

## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 2<sup>nd</sup> day of May 2014, by and between James Carpenter, ("Owner"), and Catamount Energy Partners LLC ("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 La Plata and Archuleta Counties, Colorado as more specifically described as follows ("Lands"):

Township 32 North, Range 6 West, N.M.P.M.  
Section 3: N/2SE/4

Operator represents that it owns a working or operating interest in a valid oil and gas lease or leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith (each a "Lease," collectively, the "Leases").

2. OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS. Operator may drill or cause to be drilled an oil and/or gas well or wells on the Lands ("Well"). In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, 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. 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 approximate location of the Wells is depicted on Exhibit "A." Any material changes to such locations may be made by Operator with the consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations.

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

5. COMPENSATION AMOUNT. <sup>MM</sup> ~~Prior to the commencement of actual drilling operations,~~ <sup>JC</sup> Upon receiving Regulatory & County Approval <sup>MM</sup> ~~Operator will pay Owner the sum of [REDACTED] for the Well location and the associated Facilities, Operator will pay Owner [REDACTED] per rod for new or existing roads used and/or built by the Operator but in no circumstance, less than [REDACTED], and Operator will also pay Owner [REDACTED] per rod, but in no circumstance, less than [REDACTED], for pipelines or flowlines constructed by the Operator ("Amount").~~ <sup>3C</sup> The Amount is hereby acknowledged by Owner as full and final consideration for Operator's use of the Lands under this Agreement and Owner, on behalf of itself and its respective predecessors, heirs, assigns and any person or entity claiming by, through or under any of them does hereby release Operator and all affiliates, joint owners, employees, contractors or other persons working for, with, or succeeding to Operator for any and 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, cropland, the removal, transportation and care of livestock, re-seeding, construction and use of Access Roads and the preparation and use of the Well site areas; provided, however, that if after the initial drilling, completing and equipping of the Wells and Facilities for production, Operator commences subsequent operations thereto, including, but not limited to, re-fracturing operations on the Wells, and such operations result in additional crop losses on the Lands

<sup>MM</sup> Paid ~~[REDACTED]~~ towards balance due of ~~[REDACTED]~~, total <sup>JC</sup> due upon receiving Regulatory & County approval will be <sup>MM</sup> ~~[REDACTED]~~ <sup>3C</sup>

affected thereby, Operator will timely reimburse Owner for the actual net value of such crop loss, if any. If Owner owns less than 100% interest in the Lands, then the Amount paid to each Owner shall be proportionately reduced by the percentage in which they own in the Lands.

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

A. Access Roads:

(i) Access Roads will not exceed 40 feet in width except for during construction activities.

(ii) Operator will take reasonable steps to insure that all of its vehicles accessing the Lands on its behalf remain on the Access Roads.

(iii) Operator will provide Owner with a minimum of 10 days prior written notice before restoring the surface of all Access Roads 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 Roads 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 Roads. Failure to timely respond will be deemed as Owner's election that Operator proceed with the abandonment of the Access Roads and the restoration of the surface thereof.

(iv) Operator will maintain all Access Roads in good repair and condition.

B. Surface Restoration:

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 contour as nearly as is reasonably practicable, and re-seeded if so requested by Owner; provided however, that Operator's intent to abandon any Access Roads will be subject to the provisions of Paragraph 6(A)(iii) herein.

C. Other.

(i) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Wells, there is unanticipated damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, Operator will repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Well's construction and Operator will repair or replace such items within a reasonable time after consultation with the Owner.

(ii) Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells will be removed and disposed away from the Lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands.

7. **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 business days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default.

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 additional payment for reasonably anticipated damages to the Lands caused by Operator's oil and gas operations, and in no event will Operator be liable for consequential damages.

8. **PIPELINE RIGHT OF WAY AND EASEMENT.** Upon payment of compensation for the pipelines and flowlines described in paragraph 5, Owner shall execute and deliver to Operator a Pipeline Right of Way and Easement substantially in the form attached hereto as Exhibit B granting a right of way and easement to Operator for pipelines and flowlines on the Lands.

9. **INDEMNITY/RELEASE.** OPERATOR HEREBY INDEMNIFIES AND HOLDS OWNER HARMLESS AGAINST ANY AND ALL CLAIMS, DAMAGES, DEMANDS, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES) TO THE EXTENT ARISING FROM OR RELATED TO THE NEGLIGENCE OR MISCONDUCT OF OPERATOR OR ITS EMPLOYEES, AGENTS, CONTACTORS, OR INVITEES IN THE COURSE OF THEIR EXERCISE OF RIGHTS GRANTED BY THIS INSTRUMENT, BUT NOT TO THE EXTENT CAUSED BY OWNER, OR ITS EMPLOYEES, AGENTS, TRUSTEES, BENEFICIARIES, CONTACTORS, OR INVITEES.

