

COPY

## MEMORANDUM OF DAMAGE, RELEASE AND SURFACE USE AGREEMENT

This Memorandum of Damage, Release and Surface Use Agreement ("Agreement") summarizes the Damage, Release, and Surface Use Agreement made and entered into May 13, 2013, by and between Windsor LV II LLC, a Nevada limited liability company ("Owner or "Windsor"), and Bayswater Exploration and Production LLC, a Colorado limited liability company, as assignee of the original signatory, Three Crown Petroleum LLC, a Colorado limited liability company ("Operator"); sometimes referred to each as a "Party," or collectively as the "Parties."

The Agreement pertains to the following lands (the "Lands")

Township 6 North, Range 67 West, 6<sup>th</sup> P.M., Section 14;

- Lot C of Recorded Exemption NO. 0807-14-1-RE3536 recorded June 3, 2003 at Reception NO. 3068526 and being a portion of the Northeast 1/4 of Section 14, Township 6 North, Range 67 West of the 6<sup>th</sup> P.M., County of Weld, State of Colorado containing 155 acres, more or less;

Lot B Recorded Exemption RE 2276, being the part located in the SW4NW4 of said Section 14, containing 1.82 acres conveyed to Henry Stromberger at Reception No. 808122 recorded January 31, 1939;

Lot B Recorded Exemption No. 807-14-2 RE 1694, recorded March 1, 1995 at Reception No. 2428336 County of Weld, State of Colorado, lying within the NW/4 of said section 14, containing 96.0 acres, more or less; and

That portion of Lot B Recorded Exemption No. 0807-14-2-RE 1740 recorded June 15, 1995 at Reception No. 2442613 Weld, State of Colorado, lying within the NW4 of said section 14, containing 44.687 acres, more or less.

1. OWNER'S DEVELOPMENT OF THE LANDS. Owner has plans to develop the surface of the Lands in order to place a new subdivision or subdivisions on the land, with high-density residential and/or mixed-use development.

2. OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS. Operator intends to drill or cause to be drilled, oil and/or gas wells on the Lands ("Well or Wells"). In order for Operator to drill, re-drill, construct, complete, re-complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, access roads ("Access Roads"), flow lines ("Flowlines"), separators, tank batteries, electric lines and any other facilities or property necessary and proper for Operator to conduct operations on the Wells (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter, possess, and utilize a portion of the surface of the Lands.

### 3. LOCATIONS.

A. Oil and Gas Operations Area. The Facilities shall be as shown on the attached map or in the approximate locations depicted if sound engineering practice requires departure from the exact locations shown but in no event shall any of the Facilities be located outside of the Oil and Gas Operations Area as hereafter defined (Exhibit A hereto, showing the "Oil and Gas Operations Area", also referred to herein as "OGOA"). Windsor agrees to provide for the area depicted and described on Exhibit A to be occupied by such Wells and Facilities from which horizontal or directional wells shall be drilled, following the drilling and completion period, and agrees to allow a larger area as is reasonably necessary during drilling and completion of the wells. Other requirements are as stated in the parties' Agreement.

B. Access Roads. Owner agrees to the locations of the Access Roads as shown on Exhibit A, subject to other terms in the Agreement.

C. Flowlines. Owner agrees that all Flowlines shall be installed as shown on Exhibit A, subject to other terms in the Agreement.

D. Except for the Oil and Gas Operations Area and associated Flowlines and Access Roads all as depicted on Exhibit A and except as otherwise provided in this Agreement, Operator shall not use or occupy any part of the surface of the Lands except in the event of an emergency, for necessary incidental, temporary, and non-damaging activities, or with the consent of Owner.

E. There will be no surface occupancy or permanent operations by Operator in the tracts within the NW/4 of Section 14 of the Lands.

4. GOVERNMENTAL PROCEEDINGS.

Owner hereby waives any governmental authority setback larger than 350 feet. The parties shall comply with the other provisions of the Agreement pertaining to governmental proceedings and permitting.

Owner expressly understands and agrees that upon execution of the Agreement Operator may proceed to obtain all necessary permits and conditional use grants in order to commence drilling operations on the Lands.

5. CONDUCT OF OPERATIONS. Operator's operations on the Lands will be conducted pursuant to the terms of the Leases and the rules and regulations of the COGCC and any other applicable laws.

6. ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS, FENCES AND FACILITIES. The parties shall comply with the additional surface use provisions pertaining to access roads, fences, facilities, and surface restoration as required by Section 6 of the Agreement.

