

## **SURFACE USE AGREEMENT**

THIS SURFACE USE AGREEMENT ("Agreement") is entered into by and between Sappington Trust ("Owner"), whose address is 27516 Weld County Road 54 1/2, Kesey, Colorado, 80644 the owner of the surface estate described below (the "Property"), and PDC Energy, Inc. ("Company"), whose address is 1775 Sherman Street, Suite 3000, Denver, CO 80203 (individually a "Party," together "the Parties") with respect to the following described lands and well(s):

### **Legal Location:**

Township 5 North, Range 64 West, of the 6<sup>th</sup> P.M.  
Section: 22, West 1/2 of the South East 1/4  
Tax Parcel Number 096322000043  
Weld County, Colorado

### **Well names:**

SAPPINGTON 22T-401  
SAPPINGTON 22T-241  
SAPPINGTON 22Q-321  
SAPPINGTON 22Q-401

## **RECITALS**

WHEREAS, Company owns the leasehold right to access the Property and use so much of the surface as is reasonably necessary to explore for and produce oil and gas from the leased premises; and,

WHEREAS, Company and Owner desire to enter into this Agreement as a supplement to, but not in derogation of, Company's leasehold rights, including the right to drill future wells in addition to any well enumerated herein;

NOW THEREFORE, in consideration of \$[REDACTED] cash in-hand, and other good and valuable consideration, including Company's agreement to pay the additional sum of [REDACTED] per well, forty five days (45) prior to the spudding of all the wells listed above. Company shall have the option to drill up to four (4) wells, as described above, and the drilling of each well shall be at the sole discretion of Company, as well as the mutual promises, leases and covenants contained herein, the receipt and sufficiency of which is hereby acknowledged:

## **RELEASE & CONVEYANCE**

Except as provided below in Additional Covenants 2, 3 and 7, Owner hereby releases and discharges Company, its agents, employees, contractors and licensees from and against any and all claims by Owner for damages, of whatsoever nature and character, including, but not limited to, diminution in value of the Property, arising from, incident to, or in connection with Company's oil and gas operations ("the Operations") on the Property, so long as such Operations are conducted in accordance with this Agreement.

AND,

Owner hereby grants, demises and conveys such easements and rights-of-way on and across the Property as may be convenient for the Operations. Company shall have the right to drill and operate wells ("Wells") and any associated access roads, production facilities, completions facilities, temporary water pipelines and gas pipelines, such as flow lines and sales lines, and to conduct its Operations anywhere within the Oil and Gas Operations Area ("OGOA") and easements shown on Exhibit A, attached hereto and incorporated herein, including directional and horizontal wells that produce from and drain lands other than the Property, provided such lands are validly pooled with all or any portion of the lands included in Company's oil and gas lease covering the Property.

### ADDITIONAL COVENANTS

*The Parties agree that the Recitals above are integral to this Agreement and as such are expressly incorporated in these Covenants by reference as if fully set forth herein.*

1. Company may exercise its rights hereunder for all purposes convenient for Company to perform the Operations, including the right of unimpeded ingress and egress on the designated rights-of-way to access the OGOA, to install and operate production facilities and pipelines, and to install other associated equipment and facilities within the OGOA. Company may assign or delegate to a third party the right to install and operate pipelines in order to connect the Wells to a gas or liquids gathering system. The access easements granted herein shall be non-exclusive and capable of use by Owner, so long as such use does not interfere with or impair the Operations, and with the permission of Company, which permission shall not be unreasonably withheld. The Parties further agree that if Owner's use of the access easements interferes or impairs the Operations, such interference shall be deemed immediate, real and irreparable harm and may require injunctive relief and the Parties further stipulate that money damages will not fully and adequately address the harm.

2. Company shall promptly repair, or compensate Owner for, damage to personal property or to improvements on the Property, such as damage to buildings, fences, gates, culverts and livestock, as well as any other such extraordinary losses or damages caused by Company. Any failure to reach mutual agreement with respect to such repair or compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

3. Company hereby agrees to release, discharge, indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage arising out of Company's Operations, unless, and to the extent that, Owner's negligence causes or contributes to such third party claims. This indemnification extends to any action by a government agency with jurisdiction over the Operations under an environmental law or regulation.

4. Owner has requested that all consultation be conducted directly with Owner. Accordingly, Owner shall have the responsibility of notifying any affected tenant, lessee or other party who may own or have an interest in any crops or surface improvements which could be affected by the Operations. Owner agrees that all damages claimed by a surface tenant, lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby

agrees to release, discharge, indemnify and hold Company harmless from and against any such claims.

5. Company agrees to perform all reclamation in accordance with the rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), unless a variance is granted by the COGCC upon the request of Owner. Company shall endeavor to keep the OGOA and the pipeline and access easements free of weeds and debris and to control erosion. Company agrees to add additional top soil where needed to the reclaimed area around the well pad site.

6. Commencement of the Operations with heavy equipment is estimated to begin the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2015. Owner acknowledges that this notice complies with, or hereby waives, all COGCC requirements that it be given advance notice by Company of the proposed Operations. Owner acknowledges receiving from Company a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as a surface owner.

