

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into this 21st day of April, 2015, by and between **Hester Farms, Inc., a Colorado corporation**, ("**Owner**") with an address of 12246 County Road 76, Eaton, CO 80615, and **Bayswater Exploration & Production, LLC**, ("**Operator**") with an address of 730 17th Street, Suite 610, Denver, CO 80202; 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 as more specifically described as follows ("**Lands**");

TOWNSHIP 7 NORTH, RANGE 66 WEST, 6TH P.M.
SECTION 31: PT NW/4, MORE PARTICULARLY DESCRIBED AS LOT B OF RECORDED EXEMPTION NO. 0707-31-2-RE-4778, RECORDED AT RECEPTION NO. 3557399 IN THE WELD COUNTY CLERK AND RECORDER'S OFFICE.

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith or lands adjacent thereto (each a "**Lease**," collectively, the "**Leases**"). Additionally, Operator may have responsibilities under a Joint Operating Agreement ("JOA") with respect to the Lands.

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled one or more oil and/or gas well or wells on its Leases (the "**Wells**"), the surface locations of which shall be on the Lands, as depicted approximately on Exhibit "A" attached hereto, and the subsurface locations of which may be under other lands than Owner's Lands. In order for Operator to drill, construct, complete, produce, maintain, rework, and operate the well or 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.

Owner hereby grants to Operator, its successors and assigns, and each of their agents, employees, contractors and subcontractors, the right, privilege and easement for the purpose of locating and surveying the Wells & Facilities, and for constructing, trenching, operating, maintaining, repairing, altering, replacing and removing the Facilities and appurtenant facilities, for the purposes specified herein, and including the rights of ingress to and egress from the Wells and Facilities across 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.** Material changes to the designated operating areas may be made by Operator with the consent of Owner, which shall not be unreasonably withheld, but will not unduly interfere with

Owner's existing use of the surface estate. It is also understood and agreed that additional access road and flow lines located outside of the designated operating areas may be necessary for operator's activities and in these circumstances Owner and Operator agree to designate a mutually agreeable location for said access road and flow lines. 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, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("**COGCC**"), and applicable Colorado statutes and case law.

5. **COMPENSATION AMOUNT.** Operator shall pay Owner the sum of _____ for each Well ("**Amount**"), which includes all associated Facilities & Access Roads shown approximately on Exhibit "A", for the first six (6) Wells drilled. Operator shall pay Owner the sum of _____ for each Well ("**Amount**") for all additional Wells drilled after the first six (6) Wells, which again, includes all associated Facilities & Access Roads shown approximately on Exhibit "A". Operator shall pay Owner _____ annually for the well site and Facilities ("**Annual Rent**") shown on Exhibit "A". After twelve (12) years, the Annual Rent shall decrease by 10% annually to a minimum of _____ annually for the well site and Facilities. The Annual Rent shall be prorated for the first year. The Amount and Annual Rent 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 removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the well site areas. Any subsequent major operations for said Wells (refrac, recompletion, deepening, redrilling, etc.), except in case of emergency, shall require 10 days prior notice to Owner. Operator shall pay Owner all actual damages caused by said subsequent operations.

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/traffic:

- (i) Access roads will not exceed 20 feet in width.
- (ii) With consideration to access roads, Jeanie Dover, dealing in her sole and separate property, owner of Lot A of Recorded Exemption No. 0707-31-2-RE-4778, part of the NW/4 of Section 31 of Township 7 North, Range 66 West, 6th P.M., Weld County, Colorado, said property also known as 12246 CR 76, Eaton, CO 80615, grants Operator access and truck traffic through said property as outlined on Exhibit "A" attached.
- (iii) Operator will maintain all access roads in good repair and condition.
- (iv) Operator will make communication efforts with all vendors and services companies to obey speed restrictions. Operator cannot guarantee all construction, drilling, completion and associated traffic will be channeled in a certain direction. Operator will advise and remind all vendors and service companies of the proximity to houses, lands and the neighborhood as a whole.

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 contour as nearly as is reasonably practicable

(ii) All guy line anchors for drilling and completion rigs shall be immediately removed after such work is completed.

C. Drainage:

Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

D. Surface / Property damage:

(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 damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 5, 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 Wells construction and Operator will repair or replace such items after consultation with the Owner within 15 days of occurrence.

E. Operations/cleanliness:

(i) 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. Additionally, the well sites shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production.

F. Fencing:

(i) During drilling operations, the well sites and any pits shall be fenced if requested by Owner. Operator will also install cattle guards and/or gates where reasonably necessary.

G. Sound Walls/ Visual screen:

(i) Operator will provide engineered noise abatement sound walls to comply with COGCC requirements when appropriate or as needed.

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 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 consequential damages.

8. **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.

9. **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 the COGCC.

10. **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.

11. **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 (optional) 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(s):
Hester Farms, Inc.
c/o Jeanie Dover
12246 WCR 76
Eaton, CO 80615
Phone: (970) 686-9696

Operator:
Bayswater Exploration & Production, LLC
730 17th St. Ste 610
Denver, CO 80202
Phone: (303) 893-2503
Attn: Mr. Mark Brown

12. **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.