7. CONSIDERATION. Surface damage payments shall be made as required by the Agreement, subject to amendment by the parties through mutual consent.

8. OPERATOR DEFAULT AND RIGHT TO CURE. The parties shall comply with the provisions of the Agreement pertaining to default and waiver.

9. INDEMNITY/RELEASE.

The parties shall comply with the provisions of the Agreement regarding indemnity and release of liability.

10. DIRECTIONAL DRILLING COSTS. Operator agrees to drill directionally or horizontally whenever required to reach a bottomhole location outside of an Oil and Gas Operations Area (a "Directionally Drilled Well" or a "Horizontal Well"). Operator shall be solely responsible for all costs of each Directionally Drilled Well or Horizontal Well. The Parties expressly waive the provisions of C.R.S. § 24-65.5-103.7, and specifically intend that this Agreement shall constitute a surface use agreement within the meaning of C.R.S. §§ 24-65.5-101 et seq.

11. WAIVER OF 30-DAY NOTICE. Owner waives the 30-day notice of surface operations provided by COGCC rules provided Operator complies with this paragraph. Operator agrees it will provide an initial written notice of Operator's intent to commence drilling operations to Owner after it has submitted a request for permit to drill from the COGCC. Such notice will state Operator's estimated commencement of drilling date. Operator shall provide 10 days actual notice prior to any operations on the Lands and will coordinate its activities with Owner so that Owner may have an inspector present.

12. NOTICES. The parties shall comply with the provisions of the Agreement relating to notices.

13. ADVICE TO TENANTS. Owner shall advise tenants as required by the Agreement. Operator agrees not to conduct drilling operations for its wells between April 1<sup>st</sup> and November 1<sup>st</sup>, without Owner's prior written consent. Operator shall be liable for damages caused to tenants on the Lands for any activities conducted outside the window specified herein.

14. RECORDING. Owner shall record a mutually agreed memorandum of the Agreement.

15. **ENTIRE AGREEMENT.** This Memorandum of the Agreement shall not modify the terms of the Agreement.

16. **TERM.** The Agreement will remain in full force and effect Operator for so long as Operator has the right to conduct oil and gas operations on the Lands provided, however, that the termination of this Agreement will not relieve the Parties from their respective obligations or liabilities arising herein prior to such termination.

17. **COUNTERPARTS.** The Agreement may be executed in counterparts.

18. **GOVERNING LAW.** The Agreement will be governed by, construed and enforced in accordance with the laws of Colorado.

19. **AGREEMENT TO ARBITRATE ANY DISPUTE OVER THIS AGREEMENT OR OPERATOR'S OPERATIONS ON THE LANDS.** The parties shall comply with the provisions of the Agreement pertaining to dispute resolution.

20. **SUCCESSORS.** The 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.

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

22. **ACKNOWLEDGEMENT.** Owner expressly acknowledges that the Agreement satisfies Operator's obligation under COGCC rules to consult in good faith with the surface owner regarding the proposed oil and gas operations, concerning the identified Wells and Facilities, on the Owner's Lands. Owner makes other acknowledgements stated in Section 22 of the Agreement.

23. **SEVERABILITY.** Provisions of the Agreement are severable.

24. **CONFIDENTIALITY.** The parties shall comply with the requirements of the Agreement pertaining to confidentiality.

25. **REASONABLE ACCOMMODATION.** Owner and Operator agree that the right to use of the surface estate of the Lands by Operator as described in the Agreement are expressly granted to Operator, its successor, and assigns by Owner and that use of the surface estate of the Lands as granted herein shall construe "reasonable accommodation" by Operator of Owner (and vice versa), or their successor, and assigns with respect to C.R.S. § 34-60-127.

OPERATOR:  
BAYSWATER EXPLORATION AND  
PRODUCTION, LLC

By: 

OWNER:  
WINDSOR LV II, LLC

By: 

STATE OF Utah )  
COUNTY OF Utah )ss

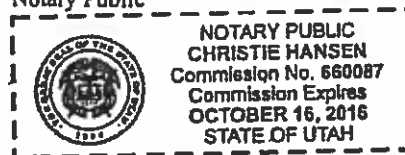
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 15 day of July, 2013, personally appeared Jonathan Myres to me known and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as free and voluntary act and deed of GY Property Holdings, LLC-Managing Member of Windsor LV II, LLC, a Nevada limited liability company for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires:

October 16, 2016.