10. **WAIVER OF NOTICE AND CONSULTATION.** In accordance with Sections 305.c(5) and 305.f of the Rules of the COGCC, Owner waives the right to receive the Oil and Gas Location Assessment Notice and the Statutory Notice to Surface Owners, and Owner also waives the right to the Drilling Consultation set forth in COGCC Rule 306.a. Owner acknowledges the receipt from Operator of the information brochure for surface owners described in COGCC Rule 305.f(3)(D). Owner also waives the right to receive notices under the La Plata and Arculeta County code, including, but not limited to, section 90-77 of La Plata code in connection with the matters addressed in this Agreement.

11. **WAIVER OF SURFACE DAMAGES.** Owner hereby waives any and all rights to receive or claim surface damage payments pursuant to any COGCC or local regulation, state statute, common law, or prior agreement for each and every well and related wellsite that is drilled in an Operations Area, and for each production facility, access road, flowline, gathering line or pipeline. Operator may provide a copy of this Agreement to the COGCC or to any local jurisdiction, person, entity, or any court of law as evidence of this waiver.

12. **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 Wells, including, but not limited to, reworking operations thereto.

13. **NOTICES.** Notice by either Party will be promptly given, orally if possible (with the exception of the default notice described in Paragraph 7), 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

James Carpenter  
3020 County Road 988  
Ignacio, Colorado 81137

Operator

Catamount Energy Partners LLC  
1801 Broadway, Suite 1000  
Denver, CO 80202

14. **BINDING EFFECT.** The covenants and conditions herein contained and all of the provisions of this Agreement will inure 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.

15. **CONFIDENTIALITY.** The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose such matters to any third party without the advance written consent of the other, or if ordered to do so in a legal proceeding. While the specific terms hereof are to remain confidential between the Parties,

Operator may record a memorandum of this Agreement in **La Plata and Archuleta** Counties, Colorado. Despite the preceding, Operator may submit this Agreement, with the monetary terms redacted, to the COGCC.

16. **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.

17. **TERM.** This Agreement will remain in full force and effect for so long as oil and gas operations are conducted on the Lands pursuant to the Leases; 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.

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

19. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado.

20. **AGREEMENT TO ARBITRATE ANY DISPUTE OVER THIS AGREEMENT OR OPERATOR'S OPERATIONS ON THE LANDS.** If any dispute arises between Owner and Operator with respect to this Agreement or from Operator's operations on the Lands or both, such dispute will be resolved through arbitration. Any such arbitration will be conducted by the Judicial Arbitrator Group ("**JAG**") in Denver, Colorado, by a single arbitrator employed by or associated with JAG. Such arbitrator will have at least 10 years experience in oil and gas, either by work directly in the industry or as a lawyer licensed to practice law in Colorado or a judge familiar with oil and gas issues. Either Party may serve upon the other a demand for such arbitration, which should be served by fax and mail, or by hand delivery. Owner and Operator agree that if either of them initiates a demand for such arbitration, Owner and Operator will thereafter attempt to mutually agree on the selection of one of the JAG arbitrators to be the arbitrator. Owner and Operator will confer on the selection of such arbitrator within 10 days after the demand for arbitration is served, and will agree upon the selection of a JAG arbitrator, if possible, within 20 days after the arbitration demand has been served. In the event that Owner and Operator are unable to agree on the selection of such arbitrator within this 20-day time period, then Owner and Operator will each submit to JAG, via fax, the names of three arbitrators (meeting the requisite experience specified above) who are employed by or associated with JAG, whom each would find acceptable to be the arbitrator. Such submission to JAG will be made on the fifth business day after the 20-day time period referenced above has expired. JAG will thereafter select from the names submitted by Owner and Operator a single arbitrator who will hear and decide the arbitration based upon applicable Colorado law. The arbitrator will issue an arbitration decision within 30 days after the arbitration hearing is concluded. In the event that JAG no longer exists, the arbitration will be conducted by an American Arbitration Association arbitrator under the rules of the American Arbitration Association then existing. Any decision by the arbitrator relating to the dispute between Owner and Operator will be final and binding upon both Owner and Operator.

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.

22. **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.

IN WITNESS WHEREOF, the Parties have set their hands, the day and year first written above.