13. **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 or Owner may record a memorandum of this Agreement in Weld County, Colorado.

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.

15. **TERMINATION**. This Agreement will terminate concurrently with the applicable oil and gas lease(s) as they relate to Operator(s) and/or its affiliates rights to explore, drill, and produce hydrocarbon from the Lands or lands pooled therewith.

16. **REASONABLE ACCOMMODATION**. Owner acknowledges the right to use of the surface estate of the Lands by Operator as herein described are expressly granted to Operator, its successor, and assigns; therefore Owner further acknowledges Operators use of the surface estate of the Lands as granted herein to Operator shall constitute "reasonable accommodation" by Operator, its successor, and assigns with respect to Colorado revised statute 34-60-127.

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.

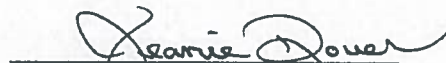
21. **SUCCESSORS**. This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, executors and assigns.


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

Operator:
Bayswater Exploration & Production, LLC


Mark Brown, Operations Manager

Owner (s):
Hester Farms, Inc.


Jeanie Dover


Brad Hester

Kenneth J. Hester, Sr.


Jeanie Dover - attorney-in-
fact for:
Kenneth J. Hester, Sr.

ACKNOWLEDGMENT

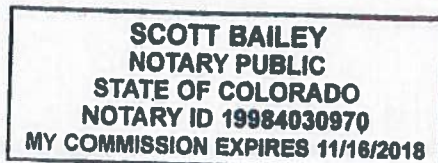
STATE OF COLORADO
COUNTY OF WELD

On this 20th day of APRIL, 2015, before me personally appeared JEANIE DOVER & BRAD HESTER, known to me to be the person(s) described in and who executed the within instrument and acknowledged to me that he/she executed the same.

WITNESS my hand and official seal.


Notary Public
Residing at: 399 W 4th AVE, SEVEN 80350

My Commission Expires: 11/16/2018



Hester Farms SDROW Twp7N, Rge66W, Sec31

ACKNOWLEDGMENT

STATE OF COLORADO
COUNTY OF WELD

On this 20th day of APRIL, 2015, before me personally appeared
BRAD HESTER, known to me to be the person(s)
described in and who executed the within instrument and acknowledged to me that he/she executed the
same.

WITNESS my hand and official seal.


Notary Public

Residing at: 399 W. 4th AVE, SEVERA, 80550

My Commission Expires: 11/16/2018

**SCOTT BAILEY
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19984030970
MY COMMISSION EXPIRES 11/16/2018**

ACKNOWLEDGMENT

STATE OF COLORADO
COUNTY OF WELD

On this 20th day of APRIL, 2015, before me personally appeared
JEANNE DUBIE AS AGENCY, TRUST FOR HESTER, SR., known to me to be the person(s) described
in and who executed the within instrument and acknowledged to me that he/she executed the same.

WITNESS my hand and official seal.


Notary Public

Residing at: 399 W. 4th AVE, SEVERA 80550

My Commission Expires: 11/16/2018

**SCOTT BAILEY
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19984030970
MY COMMISSION EXPIRES 11/16/2018**

ACKNOWLEDGMENT

STATE OF COLORADO
CITY AND
COUNTY DENVER

On this 13 day of May, 2015, personally appeared before me Mark E. Brown, who, being by me duly sworn, did say that he is the Operations Manager for Bayswater Exploration & Production and that said instrument was signed on behalf of said corporation by authority of a resolution of its Board of Directors and said Mark E. Brown acknowledged to me that said corporation executed the same.

Corella R Green
Notary Public

Residing at: 3100 Cherry Creek Dr. South #1207
Denver, CO 80209

My Commission Expires: 8-20-17

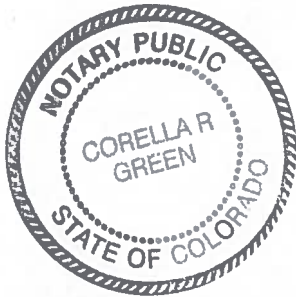


Exhibit A

to

Surface Damage and Release Agreement between Hester Farms Inc. and Bayswater Exploration & Production LLC.



NW QTR of SEC 31 7N66W shown for Exhibit A.

Township 7N, Range 66W, 6th P.M. Section 31: PT NW4 31 7 66 LOT B REC EXEMPT RE-4778. ALSO KNOWN BY STREET AND NUMBER AS 12246 COUNTY RD 76. EATON, COLORADO 80615. WELD COUNTY PARCEL #070731200067

ORANGE OUTLINE: LOT B KNOWN AS THE HESTER FARMS INC. PROPERTY AS DESCRIBED ABOVE

ORANGE AREA: OIL AND GAS OPERATIONS AREA PER THE SDRA

GREEN AREA: SURFACE FACILITIES

BLACK DASHED LINE: TRUCK ACCESS

BLUE OUTLINE: NW QTR OF SEC 31