Christie Hansen  
Notary Public

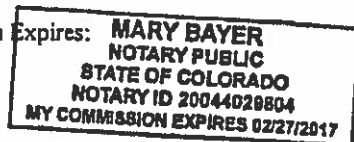


STATE OF Colorado )  
COUNTY OF TENDER )ss

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 16<sup>th</sup> day of July, 2013, personally appeared Lynn Belcher to me known and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as free and voluntary act and deed of Bayswater Exploration and Production LLC, a Colorado limited liability company, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires:



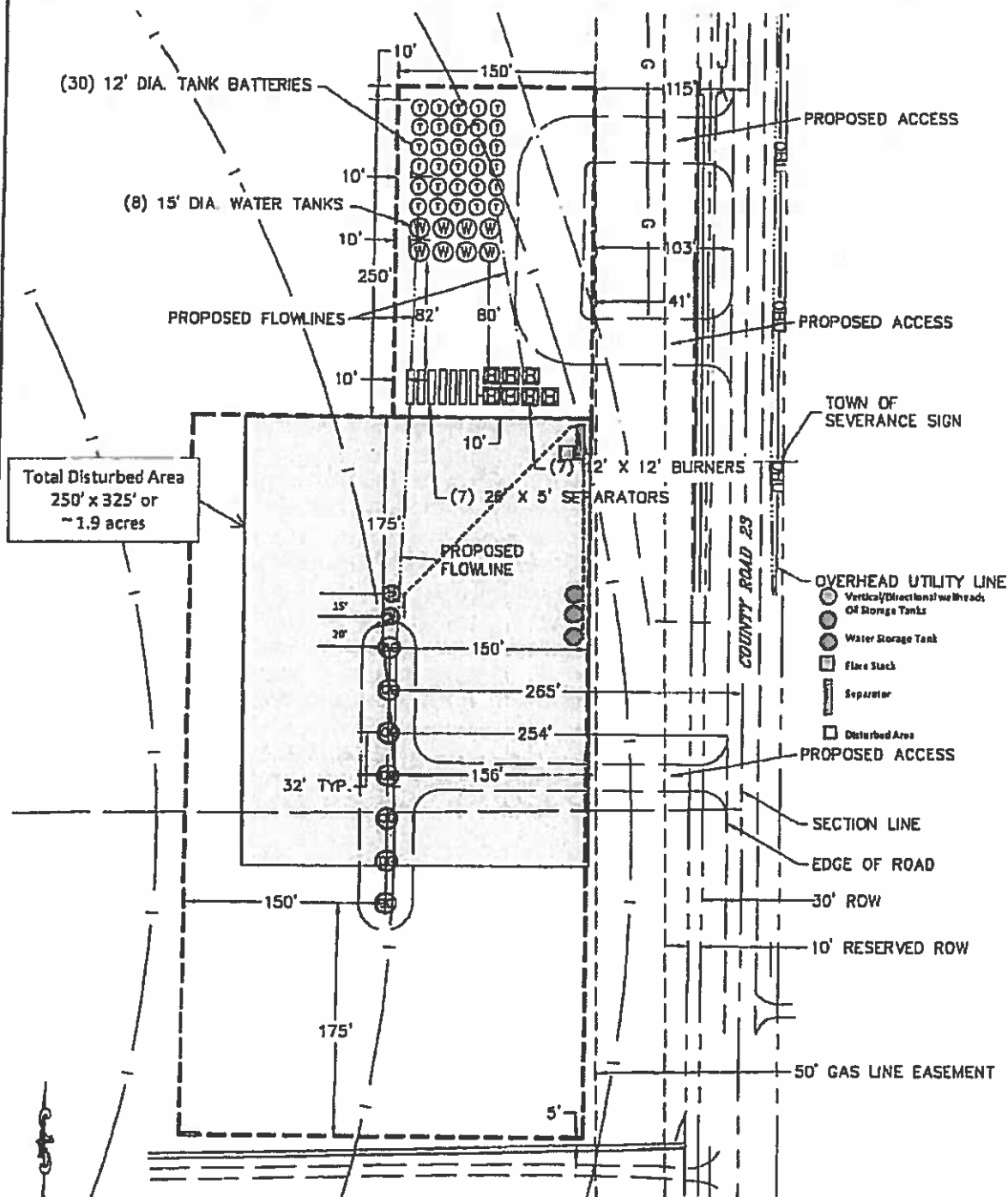
Mary Bayer  