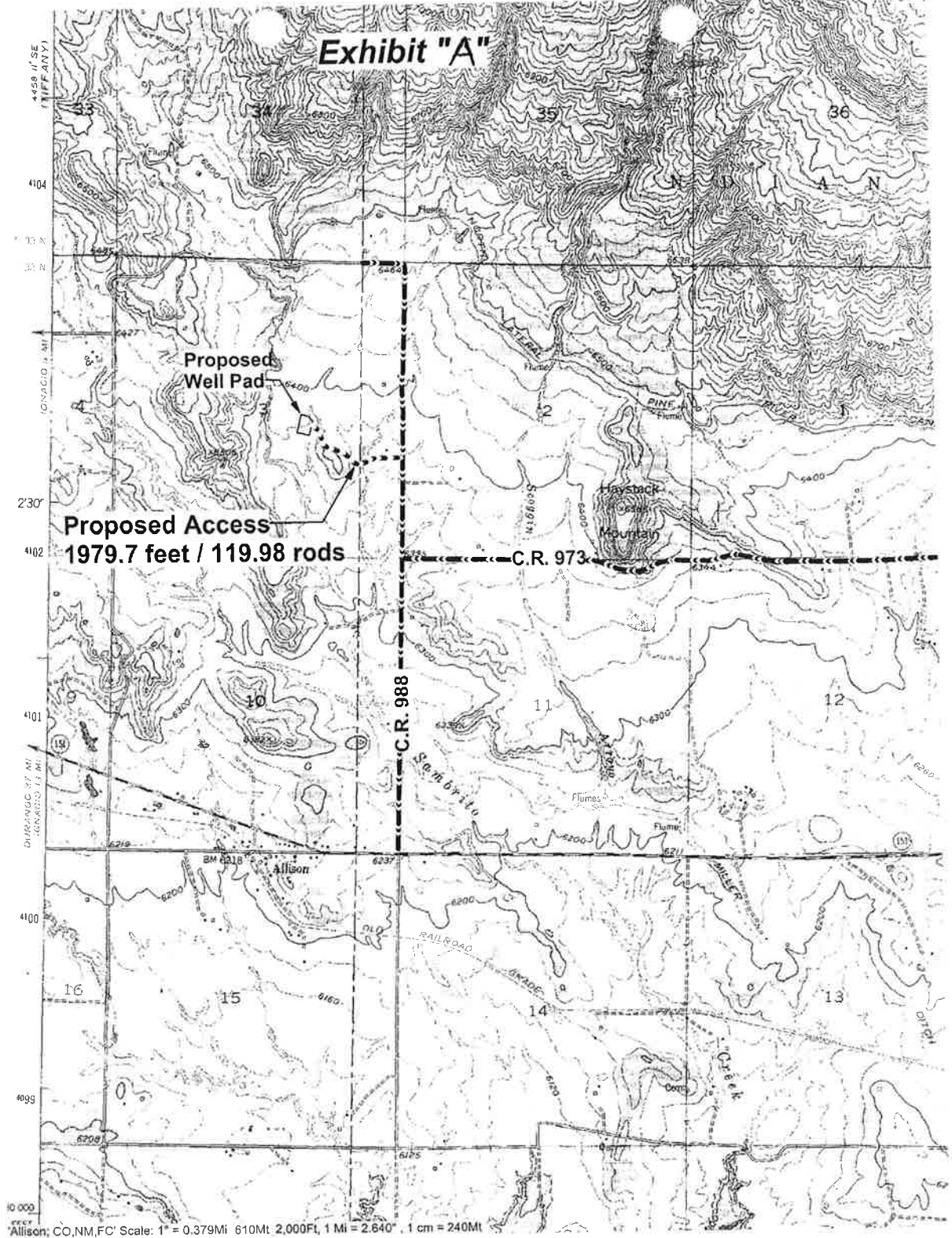
Catamount Energy Partners LLC

By: Craig A. Reed  
Name: Craig A. Reed  
Title: President

OWNER:

James Compton

# Exhibit "A"



## EXHIBIT "B"

### RIGHT-OF-WAY AND EASEMENT AGREEMENT (Pipeline)

**THIS RIGHT-OF-WAY AND EASEMENT AGREEMENT** ("Agreement") made this \_\_\_\_\_ day of \_\_\_\_\_, 2014, is by and between \_\_\_\_\_, with an address of \_\_\_\_\_ ("Grantor"), and \_\_\_\_\_ with an address of \_\_\_\_\_ ("Grantee"). The parties agree as follows:

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby grants, conveys and warrants unto Grantee, its successors and assigns, a perpetual right-of-way and easement to survey, construct, maintain, inspect, test, protect, cathodically protect, operate, repair, replace, modify, change the size of, reconstruct, mark, monitor, abandon or remove, at Grantee's election, one (1) pipeline not to exceed \_\_\_\_\_ in outer diameter together with such surface and subsurface appurtenant facilities, as from time to time are deemed by Grantee to be necessary or desirable in connection with the use and convenient operation of the pipeline, including without limitation, launchers and receivers, meters, fittings, tie-overs, valves, and cathodic protection equipment, for the transportation or transmission of oil, gas, petroleum products, fresh water, saltwater, hydrocarbons and any other substances, whether fluid, solid or gaseous, and any products, derivatives, combinations or mixtures of any of the foregoing, in, on, over, under, across, or through the lands situated in San Juan County, New Mexico, being generally described as follows and more specifically described on the attached Exhibit "A" (the "Easement"):

#### ENTER LEGAL DESCRIPTION

The specific route and course of the Easement is more particularly described on the attached Exhibit "A". The Easement shall extend twenty (20) feet on each side of the centerline for a total width of forty (40) feet (the "Easement Lands"). During construction, maintenance, repair and/or replacement of the pipeline, the Easement and Easement Lands shall extend an additional 5 feet on each side for a temporary width of fifty (50) feet.

