restoration:**

- (i) Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original condition and contour as nearly as is reasonably practicable, and re-seeded, provided however, that Operator's intent to abandon any Access Road will be subject to the provisions of Paragraph 6(A)(iv) herein.
- (ii) Reclamation of all areas disturbed by drilling operations shall be commenced and completed as soon as possible after cessation of drilling operations. Operator agrees to take all steps necessary for reclamation to return the disturbed property as close to its original condition as possible.

- (iii) In addition to all other terms of this Agreement including compensation amount in Paragraph 5, (hereinabove), for any wellsite that is located in an Alfalfa field, Owner shall have the option to either have Noble reseed the affected area at the sole cost, risk, and expense of Noble with the type of Alfalfa seeds selected by Owner, or Owner can reseed the affected area himself and receive payment from Noble in the amount of \_\_\_\_\_ for every two acres or less upon notice of such reseeding by Owner. If the reseeding is required on more than two acres, Owner shall receive compensation at the rate \_\_\_\_\_ per acre or part thereof. Such payment shall constitute Owners acceptance of responsibility for compliance with COGCC Rule 1003.e.(1), R on revegetation of crop (C), lands (L), insofar as any perennial forage crops that were present before disturbance shall be established.

**C. Other:**

- (i) Operator will install culverts on the Lands that may be necessary to maintain present drainage otherwise affected by its operations on the Lands.
- (ii) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Well, there is damage to personal property of the Owner, including, but not limited to, livestock, water wells, fences, gates, culverts, bridges, pipelines, ditches, or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 5, Operator will pay full market value, repair, or replace such personal property after consultation with and to the reasonable satisfaction of the Owner within thirty (30) days. Owner will promptly notify Operator of any items damaged after the Well's construction, and Operator will repair or replace such items after consultation with the Owner within thirty (30) days of the notification.
- (iii) Operator agrees that all trash, refuse pipes, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary continued operations of the Well will be removed and disposed away from the Lands no later than 30 days after the completion of the Well. No such items will be burned or buried on the Lands.
- (iv) The wellsites and production/tank sites shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production. Additionally, all production/tank sites shall be fenced pursuant to the reasonable requirements of Owner such that livestock will not have access to said sites.
- (v) All guy lines for drilling and completion rigs shall be immediately removed after such work is completed.



- (vi) At the request of Owner, Operator agrees to fence off the perimeter of the wellsites with temporary fencing during drilling operations. Operator will also install swinging gates with locks at all access points where necessary as determined by Owner and Operator shall be responsible for restoring Owner's existing fence to its original condition at any point of access.
- (vii) All pipelines of any type or purpose shall be buried not less than Three and one-half feet (3½') beneath the surface and water packed or compacted upon installation. In excavating for pipelines or for drilling operations or for any other purpose, all soils will be separated so that topsoil and subsurface soils shall be placed back in the proper order and leveled, with top soil on top. No pipelines shall be permitted which do not serve a well or wells located upon Owner's property absent written consent from owner.

7. **TANK BATTERY.** Operator shall install the tank batteries and flow lines in the approximate locations shown on attached Exhibits "A". At the request of Owner, Operator shall install fencing around the tank batteries.

8. **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 will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 30 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default. Receipt of the certified mail shall be deemed effective 3 days after the mailing unless sooner received by Operator.

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

9. **INDEMNITY/RELEASE.** 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.

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.

**10. WAIVER OF 30-DAY NOTICE.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other notice or consultation requirements of the COGCC. Without waiving the foregoing, Operator agrees it will provide an initial notice to Owner after it has submitted a request for permit to drill from COGCC.

**11. NOTICE FOR ADDITIONAL OPERATIONS.** Operator will comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Well, including, but not limited to, reworking operations thereto.

**12. NOTICES.** Notice by either Party will be promptly given, orally if possible (with exception of the default notice described in Paragraph 8), with 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 notice to the other:

**Owner:**

Scot A. Reynolds  
29436 County Road #388  
Kersey, Colorado 80644

**With a copy to:**

Lind & Ottenhoff, LLP  
Kenneth F. Lind, Esq.  
355 Eastman Park Drive, Suite 200  
Windsor, CO 80550  
Phone: (970) 674-9888  
Fax: (970) 674-9535

**Operator:**

NOBLE ENERGY, INC.  
1625 Broadway, Suite 2200  
Denver, CO 80202  
Phone: (303) 288-4000

**13. BINDING EFFECT.** The covenants and conditions herein contained are all of the provisions of this Agreement will insure to the benefit of and will be binding upon the Parties hereto, their respective heirs, representatives, successors or assigns. Owner agrees to contact any and all tenants of Lands or any other third parties utilizing the surface of the Lands that may be affected by Operator's activities on the Lands. It will 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 for the payment of any consideration, if any, due such third party from Owner.

**14. ENTIRE AGREEMENT.** This instrument contains the entire agreement between the Parties and may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective successors or assigns. All prior discussions, negotiations and agreements, if any, are void and/or are incorporated into this Agreement.

ACKNOWLEDGMENTS

STATE OF COLORADO    )  
  ) ss.  
COUNTY OF \_\_\_\_\_ )

Subscribed and sworn to before me this \_\_\_\_\_ day of AUGUST 2012, by  
\_\_\_\_\_ as \_\_\_\_\_ for Noble Energy, Inc.

WITNESS my hand and official seal.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF COLORADO    )  
  ) ss.  
COUNTY OF WELD        )

Subscribed and sworn to before me this 1<sup>st</sup> day of AUGUST, 2012, by  
Scot A. Reynolds.

WITNESS my hand and official seal.

My commission expires: March 16, 2013.

Susan Langer  
Notary Public





15. **TERMINATION.** If Operator does not commence operations for the Well within the primary term of the Lease, this Agreement will terminate in its entirety without penalty to either Party, or will otherwise be renegotiated.

16. **CONFLICT.** This Agreement sets forth additional terms and conditions of the Lease between the parties hereto. If there is a conflict between this Agreement and the Lease with regard to surface use issues, this Agreement shall control.

17. **COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either party.

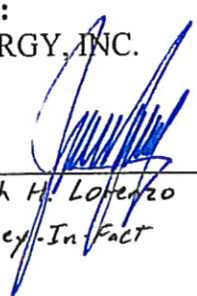
18. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado. Venue shall be deemed to be in Weld County, Colorado.

19. **ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a breach of this Agreement will be entitled to its reasonable attorneys' fees and costs incurred therein.


20. **AUTHORITY OF SIGNATORIES.** The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.

21. **SUCCESSORS.** This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, administrators, trustees, executors and assigns.

**OPERATOR:**  
NOBLE ENERGY, INC.

By:   
Name: Joseph H. Lorenzo  
Title: Attorney-In-Fact

**OWNER:**

By:   
Name: Scot A. Reynolds  
Title: Owner

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## Exhibit "A"

Attached to and by reference made a part of that certain Surface Damage and Release Agreement dated August, 2012, by and between Scot Reynolds as "Surface Owner", and Noble Energy, Inc. as "Noble" covering the following lands:

Township 5 North, Range 64 West, 6th P.M.  
Section 13: W/2SW/4  
Weld County, Colorado



1. NAKAGAWA B13-65-1HN
2. NAKAGAWA B13-64-1HN
3. NAKAGAWA B13-62-1HN

Road Access



Flowlines



Tank Battery