Notary Public



Lat40, Inc. 1635 Foxtrall Drive, Suite 325 Loveland, CO 970-776-3321

# EXHIBIT A WINDSOR LV HZ PAD

SECTION: 14  
TOWNSHIP: 6N  
RANGE: 67W



DATE: 4/26/2013  
PROJECT: 2012076

Continued →

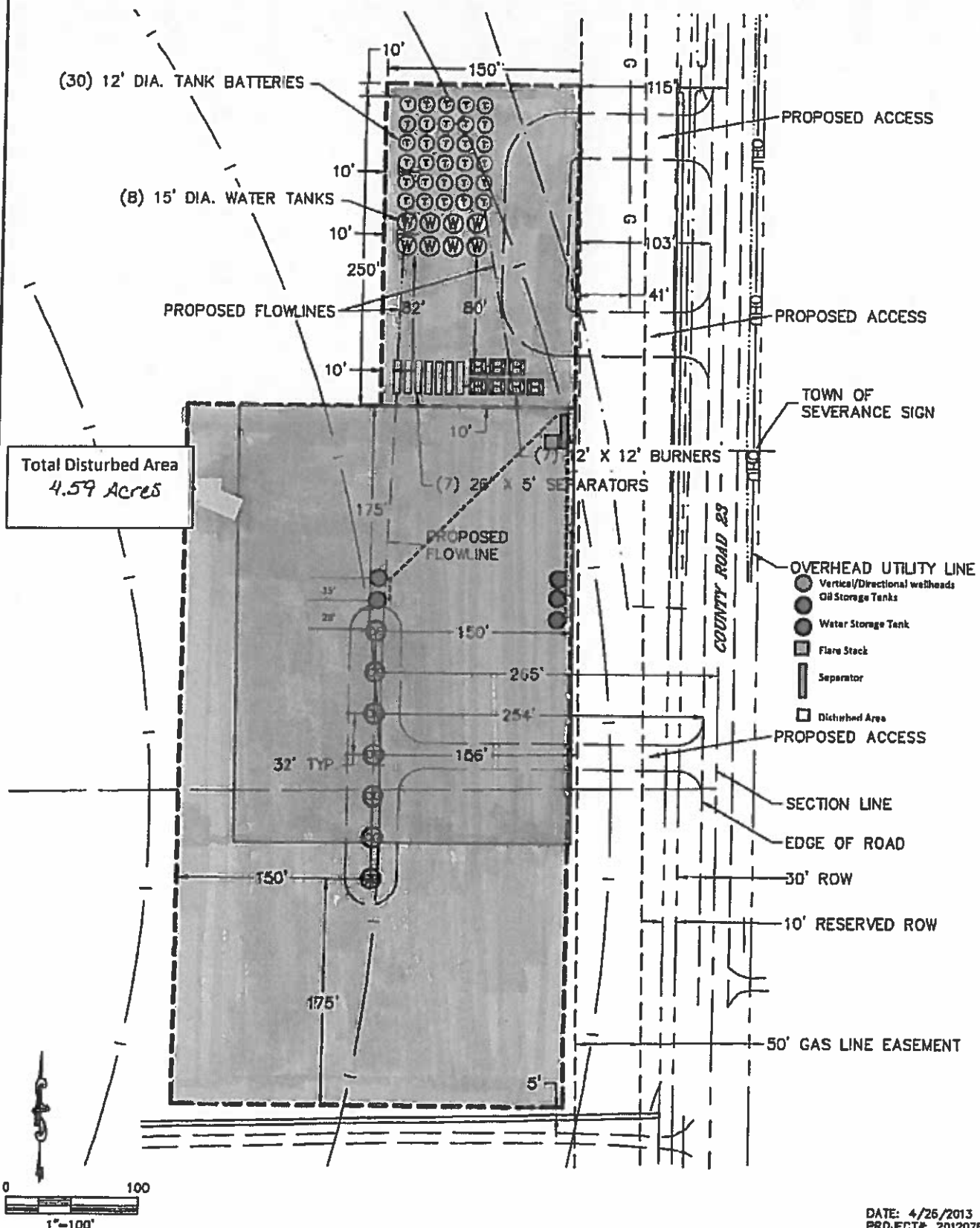


Lat40°, Inc. 163. .oxtrail Drive, Suite 325 Loveland, CO 970-776-3321

## EXHIBIT A

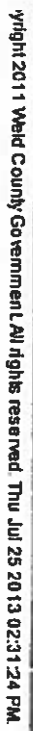
### WINDSOR LV HZ PAD

SECTION: 14  
TOWNSHIP: 6N  
RANGE: 67W



Size of disturbance area is 4.59 acres

E Sec 14-T6N-R67W



WINSOE LV PAD = 4.59 acres  
Disturbance Area