Grantor hereby expressly agrees that, in the event the route of the pipeline to be constructed in the Easement should cross any roads, railroads, creeks, jurisdictional wetlands, or other waterways located on the above described land, or if Grantee otherwise requires extra work space with respect to the Easement, then Grantee shall have the right and temporary access to additional working space which may be necessary, and Grantee agrees to pay Grantor for any and all reasonable and direct damages to the land and growing crops in such additional work space which Grantor suffers by reason of Grantee's use of such additional work space.

Grantee agrees to reseed said Easement with the agreed upon seed mixture, attached hereto and being made a part hereof, and any additional temporary work space areas utilized. Reseeding shall continue until vegetation has been reestablished.



## EXHIBIT "B"

Grantor represents and warrants to Grantee that Grantor is the sole owner in fee simple of the Easement Lands and has full right, power and authority to grant the Easement. If Grantor defaults under any mortgage, tax or other lien affecting the Easement Lands, Grantee shall have the right, but not the obligation, in its sole discretion, to discharge or redeem for Grantor, in whole or in part, any such lien and be subrogated to such lien and related rights.

Grantee shall lay all pipe at a depth of not less than thirty-six (36) inches at the time of installation. Grantee shall repair and/or restore any fence on or adjacent to the Easement Lands removed or severed by Grantee in the course of the operations provided for in this Agreement. If necessary to prevent the escape of Grantor's livestock, Grantee shall construct temporary gates or fences.

Grantee shall have all rights, privileges and benefits necessary or convenient for the full use and enjoyment of the Easement, including but not limited to, the right of ingress and egress over and across Grantor's lands lying adjacent to the Easement Lands to and from the Easement for any and all purposes necessary and incidental to exercising Grantee's rights under this Agreement. Grantee's right of ingress and egress over and across Grantor's adjacent lands shall include the right, but not the obligation, to place suitable road building materials upon, and install culverts underneath roadways to facilitate Grantee's use of the Easement. Grantee shall have the right to clear trees, undergrowth, brush, structures, and any other items on the Easement Lands and adjacent lands to the extent Grantee deems necessary in the exercise of the rights granted in this Agreement. Grantee shall not be liable for damages caused by keeping the Easement clear of trees, undergrowth, brush, structures, or any other obstructions.

Grantor shall have the right to use and enjoy the Easement Lands, subject to the rights granted in this Agreement; provided, however, Grantor agrees not to build, create, or construct any obstruction, building, fence, landscaping, reservoir, engineering works or other structures or improvements over, under, on or across the Easement Lands without prior written consent of Grantee.

The consideration received by Grantor for this Easement shall constitute payment in full by Grantee for the Easement and the use, installation, construction, operation, maintenance and repair of the Easement. If by reason of Grantee's operations, there is damage to Grantor's property caused by the negligence of Grantee or an unreasonable use of the Easement Lands by Grantee that is not associated with reasonable and normal use, installation, construction, operation, maintenance and repair of the Easement and/or is not otherwise permitted under this Agreement, such damage shall be repaired or replaced by Grantee or Grantee shall promptly pay Grantor for such damage. Grantor hereby waives all provisions of the New Mexico Surface Owners Protection Act pertaining to Grantee's oil and gas operations associated with the construction, maintenance and use of the Easement Lands.

This Agreement cannot be modified, except in writing signed by Grantor and Grantee.

TO HAVE AND TO HOLD the Easement unto Grantee, its successors and assigns forever. Grantor does hereby covenant and bind itself, and its heirs, successors, assigns and legal representatives to warrant and forever defend all and singular the Easement unto Grantee, and its

## EXHIBIT "B"

successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise. The rights granted herein may be assigned in whole or in part, and the terms, conditions, and provisions of this Agreement are a covenant running with the land and shall inure to the benefit of and be binding upon the parties and their successors and assigns.

This Grant may be executed in counterparts each of which shall be considered one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

### GRANTOR:

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

### GRANTEE:

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_



## EXHIBIT "B"

### ACKNOWLEDGEMENTS

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2014, by \_\_\_\_\_.

Witness my hand and official seal.

\_\_\_\_\_  
Notary Public Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2014 by \_\_\_\_\_, on behalf of Catamount Energy Partners, LLC.

Witness my hand and official seal.

\_\_\_\_\_  
Notary Public Name: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_