7. Company shall construct its roads and pipelines within the access easements shown on Exhibit A, and otherwise confine its Operations to the OGOA, except in the event of an emergency, or for reasonable incidental and temporary activities, and Company shall be responsible for any physical damage to the Property that may be caused by such emergency or temporary activities. Any depiction of the Operations shown on Exhibit A are for illustrative purposes only and shall not bind Company with respect to the location or scope of its Operations within the OGOA.

8. Upon Owners request, Company shall install fencing and gates around the facility site and well heads. A four strand barbed wire fence shall be installed on both the east and west sides of the permanent right of way and access road. Company shall install steel pipe gates and cattle guards at the permanent entrance to the Owners property off of Weld County Road 54 & 1/2.

**9. Owner acknowledges and agrees that Company has consulted in good faith with Owner as to its proposed Operations, in accordance with COGCC requirements, or hereby waives such requirements. Owner expressly waives the application of any COGCC setbacks inconsistent with this Agreement.**

(a) Company will provide Owner with the COGCC Form 2A ("Oil and Gas Location Assessment") for the OGOA when submitted to the COGCC, and Company undertakes to ensure that said Form 2A accurately reflects the provisions of this Agreement.

(b) Owner agrees not to object to the Form 2A, so long as it is consistent with this Agreement, and hereby waives any right granted by COGCC rule to comment on the Form 2A, to request an extension of the comment period, to request an onsite inspection pursuant to COGCC policy, or to appeal the approval and issuance of the Form 2A, and any related Form 2 ("Application for Permit to Drill").

(c) Owner shall not oppose Company in any COGCC or other governmental proceedings related to Company's Operations, including, but not limited to, permitting, formation of drilling units, well spacing, pooling, drilling, completion, stimulation, re-stimulation, workovers, deepening and recompleting, provided that Company's position in such proceedings is consistent with this Agreement.

9. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Company to reasonably accommodate Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary.

10. Owner agrees to include a note on any annexation, subdivision plat, planned unit development or other land use designation for which Owner may apply to put successors or assigns on notice that the Property is subject to this Agreement. Owner agrees that Company may also record this Agreement or Memorandum of this Agreement, redacted as to any compensation amount. In all other respects, however, the Parties shall hold the provisions of the Agreement in confidence.

11. In construing this Agreement, no consideration shall be given to the fact or presumption that one Party has had a greater or lesser hand in drafting this Agreement than the other Party.

12. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either Party to remove a matter to federal court.

13. Each of the undersigned principals of the Parties represents and warrants that such person has the requisite corporate or legal authority to bind the respective Parties to this Agreement.

14. Concerning any matter relating to the Operations, Owner may contact:

Operator:	PDC Energy, Inc.
Person to Contact:	Sam McClung
Address:	1775 Sherman Street, Suite 3000 Denver, CO 80203
Phone Number:	303-860-5800
Fax:	303-860-5838
Email Address:	sam.mcclung@pdce.com

**Toll Free 24-Hour Emergency Phone Number: 1-877-350-0169**

15. This Agreement shall extend to, bind and inure to the benefit of, Owner and Company, and their respective heirs, personal representatives, successors and assigns. The rights and obligations contained herein shall constitute covenants running with the Property.

16. This Agreement shall become effective upon execution, which may be by counterparts, each of which shall constitute one and the same document, and shall remain in full force and effect until Company's leasehold estate expires or is terminated, and Company has plugged and abandoned the Wells and conducted reclamation in accordance with applicable COGCC rules and regulations, except that any release, discharge or indemnity from and against

liability contained herein shall survive the expiration of this Agreement. An electronic copy of a Party's original signature shall be considered valid, binding and enforceable.

IN WITNESS WHEREOF, the Parties have executed this Agreement this 19<sup>th</sup> day of December, 2014

OWNER:  
Sappington Trust

  
  
By: Sandra J. Sappington

COMPANY:  
PDC Energy, Inc.,

By: O.F Baldwin II, Vice President of Land



# EXHIBIT "A" Page 1 of 2

This Exhibit "A" is attached to and made a part of that certain Surface Use Agreement by and between Sappington Trust, Sandra J. Sappington Owner, and PDC Energy, Inc., Company. Covering the following lands:

Township 5 North, Range 64 West, 6th P.M.  
Section 22: W1/2SE1/4  
Weld County, Colorado

Sappington Trust, Sandra J. Sappington

By: Sandra J. Sappington DATE: 12-19-14





# EXHIBIT "A" Page 2 of 2

This Exhibit "A" is attached to and made a part of that certain Surface Use Agreement by and between Sappington Trust, Sandra J. Sappington Owner, and PDC Energy, Inc., Company. Covering the following lands:

Township 5 North, Range 64 West, 6th P.M.  
Section 22: W1/2SE1/4  
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Sappington Trust, Sandra J. Sappington

BY: Sandra J. Sappington DATE: 12-19-14

